SOURCES OF COMPETITIVE ADVANTAGE FOR EMERGING FAST GROWTH SMALL-TO-MEDIUM ENTERPRISES: THE ROLE OF BUSINESS ORIENTATION, MARKETING CAPABILITIES, CUSTOMER VALUE, AND FIRM PERFORMANCE

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A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy from the Royal Melbourne Institute of Technology
Statement of Authorship

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; and, any editorial work, paid or unpaid, carried out by a third party is acknowledged.

Caroline Tan Swee Lin
16 February 2007
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SUMMARY

This thesis examines the influence of market (Narver & Slater, 1990), learning (Sinkula, Baker, & Noordewier, 1997), and entrepreneurial orientation (Lumpkin & Dess, 2001) as sources of competitive advantage in rapidly growing small-to-medium enterprises (SMEs). It is taken that these three factors synergistically comprise an organization’s business orientation, enhancing marketing capabilities (Vorhies & Harker, 2000) and firm performance. A review of the pertinent literature indicates no studies investigating these concepts concurrently, and within the context of fast-growth firms (FGFs). According to Birch (1995), fast growth companies comprise 3% of all small firms. In Australia, these firms tend to be emerging enterprises, usually less than 10 years of age, and comprise approximately 10% of all SMEs, contributing substantially to national revenue (Gome, 2005). The present thesis incorporates two studies (Study 1 and Study 2), utilizing a sequential explanatory design, which is characterized by undertaking quantitative data collection and analysis, prior conducting qualitative research (Cresswell, 2003). Qualitative results are used to explain and interpret findings from the quantitative study and are useful when unexpected outcomes arise (Cresswell, 2003).

STUDY 1

Method

Participants
Participants are the 2003 Business Review Weekly (BRW) Fast 100 firms (Gome, 2003). The Fast 100, a compilation of Australia’s fastest growing private and public SMEs, is similar to Fortune’s FSB 100, North America’s fastest growing small companies. For the present study, Fast 100 firms achieved an average turnover growth of 61%, while the top two companies attained growth rates exceeding 500%. The growth rate for the company ranked 100 was 32.2%.

Instrument
Items of the Fast 100 questionnaire were derived from studies measuring market orientation (Narver & Slater, 1990), learning orientation (Sinkula et al., 1997), entrepreneurial orientation (Lumpkin & Dess, 2001), marketing capabilities, and firm performance (Vorhies & Harker, 2000). These constructs are measured on 7-point Likert scales ranging from Strongly Agree to Strongly Disagree. In addition to the six subjective measures of Vorhies and Harker (2000), Kohli and Jaworski (1993), and Vorhies (1998), one objective measure of performance was
incorporated in this study: average turnover over a period of three years, using the fourth year as a baseline. For each financial period (e.g., 1999-2000), average turnover was calculated using the formula: \[ \frac{\sum(\text{Turnover for each current year minus turnover previous year})}{\text{Turnover Current year}} \times 100/3].

**Procedure**

Participants are one hundred and sixty-seven self selected enterprises, having responded to invitations to partake in the *Business Review Weekly (BRW) Fast 100*. Questionnaires incorporating measures were mailed to owners/CEOs, in stamped, self-addressed envelopes. One hundred and thirty-one questionnaires were returned, generating a response rate of 78.4%. Of the 131 respondents, 88 comprise the final list for the 2003 *BRW Fast 100*.

**Statistical Procedure**

Data analyses proceeded via two principal stages using SPSS 12.0 and AMOS 5.0. First, data were tested for violations of statistical assumptions (e.g., multicollinearity, outliers, normality) and replacement of missing data. The statistical plan involved three main processes: Exploratory Factor Analysis, Confirmatory Factor Analysis, and path analysis. The latter has been used by previous researchers (Conduit & Mavondo, 2001) for decomposing effects into direct and indirect (causal) effects, and for eliminating non-causal effects. By identifying indirect effects, path analysis enabled the present investigator to provide a holistic view of relationships, and to test four main hypotheses.

**Results**

Quantitative findings emanating from a path analysis reveal that highly developed market, learning, and entrepreneurial-oriented cultures offer FGFs a means of competitive advantage. These firms exploit their flexibility in rapidly changing environments. Only two aspects of market orientation (i.e., customer orientation and interfunctional coordination), one learning orientation component (*shared vision*), and one component of entrepreneurial orientation (i.e. proactiveness) are significant predictors within the proposed model (Figure 1). Notwithstanding, the final model fits the data well as indicated by fit indices: \( \chi^2(18, n=131) = 18.11, p < 0.001, \chi^2/df=1.006, \text{AGFI}=0.935, \text{TLI}=0.999, \text{CFI}=0.999, \text{RMSEA}=0.007. \)

Findings also reveal that business orientations are significant antecedents to marketing capabilities. Accordingly, firms leverage advantages associated with a business orientation to
strengthen their marketing capabilities. While superior marketing capabilities are important drivers of performance, these capabilities also mediate relationships between business orientation and performance. Without such capabilities, it appears that firm market, entrepreneurial and learning orientations provide little value to attainment of desired performance objectives. Fast growth SMEs invest in maintaining sound relationships with distributors and developing superior products/services for positional advantages. However, only product/service development capabilities contribute significantly to firm performance. Although Relationship Capabilities are related positively with Shared Vision (learning orientation) and Proactiveness (entrepreneurial orientation), this marketing capability dimension displays nonsignificant relationships with performance measures. This finding suggests that even though FGF employees might have sound relationships with distributors/retailers, Relationship Capabilities are not a direct contributor to subjective measures of firm profitability, ROI, ROE, customer satisfaction, new product success, and overall marketing effectiveness, confirming that positional advantage does not necessarily lead to enhanced firm performance. In addition, marketing research, marketing management, marketing communications, and pricing are nonsignificant contributors within the context of the present hypothesized model.

![Figure 1. Final Path Model of Hypothesized Relationships](image-url)
STUDY 2

Study 2 involves a qualitative research design utilizing multiple case studies. According to Yin (1994), case studies are suitable for investigating how and why questions that seek to explain. A multiple case study approach can be employed as a way of following-up on survey-based investigations in order to examine prior work indepth and to validate empirical results (Voss, Tsikriktsis, & Frohlich, 2002). As well, case studies are suitable for describing, building, or testing theory (Eisenhardt, 1989).

METHOD

Participants

Twenty-one CEOs/founders of 18 Fast 100, 2003 and 2004 companies were interviewed (three companies were founded as partnerships and each partner was interviewed separately). Two companies were interviewed twice over a one-year period for longitudinal purposes. The general process for selecting interview participants was based on diversity along the following dimensions: industry (e.g., wholesale, personal & business services, retail), age of firms (e.g., 4 – 10 years), type of firm (public versus private firms; family versus nonfamily firms). Number of interviews was dictated by the progression of theory development, known as theoretical sampling, whereby a researcher concurrently collected, coded, analyzed interview data, then decided which participants to interview next, in order to develop theory as it emerged (Strauss & Corbin, 1998).

Instrument

For the purposes of the present thesis, an interview protocol was developed outlining interview guidelines relating to research questions identified in the literature review. The interview protocol formed the main form of data collection covering broad topic areas such as market, learning, and entrepreneurial orientations; marketing capabilities; customer value; and firm performance compared to competitors. These constructs were tentative and flexible, allowing new research themes to emerge for theory building purposes. As more participants were interviewed, certain themes started to surface. This information was incorporated in subsequent interviews to look for emerging patterns.

Procedure

Tape recorded semi-structured interviews of approximately three-hour durations provided informants with an opportunity to relay relevant stories. Interviews were transcribed by the
present researcher. Analysis began with data coding, within-case analysis, cross-case analysis, and culminated in building causal network models (Miles & Huberman, 1994). This qualitative component employing deductive and inductive analysis provided further evidence to the validity and reliability of the first phase (Study 1), consolidating the conceptual framework developed based on the literature review and empirical evidence derived from interviews with CEOs (Cresswell, 2003). For this thesis, only four case studies and associated causal network models are presented.

Results
Based on an inductive analysis of case studies, qualitative findings reveal four significant qualities specific to these organizations: Leadership/CEO characteristics, human resource practices, organizational culture, and organizational climate. These characteristics can be regarded as intangible resources associated with FGFs. These attributes appear to be significant antecedents to business orientation, marketing capabilities, customer value, and firm performance. Customer value (Woodruff, 1997) features prominently (Figure 2). Value-driven companies spend sufficient time with customers so that they have a fundamental understanding of their customers' businesses, their current, and latent needs. Dependency of dynamic customer value perceptions might also be associated with certain industries (e.g., service firms) as business owners/employees of these FGFs are interacting with clients on a daily basis. These growth-oriented organizations seek to understand which product features provide customer benefits and which ones are simply going to add to product costs, without providing customers additional reasons to buy. Findings demonstrate that some FGFs tend to identify key buying factors that customers value when choosing between their business and competitors, and how customers rate their performance versus competitors on key buying factors.

CEOs are a driving force behind their organizations. Being emergent provides firms with a number of advantages, particularly in terms of facilitating robust organizational cultures. FGFs seem to operate in high performance, politic-free, and innovative cultures. Moreover, employee centred leaders are concerned with sharing decision making and maintaining sound rapport with staff. Thus, FGF founders stress the importance of hiring personnel who contribute to strategic and creative processes that are innovative and proactive. Employees are selected on the basis of their qualities (e.g., content, level of enthusiasm, career drive, ability to solve problems, confront
issues, find solutions, and think). As well, staff are required to be passionate and demonstrate culture fit, versatility, professionalism, youthfulness, and a desire to learn.

Leaders of these organizations believe in providing stimulating work climates/environments to foster creative thinking and promote flexibility. Ensuring that employees are content is viewed as promoting results. Within FGFs, organizational climate appears to be open, supportive, relaxed, and fun. Sharing of information and freedom to act and make decisions is associated with opportunities for communication and dialog.

**Implications**

Eight major implications emanate from the present thesis:

- A model of competitive advantage for FGFs comprises specific elements of intangible resources, positional advantage, customer value, and firm performance;
- Intangible resources such as leadership, human resource practices/management, and organizational culture and climate are central to FGFs;
- For FGFs, leadership, human resource practices/management, and organizational culture and climate are interrelated antecedents to business orientation;
- The practice of marketing in FGFs is unique, with a focus on product/service development and branding;
- In FGFs, customer value perceptions are more relevant than competitor centered measures of competitive advantage;
- FGFs utilize multi-dimensional measurements of firm performance;
- Definition of the market orientation construct should be revisited; and
- Qualitative methods should be considered as an adjacent approach to the measurement of market and learning orientation.

As a case in point, competitive advantage is related to attaining an advantage over competitors in terms of resources and capabilities (Day & Wensley, 1988). FGFs, while acknowledging an awareness of their competitors, state that being better than competitors is not their focal point. These organizations aim to be the best in their field, setting their own standards in achieving their goals. Within this context, products/services are geared towards being beneficial to customers (Tan & Smyrnios, 2006b).
Figure 2. Composite Model Derived from Quantitative and Qualitative Data Analysis
Competitive advantage measured in isolation, or only in relation to competitors, provides limited information (Day & Wensley, 1988). Comparisons with competitors are also complicated because of information asymmetries: one does not hold full knowledge of the internal workings of competitors (Tan & Smyrnios, 2006b). Most firms cannot determine whether a firm is the lowest cost producer or whether they utilize the most technologically advanced machinery. One can only infer competitors’ strengths/weaknesses from industry talk, websites, and other indirect means (Tan & Smyrnios, 2006b).

Conclusion

In conclusion, findings of Study 1 point to several critical factors relating to the business performance of FGFs. In aggregate, little is known about interrelationships among integrative elements of market, learning, and entrepreneurial orientation, their effect on marketing capabilities, and subsequent impact of marketing capabilities on business performance. Yet, the present evidence suggests that these interrelationships serve to provide positional advantage to FGFs and are therefore, important to understand. Product/service development, in particular, appears to be a key mediator between market and entrepreneurial orientation, and firm performance. A central message based on this evidence is that possession of interfunctional coordination and proactiveness, in the absence of product/service development capabilities, is unlikely to lead to the achievement of performance targets. Given the importance of product/service development capabilities for firm performance, management needs to foster an organizational culture that embodies market, learning, and entrepreneurial orientations.

Study 2 extends the hypothesized model originating from Study 1. Leadership, human resource practices, and firm culture and climate are specific intangible resources that interact, forming complex interrelationships as sources of competitive advantage in FGFs. Taken together, these features are significant antecedents of business orientation, marketing capabilities, perceived customer value, and firm performance. This model is also nonrecursive: firm performance sends a signal to potential employees and customers, impacting human resource related issues such as staff motivation, rewards, and recruitment. Successful firms tend to attract highly talented employees because potential staff want to be associated with winning enterprises. Information generated and disseminated from the renewal process adds new knowledge to superior organizational resources, making the process nonrecursive. Perhaps, more importantly, Study 2 reveals that FGFs seem to have an uncanny ability to remain ahead, preventing competitors from
surreptitiously entering their markets. It might sound as a cliché, these organizations appear to possess a commitment to customer centricity for at least some period of time (Shah, Rust, Parasuraman, Staelin, & Day, 2006), retaining customers by developing new products which continue to serve current customers as they change what they value.
Publications, Conference Presentations, and Awards of the Candidate Originating from the Present Thesis

Refereed Conference Publications


Papers Under Journal Review

Professional Publications

Industry Report

Awards
Chapter 1
Introduction

This chapter begins by providing a description of the purpose and background, followed by the rationale to the present thesis. Research objectives and a summary of the methodology for Studies 1 and 2 are also described, concluding with an outline of the structure to this thesis.

Purpose

Within the context of a mixed methods design involving two interrelated studies, this thesis investigates market, entrepreneurial, and learning orientations as sources of competitive advantage (CA) in rapidly growing small-to-medium enterprises (SMEs). Despite an increasing interest in emerging fast-growth firms (FGFs), little empirical research has been conducted on this topic, particularly with regard to CA and marketing. Most researchers (Vyakarnam, Jacobs, & Handelberg, 1999) study FGFs from entrepreneurship, small business development, survival or failure, or venture capital perspectives (Buss, 2002).

Marketing literature documents the influence of market orientation (Deng & Dart, 1994; Kohli & Jaworski, 1990; Narver & Slater, 1990), learning orientation (Sinkula et al., 1997), and entrepreneurial orientation (Lumpkin & Dess, 1996; Lumpkin & Dess, 2001) on enterprise performance. These three factors can be regarded as comprising an organization’s business orientation, enhancing marketing capabilities and ultimately firm performance.

Almost 20 years ago, Day and Wensley (1988) suggested paradigms based on competitor-centred judgements to compare the value chain of firms versus their target competitors. The present thesis however, focuses on CEOs’ subjective views of marketing capabilities when compared with those of competitors as a proxy measure of positions of advantage. This research proposes that market orientation (MO), learning orientation (LO), and entrepreneurial orientation (EO) are synergistic sources of CA. This perspective is compatible with relatively recent marketing views focusing on intangible resources, a co-creation of value, and relationships (Vargo & Lusch, 2004). On the surface, these three orientations seem valuable, rare, inimitable, non-substitutable (Barney, 1991) and highly tacit (Dierickx & Cool, 1989). CA appears to evolve from repeated practice, past mistakes, and managerial experience (Teece, Pisano, & Shuen, 1997), and constitutes core competences (Prahalad & Hamel, 1990). Dierickx and Cool (1989) argued that
inputs such as culture which cannot be purchased have a potential to be significantly profit-related. As discussed in the Rationale section of this chapter, there are a number of important reasons for undertaking this series of studies. However, prior to reviewing these reasons, the following section provides an overview to the background of this thesis.

**Background**

Factors that propel companies to success have gained the attention of researchers (Beaver, 2003; Beaver & Jennings, 2005; Honig, 1998) and practitioners (Godin, 2003; Tracy, 2007). Despite an extensive body of literature on CA, a number of investigators debate the theoretical underpinnings and usefulness of the resource-based view (RBV) of the firm (Powell, 2001; Priem & Butler, 2001a, 2001b). Priem and Butler (2001b) criticized the RBV for its lack of value parameterization and general vagueness in its description of CA. Sources of value are identified with specific attributes such as inimitability and non-substitutability. However, within marketing literature, value is measured as it is perceived, experienced, and understood by customers (Srivastava, Fahey, & Christensen, 2001).

The present thesis utilizes a related theoretical perspective, that is, the Sources, Positions, and Performance model (Day & Wensley, 1988), which incorporates superior skills and resources (i.e., sources of advantage) to achieve strong market position by taking into consideration customer and competitor perspectives. While businesses (from a competitor viewpoint) use the value chain to measure CA by comparing themselves with their competitors, customers (from a consumer viewpoint), rate company products/services according to their attributes (Day & Nedungadi, 1994), consequently affecting firm performance. The identification of key success factors and the relative rate of skill and resource investments take the form of a feedback loop from performance outcomes to sources of advantage. A model proposed by Day and Wensley (1988) provides a benchmark for investigations in marketing (Hunt & Morgan, 1996), and the RBV in strategic management (Barney, 1991). The following sections highlight the rationale of the present thesis, identifying six reasons for undertaking this research.
Rationale

There are six main reasons for investigating relationships between MO, LO, EO, marketing capabilities, and firm performance. The first arises from research (e.g., Tzokas, Carter, & Kyriazopoulos, 2001) stressing that further studies need to be undertaken in areas of competencies, orientation, and performance of SMEs. Although Tzokas et al. (2001) indicated that marketing capabilities of manufacturing SMEs are influenced by MO and EO, a review of the literature shows that LO has not been investigated in relation to marketing capabilities, and could be equally beneficial to an hypothesized model of CA. For example, Baker and Sinkula (1999a) found that market-oriented processes are necessary, but not sufficient to maintain CA. Similarly, Hult and Ketchen Jr. (2001) demonstrated that while MO, LO, and EO do not make up CA independently, these resources collectively contribute towards the creation of a unique advantage. LO and MO are mutually dependent factors contributing significantly to superior performance (Farrell, 2000; Farrell & Oczkowski, 2002). Given the iterative nature of LO and MO, these two factors should not be measured in isolation. Accordingly, this thesis investigates the impact of LO on marketing capabilities and firm performance.

Second, Vorhies and Yarbrough (1998) advocated a need to investigate potential antecedents and consequences of marketing capabilities. A review of the literature indicates an absence of research examining relationships between business orientation, marketing capabilities and firm performance in FGFs. Strategic management literature reflects considerable interest on sources of CA in SMEs (O'Donnell, Gilmore, Carson, & Cummins, 2002) and large companies (Roy & Roy, 2004). Fast-growth enterprises are distinct from their slow-growth counterparts and larger mature successful firms (Brush, Greene, & Hart, 2001). Basic differences between small businesses and entrepreneurial firms concern their fundamental perspectives on innovation, growth, and business development (Beaver, 2002). Hult, Snow, and Kandemir (2003) noted differences across organizational types (i.e., large/young, large/old, small/young, and small/old) in the roles of entrepreneurship, innovativeness, MO, and organizational learning. These investigators found that small young firms compete by focusing either on balanced or selective approaches where all four cultural competitiveness elements, or when only one idiosyncratic dimension is highlighted. In contrast, large corporations perform by focusing on organizational learning. Nwankwo, Owusu-Frimpong, and Ekwulugo (2004) postulated that large businesses might be less able (compared to SMEs) to adopt a MO because of structural barriers and attendant inter-departmental conflicts that are inherent in big companies.
SMEs are complex, varied, and influenced by a range of factors (Loan-Clarke, Boocock, Smith, & Whittaker, 1999) which cannot be depicted by static models (Reid & Adams, 2001). However, these enterprises are often treated as a homogenous group. The Australian Bureau of Statistics (ABS, 2001) defines SMEs according to the number of workers they employ: small (less than 20 personnel) and medium (20 to 199 staff). Small enterprises are further classified into micro firms (those employing less than five workers). However, firms which operate with less than 10 employees operate differently compared to those hiring 150 staff, although both types of firms fall within the present SME definition. Thus, it is not unreasonable to propose that different aspects of a firm’s business orientation and marketing capabilities affect performance disparately.

Third, it is not uncommon for researchers to utilize multivariate analyses such as structural equation modeling and multiple regression techniques to test hypotheses, when investigating business orientation and performance. Quantitative procedures have culminated in mixed results owing to research designs and methodological idiosyncrasies. Other contributing factors include relatively low response rates, and tendencies to generalize conclusions based on evidence associated with single studies (Rauch, Wiklund, Frese, & Lumpkin, 2004). To overcome such shortcomings, the present thesis utilizes a mixed methods approach (Creswell, 2003; Creswell & Clark, 2007; Tashakkori & Teddlie, 2003) incorporating Study 1: quantitative (broad numeric trends) and Study 2: qualitative (case studies) procedures. Case study research provides investigators with opportunities to explore concepts derived from real world data and to develop propositions and theory (Gummesson, 2005). For the present thesis, the case study method includes both deductive and inductive strategies enabling corroboration (and refutation) and extension of findings emanating from Study 1.

Fourth, strategic marketing and strategic management research on firm performance usually occurs in the framework of a single industry (Douglas & Ryman, 2003), with an emphasis on manufacturing firms (Mavondo, 1999). Such findings tend to lack generalizability to SMEs (Conant, Smart, & Solano-Mendez, 1993). By way of contrast, this thesis examines firm performance across industries but, within the context of emerging fast-growth companies.

Fifth, mortality rates among newly formed firms are high (Timmons, 1999). Actual and potential customers have little justification to trusting start-up or relatively young companies that do not have adequate track records owing to their short operating history (Politis, 2005). One major
reason for failure can be attributed to inadequate funding and inefficient marketing (Storey, 1994). O’Gorman (2001) identified that sound financial investments by enterprises in marketing, building of distribution channels, and product research and development are critical factors that contribute to firm growth. Little is known however, about the marketing capabilities that fast-growth enterprises possess.

There appears to be a dearth of marketing literature on FGFs (Tan & Smyrnios, 2006a). Despite the importance of marketing to FGFs, only two studies (e.g., Hills & Hultman, 1999, Tan & Smyrnios, 2006a) have assessed extensively, the nature of marketing in these enterprises. Research, so far, has concentrated primarily on large organizations (Vorhies & Morgan, 2005), and SMEs in general (Siu & Kirby, 1998). This line of enquiry has focused on specific marketing efforts, such as network marketing (O'Discroll, Carson, & Gilmore, 2000), marketing planning (Hill & McGowan, 1999a), relationship marketing (Zontanos & Anderson, 2004) and word-of-mouth (WOM) marketing (Stokes & Lomax, 2002) in SMEs. Almost 15 years ago, Hills and LaForge (1992) called for investigations to incorporate firms with different characteristics to examine disparities in marketing relationships for new as opposed to existing ventures, in order to integrate marketing and entrepreneurship literature (Herrmann & Perreault, 2000). To fully understand SMEs and entrepreneurship, researchers need to take into consideration related variables (e.g., economies of scale, resource constraints) (Hills, 1999). This investigation attempts to contribute to filling this breach.

Finally, Rouse and Daellenbach (2002, p. 963) postulated that there is a need to contrast systematically high performer with other firms following similar strategies with less success so that the research most clearly distinguishes those firms with the potential for resource-based competitive advantage(s) from those without such potential. Most large sample-based research tends to report average performance (Carmeli & Tishler, 2004b) based on secondary data (Morrow Jr., Sirmon, Hitt, & Holcomb, 2007). The RBV argues that researchers should look inside organizations and regard what managers do as relevant to organizational outcomes. High performing firms should be one such focus of research.
Research Objectives

This thesis integrates relevant conceptualizations derived from three research streams that, traditionally, have progressed independently of each other, namely: entrepreneurship (firm growth), strategic management (CA), and marketing (customer value). Thus, an overriding objective of this thesis is to integrate variables from these fields in order to develop and to test a model of CA on Australian fast-growing SMEs.

As noted earlier, Study 1, a quantitative investigation, aims to:

1. investigate the extent to which MO, LO, and EO contribute towards CA;
2. examine relationships between business orientation and marketing capability development; and
3. identify those marketing capabilities that influence firm performance.

Study 2, a case study approach, aims to:

1. determine the role of customer value in FGFs; and
2. identify other pertinent factors contributing towards firm performance.

This thesis utilizes mixed methods incorporating both qualitative and quantitative approaches (Cresswell, 2003). A sequential explanatory design is employed, commencing with quantitative data collection and analysis, leading to qualitative data procedures in order to build upon and extend findings derived from Study 1 (Morse, 1991). Study 2 also provides for an in-depth understanding of relationships between business orientation, marketing capabilities, and firm performance. Detailed descriptions of Study 1 and Study 2 methodologies are presented in Chapters 3 and 4, respectively.

Thesis Structure

This section outlines the structure of this thesis. Chapter 2 provides an extensive literature review, leading to the development of a conceptual model of FGFs based on theoretical conceptualizations of CA (e.g., RBV, customer value based view). An analysis of business orientation as sources of CA is presented, with a discussion of variables comprising an hypothesized model involving firm performance, marketing capabilities, MO, LO, and EO.
Chapter 3 reports Study 1. This chapter begins with a discussion of relevant methodological and research paradigms employed in this thesis. Justification is provided for the application of a dialectical framework incorporating mixed method designs underpinning this research, followed by a description of participants, and data collection procedures. Measures adopted to assess constructs comprising the present hypothesized model, statistical procedures, and validity and reliability of research instruments are described. Data screening processes, results arising from exploratory factor analyses (EFA) and confirmatory factor analyses (CFA) on latent variables, and tests of hypothesized relationships using path analysis, are presented. This chapter concludes with a discussion of findings in relation to research in the area, limitations associated with this investigation, and recommendations for future research.

Chapter 4 comprises Study 2, which utilizes a case study methodology. This chapter begins with a brief introduction, then details the current methodology, describing the present case study research design including participants, instruments, and criteria for evaluating validity and reliability of case study research data collection procedures. Chapter 4 concludes with an evaluation of qualitative data analysis procedures, incorporating within-case analyses, cross-case analysis, and causal network modeling.

Chapter 5 focuses on a within-case analysis of four companies: Dixon Appointments, MOR Cosmetics, Sitepoint, and Smart Advertising. Respectively, these cases were ranked 96 (2003), 4 (2004), 50 (2004), and 66 (2004). Each case comprises an in-depth review of the respective firm’s business orientation, marketing capabilities, customer value, and firm performance. Findings derived from deductive and inductive analyses culminate in the development of causal network models for each company.

Chapter 6 addresses five research questions, in relation to current literature on this topic, examining the how, what, and why of findings arising from Study 1. The inductive nature of qualitative research enabled the present researcher to extend the hypothesized model tested in Study 1, and to propose theoretical conceptualizations associated with CA in FGFs. Four individual within-case networks are compared in order to identify similarities and differences across cases. An analysis of these cases identified relationships replicated across entities. However, other firm characteristics could not be generalized to fit broader theory. This chapter
concludes with a discussion of limitations associated with this type of methodology. Implications for future research are outlined.

Chapter 7, the Conclusion, draws together key aspects of Studies 1 and 2, reviewing the original research problem and related research questions. This chapter also presents implications for theory and practice, recommending a broad-based conceptual model of CA, the conceptualization of which extends that proposed in Study 1.
Chapter 2

Literature Review

Overview
As noted in the previous chapter, this thesis integrates relevant conceptualizations derived from three research streams that, traditionally, have progressed independently of each other: entrepreneurship (firm growth), strategic management (competitive advantage) and marketing (customer value). An objective of this research is to link variables from these disparate fields in order to develop and test a model which provides an understanding of firm performance in Australian fast-growth small-to-medium enterprises (SMEs). This study investigates ways in which emerging fast-growth SMEs attain competitive advantage (CA), specifically focusing on market, entrepreneurial, and learning orientations. These three factors can be viewed as sources of CA comprising organizations’ business orientation, enhancing marketing capabilities, customer value, and ultimately, firm performance.

The present chapter begins with a review of pertinent literature on fast-growth firms (FGFs), followed by analyses of theoretical conceptualizations of the CA framework underlying this thesis. Next, a review of business orientation as sources of CA is presented, with a discussion of variables comprising an hypothesized model involving market orientation (MO), learning orientation (LO), entrepreneurial orientation (EO), firm performance, and marketing capabilities. This model forms the basis of testable research hypotheses. Finally, this chapter concludes with a discussion of variables investigated.

Fast-growth Firms
Organizational growth research has attracted considerable attention (Delmar, Davidsson, & Gartner, 2003) and can be regarded as a series of lifecycle phases/stages of development through which businesses pass or fail to pass. As a case in point, over 20 years ago, Churchill and Lewis (1983) proposed a 5-stage model of small business growth: existence, survival, success, take off, and resource maturity. Organizational factors (financial, personnel, systems, and business resources) change in importance as businesses grow and develop. According to Greiner (1998), young and small organizations in high growth industries (e.g., biotechnology, information and communication technology) seem to experience higher exponential growth compared to low growth industries (e.g., manufacturing). However, enterprises that experience high growth do not develop continuously, undergo uneven growth trajectories, that is, highs and lows, downturns,
and recoveries (OECD, 2002). Notwithstanding, fast growth can be regarded as an indicator of market acceptance and firm success (Timmons, 1998), stimulating national employment growth and contributing favorably to global economies (Birch, 1995). In France, Italy, Netherlands, and Greece, 50%-60% of employment gains have been attributed to high growth firms (OECD, 2002). Furthermore, firms that manage fast growth successfully are viewed as valuable community resources (OECD, 2002).

Sexton, Upton, Wacholtz, and McDougall (1997, p. 2) compared the economic contributions of fast growth firms (FGFs) to gazelles: that is, companies that achieve a minimum of 20 percent annual compound sales growth over a five-year period (Birch, 1987). Gazelles are a type of antelope that is one of the fastest animals on earth and are capable of sustaining high speeds for extended periods of time (Lesonsky, 2007). According to Birch (1995), gazelles comprise three percent of all small companies. In Australia, FGFs comprise approximately ten percent of all SMEs, contributing substantially to national revenue (Gome, 2003). Similar proportions are reported for Europe and North America (OECD, 2002). Recently, Lesonsky (2007) identified FGFs as generation gazelles 2.0 (p. 19). In the US, these organizations comprise two percent of businesses that generate on average 80 to 90 percent of employment growth. Gazelles 2.0 are also industry innovators... generate far more revenue per employee...and found in every industry (p. 19).

There is no commonly accepted definition for the term fast-growth. Yet, the descriptions fast, high, and rapid-growth are used interchangeably (e.g., Fischer et al., 1997). Cooney and Malinen (2004) regarded fast and high growth as essentially different as fast growth implies rapidity of growth as opposed to high growth which refers to the quantum of growth. Nevertheless, a review of the literature indicates that even though researchers treat the various adjectives that define growth differently, they are in fact describing a similar phenomenon, that is, exceptional sales turnover (more than 20%) and/or employment growth (more than 80%) over a period of at least three years.

For example, in terms of annual sales turnover, Nicholls-Nixon (2005) considered firms to be high-growing when these enterprises experience an annual sale expansion of 20% or more over a four-year period. Autio, Arenius, and Wallenius (2000) referred to gazelles as firms increasing sales by at least 50% for three consecutive years. Others (e.g., Barringer & Jones, 2002;
Barringer, Jones, & Neubaum, 2005) take it a step further, by classifying rapid growth companies as those with three-year compound annual growth rates of 80% or higher.

An alternative definition was proposed by Hoy, McDougall, and D'Souza (1992) who contended that changes in employment levels is the most acceptable method of measuring growth, as such data can be easily gathered, determined, categorized, and are unaffected by inflationary adjustments. Similarly, Barkham, Hanvey, and Hart (1995) characterized FGFs enterprises experiencing an employment growth of more than 100%. However, increasing levels of employment do not necessarily imply that firms are financially successful.

Delmar et al. (2003) proffered high-growth firms (HGFs) in a more holistic manner by classifying these enterprises within the top 10% of all firms, when their annual average is within one or more of six categories: absolute total employment, organic employment, and sales growth; and relative percentage of total employment, organic employment and sales growth. Upton, Teal and Felan (2001, p. 61) defined FGFs as **those willing to take risks, to be innovative, and to initiate competitive actions**, without making any reference to growth rates. This definition is identical to that of entrepreneurially oriented organizations (e.g., Covin & Slevin, 1989). Notwithstanding, fast growth is confined primarily to young, small firms that can develop significantly in terms of percentage change across one or more dimensions because their size at the outset is small (Storey, 1996). For the purposes of this thesis, these enterprises are referred to as fast-growth/fast-growing firms. The following section is an examination of the literature on FGFs, and includes a review of entrepreneur/founder characteristics, management and marketing practices, and resources used in these organizations.

**Entrepreneur/Founder Characteristics**

Entrepreneurs and owner/managers often operate in different worlds when compared to their larger counterparts (Beaver, 2002). Researchers (Feindt, Jeffcoate, & Chappell, 2002; Johnson & Bishop, 2002) indicated that founders play a crucial role in the overall performance of fast-growth companies. In most instances, business creators are also managing directors/CEOs whose talents and ambitions are key success factors (OECD, 2002). This sub-set of business owners are considered the crème de la crème (Lesonsky, 2007). Barkham et al. (1995), in compiling a list of characteristics associated with fast growth company entrepreneurs, identified that they tend to be young, successful, owners of multiple firms (in fact, those who had several companies performed
better), members of professional organizations, and the presence and influence of others led to accelerated growth. In attempting to separate entrepreneurial attributes from the characteristics of firms, Cooney and Malinen (2004, p. 10) opined that profiles of firms reflect decisions made by entrepreneurs, elaborating, how can we separate the dancer from the dance?

Packham (2002) pointed out that personal and managerial preferences of entrepreneurs can also act as significant barriers to sustained growth. Despite this characteristic, intentions to expand and vision of a desired future state are common amongst FGF entrepreneurs and top managers (Fischer, Reuber, Hababou, Johnson, & Lee, 1997). However, growth is not merely a matter of personal ambition, as a certain amount of start-up capital, basic qualifications, and human capital resources, including that of founders are necessary inputs (Brüderl & Preisendörfer, 2000). Similarly, Barringer et al. (2005) discovered that FGF founders differ from their slow-growth counterparts in terms of college education, and prior industry and personal experiences (when entrepreneurs recalled the sacrifices made to start a business, or when the life experiences of founders spurred them to become entrepreneurs). These researchers identified that 76% of FGFs in their sample (versus 24% for slow-growth firms) had prior experience in closely related industries, and this experience was crucial in providing founders with critical knowledge and advantage including access to a network of contacts needed to overcome such liabilities as their newness and to build growth oriented businesses. Reports also indicated that FGF owners regularly consult coaches and peer networks for advice, support, and direction (Fischer & Reuber, 2003). However, while prior managerial and entrepreneurial experience positively influenced economic performance, its impact on survival is nonsignificant (Gimeno, Folta, Cooper, & Woo, 1997).

CEOs play leadership roles in their firms besides being entrepreneurs(founders. Fischer and Reuber (2003) found that FGFs require leaders: firms who have been there and done that (p. 355). Leadership styles that allow employees the freedom to expand boundaries and provide a share in financial gains are necessary to create an environment for innovation and exploration (Nicholls-Nixon, 2005).

Current models of venture growth assume that leaders and top management teams can predict directions of growth and control complexities that are created as firms grow (Nicholls-Nixon, 2005). This investigator identified that leaders of FGFs are responsible for creating a vision,
hiring the most appropriate people, and building the best infrastructure that encourages innovation and exploration. Similarly, Tan and Smyrnios (2005c) found that firm leadership appears to be a starting point guiding organizational direction. A firm’s proclivity towards a particular business orientation is dependent on leadership. For example, when leaders value their customers, learning, and innovativeness, these values will be reflected throughout the organization.

Thirteen years ago, Storey (1994) presented a theoretical framework of factors that governed rapidly growing firms. Storey highlighted three broad components: starting resources of founders/entrepreneurs (15 elements: management experience, number of founders, prior self-employment, unemployment push, motivation, education, family history, functional skills, training, age, prior business failure, prior sector experience, prior firm size experience, social/ethnic marginality, and gender); strategic orientation (14 characteristics: workforce training, management training, external equity, market positioning, market adjustments, planning, new products, management recruitment, state support, customer concentration, competition, information, advice, exporting, and technological sophistication); and firm characteristics (such as firm age, sector, location, legal form, size and ownership). Storey (1994) observed that despite the limited individual resources of entrepreneurs, four strategy elements seem to be important: external equity, market positioning, new product introduction, and management recruitment, characteristics which are management and marketing related. The following section is a discussion of management and marketing practices undertaken by FGFs.

Management Practices
Management practices that facilitate rapid growth for larger, mature firms are somewhat different from those of emerging FGFs (Barringer, Jones, & Lewis, 1998). For example, human resource management (HRM) practices in FGFs differ from those of slow-growth enterprises in terms of training, employee development, financial incentives, and availability of stock options (Barringer et al., 2005). These observations are elaborated below.

FGFs seem to go to lengths to engage the best personnel by employing novel methods of recruitment (Tan & Smyrnios, 2005b). However, qualified new personnel with specialized skills is a scarce resource (Fischer et al., 1997). Tonge, Larsen, and Ito (1998) noted that it is difficult for medium-sized FGFs to attract and recruit highly eligible employees when compared to large
firms. Thus, it is not surprising that founders rely heavily on the abilities and efforts of employees to maintain growth oriented strategies, and motivate staff by sharing in the decision making and internal communication (OECD, 2002). High quality employees are attracted and retained by making them feel that they are a crucial part of the firm (Barringer et al., 2005). Moreover, employee training is focused on knowledge accumulation and learning, and geared towards advancements. These firms devote a sizeable amount of their resources to ongoing training of their top staff. Initial processes of recruitment and training also include teaching employees the company’s time frame and rewards associated with it (Fischer et al., 1997).

Notwithstanding, employee experimentation is part of FGF culture. Tan and Smyrnios (2005b) advocated that leaders possess an it’s ok to make mistakes proclivity. In rapidly changing business environments, firms are required to create infrastructures that enable them to tap into the knowledge that is dispersed throughout the enterprise. Therefore, there is open sharing of information, emphasizing regular meetings to bring people together and update them on firm activities. More importantly, relationships between employees and organizations are critical. Nicholls-Nixon (2005) identified FGFs as self organizing enterprises, expecting high demands from employees, and where leaders develop programs which ensure that staff are given opportunities to attend to personal matters. For example, it is not uncommon for CEOs to encourage employees to bill the company up to $1,000 per year for expenditures on fun activities (Nicholls-Nixon, 2005).

Instilling a sense of enjoyment in the workplace is also viewed as a means of defusing organizational politics (Nicholls-Nixon, 2005) and encouraging a willingness to engage in informal, voluntary, and cooperative interactions, which are the basics for self-organizing behavior (Nicholls-Nixon, 2005). Employing staff whose values and mindsets are similar to those of an organization’s is considered more relevant than mere qualifications (Nicholls-Nixon, 2005). Employees whose current views and future visions differ from those of their firms are often sacked (Fischer et al., 1997). Consequently, the recruitment of appropriate staff that fit in with the firm’s culture is a very challenging task (Tan & Smyrnios, 2005b).

Nicholls-Nixon (2005) postulated five management practices that are built on the concept of self-organization to assist FGFs cope with continuous and unpredictable change: business logic, capturing and sharing meaningful information, building relationships, managing organizational
politics, and leadership styles. Business logic includes the need to communicate a clear vision of a company’s direction, establish a shared sense of value, and create milestones/objectives that aid in employees’ understanding of how their roles fit in with firm ambitions (Nicholls-Nixon, 2005).

In general, FGFs strive to achieve a balance between financial results, long-term performance capabilities, and building and enhancing customer relationships (Tonge et al., 1998). Best performing companies are those which are most active in developing products/services for existing clientele, searching for new markets, broadening customer base, and managing product portfolios, besides taking steps to make their products/services as competitive as possible. The majority, if not all, FGFs identify and respond to new market opportunities, compared to about half of other surviving firms (Smallbone, Leigh, & North, 1995). FGFs are also market-oriented, cultivating strategies of differentiation which depend on close customer relationships and personalized contacts (OECD, 2002). Diligent efforts are made to comprehend customer needs to add unique value and buyer knowledge (Barringer & Jones, 2002). Similarly, customer focus, relationships, and satisfaction are accorded high priority.

Obviously there are companies that do not fit this blueprint. O’Regan, Ghobadian, and Gallear (2006), in contrast, found that manufacturing FGFs are sales, rather than innovation oriented. These companies seem to invest less in research and development compared to those with static or declining sales. Such manufacturing firms compete on price (versus product differentiation), placing importance on the ability to sell at a median price in the market. Perhaps operating in the manufacturing industry requires firms to price their products competitively.

Mondiano and Ni-chionna’s (1986) study of fast-growth medium enterprises in the electronics sector showed that successful companies are fast and flexible, avoid head-on competition, and create value for customers. Tan and Smyrnios (2005a), in their qualitative study on FGFs discovered that CEOs do not consider competitors as the focal point of their operations…contrary to what a lot of people think in business, we don’t know much about our competitors (Tan & Smyrnios, 2005c).
Marketing in Fast-Growth Enterprises

There are a number of critical factors contributing to growth, including a propensity to invest in future-oriented expenses such as marketing, building of distribution channels, and product research and development (O'Gorman, 2001). However, as new firms are relatively unknown entities, customers tend to be unaware of the quality of products/services enterprises offer (Reuber & Fischer, 2005). According to these investigators, reputation signaling is one method used by organizations to position themselves in the marketplace. Customers are crucial signals for FGFs to differentiate their offerings across various competitive contexts, signaling reputation via customers. For example, CEOs note three types of track record signals: word-of-mouth, product service demonstrations, and formal testimonials. When peers are regarded as trustworthy and credible, existing customers function as opinion leaders. Similarly, when clients show completed work to prospective customers, they provide a track record signal in the form of product demonstration. The third and most common way to signal track records is to ask for formal, written testimonials on promotional materials (Reuber & Fischer, 2005). When compared with word-of-mouth referrals, testimonials can span a wider audience and provide new firms with greater control over their content.

Another aspect that contrasts FGFs with slow-growth SMEs is a proclivity to export. Growth and exports are often linked because these enterprises tend to operate in international markets. Exporting appears to be a precondition of growth (OECD, 2002). Interestingly, only four percent of all Australian businesses export, which is well below most OECD countries (Austrade, 2002). Not surprisingly, the range and intensity of business networks are also markedly higher in firms that grow rapidly (Zhao & Aram, 1995). Networks are important to FGFs who seek inter-organizational relationships to achieve multiple objectives. For example, CEOs of FGFs co-opt a portion of their resource needs from their partners to speed growth trajectories (Barringer et al., 2005).

Notwithstanding, FGFs are not without problems as dealing with managerial issues that relate to people, finance, processes, and resources. People related issues originate from observations that these firms double/triple in size very quickly. The influx of new employees can cause stress levels of all employees to increase, and skill shortages of new workers can have an adverse impact on firms (Terpstra & Olson, 1993). It is not uncommon for FGFs to be concerned with additional space, equipment, and mechanisms to train, educate, monitor, control, and coordinate a
new taskforce (Markman & Gartner, 2002). Securing adequate finance for planning and growth can be added challenges (Todd & Taylor, 1993).

**Resources in Fast-Growth Firms**

Fischer, Reuber, and Carter (1999) questioned whether FGFs are a distinct phenomenon caused by some unique identifiable variables, or are merely firms that, through a combination of factors such as good timing, initial resources, and a growing market, reach the high end of performance distribution. However, Tonge et al. (1998) pointed out that FGFs also exist in declining industries, refuting the conventional wisdom that growth is only achieved in attractive industries. The probability of fast growth also seems to be independent of market concentration, dynamics, and type of competition (Brüderl & Preisendörfer, 2000). Moreover, fast growth is not a random or chance event, but multidimensional in nature (Delmar et al., 2003), associated with specific firm attributes such as behaviors, strategies, and decisions (Barringer et al., 2005). Few firms merely followed market trends, as in most cases pursue active strategies (regarding products and markets) which are deemed necessary to achieve the desired growth over an extended period (Smallbone et al., 1995).

Brush, Greene, and Hart (2001) posited that resources of innovative and growth-oriented enterprises are different from those of slow-growth niche firms. During the early stages of formation, identification and acquisition of resources are more crucial to new ventures than the deployment and allocation of activities for long term success (Brush & Greene, 1996). Studies (Brush & Chaganti, 1998) revealed that firms of varying sizes and age are characterized by resource combinations, and as new enterprises grow, it is necessary to develop these resources (Penrose, 1959) to meet changes in market strategy (Chandler & Hanks, 1994). When Lichtenstein and Brush (2001) investigated salient resources in young firms, these investigators found that FGFs were more concerned with soft or intangible resources such as knowledge, reputation, service delivery, alliance relationships, a strong business base, and employees. Certain resources are more important depending on firm goals. Similarly, differences between entrepreneurial growth firms and small businesses are determined by decisions of owners on how they start and operate their firms. Ambitions, organizational/managerial ability, and willingness to take risks are more important for subsequent stages of development. Activities such as strategic planning and research are undertaken later rather than at the initial stages of formation (Bhide, 2000). Therefore, it is not unreasonable to postulate that market, learning and EO are
intangible resources that will lead to positions of advantage, superior customer value, and firm performance, which is essentially the heart of CA literature. The theoretical framework for CA is discussed below.

**Competitive Advantage: Theoretical Frameworks**

There are two dominant perspectives of CA, namely, the structural/positioning approach (Porter, 1980, 1985), conceptualized as market-based (Makhija, 2003), and the resource-based view (RBV) of the firm (Barney, Wright, & Ketchen Jr., 2001; Barney, 1991; Wernerfelt, 1984). Four related frameworks have emerged from the RBV perspective, including the competence-based position (Prahalad & Hamel, 1990); dynamic capability view (DCV) of the firm (Teece et al., 1997); capability view of the firm (Day & Wensley, 1988) as defined by Vorhies and Harker (2000); and resource-advantage (RA) theory (Hunt & Morgan, 1995). Conceptualizations involving capability and competence have not only been used interchangeably (Bogner, Thomas, & McGee, 1999), but have also led to these distinct constructs being *badly blurred in practice* (Barney, 1997, p. 144). The following section discusses the two dominant perspectives.

The structural approach has been criticized by RBV theorists (Peteraf, 1993) who argued that competitive positioning is ineffective unless firms attain resources and capabilities that are Valuable, Rare, Inimitable, and Non-substitutable (Barney, 1991). Capabilities basically refer to the means to exploit and combine these resources (Amit & Schoemaker, 1993). Barney (1991) categorized firm resources into physical (e.g., physical technology, plant and equipment, geographic location), human (e.g., experience and knowledge of individuals associated with a firm such as sales personnel), and organizational capital (e.g., history, relationships, trust, and organizational culture). Later, Barney (1995) added one more resource category, financial capital (e.g., debt, equity, and retained earnings). In addition to these well-known categorizations, scholars (e.g. Amit & Schoemaker, 1993) have suggested different or extended resource type definitions. Alvarez and Busenitz (2001) posited that a new category of entrepreneurial resources should also be added to the list. Entrepreneurial abilities refer to *the capacity to identify, develop, and complete new combinations of existing asset bundles or new asset configurations* (Godfrey & Gregersen, 1999, p. 41).

Resources comprise tangible and intangible assets. Tangible assets refer to fixed and current assets owned or controlled firms. Examples include land, bank deposits, and other capital goods.
These assets are generally easy to measure (Hall, 1989), and are relatively imitable and substitutable. Intangible assets refer to all items that do not appear in material reports (balance sheets), and include intellectual property such as trademarks, patents, and brand networks which are relatively resistant to duplication effort.

The present thesis adopts the view that resources alone do not constitute CA. Kay (1993) identified that resources become a source of CA when applied to industries or brought to market. Williams (1992) described management as specifically one of converting resources into something of value to customers, which involves identifying, developing, protecting and deploying a firm’s resource base (Amit & Schoemaker, 1993). In contrast, researchers (Fahy, 2000; Fahy & Smithee, 1999; Khalifa, 2004; Slater, 1996) noted that value to customers is imperative to attaining CA, and is an antecedent to superior firm performance (Slater, 1997; Tan & Smyrnios, 2003). For example, Barney (1991) exerted that for resources to be potential sources of CA, they must be valuable or lead to value. Barney (2001, p. 645) also added that the value of the firm’s resources and capabilities is determined by the market context within which the firm is operating. Despite an increase in literature devoted to advancing the RBV conceptually and empirically, advocates (Barney, 1997, 2001) and critics (Priem & Butler, 2001a) pointed out that a number of issues require further theoretical and empirical attention (Srivastava et al., 2001), including how resources are applied to create customer value and manage marketplace uncertainty.

Priem and Butler (2001b) criticized the RBV for its lack of parameterization of value and the general vagueness of its description of CA. Sources of value are associated with specific attributes such as inimitability and nonsubstitutability. Within the marketing literature, customer value is perceived, experienced, and understood by customers (Srivastava et al., 2001). Also, while value is identified post hoc within the RBV, marketing professes to identify value ex ante, emphasizing identifying customer needs. Market demand dictates the transformation of firm resources into products/services that customers can view, experience, and decide whether to purchase or otherwise. Firms attain a customer-based advantage when buyers prefer and choose its offering as opposed to that of competitors (Srivastava et al., 2001). According to Srivastava et al. (2001, p. 791), customer value almost always stems from a combination of market-based assets and capabilities, extraordinary care must be exercised in designating the relevant rare 'resource'.
Day and Wensley (1988) proposed a framework to clarify the nature of CA. These researchers separated their model into 3 distinct outcomes: Sources, Positions, and Performance (SPP). Possessing superior skills and resources (i.e., sources of advantage) lead to positions of advantage which take into consideration customer and competitor perspectives. Competitor centered judgments compare the value chains of firms versus those of target competitors. Customer focused viewpoints, in contrast, are measured by comparing the customer’s attribute ratings of a firm with those of its competitors (Day & Nedungadi, 1994). In short, the viewpoints of both customers and competitors are essentially positional advantages (Day & Wensley, 1988). Consequently, performance is affected (customer satisfaction, loyalty, market share, and profitability). The identification of key success factors and the relative rate of investment in skills and resources form a feedback loop that links performance outcomes to sources of advantage. Day and Wensley’s (1988) model has become a benchmark for later publications in marketing (Hunt & Morgan, 1996; Hunt & Morgan, 1995), and the RBV in strategic management (Barney, 1991).

Subsequently, Hunt and Morgan (1995) developed the RA theory which does not explain performance differentials between firms, but a model of competition in which performance between firms are explained in terms of comparative advantage. This model combines elements of Day and Wensley’s (1988) and Dickson’s (1996) dynamic disequilibrium paradigm. While Day and Wensley (1988) categorized sources of advantage into skills (distinct capabilities of personnel), and resources (tangible requirements for advantage), Hunt and Morgan incorporated financial, physical, legal, human, organizational, informational, and relational resources as potential sources of CA. Competition is determined by five environmental factors: societal resources which firms draw upon, societal institutions that frame the rules of the game, actions of competitors, consumer behavior, and public policy decisions (Hunt & Morgan, 1996). Hunt and Morgan’s (1995) conceptualization differed from Day and Wensley’s (1988) in that the environment influences performance outcomes which are measured only in terms of profits. Following a subsequent discussion with Dickson (1996), the later version of the RA model stressed the importance of learning (Hunt & Morgan, 1996). These researchers elaborated that firms are seen as learning through competition as a result of feedback mechanism represented by the arrow running back from financial performance and market position to resources (p. 108).


Customer Value

Building on Day and Wensley’s (1988) and Hunt and Morgan’s (1995) research, Woodruff (1997) postulated that superior performance is associated with firms that possess customer value based organizational cultures. Customer value can be defined as a customer’s perceived preference for and evaluation of those product attribute, attribute performances, and purposes in use situations (Woodruff, 1997, p. 142), categorizing customer value to be either a received or desired value. Received value is defined as what customers actually experience from specific product-customer interactions, and making value judgments based on this experience (Flint & Woodruff, 2001). Value judgments can often change, as incidents that draw customers to suppliers are likely to have an impact on the former judgment of the value received, be it negative or positive. However, relatively few companies consciously classify trigger events as perceived by their clientele, that drive changes in customer value and their value judgments (Flint & Woodruff, 2001). Any customer value change can prompt customers to seek, maintain, or move away from their existing relationships with suppliers (Flint, Woodruff, & Gardial, 2002).

The concept of value, however, is one of the most overused and misused concepts in social science and management literature (Leszinski & Marn, 1997) and is discussed in many areas of marketing, including relationship marketing, pricing, consumer behavior, total quality management, and strategy (de Chernatony, Harris, & Dall'Olmo Riley, 2000; Möller, 2006).

Slater and Narver (1994b, p. 22) stated that to create superior value for buyers continuously requires that a seller understands a buyer's entire value chain, not only as it is today but also as it evolves over time. Market-oriented firms understand their customers and their changing needs. Thus, innovation processes are organized around delivering customer value. Consistent with this perspective, Tan and Smyrnios (2003) asserted that CA should be measured in terms of customer value because customers ultimately buy the products/services. A customer value approach focuses on how people choose among competing suppliers (Gale, 1994). Both Gale (2000) and Burgess (2002) cited the 1997 work of PIMS Associates which demonstrated that successful businesses achieved a superior customer value position, and realize average profit margins on sales and ROI that are three times greater than their counterparts who are pushed into an inferior position. Consequently, superior performance is a result of providing superior customer value (Tan & Smyrnios, 2003). Firms which are customer value focused, and complemented by
appropriate resources and capabilities, are well suited to attract the necessary capital to expand the scale or scope of their activities (Slater, 1997).

As a case in point, to elaborate the customer value concept, a firm is able to create the most innovative products compared to their competitors (CA). However, for customers, innovative products need to be regarded as of value, in order to purchase the product, and ultimately contribute to the bottomline through increased sales (i.e., firm performance). For example, Procter and Gamble (P&G) developed non-greasy potato chips, and had the distribution networks and advertising for such a product. They also had substantial assets and skills to rely on. However, customers were primarily interested in taste, associating the product with artificiality and consequently, inferior taste. As a result, the product performed disappointingly (Aaker, 1989). Even though P&G acquired the skills and resources (CA) for making what they considered to be superior potato chips, their product did not result in high performance in terms of customer value. This case indicates that some firms might possess more advantages compared to their competitors, such as superior production systems, lower costs, or abilities to deliver superior customer service, but, in the final analysis, it is what customers regards as of value that is of overriding importance to firms (Coyne, 1986).

Ulaga and Eggert (2005) posited that value is relative to competition. Thus, delivering a better combination of intrinsic quality attributes for product/services can assist firms create CA. As customers are not homogenous, different customer segments possess disparate values within the same products. Woodruff (1997) put forward that customer value should be conceptualized as a means-end chain, with desired product attributes (first level), leading to the achievement of desired consequences in use situations (intermediate level), and fulfilment of customer goals and purposes (highest level). This author indicates that too much emphasis has been placed on product attributes, neglecting customer value delivery at higher levels of the means-end chain.

Flint and Woodruff (2001) proposed that customer value change is contingent upon customer tension (effective strength, and temporal dynamism) and customer environments (changing customer demands, competitor moves, and alterations in the macro environment). Their approach suggested a longer term perspective, in which customers have opportunities to evaluate the performance of products/services.
Based on the above line of reasoning, it appears that gaining CA by the provision of greater value to customers can lead to superior market-based (market share, customer satisfaction) and financial-based (profits, return on investment) performance (Bharadwaj, Varadarajan, & Fahy, 1993). Notwithstanding, views differ as to how researchers define what constitutes customer value and what customers actually value (Tan & Smyrnios, 2003).

A review of the literature (Combs & Ketchen, 1999) indicates that empirical research utilizing the source, position and performance (SPP) framework and/or a customer value based theory of the firm is scant. Most empirical research on CA focuses on large organizations (Auh & Menguc, 2006), employing the RBV framework (Lichtenstein & Brush, 2001; Michalisin, Karau, & Tangpong, 2004; Morgan, Vorhies, & Schlegelmilch, 2006) and dynamic capability view of the firm (Zott, 2003). The varying sizes and business cycles of firms are responsible for their disparities in terms of strategies, resources, and attitudes of their leaders (e.g. CEOs). As mentioned earlier, Lichtenstein and Brush (2001) noted that intangible resources, such as capabilities are more relevant to fast-growing organizations operating in dynamic environments. Reassessment, reflection, and discussion is an ongoing process for these firms. This thesis (Studies 1 and 2) builds on the conceptual works of Day and Wensley (1988), Woodruff (1997), and Tan and Smyrnios (2003), postulating that CA results in superior customer value, which determines firm performance. This perspective provides a framework within which to understand both the drivers and sources of CA in FGFs. Specifically, this thesis adopts the view that market, learning and EO are synergistic sources of CA. Reasons are elaborated below.

**Market, Learning and Entrepreneurial Orientation as Sources of Competitive Advantage**

Fleisher and Bensoussan (2003) stated that CA sources within firms are often multi-factorial in that sources cannot be attributed to one type of resource, suggesting interactions between different kinds of resources as drivers of CA. According to RBV principles (Menguc & Auh, 2006) and marketing literature (Narver & Slater, 1994), MO is considered to an organizational resource that combines the necessary properties to develop CA (Hunt & Morgan, 1995, p. 11). These investigators posited that:

> Market orientation can produce a comparative advantage only if it is rare among competitors. If all competitors adopt a market orientation and implement it equally well, then a comparative advantage accrues to none. A market orientation stresses the importance of using information about both customers and competitors in the
formulation of strategy. Therefore, the knowledge about one's competitors-their products, prices, and strategies, for example--gleaned from implementing a market orientation could potentially enable a firm to produce a market offering for some market segments more efficiently or effectively than one's competitors.

Market-oriented firms can be seen as firms knowledgeable of their respective markets (an intangible resource), which are able to turn this knowledge into customer value and adapt to changes in its markets (a higher-order learning capability). Enterprises are able to process market information effectively and efficiently. Slater and Narver (1995) explicitly link MO to customer value and learning, when they define MO as a learning culture that places the highest priority on the profitable creation and maintenance of superior customer value while considering the interests of other key stakeholders (Slater & Narver, 1995, p. 67). Despite an increasing body of evidence regarding the benefits of MO, there is a shift in the literature which argues that creating a MO is only a start (Slater & Narver, 1995, p. 63), indicating that MO, by itself, does not provide the total requisite ability to develop CA because of its focus on detecting rather than anticipating market trends.

Knowledge, derived from learning, is potentially the most productive resource of firms and can be a key source of CA (Grant, 1996). LO is valuable to firms and customers because it supports an understanding and fulfilment of customers' expressed and latent needs through new products, services, and determines how businesses should function (Sinkula, 1994). Enterprises are able to create product/services before customer needs become explicit and thus stay ahead of competitors (Slater, 2001). Dickson (1992) went as far as saying that learning is the only source of CA. Likewise, the RBV regards EO as a potential source of CA, as companies are characterized by their ability to proactively seek opportunities (Miles & Snow, 1978) and enter new markets (Lumpkin & Dess, 1996). It is believed that EO is a key source of firm competitive position and financial performance (Zahra, Ireland, & Hitt, 2000). Employees are required to be innovative, proactive, aggressively competitive, and undertake calculated risks, all of which are capabilities that need to be built and enhanced over time.

Notwithstanding, these business orientations need to culminate in superior customer value. Consistent with this view, Badovick and Beatty (1987) added that internal firm values can drive customer evaluation of enterprises. For instance, these authors proposed that personal combined
with shared organizational values (e.g., customer service, excellence, service quality, entrepreneurship), form an evoked set of role values (e.g., responsibility, honesty, competence, teamwork, innovation) to guide employee behavior and strategy implementation. These values are partially shaped by culture, society, and personality. Therefore, as mentioned earlier, CA sources can lead to positions of advantage (this thesis investigates positional marketing capabilities), and objective (sales turnover rates) and subjective performance measures: market-based (superior customer value, satisfaction, loyalty); and financial-based measures (profits, ROI, and ROE).

**Interactions between Business Orientations**

The interface between traditionally recognized organizational resources, such as LO and MO as one distinctive resource within the marketing discipline has gained interest among academics (Baker & Sinkula, 1999b; Hunt & Morgan, 1996). Similarly, market and EO are frequently investigated in entrepreneurship and marketing literatures (Atuahene-Gima & Ko, 2001). More recently, researchers incorporate all three business orientations into their hypothesized research models (Greenman, 2004; Hult, Hurley, & Knight, 2004).

In an examination of the effects of LO and MO on performance, Baker and Sinkula (1999b, p. 423) found that the direct independent effects of LO on all three performance measures suggests, as others have theorized, that market-oriented processes are necessary but not sufficient to maintain CA. Farrell and Oczkowski (2002), in contrast, argued that MO can encompass LO in explaining market share variations to show that MO alone contributed to an attainment of CA. Notwithstanding, LO and MO are mutually dependent factors that contribute significantly to superior performance (Farrell, 2000). Given the iterative nature, these two factors should not be measured in isolation. Morgan, Katsikeas, and Appiah-Adu (1998) also postulated that MO is the principal cultural foundation of learning firms. Nevertheless, there is contrary evidence within the Australian building and construction industry to reveal negative relationships between MO, LO, and performance (Wong & Mavondo, 2000), showing that these business orientations do not necessarily lead to superior firm performance in all industries.

Slater and Narver (1995, p. 71) posited that learning organizations are guided by a shared vision that focuses the energies of organizational members on creating superior value for customers. However, in an earlier paper, Narver and Slater (1990, p.21) stated that MO is the organizational
culture that most effectively creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business. In other words, both orientations are theorized to have almost identical effects. Customer- and learning-oriented organizational value systems (customer orientation is one component of MO) are also easier to develop when they are complemented by collective cultural assumptions and supported by strong cultures. In addition, while both the customer and LO facilitate different aspects of firm performance, customer orientation is shown to be more effective in strong cultures, while LO plays a prominent role in contexts where underlying values are not strongly shared among employees (Yilmaz, Alpkan, & Ergun, 2005).

Similarly, within the entrepreneurship literature, Morris and Lewis (1995), concluded that MO and EO are highly interdependent. In new ventures, the impact of market and EO might be more significant because firms are still learning to adapt to environments, and the ability of entrepreneurs to react to opportunities and threats quickly should directly impact performance. However, in an exploratory study, Vitale, Giglierano, and Miles (2003) revealed that start-up and established companies showed few differences in terms of MO and EO.

The early work of Miles and Arnold (1991) regarded EO as an antecedent to marketing orientation. For example, when identifying product-market potential, entrepreneurial enterprises should concentrate on customer needs and be marketing oriented. Similarly, Matsuno, Mentzer, and Ozsomer (2002) indicated that entrepreneurial proclivity has not only a positive and direct relationship with MO, but an indirect and positive effect on MO by reducing departmentalization.

Matsuno and Mentzer (2000) found that prospector archetypes (from Miles & Snow, 1978) benefit from an increase in MO. Prospectors are entrepreneurial firms that emphasize marketing by discovering new niches, study customer needs, and are responsive to changing market conditions (Miles & Snow, 1978). Thus, it is likely that firms with pronounced EO would benefit from strong MO.

Subsequent research reconceptualized corporate entrepreneurship as a mediator between MO and firm performance (Barrett & Weinstein, 1998). Bhuian, Mengue, and Bell (2005) stated that the best combination is high MO with moderate EO. According to these investigators, highly entrepreneurial firms gather and disseminate market intelligence out of obligation or habit rather
than meaningful business practice, suggesting that entrepreneurship is not always desirable in certain market conditions. Nevertheless, whether EO’s interactions with MO are high or low, George and Zahra (2002a) suggested that MO strengthens performance implications of being entrepreneurial. Enterprises that are proactive, innovative, and take risks can benefit by developing market-driven capabilities such as intelligence gathering and dissemination.

Extending the literature on business orientation, Hult and Ketchen Jr. (2001) suggested that collectively, MO, entrepreneurship, innovation and organizational learning contribute to the creation of a unique resource. These four elements are necessary but are not by themselves adequate for creating positional advantage (Day & Wensley, 1988), forming a complex web of relationships. These capabilities are not expected to be advantageous as such, but are predicted to be elements that can jointly develop a latent, intangible construct. Based on this review, four hypotheses linked to the proposed model in Study 1 are developed, depicting interrelationships between MO, LO, EO, marketing capabilities and firm performance (see Figure 2.1).

Development of a Hypothesized Model of Competitive Advantage and Firm Performance

Ongoing debates (Dobni & Luffman, 2003; Kumar, Subramaniam, & Strandholm, 2002) on relationships between business orientation and strategy has propelled the present investigator to examine: (a) how components of market (i.e., customer orientation, competitor orientation, and interfunctional coordination), learning (i.e., commitment to learning, shared vision, and open mindedness), and entrepreneurial (i.e., innovative, proactive, risk taking, and competitive aggressiveness) orientations affect the positional advantage of firms in terms of marketing capabilities (i.e., market/marketing research, product development, marketing communications, relationships (distribution), and marketing management); and how marketing capabilities influences organizational performance (Figure 2.1). The following section reviews pertinent literature that leads to the development of an hypothesized model which is tested in Study 1.
Market Orientation

Narver and Slater (1990) defines MO as an organizational culture comprising three behavioral components of equal importance: customer orientation, competitor orientation, and interfunctional coordination. Customer orientation is realized when firms succeed in creating superior value for customers because sellers understand the entire value chain of buyers. For this to occur, companies must comprehend the cost and revenue dynamics of immediate target buyers.
and those of other markets. Employees of market-oriented businesses spend considerable time with their clients, and recognize the need to maintain relationships with them as being critical for delivering superior customer value (Slater & Narver, 1994b).

The creation of superior value demands more than a mere focus on customers. Firms are required to understand the nature of competitors, technologies, and products that customers perceive as alternate satisfiers, and to identify and understand the principal competitors’ short-term strengths and weaknesses and long-term capabilities and strategies. Competitors can sometimes be sources of ideas for new products, as understanding competitor strengths/strategies can assist firms recognize the types of product markets to enter/avoid (Porter, 1979). All employees within a firm are responsible for generating competitive intelligence (Slater & Narver, 1994b).

MO also includes the coordination of personnel and other resources throughout the enterprise to create value for buyers (Slater & Narver, 2000). For example, engineering and production staff in manufacturing industries should regularly discuss their capabilities and limitations with those in sales and marketing, so that capabilities can be leveraged and limitations avoided, when promoting products/services (Slater & Narver, 1994b). When all functions are geared towards enhancing buyer value, effectiveness and efficiency that benefit customers will be creatively realized.

Kohli and Jaworski (1990) offered a different interpretation of MO, advocating that MO involves behavioral activities including the generation, dissemination, and responsiveness of information on customers and competitors. While Kohli and Jaworski view MO as the implementation of the marketing concept, Hunt and Morgan (1995, p. 11) advocates that MO is the (a) systematic gathering of information on customers and competitors, both present and potential; (b) systematic analysis of the information for the purpose of developing market knowledge and (c) systematic use of such knowledge to guide strategy recognition, understanding, creation, implementation, and modification. Thus, MO is more than a reflection of the marketing concept and is considered supplementary. Lafferty and Hult (2001) summarized MO into five different perspectives: decision making processes (Shapiro, 1988), market intelligence perspective (Jaworski & Kohli, 1993), cultural based behavior (Narver & Slater, 1990), strategic marketing focus (Morgan & Strong, 1998), and customer orientation (Deshpande & Farley, 1998). The lack of theoretical clarity surrounding these classifications was recognized recently by Homburg and
Pflesser (2000) who attempted to clarify MO by defining this orientation as a multi-layered cultural construct comprising shared values, norms, artifacts, and behaviors, which are sub-dimensions of culture, rather than a separate construct or operationalization.

These conceptualizations of MO revealed three similarities (Day, 1994): a set of beliefs that regard customers as the primary interest (Deshpande, Farley, & Webster Jr., 1993); an ability to generate, disseminate, and use information on customers and competitors (Kohli & Jaworski, 1990); and the coordinated application of interfunctional resources to create superior customer value (Narver & Slater, 1990). Within MO literature, value provision is the central objective for firms (Narver, Slater, & Tietje, 1998).

MO has also been referred to as customer orientation, marketing orientation, and being market-driven. For example, Deshpande et al. (1993) considers customer orientation to be synonymous with MO because these investigators believe that evaluation should be derived from customers. Furthermore, a focus on competitors’ strength rather than on unmet needs of customers can be contradictory. Desphande et al. recommended that firms can only be market-oriented when customers’ perceived value has been realized.

Slater and Narver (1994a) views the terms market-driven and market-oriented synonymously. Day (1994, p. 38) also seems to use these terms interchangeably, stating that: Organizations can become more market-oriented by identifying and building special capabilities that set market-driven organizations apart. However, Day (1999) defined market-driven firms as those that demonstrate a superior ability to understand, attract and keep valuable customers. Therefore, market-driven approaches are derived from the construct and principles of MO, and can be considered identical (Harris & Cai, 2002).

Researchers also tend to use the terms market and marketing orientation interchangeably. Researchers (Pelham & Wilson, 1996; Spillan & Parnell, 2006) treated these constructs synonymously with no apparent distinction made between the two, although these dimensions are not identical (Slater, 2001). Slater (2001, p. 232) explains, marketing is only one function of the business. Enterprises are market-oriented when embracing values implicit therein, business processes are directed at creating superior customer value for buyers, and extend to more than the marketing department to achieve goals (Slater, 2001). However, other researchers (Liu, 1995)
considered MO as comprising marketing activities undertaken by firms. Marketing orientation refers to organizational proficiency in performing marketing-related activities (Atuahene-Gima, 1995) and emphasizes the role of marketing in firms (Shapiro, 1988; Uncles, 2000). Being marketing oriented also means having a marketing department that generates new product ideas, employs marketing consultants, and regularly performs marketing research (Miles & Arnold, 1991; Morris & Paul, 1987).

**Characteristics of Market-Oriented Firms**

This thesis adopts a cultural definition of MO as explained by Narver and Slater (1998). These researchers elaborated that: *If a MO was simply a set of activities disassociated from the underlying belief system of an organization, then whatever an organization’s culture, a MO could easily be implanted by the organization at any time. But such is not what one observes* (Narver & Slater, 1998, p. 235). However, MO has also been criticized as being customer-led (Connor, 1999). Slater and Narver (1999), clearly distinguished customer-led from market-oriented strategies. The former focuses on satisfying buyers’ expressed needs, while the latter goes beyond satisfying expressed needs to understanding and satisfying customers’ latent needs. Day (1999) concurred with this view, explaining that *to be market-driven means seeing past the short-sighted and superficial inputs of customers, to gain a deep-down understanding that gives managers confidence their judgments are right* (p. 12). Consumers know only what they have experienced, and tend to be ignorant of emergent technologies or new materials (Ulwick, 2002).

According to Slater and Narver (1993), market-oriented firms are inclined to act proactively to develop their markets and differentiate themselves from competitors. Foresight was also found to be a major component of market-oriented cultures (Morgan & Strong, 1998). Researchers (Gounaris, Avlonitis, & Papastathopoulou, 2004) argued that MO is necessary when firms operate in dynamic (new technologies and/or new entrants), competitive, and munificent markets.

MO also raises arguments as to whether this orientation can be considered proactive or reactive. For example, market-driven firms are regarded as enterprises that can evoke both adaptive and generative organizational learning. Day (1994, p. 44) noted that:

*They are distinguished by an ability to sense events and trends in their markets ahead of their competitors. They can anticipate more accurately the response actions designed to retain or attract customers, improve channel relations, or*
thwart competitors. They can act on information in a timely, coherent manner because the assumptions about the market are broadly shared. This anticipatory capability is based on superiority in each step of the process. It is achieved through opened-minded inquiry, synergistic information distribution, mutually informed interpretations, and accessible memories.

Conversely, market-oriented cultures have also been associated with an aversion to risk adoption, which can lead companies to the so-called tyranny of the served market (Hamel & Prahalad, 1991). This perspective provides a narrow definition of business, focusing on clients' current needs, ignoring emerging markets and/or competitors. In this sense, it is assumed that MO does not pursue a deep understanding of the current and future demands of customers, which requires the development of adaptive learning. Clearly, both views are opposing.

Limitations outlined in the literature caused Jaworski, Kohli, and Sahay (2000) and Narver, Slater, and MacLachlan (2000) to readdress the issue of MO with greater clarity. Jaworski et al. (2000) concluded that MO is two dimensional: market-driven and market-driving; while Narver et al. (2000) suggested reactive and proactive forms of MO be included. These four elements are discussed below.

**Market-Driven versus Market-Driving**

Market-driven organizations accept the status quo and serve markets by catering to customer demands (Jaworski et al., 2000). Alternatively, market-driving enterprises proactively mould market structures through constructionist, deconstructionist, or functional-modification approaches (Jaworski et al., 2000). Each of these three approaches alters the market by changing either the mixture of players or market functions they perform. Constructionist and deconstructionist methods imply that firms amend market structures by altering the number of players (e.g., competitors). The functional-modification approach, as outlined by Jaworski et al. (2000), suggests that firms can achieve higher performance levels not by specifically uncovering and addressing latent needs but by shaping the perceived needs of customers which entail shaping perceived benefits customers receive from a particular product. To become market-driving enterprises, Berghman, Matthyssens, and Vandenbempt (2006) suggested that firms should employ simultaneous and gradual development of marketing knowledge absorptive capacity, organizational competences, and network competences.
**Reactive versus Proactive Market Orientation**

In response to Jaworski et al.’s (2000) reconceptualization of MO, Narver et al. (2000) posited that proactive MO is not about creating or altering customer preferences but involves satisfying prevailing latent needs by developing new products or processes. Similar to the traditional conceptualization of MO, or what Narver et al. call reactive MO, proactive market-oriented firms encourage a focus on an analysis of customer behavior. Narver et al. argued that by dissecting customer behavior, firms are in a position to infer latent needs based on gaps discovered from their analysis. Kwaku, Slater, and Olson (2005) likened responsive MO to a U-shaped relationship with new product program performance, while proactive MO has an inverted U-shape. Although both orientations are essential, new product program performance is enhanced when one is placed at a higher level and the other is lower.

**Empirical Studies of Market Orientation**

On a different though related note, Dawes (2000) stressed that each MO component is not necessarily equally and strongly associated with profitability. Each element comprises unique features, and for this principal reason, MO was assessed from three dimensions rather than one-factor (Langerak, 2003; Noble, Sinha, & Kumar, 2002; Tan & Smyrnios, 2004a). Dawes (2000) observed that an outstanding feature of high-profit firms is their ability to be attuned to the activities and characteristics of competitors. Customer orientation has a positive zero order correlation with profitability and also explains little of the variance in profitability when competitor orientation was included in the model. In the same light, Noble et al.’s (2002) study of mass merchandisers and discount sectors in the retailing industry identified that customer orientation was not a driver of performance, as these firms were focused primarily on selling low margin, high volume products. Firms with higher levels of competitor orientation, national brand focus, and selling orientation exhibited superior performance.

Over the previous 17 years, various researchers (Appiah-Adu, 1997) have examined the effects of MO on firm performance, advocating positive (Kumar, Subramanian, & Yauger, 1998), negative (Voss & Voss, 2000), and nonsignificant findings (Greenley, 1995). Even though Rodriguez-Cano, Carrillat, and Jaramillo (2004) supported a positive relationship between MO and enterprise performance in their meta-analysis, other reviews (e.g., Langerak, 2003) have culminated in inconclusive results, suggesting that the relationships are not so straight forward (Olavarrieta & Friedmann, 1999).
However, although some investigators (Harris, 1998) argued that MO dimensions might not be applicable in small business sectors, others (Pelham & Wilson, 1996) found positive links between MO and performance in small US firms. Slater and Narver (2000) recommended that additional studies with substantive modifications of conceptual and methodological methods to increase confidence in previous findings be undertaken. However, it is possible that contradictory results can be attributed to methodological issues such as the utilization of different MO scales and the application of subjective versus objective performance measures (Noble et al., 2002).

For example, investigations of MO-performance relationships reveal supportive findings that have less than 0.10 coefficients of determination (McNaughton, Osborne, & Imrie, 2002), while in other cases, such as the Australian construction and building industry, the relationship is negative (Wong & Mavondo, 2000). Chang and Chen (1998) noted that MO assists firms to achieve solid quality levels, ultimately affecting profitability. Quality levels accounted for 38 percent of the variation in profitability of firms, whereas the addition of MO increased covariation by only a further seven percent, implying the importance of identifying intermediate variables. Olavarrieta and Friedmann (1999) proposed a conceptual model, identifying knowledge-related resources (imitation and market sensing capabilities), and reputational resources (brand equity and firm image) as mediating factors that lead to superior firm performance.

Gounaris et al. (2004) identified four aspects of marketing practices that are influenced by MO development: planning processes, strategy formation and implementation, and control. For instance, companies that adopt a MO approach systematically conduct formal market research, collect and disseminate company-wide intelligence on their markets, and emphasize strategic marketing planning. In addition, these organizations are inclined to segment their markets, and tailor their products, pricing, and promotional strategies to suit targeted segments. MO also influences control over a firm direction by making enterprises focus more on customer, market and product related information, as well as respond to information gathered.

Even within large Australian service and manufacturing firms, MO is positively related to proficiency in predevelopment and launch activities, service quality, product advantage, marketing synergy, and team work (Vorhies & Harker, 2000), all of which comprise product marketing capabilities. Product development is used frequently to blunt competitor moves within
targeted segments (Vorhies & Harker, 2000). Nevertheless, Baker and Sinkula (2002) pointed out that MO leads to incremental innovation and product line extensions because market-oriented enterprises are compelled to follow customer demands. In terms of product strategies, overemphasis on customers can, however, result in trivial innovation and myopic research and development.

Vorhies, Harker, and Rao (1999), in their investigation of large manufacturing and service firms in the US, also found that market-driven firms (versus non market-driven) demonstrated higher levels in six marketing capabilities, including, marketing research, targeting/segmenting markets, product strategies, promotional capabilities, relationships with distributors/retailers, and overall marketing management. In another case, managers who view their firms as being highly market-oriented also reported stronger global, marketing, and product/service capabilities when compared to their counterparts (Celucha, Kasoufb, & Peruvembac, 2002).

Slater and Narver (1994a) stated that market-oriented cultures are necessary to build and maintain core capabilities that continuously create superior customer value. A number of investigators (Hooley et al., 1999; Slater & Narver, 1993) discovered that marketing capabilities are regarded as more important than operational ones. Consequently, when firms are up-to-date with information on customers and competitors (market-oriented), these enterprises are capable of effectively handling marketing activities within their organizations. Thus, it is hypothesized that:

Hypothesis 1: **MO is related positively to organizational marketing capabilities**

- **H1a:** Customer orientation is related positively to market/marketing research capabilities
- **H1b:** Customer orientation is related positively to pricing capabilities
- **H1c:** Customer orientation is related positively to product capabilities
- **H1d:** Customer orientation is related positively to relationship capabilities
- **H1e:** Customer orientation is related positively to marketing communication capabilities
- **H1f:** Customer orientation is related positively to marketing management capabilities

- **H1g:** Competitor orientation is related positively to market/marketing research capabilities
- **H1h:** Competitor orientation is related positively to pricing capabilities
- **H1i:** Competitor orientation is related positively to product capabilities
- **H1j:** Competitor orientation is related positively to relationship capabilities
- **H1k:** Competitor orientation is related positively to marketing communication capabilities
- **H1m:** Competitor orientation is related positively to marketing management capabilities
H1n: Interfunctional coordination is related positively to market/marketing research capabilities  
H1o: Interfunctional coordination is related positively to pricing capabilities  
H1p: Interfunctional coordination is related positively to product capabilities  
H1q: Interfunctional coordination is related positively to relationship capabilities  
H1r: Interfunctional coordination is related positively to marketing communication capabilities  
H1s: Interfunctional coordination is related positively to marketing management capabilities

**Learning Orientation**

Sinkula et al. (1997, p. 309) conceptualizes LO as giving rise to that set of organizational values that influence the propensity of the firm to create and use knowledge. According to these investigators, LO influences the degree to which proactive learning occurs. However, Atuahene-Gima et al. (2005) define LO as the extent to which top management attaches value to new skill development, learning enjoyment, curiosity for new ways to enhance performance, preference for challenging work, and critical reflection on firm assumptions. Learning-oriented firms influence the kind of information gathered, interpreted, evaluated, and shared (Calantone, Cavusgil, & Zhao, 2002). Hurley and Hult (1998) pointed out that LO is evident at various levels within firms, including strategy, processes, structure, and culture. Benefits of LO include fast market-information processing (Dickson, 1996), development of new products (Stalk Jr., 1988), and superior performance (Baker & Sinkula, 1999a; Slater & Narver, 1995).

LO is associated with three values: commitment to learning, open mindedness, and shared vision (Sinkula et al., 1997). These values contribute to organizational cultures where individuals work towards understanding cause and effect relationships; question long-standing assumptions, beliefs, and routines; and share a sense of purpose and direction that can further motivate learning (Senge, 1990).

Commitment to learning (the degree to which firms value and promote learning), is likely to foster learning climates and encourage organizational learning (Slater & Narver, 1995). For example, managers who support staff who use company time to pursue knowledge outside the immediate scope of their work tend to motivate their employees to learn (Slater & Narver, 1995). Shared vision refers to an organization-wide focus on learning (Sinkula et al., 1997). Without such a vision, it is difficult for employees to know what to learn even when motivated to do so. Divergent assumptions undermine the ability of management teams to develop focused responses to market trends or environmental shocks (Sinkula et al., 1997). For example, some ideas are not implemented because of a lack of common direction. Finally, open mindedness is the willingness
to critically evaluate operational routines of firms and accept new ideas (Sinkula et al., 1997). Obsolescence rates are high in most industries, as firms wrestle with rapidly changing technologies and turbulent markets. Open mindedness can be related to unlearning detrimental traditional practices. For example, the chief scientist of the Xerox Palo Alto Research Center explained, *Unlearning is critical in these chaotic times because so many of our hard earned nuggets of knowledge, intuitions, and just plain opinions depend on assumptions about the world that are simply no longer true* (Brown, 1991, p. 192). Encouraging unlearning can be the most important task for CEOs to sustain a momentum for continuous learning (Sinkula, 2002).

More importantly, is the distinction between LO, organizational learning, and learning organization. As Slater and Narver observed (1995, p. 72), *how does a person assess whether an organization has actually learned?* Santos-Vijande, Sanzo-Pérez, Álvarez-Gonzáilez, and Vázquez-Casielles (2005b) added that it is necessary to utilize an indirect estimate for this variable, that is, the presence of values inherent in learning capabilities.

The distinction between organizational learning and learning organization is not merely semantic (Mavondo, Chimhanzi, & Stewart, 2005). Garvin (1993, p. 80) defines the latter as *organizations skilled at creating, acquiring and transferring knowledge and at modifying behavior to reflect new knowledge and insights.* Organizational learning refers to the development of new knowledge or insights that have the potential to influence behaviour (Fiol & Lyles, 1985; Sinkula, 1994). Investigators (Argyris & Schön, 1978) propose that such learning takes place along a continuum ranging from adaptive (single-loop) to generative learning (double-loop). The former occurs when individuals/firms operate within the confines of their preset constraints and incrementally learn to improve performance according to changing circumstances, without altering the deeper structures of their firms (Senge, 1994). An example would be learning from mistakes, that is, when firms launch an unsuccessful product, they learn from that failure. Conversely, generative learning takes place when basic assumptions that have been used for a long time are questioned, different perspectives of the environment are considered, and new and radical methods of change are adopted (Argyris & Schön, 1978; Slater & Narver, 1995). Such learning provides firms with an ability to create innovative advances (Slater & Narver, 1995) whereas adaptive learning enables enterprises to respond to changes in their surroundings through incremental innovation (Baker & Sinkula, 1999a). Thus, while LO is the manifestation of a firm's propensity to learn and adapt, organizational learning focuses on activities such as staff training,
and mechanisms of knowledge and skill acquisition. LO is a wider concept that includes aspects of adaptation and change.

Studies highlight that LO is associated with firm performance (Stewart & Mavondo, 2004). For example, Farrell (1999) identified that LO is related positively to organizational commitment, esprit de corps, and organizational innovativeness. Similarly, Sadler-Smith, Spicer, and Chaston (2001) demonstrated empirically that higher growth manufacturing firms possess a more active LO, making better use of knowledge assets compared to their lower growth counterparts. However, pure LO can be problematic because of its so-called *inside-out* orientation (Day, 1994). Highly learning-oriented firms can hold self-centered views of the external world, because of their preoccupation with creating new knowledge and operations, and lack of attention for customers needs and other marketplace actors, thus failing to understand long-term trends in the competitive arena (Yilmaz et al., 2005).

However, Slater and Narver (1995, p. 71) indicated that *learning organizations are guided by a shared vision that focuses the energies of organizational members on creating superior value for customers*. Baker and Sinkula (1999a) noted that, while related, market and LO are distinct concepts, each with potentially independent as well as synergistic effects on organizational processes. LO goes beyond marketplace focus and is reflected by knowledge questioning values, while MO is portrayed by knowledge-producing behaviors (Baker & Sinkula, 2002).

Two schools of thought have emerged on the importance of LO and MO. Farrell (2000) argued that organizations are able to appreciate the value of timely and relevant information (market-oriented), and thus be intelligent enough to challenge existing assumptions about the ways in which markets operate (learning-oriented). In contrast, Day (1994) opined that market-oriented firms can emerge only when learning processes are examined and altered in ways that enable them to learn about markets. Although the issue of causality remains unresolved, there is agreement that LO and MO are mutually dependent (Bell, Whitwell, & Lukas, 2002).

Empirically, Santos-Vijande et al. (2005b) investigated the issue of causality and explained that MO stimulates generative learning, whereas LO influences market-oriented behaviors, but both are mutually dependent on organizational learning. On the contrary, within the context of Greek
food and beverage, and textile SMEs, LO is enhanced by stronger customer and technology orientation, leading to the creation of new and unique products for the market (Salavou, 2005).

Similarly, while a number of researchers (Baker & Sinkula, 1999b, 2002; Farrell & Oczkowski, 2002) agreed that market and LO are antecedents to firm performance, Hult et al. (2004) indicated that positive relationships between LO and firm performance are mediated through innovativeness. Weerawardena, O'Cass, and Julian (2006) also reported that market focused and relational learning capabilities (through networks) lead to high degrees of organizational innovation, enabling enterprises to achieve sound performance for their brands.

Further evidence is provided by Celucha et al. (2002) who empirically demonstrated that managers who perceive their firm as having higher LO, also report better information systems and marketing capabilities than their counterparts. Moreover, such firms also note stronger products/services, order fulfilment, and external partnering capabilities. As organizations learn to make sense of their markets, they develop rules for processing information which will influence their internal and external organizational actions (Sinkula et al., 1997). External actions refer to products, promotion, distribution and pricing strategies, and tactics, all of which comprise marketing capabilities. Positive LO results directly in increased market information generation and dissemination, which in turn, affects the degree to which firms make changes to their marketing strategies. Day (1994) also contended that firms which excel in continuously learning about their markets are in a better position to anticipate changes. While market-oriented firms are expected to be rated significantly stronger on marketing capabilities such as product development, relationships with stakeholders, marketing communications, and overall marketing management, these same effects apply to learning-oriented firms. Pisano (1994, p. 86) posited that without learning, it is difficult to imagine from where a firm’s unique skills and competencies would come. Accordingly, it is hypothesized that:

Hypothesis 2: LO is related positively to organizational marketing capabilities.

H2a: Commitment to learning is related positively to market/marketing research capabilities
H2b: Commitment to learning is related positively to pricing capabilities
H2c: Commitment to learning is related positively to product capabilities
H2d: Commitment to learning is related positively to relationship capabilities
H2e: Commitment to learning is related positively to marketing communication capabilities
H2f: Commitment to learning is related positively to marketing management capabilities
H2g: Shared vision is related positively to market/marketing research capabilities
H2h: Shared vision is related positively to pricing capabilities
H2i: Shared vision is related positively to product capabilities
H2j: Shared vision is related positively to relationship capabilities
H2k: Shared vision is related positively to marketing communications capabilities
H2m: Shared vision is related positively to marketing management capabilities

H2n: Open mindedness is related positively to market/marketing research capabilities
H2o: Open mindedness is related positively to pricing capabilities
H2p: Open mindedness is related positively to product capabilities
H2q: Open mindedness is related positively to relationship capabilities
H2r: Open mindedness is related positively to marketing communication capabilities
H2s: Open mindedness is related positively to marketing management capabilities

**Entrepreneurial Orientation**

Miller (1983) offers the earliest operationalization of the EO concept, defining entrepreneurial firms as those engaged in product marketing innovation, undertake risky ventures, and first to introduce proactive innovation. Morris and Paul (1987) extended this concept further by indicating that this orientation is a propensity for top management to take calculated risks, and be innovative and proactive. Lumpkin and Dess (1996) added the attributes of propensity to act autonomously (independent action by individuals/teams that are aimed at bringing forth a business concept or vision and carrying it through to completion) and competitive aggressiveness.

EO focuses less on relationships between organizational culture and business orientation, and more on linkages between firm structure, management style, and performance (Tzokas et al., 2001). Entrepreneurship is a process of creating value by combining resources. Entrepreneurs are required to consider economies of scale, ability to lock in customers, competitors’ growth, resource constraints, internal financing ability, and tolerant customer and personal goals so that growth can be assured (Bhide, 1996).

While MO and LO can aid managers create quality products, processes, and ideas to generate superior customer value, EO is likely to provide the stimulus for such activities. As MO is primarily concerned with learning from customers and competitors in markets (Narver & Slater, 1990), entrepreneurship is mainly learning from experimentation (Dickson, 1992). Furthermore, EO embodies innovative and proactive values and behaviors, taking risks, and competitive aggressiveness (Lumpkin & Dess, 1996), the characteristics of which are not explicit in MO.
Entrepreneurial values can enhance the prospects of developing breakthrough products/services or identify unserved market segments to attain CA (Hamel & Prahalad, 1994).

On the one hand, the innovative dimension of EO refers to seeking creative, unusual, or novel solutions to problems and needs, and they can be in the form of new technologies, processes, products or services (Lumpkin & Dess, 2001). Innovativeness occurs on a continuum, including a willingness to commit to new technologies or try new product lines (Lumpkin & Dess, 1996). Innovation is a form of creativity (Luecke, 2003). Proactiveness, on the other hand, refers to a posture of anticipating and acting on future wants and needs in the marketplace, thereby creating a first-mover advantage vis-à-vis competitors, and the ability to implement and do whatever is necessary to realize the entrepreneurial concept. Proactive firms strive to be pioneers, capitalizing on emerging opportunities (Lumpkin & Dess, 2001).

Risk taking, in contrast, involves a willingness to commit significant resource opportunities to ventures that might fail, although risks are usually moderated and calculated, largely reflecting companies’ preparedness to venture into the unknown. Finally, competitive aggressiveness is an intense effort to outperform industry rivals, characterized by combative postures or aggressive responses aimed at improving positions or overcoming threats in competitive marketplaces (Lumpkin & Dess, 2001).

While a number of researchers (Mostafa, Wheeler, & Jones, 2006) advocated that a single construct comprising three dimensions can be developed, Lumpkin and Dess (1996), and Kreiser, Marino, and Weaver (2002), amongst others, argued that EO dimensions vary independently, rather than covary with firm performance. For example, relationships between risk-taking, competitive aggressiveness and firm performance are relatively small (Rauch et al., 2004).

Although some studies (Wiklund, 1999) revealed positive relationships between EO and firm performance, findings remain inconclusive (Dess, Lumpkin, & Covin, 1997). There is a growing body of empirical research indicating contingent (Lyon, Lumpkin, & Dess, 2000) or moderating (Marino, Strandholm, Steensma, & Weaver, 2002) influences rather than direct associations. For example, Yusuf (2002) reported nonsignificant relationships between EO and performance, possibly because the EO-performance link is dependent on international settings (Arbaugh, Cox, & Camp, 2003), and is not universal (Luo, Sivakumar, & Liu, 2005). Despite reports identifying
direct and significant relationships between EO and change in firm profits, Becherer and Maurer (1997) highlighted that this relationship explained less than four percent of the variance. Perhaps surprisingly, EO is also a nonsignificant predictor of firm growth (Arbaugh et al., 2003). Yet, other empirical studies reported that the EO-firm performance relationship is contingent upon internal (Covin & Slevin, 1989) and external (Luo et al., 2005; Wilkund & Shepherd, 2005) factors. The positive benefits of EO are experienced by businesses encountering constraints such as limited access to finance and unstable environments. EO is less essential to well financed firms in high growth industries, rather, this orientation is utilized to overcome environmental and resource constraints (Wilkund & Shepherd, 2005). Consistent with this view, Rauch et al. (2004) found that business size moderates the EO-performance relationship, and the effects are higher for micro-businesses than for small and large enterprises.

Researchers (Covin & Slevin, 1989) concluded that the effect of EO on firm performance is positive in hostile environments and contingent upon organizational structures. Specifically, these investigators reported that while enterprises with organic structures exhibit significant relationships between EO and performance, such relationships are absent in mechanistic structures. In contrast, Zahra (1993) established that this relationship is moderated by an enterprise’s perceptions of their competitive environments. Exploring the consequences of environmental adversity on EO in new ventures (less than eight years) with domestic and international operations, Zahra and Neubaum (1998) found that these new businesses are less inclined to be entrepreneurial in their foreign operations. These researchers also revealed that when confronted with adverse environmental conditions, new ventures adopt strong EO, favoring new products, goods, and services. Within the context of Arabian Gulf firms who operate in different industries, Yusuf (2002) indicated that manufacturing firms exhibit EO more frequently than commercial enterprises. Similar to MO, differences in findings can be attributed to disparities in research design or methodological idiosyncrasies, as drawing general conclusions from single studies and low response rates might contribute towards discontinuities in and across findings (Rauch et al., 2004).

Schumpeter (1934) suggested five categories of behavior associated with entrepreneurial activities: introducing new goods, opening new markets, opening new sources of supply, introducing new methods of production, and industrial reorganization. The first three characteristics are distinctly marketing related (Smart & Conant, 1994). The ultimate goal of EO
and MO is value creation for customers (Sciascia, Naldi, & Hunter, 2006) and both are considered highly interdependent (Morris & Lewis, 1995). When these constructs are measured together empirically, Atuahene-Gima and Ko (2001) observed a significant interaction between entrepreneurial and market-oriented firms (high MO & EO): firms that are more entrepreneurial also tend to demonstrate stronger MO. In an investigation of 120 large Australian firms, Atuahene-Gima and Ko (2001) established that MO and EO significantly affect product performance, while the effect on financial performance was not validated. Similarly, George and Zahra (2002a) showed that the MO-EO interaction is statistically significant in high technology sectors as opposed to low technology industries, subsequently influencing financial performance (e.g., ROA). These results contradict claims (Jaworski & Kohli, 1993) that such a relationship is robust across all industry settings.

Despite disparity in findings, researchers continue to investigate relationships between MO, EO, and firm performance. For example, when studying the impact of MO and EO on business profitability, Slater and Narver (2000) showed that entrepreneurial values are nonsignificantly related to profitability. They postulated that EO might possibly affect profitability indirectly via product or market development. Tzokas et al. (2001) discovered that firms with strong EO and MO are capable of developing better competencies than those who do not possess these characteristics. This finding compares favorably with those of Porter (1985), who indicated that companies without strategic direction fail to survive in the long run. Weerawardena (2003b) also revealed that entrepreneurial firms build and nurture marketing capabilities. Tzokas et al. (2001) demonstrated that enterprises which are ready to take on risk, pursue innovative projects, and at the same time, attend to market needs and competitiveness are more competent than those (especially smaller ones) where such qualities are lacking.

Overall, these studies revealed that the MO/EO-performance link is mediated by a number of variables such as innovation (Han, Kim, & Srivastava, 1998) and marketing capabilities (Tzokas et al., 2001). A further case in point is demonstrated by Hult et al. (2004) who noted that the strongest overall drivers of performance are MO, EO, and innovativeness, while the latter partially mediates relationships between these business orientations and performance.

Value can be created via superior marketing capabilities. Researchers (Hills & LaForge, 1992) indicate that EO and MO are two major considerations that directly affect operational
competencies. Tzokas et al. (2001) noted that these two orientations contribute synergistically to the emergence of unique marketing techniques and overall firm performance. Consistent with this view, Smart and Conant (1994) asserted that a strong relationship appears to exist between firm EO and distinctive marketing abilities. In the light of these findings, it is hypothesized that:

Hypothesis 3: EO is related positively to organizational marketing capabilities

H3a: Innovativeness is related positively to market/marketing research capabilities
H3b: Innovativeness is related positively to pricing capabilities
H3c: Innovativeness is related positively to product capabilities
H3d: Innovativeness is related positively to relationship capabilities
H3e: Innovativeness is related positively to marketing communication capabilities
H3f: Innovativeness is related positively to marketing management capabilities

H3g: Proactiveness is related positively to market/marketing research capabilities
H3h: Proactiveness is related positively to pricing capabilities
H3i: Proactiveness is related positively to product capabilities
H3j: Proactiveness is related positively to relationship capabilities
H3k: Proactiveness is related positively to marketing communication capabilities
H3m: Proactiveness is related positively to marketing management capabilities

H3n: Risk taking is related positively to market/marketing research capabilities
H3o: Risk taking is related positively to pricing capabilities
H3p: Risk taking is related positively to product capabilities
H3q: Risk taking is related positively to relationship capabilities
H3r: Risk taking is related positively to marketing communication capabilities
H3s: Risk taking is related positively to marketing management capabilities

H3t: Competitive aggressiveness is related positively to market/marketing research capabilities
H3u: Competitive aggressiveness is related positively to pricing capabilities
H3v: Competitive aggressiveness is related positively to product capabilities
H3w: Competitive aggressiveness is related positively to relationship capabilities
H3x: Competitive aggressiveness is related positively to marketing communication capabilities
H3y: Competitive aggressiveness is related positively to marketing management capabilities

Firm Performance

Academic research on firm performance measurement is derived from a wide spectrum of disciplines, including accounting, economics, human resource management, marketing, operations management, psychology, strategic management, and sociology (Marr & Schiuma, 2003). Firm performance measures are defined as metrics employed to quantify the efficiency and/or effectiveness of actions (Tangen, 2003), and have always remained a problematic issue in business research (Fahy et al., 2000). Diversity of such measures used in the literature constitutes
additional sources of methodological heterogeneity (González-Benito & González-Benito, 2005). Various approaches that are applied to study performance in research settings together with the lack of agreement on basic terminology, make performance measurement a controversial subject for strategic management researchers (Jogaratnam, Tse, & Olsen, 1999).

When undertaking entrepreneurship research, Murphy, Trailer, and Hill (1996) recommended that investigators explicitly state specific performance dimensions, provide theory-based rationale, and include multiple measures when feasible. Researchers should also incorporate control variables such as firm age and size, as firm performance can be considered ambiguous. Below is a review of the ways in which firms measure performance (performance measurement systems), followed by academic measures of this variable within empirical business research.

One of the most popular approaches to measure firm performance is the Balanced Score Card (BSC), which was first introduced by Kaplan and Norton, based on a one-year study of 12 companies (Kaplan & Norton, 1992). These investigators opined that financial measures alone were insufficient, and other factors such as competence, knowledge, and customer focus were necessary. Principles of the BSC provide a holistic view of firms and examine four important areas: finance (how well firms are doing to satisfy the needs of owners or shareholders who are looking for returns on their investment), customers (how well are customer needs met, so that clients can recommend the business to others), innovation and learning (innovation and development progress in competitive environments), and internal business (how effectively and efficiently businesses balance satisfying customer satisfaction and making profits). In stressing strategy alignment and performance measures, Kaplan and Norton (2005) advocated a balance between these four perspectives to ensure long-term survival and growth. Not surprisingly, since the BSC’s inception, more than 50% of Fortune 500 companies use this tool to measure performance (Gumbus, 2005; Marr & Schiuma, 2003). Nevertheless, Ken Merchant, in an interview with de Waal (2005) indicated that the BSC is not suitable for all companies as there are too many performance indicators, making it difficult for managers to handle.

Other researchers (e.g., Vorhies & Morgan, 2005) evaluated performance using both hard quantitative financial measures and soft qualitative measures. The former concerns cost elements and tries to quantify performance solely in financial terms. However, many improvements are difficult to quantify directly in monetary value (Ghalayini, Noble, & Crowe, 1997). According to
these researchers, three most common financial measures include profit margin/return on sales (which determine a firm’s ability to withstand competition, adverse rising costs, falling prices, and future declining sales); return on assets (which determines the ability to utilize assets); and return on equity (which is payment of dividends to stockholders). Softer non-financial issues such as customer and employee satisfaction are complemented by hard measurement practice. In an empirical study, Stone and Banks (1997) identified that large firms employing an average of 23,000 employees inclined to favor financial priorities. Their emphasis seemed to be on profitability (43%), customers (24%), and employees (13%), indicating a top priority for profits.

However, customer-based measures are gaining popularity because of the enthusiasm for customer-led quality improvements which ultimately leads to company profits. Such common measures include procedures and surveys on customer complaints (Stone & Banks, 1997). In the case of employees, surveys to reflect their perceptions of culture can form the basis for decision making at all levels. These surveys help to check prevailing firm conditions to support suggestions for change in working environments, or to indicate the state of employee welfare and feelings, so that the necessary feedback between distant workers can be obtained (Stone, 1996). Soft measures can also be used to monitor or induce cultural change, improve communications, morale, and team spirit.

For small firms however, subjective performance and non-financial measures appear to be more essential than quantitative measures as indicated by the number of telephone enquiries (busyness) made, and intuitive quality measures adopted. Cash, rather than the maintenance of a smooth cash flow from profit is an important indicator to owner-managers whose objectives are to stay in business (Jarvis, Curran, Kitching, & Geoffrey, 2000). On the contrary, Monkhouse (1995) reported that only 50% of SMEs use non-financial internal benchmarks, ranging in a descending order of importance from quality, competitive performance, resource utilization, flexibility, to innovation. This researcher concluded that non-financial benchmarks are far from being over-used and abused (p. 49).

Nonetheless, certain quantitative measures such as financial ratios, number of customer complaints, and staff turnover are easy to ascertain compared to qualitative measures such as firm morale, leadership, and customer perception (Pun & White, 2005). More importantly, performance measurement systems must be linked to an achievement strategy which can take a
variety of forms: greater focus on stakeholder value, pleasing stakeholders, motivating people, and improving and innovating services and products (Pun & White, 2005). Table 2.1 summarizes main changes and trends in the development of performance measurement systems and compares traditional and current systems.

Table 2.1 Evolution of performance measurement systems

<table>
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<tr>
<th>Traditional Performance Measurement Systems</th>
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Literature indicates that organizational performance is a multi-dimensional construct that includes financial, operational, and customer related performance domains (Kaplan & Norton, 1992, 1993, 2000; Venkatraman & Ramanujam, 1986). Thus, researchers who conduct empirical studies involving firm performance should provide multi-dimensional perspectives, as indicated below.

For example, performance can be analyzed by measures of effectiveness and efficiency. While the former refers to the consolidation of strong market positions (customer satisfaction, image, sales, market share, new product success), the latter comprises optimal resource allocations (profitability, ROI) (González-Benito & González-Benito, 2005). Yet, there is no absolutely clear way to know when firms are profitable because many opportunities involve sacrificing current and future profits (Walker & Ruekert, 1987). As a case in point, low profits in small growth-
oriented businesses are not an indication of poor performance if this is due to investments in product/market development (Covin & Slevin, 1989). An accurate assessment of organizational performance might involve balancing profitability against sales growth (Slater & Narver, 1996).

Firm performance can also be measured subjectively and objectively (Dawes, 1999). The former is based on opinion or estimates provided by respondents who are asked to assess their firm’s performance (Covin, Prescott, & Slevin, 1990), whereas the latter is based on independent observable facts, either by asking respondents to report absolute values or by accessing secondary sources (Vorhies & Morgan, 2003), and influenced by industry-specific factors (Miller & Tolouse, 1986). A number of studies (Selnes, Jaworski, & Kohli, 1996) reported different conclusions about relationships between MO and firm performance, depending on whether objective or subjective evaluations were adopted for the latter variable. While some investigators (Dawes, 1999; Han et al., 1998) found consistency between objective and subjective measures, more than 50% of the studies (Agarwal, Erramilli, & Dev, 2003; Gray, Matear, Boshoff, & Matheson, 1998) reviewed by Gonzalez-Benito and Gonzalez-Benito (2005) revealed stronger relationships for subjective as opposed to objective performance. For example, Jaworski and Kohli (1993) discovered only a positive relationship between MO and subjective performance but nonsignificant relationship for increase in market share (objective measure). However, in a meta-analysis of the EO literature, Rauch et al. (2004) reported contradictory findings, indicating stronger objective performance relationships.

Examples of subjective firm performance measures include perceived overall performance relative to competitors (Jaworski & Kohli, 1993), expected return on assets, (Narver & Slater, 1990), sales growth (Appiah-Adu, 1997; Luo et al., 2005), return on investment (Harris, 2001), new product success (Pelham & Wilson, 1996) and new product program performance (Atuahene-Gima et al., 2005), profitability (Pelham & Wilson, 1996), and marketing program dynamism (Luo et al., 2005).

Alternatively, researchers (Avlonitis & Gounaris, 1999; Santos-Vijande, Sanzo-Pérez, Álvarez-González, & Vázquez-Casielles, 2005a) evaluate firm performance relative to pre-established firm objectives, comparing outcomes to expectations. Subjective measures also facilitate cross-sectional analysis through sectors and markets because performance can be quantified in comparison to objectives or competitors (Hooley et al., 1999). Perceptual performance measures
are related to business owners’ personality characteristics rather than organizational outcomes (Rauch, 2003). However, analysis of performance outcomes can be biased by the so called *halo effect*. Response styles or the desire to communicate a positive image can lead to false correlations between both concepts when single respondents are used (González-Benito & González-Benito, 2005). Researchers address this limitation by including more respondents such as customers within (Slater & Narver, 2000) and outside (Deshpande & Farley, 1998; Jones, Busch, & Dacin, 2003) firms, and by measuring for social desirability (Tan, 2005). However, the former two methodological approaches increases costs and efforts involved.

Notwithstanding, Uncles (2000, p. iv) noted that within MO, *virtually all studies rely on self-assessed business performance, rather than formal assessments (e.g., little use is made of formal financial, operational and customer related performance measures)*. Although positive links between MO and performance have primarily been based on subjective measures of performance, Jaworksi and Kohli (1993, p. 65) recognized that investigators tended to use a narrow range of performance measures and recommended that, *it would be useful to explore the complexities of the relationship between market orientation and alternative dimensions of business performance in future studies*. Slater and Narver (1994a) and Harris (2001) also supported this view, highlighting the importance of understanding the effects of MO on performance when evaluated objectively. Few researchers use an objective approach because of difficulties associated with obtaining information as firms are reluctant to disclose confidential financial data (Caruana, Ramaseshan, & Ewing, 1998). Objective performance measures include sales growth, profitability (Ruekert, 1992), and ROA (Salavou, 2002). Also, Hult and Ketchen Jr. (2001) obtained positive results when investigating the impact of MO, innovativeness, entrepreneurship, and organizational learning on performance over a five-year average ROI, income change, and stock price.

Within entrepreneurship literature however, growth is used as a proxy for business performance (Murphy et al., 1996), because this measure is considered to be more accurate and accessible than accounting measures of financial performance (Zahra, 1991). Empirical studies (Wilkund & Shepherd, 2005) have combined financial performance evaluations (gross margin, profitability and cash flow relative to competitors) and growth (sales & employee growth within a one-year period between surveys). Davidsson and Wilkund (2000) went a step further stating that relative measures of sales growth favor smaller firms. In small firms, $100,000 over and above a previous
year’s sales of $100,000 is regarded as significantly greater than an increase of $100,000 over the previous year’s sales of $1 million in large organizations. Conversely, absolute growth favors larger firms. Notwithstanding, this review indicates that most researchers adopt subjective measures of performance within the areas of marketing and entrepreneurship literature. The following is a review of marketing capabilities, which is postulated to be related positively to firm performance.

Marketing Capabilities
RBV literature describes capabilities as managerial skills and accumulated knowledge for deploying assets to create CA (Teece et al., 1997), and marketing capabilities are defined by Day (1994) as an integrative process designed to apply to collective firm knowledge, skills and resources concerning market related business needs, to enable firms to add value to its goods and services and meet competitive demands. Day (1994) classifies marketing capabilities into three types: outside-in (i.e., assists the comprehension of markets and clientele, and builds firm reputation and relationships with key customers which are cultivated over time), inside-out (i.e., contributes to effective market participation such as financial, human resource, and marketing management), and spanning capabilities (i.e., integrates inside-out and outside-in capabilities such as developing new products, and internal communication). Empirically, Hooley et al. (1999) regarded the outside-in and spanning capabilities as being more significant contributors to performance. Marketing capabilities can also be organized into a hierarchy: marketing culture, marketing strategy, and marketing operations (Hooley et al., 1999). Conant et al. (1990) however, did not distinguish between the three types. Marketing capabilities are also referred to as marketing competencies or marketing related actions such as market knowledge, ability to differentiate offerings, effectiveness of marketing communication, control, and evaluation which firms strive to excel in comparison to competitors.

Investigators (Day, 1990; Guenzi & Troilo, 2006; Möller & Anttila, 1987) identified the development of marketing capabilities as one of the major avenues for achieving CA. Marketing can considered to be a key to new firm success because professional analyses of target markets can reduce venture failure rates (Gruber, 2004). However, marketing is also the most dominant problem encountered by small business owners (Simpson & Taylor, 2002) because of resource constraints (Collinson & Shaw, 2001), and higher uncertainty levels (Fillis, 2003). New businesses are little known entities to potential customers, due primarily to unknown factors and
limited opportunities available to build trust by potential customers and stakeholders (Gruber, 2004).

Small business owners often start their firms without quantitative marketing hypotheses (relying more on belief, motivation, attitude, and objectives, or even gut feeling (Honjo & Ohe, 2003; Siu & Kirby, 1998). Although owners might organize their activities, such planning tends to be informal, haphazard, and generally not documented (Hogarth-Scott, Watson, & Wilson, 1996). Consequently, rigorous marketing planning, decision making, and other behaviors can be affected (Gilmore, Carson, & Grant, 2001). Entrepreneurs tend to adapt marketing tools to current needs, paying little attention to overall organization, formalized strategy, or customer analysis. In short, owners are focused on ongoing competitive pressures rather than the well researched needs of customers in their marketing activities (Stokes, 2000).

In contrast, high performing medium-sized manufacturing firms in the UK seem to adopt proactive planning, and spend more time and effort on enhancing ability to compete in the future (Brooksbank, Kirby, Tompson, & Taylor, 2003). Higher performing firms are those who self-report (on profit, sales volume, market share, ROI) to be better than their competitors. Brooksbank et al. (2003) also revealed that high performers conduct a broader spectrum of marketing research, including questionnaire surveys and focus group sessions, emphasize long-term perspectives, recognize that marketing is necessary to ensure future success, whereas lower performing medium enterprises view marketing as a key to increasing sales.

The marketing/entrepreneurship interface has employed the concept of networking as a means of marketing (O'Donnell, 2004). Network marketing is accomplished through personal contact networks and is considered an inherent entrepreneurial activity (Gilmore et al., 2001). Close relationships between entrepreneurs and customers are also seen as a marketing advantage (Zontanos & Anderson, 2004), making relationship marketing effective in smaller entrepreneurial firms (Day, Dean, & Reynolds, 1998).

Small firms also seem to be more flexible and capable of adapting and implementing creative change through the utilization of core competencies, compared to traditional marketing frameworks in large organizations (Hill, 2001). The type of marketing adopted by small firms is dependent on enterprise lifecycle stage development (Carson & Gilmore, 2000), and on four
categories described by Miles and Snow (1978) which are either prospector, analyzer, defender or reactor firms. For example, Conant, Mokwa, and Varadarajan (1990) revealed that marketing competencies of prospector firms (which are externally oriented, scan the environment to maximize new opportunities, apply innovation to meet market needs, emphasize flexibility and freedom from constraining company rules and regulations, welcome change and see their environment as ‘uncertain’) are superior to those of their competitors along a number of marketing competence dimensions compared with analyzer, defender and reactor firms. Moreover, in Olson, Slater, and Hult’s (2005) study of large North American manufacturing and service firms, prospector marketing organizations possess the highest levels of innovation orientation and customer orientation and lowest levels of internal/cost orientation compared to other strategic groups. Similarly, O’Regan, Ghobadian, and Gallear (2006) found that FGFs who continually search for new opportunities display prospector characteristics.

Nonetheless, researchers (Stokes, 2000) rarely distinguish differences between small firms in terms of entrepreneurial marketing. Firms are regarded as homogeneous, without taking into account whether these enterprises are emerging or mature. Small firms, as might be the case of microfirms employing less than five people are highly likely to practice marketing differently from those who engage up to 20 people, but both are considered small. It is also important to note that not all small firms are entrepreneurial in their marketing (Chaston, 1998b).

A well developed set of marketing capabilities is essential to undertake basic marketing activities such as information gathering on market demands, segmentation and selection of target markets (a market planning activity); development of new services to meet targeted segment needs (via product development activities); pricing services/products, and communication of service benefits offered to target markets (Day, 1994). These activities can be achieved through advertising/promotions or personal selling (Vorhies & Yarbrough, 1998).

Vorhies et al. (1999) identified six processes, which are similar to those of Conant et al. (1990), whereby a firm’s value added products and services can reach its target customers. The six are based on the marketing principles such as include marketing research, product development, pricing, channels of distribution, promotion, and marketing management. Marketing research links consumers, customers and the public to businesses via an information network which identifies and defines marketing opportunities and problems, generates and evaluates marketing
actions, monitors marketing performance, and improves the understanding of marketing processes (AMA, 2004). A second area is product/service development. Firms that design products/services which meet customer needs, internal company goals, and outperform competitors’ products/services are assumed to have capabilities in product development (Vorhies & Harker, 2000).

A third area is concerned with pricing and is defined as processes needed to competitively price firm products/services and monitor market prices. A fourth capability is the management of channels of distribution involving establishing and effectively managing relationships with distributors. Promotion is another important capability for many firms and entails advertising, sales promotions, and personal selling activities used to communicate with markets and sell products/services. Finally, competent marketing management is yet another important capability. Marketing management capabilities focuses on management of customer acquisition and marketing programs, and an ability to coordinate activities necessary to implement such programs (Vorhies & Harker, 2000). Each marketing capability area is conceptualized as existing relative to competitors, and forms a basis of positional advantage.

Marketing processes are often firm specific (Day 1994), thus unique marketing capabilities can develop when skills and knowledge are combined with other available resources. Firms can be expected to evolve similar, but not identical marketing capabilities (Vorhies & Harker, 2000). These investigators also examined the importance of learning processes in the development of marketing capabilities. The latter is attained via learning processes when employees repeatedly apply their knowledge to solving marketing problems (Day, 1994). Such developments create a set of processes enabling organizations to achieve their strategic goals and realize their desired strategic position (Day, 1994). Firms with higher levels of product development and marketing implementation capabilities demonstrate higher levels of performance than those who are without these vital values (Slater & Narver, 1993).

In a study of small manufacturing enterprises in Greece, Tzokas et al. (2001) demonstrated that certain marketing competencies are strongly associated with performance than others. Examples are development of marketing plans, marketing communications, creating a climate of trust with customers and suppliers, an understanding of competitive environments, payment assistance to
customers, and availability of working capital. Marketing capabilities are also associated with innovation intensity and sustained CA for firms (Weerawardena, 2003b).

All things considered, researchers (Fahy et al., 2000; Hooley et al., 1999) postulated that marketing capabilities are more important than operational ones in explaining superior performance. In addition, Vorhies and Morgan (2005) provided empirical support for eight distinct interdependent marketing capabilities (e.g., pricing, product development, distribution, marketing communications, selling, market information management, marketing planning, & marketing implementation) which are associated positively with business performance. Even in international businesses, financial and operational performance is influenced by such capabilities (Kotabe, Srinivasan, & Aulakh, 2002). Literature on small/entrepreneurial firms (Chaston, 1998a) stressed that marketing has a major influence on small firm performance. For these reasons, it is hypothesized that:

Hypothesis 4: Marketing capabilities are related positively to firm performance

H4a: Market/marketing research capabilities are related positively to market performance
H4b: Pricing capabilities are related positively to market performance
H4c: Product capabilities are related positively to market performance
H4d: Distribution (relationship) capabilities are related positively to market performance
H4e: Marketing communication capabilities are related positively to market performance
H4f: Marketing management capabilities are related positively to market performance

H4g: Market/marketing research capabilities are related positively to financial performance
H4h: Pricing capabilities are related positively to financial performance
H4i: Product capabilities are related positively to financial performance
H4j: Distribution (relationship) capabilities are related positively to financial performance
H4k: Marketing communication capabilities are related positively to financial performance
H4m: Marketing management capabilities are related positively to financial performance

Summary
This literature review examines, synthesizes, and integrates research relating to MO, LO, EO, marketing capabilities, and firm performance, culminating in the establishment of four principal
testable hypotheses and a structural model of CA. Below is a summary of issues and relevant concepts discussed in this chapter.

Researchers define FGFs disparately, often using such terms as rapid, fast, and high growth synonymously (Cooney & Malinen, 2004). FGFs appear to be a distinct group with varying characteristics compared to their slow-growth and larger counterparts, especially in terms of founder/entrepreneur characteristics, management and marketing practices, and specific resources used during periods of fast growth.

Within the resource-based and capability view of the firm, enterprises possess a collection of tangible and intangible resources. Barney (1991) explained that firm resources have to be valuable, rare, inimitable and non-substitutable for firms to achieve CA. Such resources must create value, which is viewed as a principal source of advantage. Interestingly, most studies (Coff, 2003; Foss & Knudsen, 2003) utilize the RBV framework without paying much attention to customer value. However, it must be emphasized that the RBV perspective provides an ex post facto analysis of successful firms, which also requires an endorsement from history for validation (Connor, 2002; Peteraf, 1993; Srivastava et al., 2001).

Hence, the Sources, Positions and Performance model of CA, as advocated by Day and Wensley (1988), highlights the significance of utilizing customer-based measures of CA and customer value (Woodruff, 1997). Elements derived from this model, the RBV and the RA theory constitute a theoretical basis for this thesis. Accordingly, three sources of CA: market, learning, and EO are examined. Hult and Ketchen Jr. (2001) advocated that these orientations are not independently accurate for creating positional advantage, and form a complex web of relationships. These resources/capabilities are considered to be elements that contribute jointly to the development of a latent, intangible construct.

Various conceptualizations of market-oriented or market-driven firms share three common qualities: customers as the primary interest; ability to generate, disseminate, and use information on clients and competitors; and the coordinated application of interfunctional resources to create superior customer value. However, researchers also further classify MO into market-driving versus market-driven (Jaworski et al., 2000), and proactive versus reactive MO (Narver et al., 2000). Finally, studies on MO identify positive, negative, and nonsignificant links with firm
performance. These disparate findings have been attributed to the impact of mediating (e.g., quality, resources, innovation, marketing practices, new product development) and moderating factors (e.g., environment, entrepreneurship). Interestingly, only in recent times have models emerged to test all three variables (i.e., MO, LO, and EO) concurrently (Hult et al., 2004; Tan & Smyrnios, 2004a).

LO refers to those firms that value and promote learning, challenging norms, and assumptions. Researchers use the constructs of LO, organizational learning, and learning organizations interchangeably, although they are not identical and cause confusion. It has been observed that studies linking LO and performance (Farrell, 1999) are not as common as those that investigate MO/LO to performance (Celucha et al., 2002). There is an ongoing debate concerning the direction of causality between MO and LO (Bell et al., 2002). Finally, EO comprises processes/values of innovativeness, proactiveness, risk taking, and competitive aggressiveness. Although researchers (Wilkund & Shepherd, 2005) view EO as uni-dimensional, others (Arbaugh et al., 2003) opine this construct as being multi-dimensional in character and occurring in various combinations (Lumpkin & Dess, 2001). Notwithstanding, investigators (Wiklund, 1999) identify direct relationships between EO and performance, advocating contingent or moderating relationships based on internal and/or external factors.

Thus, it is proposed that collectively MO, EO, and LO are significant antecedents to marketing capabilities. Various classifications of marketing capabilities exist, although most definitions overlap (Weerawardena, 2003b). For example, Day (1994) described marketing capabilities as comprising outside-in, inside-out, and spanning capabilities, whereas Vorhies and Harker (2000) identified marketing capabilities as involving six processes/activities that are measured in relation to competitors. Marketing capabilities constitute one avenue of attaining positions of advantage that can subsequently lead to superior customer value and firm performance.

Notwithstanding, it is common to investigate firm performance as an outcome or dependent variable. However, differences exist on the methods that measure and operationalize performance, and leading to disparate findings. There also seems to be opposing views on how this variable can be measured. Performance evaluations include hard (profits, ROI, ROA) and soft (customer and employee satisfaction) measurements. Within the marketing and entrepreneurship framework, researchers are more concerned with both objective (actual financial
data such as profits, sales growth, ROI) and subjective (respondents’ opinion on financial and market measures) evaluations. Although investigators (González-Benito & González-Benito, 2005) utilize both, majority (Vorhies et al., 1999) resort to subjective measures because absolute performance measures such as ROI and profit levels, sales volume, and market share are difficult to compare between varying sized firms that operate in different markets, use different accounting standards, and define their markets differently (Fisher & McGowan, 1983).

On the whole, the effects of MO, LO, and EO on firm performance are contingent upon internal and external variables such as firm type (e.g., small versus large), single or multiple industries, and country of operation (e.g., Western versus Eastern, developed versus developing economies), to name a few. Moreover, empirical research has provided mixed results on business performance because of disparities in research design and/or methodological idiosyncrasies that incline to lead to general conclusions on single studies and low response rates (Rauch et al., 2004). For example, researchers use different performance measures (objective versus subjective) that yield contradictory and nonsignificant results. It is for this reason that this thesis utilizes both objective and subjective measures of performance. The following chapter presents Study 1.
Chapter 3
Study 1

Overview
Broadly speaking, Chapter 3 reports findings of Study 1 including Methodology, Results, and Discussion sections. The present chapter begins with a brief introduction of pertinent research paradigms employed for this thesis. A justification for applying a dialectical framework and utilizing mixed method designs underpinning this research is provided. Next, a description of participants, measures that assess constructs of an hypothesized model, data collection and statistical procedures, and validity/reliability of the research instrument are also included. This chapter concludes with an examination of findings, a review of limitations of the present study, and a discussion of implications for future research, some of which form the basis for Study 2.

Introduction
This thesis employs a mixed methods design for Study 1 (quantitative) and Study 2 (qualitative). In promoting the application of mixed data for triangulation, Jick (1979) argued that, as a system of checks and balances, quantitative and qualitative data are equally important to researchers. For example, quantitative data can demonstrate relationships not immediately evident to investigators, and limit the possibility of developing misleading impressions that emanate from solely using qualitative data. Additionally, quantitative data can generalize specific observations and cast new light on qualitative findings (Creswell & Clark, 2007). By the same token, qualitative data can promote the development of an understanding of theory underlying relationships that surface from quantitative procedures (Dooley, 2002). Qualitative methods also enable the collection of in-depth background information that might have been overlooked in a quantitative study, and help avoid elite bias (talking only to high-status respondents). The following section evaluates the appropriateness of different research paradigms/positions.

Research Paradigms
A paradigm can be defined as a conceptual model or a sum total of a person’s view of the world (Guba & Lincoln, 1994; Mertens, 2003). Tashakkro and Teddlie (2003, p. x) posited that mixed methods research has evolved to a point where it is a separate methodological orientation with its own worldview, vocabulary, and techniques. Such research is defined as the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study (Johnson & Onwuegbuzie, 2004,
p. 17), and is regarded as the *third methodological movement* (Tashakkori & Teddlie, 2003, p. 679) that fits within a pragmatic paradigm (Tashakkori & Teddlie, 1998) or dialectical positions (Greene & Caracelli, 1997). Greene and Caracelli (1997) considered these to be positions (pragmatic versus dialectical) rather than more philosophically complex paradigms.

Mixed method approaches encompass three stances: purist, pragmatic, and dialectical positions (Cresswell & Clark, 2007). Two purist perspectives are advocated by positivists (and post-positivists) and constructivists/interpretivists. The former assumes that reality and some degree of causal linkage can be claimed. This is possible when researchers keep their values out of their research and employ primarily deductive logic and quantitative methods of research (Maxwell & Delaney, 2004). A number of studies (Carson & Coviello, 1996; Romano & Ratnatunga, 1995) noted a strong predominance of positivistic methods in small firm/entrepreneurship research. However, Hill and McGowan (1999b) opined that positivist research does not yield a rich understanding of key issues that might affect small firm potential for enterprise development.

Conversely, so called qualitative purists (constructivists, interpretivists) reject positivism and view constructivism, idealism, relativism, humanism, hermeneutics, and postmodernism as superior (Lincoln & Guba, 2000). These purists live in a world of multiple mental realities and accept that individuals view their world differently, each according to their own paradigm. In order to portray this world, researchers reconstruct realities as seen by others. For any situation, multiple realities exist, that is, those of researchers, research participants, and the audience (Cresswell, 1994). The inherent epistemological stance requires investigators to interact closely with participants (Hill & McGowan, 1999b). Inductive logic and qualitative methods are used to help understand a particular phenomenon within its social context. From this perspective, inquiry is considered to be value laden.

Hill and McGowan (1999b) advocated a constructivist approach to entrepreneurial SME research. SMEs can only be described as entrepreneurial because of their managerial characteristics which form a component of complex antecedent variables and ongoing business influences (Hill & Wright, 2001). Therefore, given the impact of such characteristics on the marketing management activities of SMEs, researchers need to interact closely with participant entrepreneurs to maximize the quality of information collected (Hill & McGowan, 1999b).
Advocates (Tashakkori & Teddlie, 1998) of mixed methods research support pragmatism which can be characterized by the following five main qualities:

- Applying both qualitative and quantitative research procedures within the same or multistage research study. A pragmatist position employs whatever philosophical and/or methodological approach that works for the particular research problem under study (Tashakkori & Teddlie, 1998, p. 5), holding no *a priori* commitment to the use of mixed methods. Mixing occurs only when researchers decide that this process enhances data collection and analyses and increases data accuracy (Rocco, Bliss, Gallagher, & Pérez-Prado, 2003).

- Placing importance on the overarching research question rather than on the methods used, that is, the dictatorship of the research question (Teddlie & Tashakkori, 2003, p. 21). Different techniques associated with various paradigms can be combined and adapted to address research objectives.

- Rejecting a seemingly forced choice between postpositivism and constructivism.

- Avoiding the use of metaphysical concepts (e.g., truth, reality) that often culminate in longstanding debates among academics.

- Presenting practical and applied research philosophies.

In contrast, within a dialectical position, there is prior commitment to use mixed methods to reach the same goals in a complementary rather than a compatible manner. Advocates (Greene & Caracelli, 1997) of this position maintain that different philosophical paradigms are important and should not be ignored. *To think dialectically is to invite the juxtaposition of opposed or contradictory ideas, to interact with the tension involved by these contesting arguments, or to engage in the play of ideas* (Greene & Caracelli, 2003, pp. 96-97). Similarly, the application of disparate tools should take into account the integrity of different philosophies from which these techniques originate (Greene & Caracelli, 1997).

Researchers, who adopt a dialectical approach, seek both universal objective realities and multiple subjective realities by analyzing quantitative data and information in the case of the former, and conducting constant comparative analyses of open ended survey questions in the case of the latter. Both approaches can be combined sequentially/interactively, using information gained from one to make decisions on the other, or in simultaneous/parallel portions which are
brought together only in the final analysis of the research project. These procedures can contribute to a triangulation of findings, enhancing internal-(cause-effect relationships) and external validity (generalizability of findings), interpretability, and ...complementarity of measures that overlap but also different facets of a phenomenon (Greene, Caracelli, & Graham, 1989, p. 258).

Consistent with this argument, this thesis adopts a dialectical position (Greene & Caracelli, 1997) that integrates postpositivist and constructivist paradigms, and draws from each paradigm to explain firm reality, knowledge, and values. The principal assumption underlying this research is enhanced when paradigms are mixed (Rocco et al., 2003). Moreover, investigators who adopted a dialectical approach believed that mixed methods have a capacity to represent plurality of interests, voices, and perspectives (Greene & Caracelli, 1997). The following section reports on the present research design of Studies 1 and 2.

Overall, Study 1 tests four broad principal hypotheses:

H1: Market orientation is related positively to marketing capabilities
H2: Learning orientation is related positively to marketing capabilities
H3: Entrepreneurial orientation is related positively to marketing capabilities
H4: Marketing capabilities are related positively to firm performance

**Research Design**

*Multiple Method Designs*

Research using more than one method or worldview is regarded as having adopted multiple method designs which comprise three broad categories: multi-method, mixed method, and mixed model research (Teddlie & Tashakkori, 2003). Within multi-method studies, research questions are answered using two data collection procedures (e.g., participant observation and oral histories) or two research methods (e.g., ethnography and case study), each of which arises from a similar qualitative or quantitative tradition. By contrast, mixed methods designs incorporate mixed method and mixed model research. The latter has to meet more stringent assumptions than the former or multi-method research, and involves multiple research questions that are rooted in distinct paradigms, and multiple inferences that correspond to different worldviews (Teddlie & Tashakkori, 2003).
This thesis incorporates a mixed methods design, employing both qualitative and quantitative approaches (Cresswell, 2003). Cresswell, Clark, Gutmann, and Hanson (2003) identified six major mixed methods designs (i.e., sequential explanatory, sequential exploratory, sequential transformative, concurrent triangulation, concurrent nested, and concurrent transformative) that are defined by four criteria: implementation, priority, integration stage, and theoretical perspective. The present thesis utilizes a sequential explanatory design by undertaking quantitative data collection and analyses prior to qualitative data collection and analyses (steps associated with this design are shown in Figure 3.1). As displayed in Figure 3.1, qualitative research helps explain and interpret findings from quantitative studies and are relevant when unexpected results arise (Morse, 1991). These two methods are integrated during the interpretation phase. Implementation might (might not) be guided by specific theoretical perspectives.

As shown in Figures 3.2 to 3.4, this thesis involves three phases (Study 1 = Phase 1; Study 2 = Phases 2 & 3). For Study 1, a cross-sectional survey research design is used to test hypotheses developed on the basis of research and theory. This design is appropriate because survey research assists in collecting attitudinal data from large populations, and is easily quantifiable and amenable to hypotheses testing and statistical analysis. Measures developed by researchers (e.g., Narver & Slater, 1990; Lumpkin & Dess, 2001) are adapted for the purposes of this thesis, and extend related studies in the area (Marshall & Rossman, 1989).
Study 2 is an in-depth examination of fast-growth firms (FGFs) and involves qualitative research utilizing a multiple case design. Selected CEOs of the 2003 and 2004 BRW Fast 100 were interviewed in order to develop an in-depth understanding of drivers of competitive advantage (CA). In addition, the use of open-ended questions in the 2003 and 2004 Fast 100 surveys (from those companies that were interviewed) provided the present investigator with information that was not constrained by preconceptions, allowing for emergent themes to develop. This qualitative component of the present thesis strengthens further the validity and reliability of the first phase, further consolidating the conceptual framework developed from the literature review and empirical evidence derived from Study 1. Additional support is provided for hypothesized relationships that embody research constructs, and findings help to identify factors that might influence hypothesized synergistic relationships of business orientation, marketing capabilities, and organizational performance.

**Phase 1 Quantitative Research – Year 1 (October 2003)**

| Quantitative Model Development | Administer the Fast 100 questionnaire to 131 fast growth CEOs |
| Conduct Path Analysis | Investigate proposed theoretical model |
| | - Exploratory factor analysis |
| | - Confirmatory factor analysis |
| | - Path modeling |
| Quantitative Findings | Relationships between variables investigated |

*Figure 3.2 Research procedures adopted in Phase 1*
Phase 2 Qualitative Research – Year 2 (December 2003 – March 2004)

- Semi-structured in-depth interviews based on interview protocol – 9 companies (9 CEOs from the 2003 Fast 100 cohort)
- Open-ended survey questions from the 2003 questionnaire
- Development of codes and themes for each case
- Case study research
- Within-case analysis
- Causal network models developed
- Cross-case analysis

Figure 3.3 Research procedures adopted in Phase 2

Phase 3 Qualitative Research – Year 2 (October 2004 – December 2004)

- Semi-structured in-depth interviews based on interview protocol – 9 companies (12 CEOs from the 2004 Fast 100 cohort)
- Open-ended survey questions from the 2004 questionnaire
- Development of codes and themes for each case
- Case study research
- Within-case analysis
- Causal network models developed
- Cross-case analysis

Figure 3.4 Research procedures adopted in Phase 3
The method section below describes participants of Study 1, measurement instrument, construct measures, validity and reliability of the Fast 100 questionnaire, and statistical procedures adopted.

Method

Participants
Participants are the 2003 BRW Fast 100 private and public Australian firms (Gome, 2003). Table 3.1 shows Fast 100 company and CEO/founder characteristics. The Fast 100, is similar to Fortune’s FSB 100, America’s fastest growing small companies. Inclusion criteria involve: less than 200 full-time employees, turnover of more than AUD$250,000 in 1999/2000, and a single customer must not account for more than 50% of a firm’s turnover. Companies provide signed and audited turnover figures over four consecutive financial periods (1999-2003/2000-2004) in order to calculate average growth rates for ranking purposes. Growth is determined via average turnover over a three-year period, with the fourth year as the baseline. For each financial period (e.g., 2000-1999), the following formula was used to calculate average turnover:

$$\text{Average Growth} = \sum \frac{[(\text{Year 4} - \text{Year 3}) + (\text{Year 3} - \text{Year 2}) + (\text{Year 2} - \text{Year 1})]}{\text{Year 3}}$$

Table 3.1 Fast 100 participants

<table>
<thead>
<tr>
<th>Fast 100 participants</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Turnover Growth</td>
<td>61%</td>
</tr>
<tr>
<td>Min – Max Turnover Growth</td>
<td>32% - 545%</td>
</tr>
</tbody>
</table>

**Industry Sector**
- Information technology: 26%
- Property and business services: 24%
- Personal and other services: 10%
- Finance and insurance: 9%
- Communications: 7%
- Other: 24%

**CEOs characteristics**
- Aged between 31 and 50: 70%
- Male: 92%
- Tertiary educated: 47%
- Started the business related to their former job: 73%

**CEOs reasons for starting the business**
- Wealth creation: 9%
- Independence: 18%
- Buying yourself a job: 1%
- Could do the job better than your former boss: 23%
- Saw a niche: 34%
- Challenge: 9%
- Lack of career opportunities in previous employment: 3%
- Others: 3%

**CEOs goals**
- Ambition to dominate a niche: 43%
- To be a global player: 28%
- To dominate the domestic market: 27%
- Others: 2%

**Company type**
- Private companies: 72%
- Public companies - ASX listed: 16%
About 80% of Fast 100 companies operate in the services industry, which is consistent with overall Australian businesses. The service industry provides approximately 70% of Australia’s GDP and 81% of employment. The average annual growth rate (1988-98) in the property and business services sector is 5.1% (OECD, 1999). Multiple-industry samples provide a wider spectrum of information with regard to the model proposed in this dissertation, and accommodate more generalizability of results than single-industry research (Dess, Ireland, & Hitt, 1990).

The Fast 100 Questionnaire
The Fast 100 questionnaire was developed by the present investigator and comprised a self report instrument involving a combination of 46 open- and 205 close-ended items. Open-ended questions provide researchers with information that was free from any preconceptions. This questionnaire incorporates 251 items and comprises 15 sections (i.e., business background, future business concerns, business growth plans, corporate governance, market orientation (MO), learning orientation (LO), entrepreneurial orientation (EO), marketing capabilities, performance outcomes, customer value, information technology usage, research and development, competitive advantage (CA), and attitudinal and ownership background). Items for the quantitative study were derived from previous measures on MO (Narver & Slater, 1990), LO (Sinkula et al., 1997), EO (Lumpkin & Dess, 2001), marketing capabilities (Vorhies et al., 1999; Conant et al., 1990), and firm performance (Vorhies & Harker, 2000; Kohli & Jaworski, 1993; Vorhies, 1998). Given that a positive relationship exists between the number of scale points and reliability (Churchill & Peter, 1984), all constructs were measured on seven-point Likert scales that ranged from Strongly Agree to Strongly Disagree (see Appendix 3.1, p. 334, for a copy of the 2003 questionnaire). The following section explains measures utilized for the hypothesized quantitative model.

Measures of Market Orientation
To date, various MO measures are available. The most predominant are the MARKOR (Jaworski & Kohli, 1993) and MKTOR scales (Narver & Slater, 1990). However, these scales have been critically analyzed and several problems have emerged following their utilization. Diamantopoulos and Hart (1993) found that the former scale does not capture the operational aspects of a firm’s MO. Moreover, the MARKOR scale lacks generalizability across industries, economies, and cultures (Caruana, 1999).
Siguaw and Diamantopoulos (1995) also investigated the MKTOR scale and reported that an exploratory factor analysis (EFA) raised doubts on the composition of the MO construct as conceptualized by Narver and Slater (1990). Siguaw and Diamantopolous found no evidence that this scale was uni-dimensional.

However, researchers (Farrell & Oczkowski, 2002) frequently use this scale to measure MO because of its overall psychometric qualities and superiority to the MARKOR scale. Narver and Slater’s conceptualization has been widely appraised and adopted (Mavondo & Farrell, 2000). The MKTOR scale was used for this research, as Venkatesan and Soutar (2000), and Oczkowski and Farrell (1998) explained that this scale is more applicable to Australian SMEs. MKTOR regards MO as a set of behaviors targeting customers (customer orientation), competitors (competitor orientation), and organizations (interfunctional coordination). As mentioned in Chapter 2, MO is considered to be multi-dimensional, with each element comprising related, though distinct features (Han et al., 1998; Sin & Tse, 2003), and for this principal reason, MO is assessed from these three dimensions rather than from one factor (Noble et al., 2002; Tan & Smyrnios, 2004a). Narver and Slater (1990) also called for such an approach in future research to advance the MO area. In terms of research design and interpretation of findings, a disaggregation of the MO construct allows for better control of error or noise that might influence holistic measurement attempts (Noble et al., 2002). Carver (1989) pointed out that individual facets of a construct might have greater predictive ability than a broader construct. Table 3.2 below shows three MO factors in the questionnaire.

Table 3.2 Market orientation items

<table>
<thead>
<tr>
<th>Market Orientation (1=Strongly Disagree, 7=Strongly Agree)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer orientation</strong></td>
</tr>
<tr>
<td>Q1. We have a strong commitment to our customers</td>
</tr>
<tr>
<td>Q2. We look for ways to create value in our products</td>
</tr>
<tr>
<td>Q3. We closely monitor and assess our level of commitment in serving customer needs</td>
</tr>
<tr>
<td>Q4. Our business objectives are driven by customer satisfaction</td>
</tr>
<tr>
<td>Q5. We frequently measure customer satisfaction</td>
</tr>
<tr>
<td>Q6. We pay close attention to after-sales service</td>
</tr>
<tr>
<td>Q15. We encourage customer comments – even complaints – because they help us do a better job&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

| **Competitor orientation**                                   |
| Q7. In our organization, our sales people share information about competitor information |
| Q8. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately |
| Q9. Customers are targeted when we have an opportunity for competitive advantage |
| Q10. Top managers usually discuss competitor’s strategies    |

Note. <sup>a</sup>Item derived from Deng and Dart (1994)
**Market Orientation (1=Strongly Disagree, 7=Strongly Agree)**

**Interfunctional coordination**

Q11. Information on customers, marketing success, and marketing failures is communicated across functions

Q12. All of our business functions (e.g., marketing/sales, R&D, finance/accounting, etc.) are integrated in serving the needs of our target markets

Q13. Our managers understand how employees can contribute to the value of customers

Q14. We share resources with other business units

**Measures of Learning Orientation**

LO is the degree to which firms stress the value of learning for long-term benefits (Hult, Hurley, Giunipero, & Nichols, 2000). This scale is adapted from Sinkula et al. (1997) and consists of three dimensions: commitment to learning (six items), shared organizational vision (six items), and open mindedness (eight items). Similar to MO, LO is measured as a multi-dimensional construct (Calantone et al., 2002). Past users of LO measures employed five-point Likert scales. However, studies (Harris & Ogbonna, 2001a) showed that a switch to seven-point Likert scales improves reliability and has no effect on principal component analysis. Table 3.3 depicts three LO dimensions in the questionnaire.

**Table 3.3 Learning orientation items**

**Learning Orientation (1=Strongly Disagree, 7=Strongly Agree)**

**Commitment to learning**

Q1. Managers basically agree that our business unit’s ability to learn is our key competitive advantage

Q2. The basic values of this business unit include learning as a key to improvement

Q3. The sense around here is that employee learning is an investment, not an expense

Q4. Learning in my organization is seen as a key commodity necessary to guarantee organizational survival

Q5. Our culture is one that does not make employee learning a top priority

Q6. The collective wisdom in this enterprise is that once we quit learning, we endanger our future

**Shared vision**

Q7. There is a well-expressed concept of who we are and where we are going as a business unit

Q8. There is total agreement on our business vision across all levels, functions and divisions

Q9. All employees are committed to the goals of this business unit

Q10. Employees view themselves as partners in charting the direction of the business unit

Q11. Top leadership believes in sharing its vision for the business unit with the lower levels

Q12. We do not have well-defined vision for the entire business unit

**Open mindedness**

Q13. We are not afraid to reflect critically on the shared assumptions we have about the way we do business

Q14. Managers in this business unit do not want their “view of the world” to be questioned

Q15. Our business unit places a high value on open mindedness

Q16. Managers encourage employees to “think outside of the box”

Q17. An emphasis on constant innovation is not part of our corporate culture

Q18. Original ideas are highly valued in this organization

Q19. Constructive feedback is given to all employees on how they are doing

Q20. All employees, suppliers, customers are encouraged to let the firm know if anything is going wrong

Note. *Denotes reversed items for quantitative data analysis
Measures of Entrepreneurial Orientation

Miller (1983) was the earliest to operationalize the EO concept, defining entrepreneurial firms as those engaging in product innovation, undertake risky ventures, and first to introduce proactive innovation. Competitive aggressiveness is an intense effort to outperform industry rivals, characterized by combative postures or aggressive responses to improve positions or overcome threats in competitive market places (Lumpkin & Dess, 2001). For the present thesis, the construct espoused by Lumpkin and Dess (2001) was chosen because the additional component of competitive aggressiveness was treated as a separate construct from proactiveness. This scale comprises four factors: innovativeness, proactiveness, competitive aggressiveness, and risk taking (Table 3.4). However, ratings are undertaken on 7-point Likert scales ranging from Strongly Disagree to Strongly Agree, rather than on 7-point scales utilizing two opposing anchor points. A number of researchers (Covin & Slevin, 1989) viewed EO as uni-dimensional, which assumes that underlying constructs (proactiveness, innovativeness, risk-taking, competitive aggressiveness) have correlations of similar magnitude with performance. However, recent investigations (Kreiser et al., 2002; Rauch et al., 2004) reported that EO dimensions tend to vary independently rather than covary. This research adopts the latter view. Table 3.4 illustrates four EO factors in the questionnaire.

Table 3.4 Entrepreneurial orientation items

<table>
<thead>
<tr>
<th>Entrepreneurial Orientation (1=Strongly Disagree, 7=Strongly Agree)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovativeness</strong></td>
<td></td>
</tr>
<tr>
<td>Q1. Our firm has marketed many new lines of products or services</td>
<td></td>
</tr>
<tr>
<td>Q2. Many new lines of products/services have been marketed in the past five years</td>
<td></td>
</tr>
<tr>
<td>Q3. Changes in product/service lines have been mostly minor in nature*</td>
<td></td>
</tr>
<tr>
<td><strong>Proactiveness</strong></td>
<td></td>
</tr>
<tr>
<td>Q4. In dealing with competitors, my firm typically responds to actions which competitors initiate*</td>
<td></td>
</tr>
<tr>
<td>Q5. In dealing with competitors, my firm typically initiates actions which competitors then respond to</td>
<td></td>
</tr>
<tr>
<td>Q6. In dealing with competitors, my firm is very often the first to introduce new products, administrative techniques etc.</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Taking</strong></td>
<td></td>
</tr>
<tr>
<td>Q7. Top managers in my firm have a strong proclivity for high-risk projects (with chances of very high returns)</td>
<td></td>
</tr>
<tr>
<td>Q8. Owing to the nature of the environment, it is best to explore it gradually via timid, incremental behavior*</td>
<td></td>
</tr>
<tr>
<td>Q9. When confronted with decision-making situations involving uncertainty, we adopt a cautious “wait-and-see” posture*</td>
<td></td>
</tr>
<tr>
<td>Q10. When confronted with decision-making situations involving uncertainty, we adopt bold, aggressive posture</td>
<td></td>
</tr>
<tr>
<td><strong>Competitive aggressiveness</strong></td>
<td></td>
</tr>
<tr>
<td>Q11. My firm typically adopts a very competitive “undo-the-competitors” posture</td>
<td></td>
</tr>
<tr>
<td>Q12. My firm is very aggressive and intensely competitive</td>
<td></td>
</tr>
</tbody>
</table>

Note. *Denotes reversed items for quantitative data analysis
Measures of Marketing Capabilities

A number of methods were employed to ascertain marketing capabilities (Conant et al., 1990; Tzokas et al., 2001). The Vorhies et al. (1999) scale was adapted for this thesis. Respondents were asked to rate items regarding six interrelated marketing capabilities: market research, relationships (Vorhies et al., 1999, identified this factor as distribution capabilities), pricing, marketing communications (Vorhies et al. 1999, identified this scale as promotion capabilities), marketing management, and product development as illustrated in Table 3.5.

Table 3.5 Marketing capabilities items

<table>
<thead>
<tr>
<th>Marketing Capabilities (1=Strongly Disagree, 7=Strongly Agree)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing research</strong></td>
</tr>
<tr>
<td>Q1. Our marketing research ability helps us find more new customers than our competitors'</td>
</tr>
<tr>
<td>Q2. Market research skills help us develop effective marketing programs</td>
</tr>
<tr>
<td>Q3. We use our marketing research information more effectively than our competitors use their market research information</td>
</tr>
<tr>
<td>Q4. Our marketing research expertise helps us develop better marketing programs than our Competitors</td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
</tr>
<tr>
<td>Q5. Pricing has a major impact on marketing program success</td>
</tr>
<tr>
<td>Q6. Pricing is important(^b)</td>
</tr>
<tr>
<td>Q7. Our pricing approach is more effective than our competitors’</td>
</tr>
<tr>
<td>Q8. We know competitors’ prices better than they know ours</td>
</tr>
<tr>
<td>Q9. Our prices are more competitive than our competitors’ prices</td>
</tr>
<tr>
<td><strong>Product development</strong></td>
</tr>
<tr>
<td>Q10. We do a better job of developing new products/services than our competitors</td>
</tr>
<tr>
<td>Q11. Our product/service development often falls short of its goals(^d)</td>
</tr>
<tr>
<td>Q12. Our product/service development gives us an edge in the market</td>
</tr>
<tr>
<td>Q13. Our product/service development efforts are more responsive to customer needs</td>
</tr>
<tr>
<td>Q14. Our products are highly differentiated(^d)</td>
</tr>
<tr>
<td><strong>Relationships/distribution</strong></td>
</tr>
<tr>
<td>Q15. We have better relationships with distributors than do our competitors</td>
</tr>
<tr>
<td>Q16. Our distribution system is more efficient than our competitors’</td>
</tr>
<tr>
<td>Q17. We work more closely with distributors and retailers than do our competitors</td>
</tr>
<tr>
<td>Q18. Our distribution programs are vital for marketing program success</td>
</tr>
<tr>
<td><strong>Marketing communications/promotions</strong></td>
</tr>
<tr>
<td>Q19. Advertising is a vital component of our promotional program</td>
</tr>
<tr>
<td>Q20. Our sales promotions (coupons, free samples etc.) are more effective than our competitors’</td>
</tr>
<tr>
<td>Q21. Our advertising programs are more effective than our competitors’</td>
</tr>
<tr>
<td>Q22. We have a better image compared to our competitors(^c)</td>
</tr>
<tr>
<td><strong>Marketing management</strong></td>
</tr>
<tr>
<td>Q23. Our abilities to segment and target market help us compete</td>
</tr>
<tr>
<td>Q24. We manage our marketing programs better than our competitors</td>
</tr>
<tr>
<td>Q25. Our marketing management skills give us a competitive edge</td>
</tr>
<tr>
<td>Q26. Our ability to coordinate various departments and groups in this business helps us to respond to market conditions faster than our competitors</td>
</tr>
<tr>
<td>Q27. We are more aware of our marketing weakness than our competitors(^c)</td>
</tr>
</tbody>
</table>

Note. \(^a\)Denotes reversed items for quantitative data analysis, \(^b\)Item is not part of the Vorhies and Harker (2000) scale and consequently not included in statistical analysis, \(^c\)Items derived from Conant et al. (1990)
Measures of Performance

The organizational performance dimension was embedded within the distinctive marketing capabilities section. As the sample consists of firms from different industries, firm performance evaluations are more meaningful when assessed comparatively. In order to evaluate company performance, subjective financial measures were employed similar to those frequently used by other investigators such as overall business profitability, return on investment (Vorhies et al., 1999, Vorhies & Harker, 2000), and return on equity (Jaworski & Kohli, 1993). Four measures of subjective market performance incorporated were customer satisfaction, customer value delivery, new product success (Vorhies et al., 1999, Vorhies & Harker, 2000), and overall marketing effectiveness (Vorhies, 1998). The use of self-assessment measures is well received in the literature as researchers (Doyle, Saunders, & Wright, 1989; Venkatraman & Ramanujam, 1986) have demonstrated convergent validity of such scales.

However, an additional objective measure of performance -- average turnover over a period of three years, and using the fourth year as baseline (as indicated above) -- was incorporated in this study. Empirical studies on entrepreneurship (Lee & Tsang, 2001) used either profitability or growth rate, or both, as measures of firm performance. It should be noted however, that profitability and growth measure different aspects of performance, as growth is sometimes achieved at the expense of profitability in the short run. Thus, it is inappropriate to combine growth rate and profitability to create a single firm performance measure. Also, as most entrepreneurial SMEs are privately owned, these firms are not legally required to disclose performance information. However, externally audited turnover growth figures were available because participants had to disclose this data to qualify as an entrant to the Fast 100. Table 3.6 shows two firm performance constructs in the questionnaire.

Table 3.6 Firm performance items

<table>
<thead>
<tr>
<th>Firm Performance</th>
<th>Please evaluate the performance of your business over the previous THREE years relative to your major competitors (1=much worse than competitors, 7=much better than competitors)</th>
</tr>
</thead>
</table>
| Financial performance | (a) Business unit profitability  
(b) Return on Investment (ROI)  
(c) Return on Equity (ROE) |
| Market performance | (d) Customer satisfaction  
(e) Delivering value to your customers  
(f) Overall marketing effectiveness  
(g) Number of successful new products |
Social Desirability

Social desirability (SD) bias is defined as the inclination to respond in a way that will make the respondent look good (Beretvas, Meyers, & Leite, 2002, p. 570). As this thesis relied on subjective judgments of a single informant from each firm, MO, EO and other key variable measurements are subjected to various cognitive biases, such as position bias. All scales used were assessed for SD response bias. While the Marlowe-Crowne Social Desirability Scale (Crowne & Marlowe, 1960) has been widely used, researchers (Ballard, 1992; Reynolds, 1982; Strahan & Gerbasi, 1972) found this scale to be too extensive (33 items), and developed several shorter versions (between 10 to 20 items). For this research, Reynolds’ (1982), Form A was employed because it is recognized to have the best fit and achieves high internal-consistency reliability (Loo & Thorpe, 2000). This scale contains 11 true-false items concerning everyday behavior (Table 3.7). An EFA using Principal Axis Factoring with Oblimin rotation was conducted, culminating in three factors. Two items (Q2 and 6) were deleted because of low factor loadings (<0.3). Pearson correlation coefficients between socially desirable and MO, EO, LO, marketing capabilities scores and firm performance range between $r=0.01$ and $r=0.26$. Of the 27 correlations, the social desirability scale correlated significantly with only one measure: product development capabilities ($r=0.26$). This finding suggests that CEOs rated their products as superior to those of their competitors’, possibly in a socially accepted manner.

Table 3.7 Social desirability items

Social desirability (1=Agree, 2=Disagree)

1. It is sometimes hard for me to go on with my work if I am not encouraged
2. I sometimes feel resentful when I don’t get my way
3. No matter who I’m talking to, I’m always a good listener
4. There have been occasions when I took advantage of someone
5. I’m always willing to admit it when I make a mistake
6. I sometimes try to get even rather than forgive and forget
7. I am always courteous, even to people who are disagreeable
8. I have never been irked when people express ideas very different from my own
9. There have been times when I was quite jealous of the good fortune of others
10. I am sometimes irritated by people who ask favors of me
11. I have never deliberately said something that hurt someone’s feelings
Validity and Reliability of the Fast 100 Questionnaire
This study addresses issues regarding the validity and reliability of the present research instrument based on Anderson and Gerbing’s (1988) guidelines on content and construct validity. Content validity refers to the extent an empirical measurement reflects a specific domain of the content (Hair, Black, Babin, Anderson, & Tatham, 2005). The instrument used to evaluate five research constructs in this thesis has content validity because the measurement items selected is derived from an extensive literature review.

Construct validity refers to three related issues: uni-dimensionality, convergent validity, and discriminant validity. Uni-dimensionality is the degree to which a set of items that form an instrument measure an underlying construct (Hair et al., 2005). Each critical factor of the research constructs was evaluated by factor analyzing measurement instruments using Cronbach alpha reliability tests. According to Churchill (1979), coefficient or Cronbach alphas should be the first measure used to assess the quality of an instrument. A cut-off point ($\alpha=0.7$) for the alpha value suggested by Nunally and Bernstein (1994, p. 265) was used as a reasonable indicator of fit.

Convergent validity refers to the extent to which multiple attempts measure the same concept with different methods are in agreement, whereas discriminant validity is the degree to which a concept differs from other concepts (Hair et al., 2005). To establish convergent and discriminant validity, multi-factor analyses were undertaken. An elaboration of these methods is described in the findings section of this chapter.

Procedure
Questionnaires were mailed to owners/CEOs/founders of fast-growth SMEs in stamped, self-addressed envelopes in August, 2003. One hundred and thirty-one questionnaires were returned, generating a response rate of 78.4%. Of the 131 respondents, 88 made the final list for the Fast 100, 2003. The hypothesized model proposed in Chapter 2 was tested with 2003 data.

Statistical Procedures
Data analyses were undertaken in four principal stages (data screening, exploratory factor analysis, confirmatory factor analysis, path analysis) using SPSS 12.0 and AMOS 5.0. As part of the preparation and screening process, data were tested for violations of statistical assumptions
(e.g., multicollinearity, outliers, normality) and to replace missing data. The latter was treated using the “expectation-maximization” (EM) iterative method of SPSS, a procedure that proceeds in two discrete steps and replaced accordingly.

The statistical plan involved three main processes: Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), and path analysis. EFA involving Principal Axis Factoring with Oblimin Rotation was used to determine the number of factors associated with MO, LO, EO, marketing capabilities, and firm performance. EFA was conducted to eliminate survey items with loadings <0.3 on factors (Hair et al., 2005), and to determine initial patterns of factor loadings that could subsequently be utilized in the CFA process. An underlying assumption of this statistical procedure is to find out whether items cluster to form factors. Items that correlate with each other are assumed to represent a similar factor. In order to extract factors, different statistical criteria can be applied. In this case, factor extraction was based on eigenvalues which are greater than one (Kaiser, 1961) and a scree plot test (Cattell, 1978). Factors which eigenvalues are after the point where the eigenvalue line drops beyond the first set of extrapolation, are excluded.

Next, five one-factor congeneric measurement models were estimated to examine the measurement properties of latent variables. A one-factor congeneric measurement model is the simplest form of a measurement model and represents the regression of a set of observed indicator variables on a single latent variable (Holmes-Smith & Rowe, 1994, p. 6). Such models provide a realistic interpretation of data by considering varying degrees to which each item contributes to an overall measure, providing a quasi test of validity. For a model to fit, individual items must measure a composite variable of the same kind, and must be a valid measure of a single latent trait (Holmes-Smith & Rowe, 1994).

CFA was undertaken to develop five measurement models to determine if each of the variables, as suggested in the proposed framework, load on to its respective underlying constructs (Anderson & Gerbing, 1988), so that discriminant validity can be measured. CFA allows for explicit representation of the degree of correspondence between observed measures and latent concepts, and for unambiguous assignment of meaning to the estimated constructs (Anderson & Gerbing, 1988).
Finally, path analysis was used to identify the magnitude of indirect effects of business orientation on firm performance through marketing capabilities. This procedure allows for simultaneous analysis of more than one dependent variable (Bozionelos, 2003). Path analysis has been employed by previous researchers (Conduit & Mavondo, 2001) for decomposing effects into direct and indirect (causal) effects, and for eliminating non-causal effects. By identifying indirect effects, path analysis enables researchers to provide a holistic view of relationships (Bozionelos, 2003).

**Ethical Considerations**

This thesis followed Ethics Guideline Procedures outlined by RMIT University in the Ethics Review Process. Ethics approval was obtained to carry out this research. The present researcher was prepared, organized and considerate of participants in this study. The following section presents EFA and CFA results that were performed on all five latent variables, path model results, and analysis of hypothesized relationships.

**Results**

**Data Screening**

Prior to multivariate analyses, data were examined using SPSS 12.0 for data entry accuracy, missing values, and for violations of multivariate statistical assumptions: normality, homogeneity of variance, multicollinearity, and outliers.

Residuals were screened for normality via expected normal probability and detrended normal probability plots. When residual plots appear normal in regression, it is not necessary to screen individual variables for normality (Pallant, 2005). An examination of normal probability plots suggested no significant deviations from normality for the present data. Assumptions for multicollinearity were tested via correlation matrixes and collinearity diagnostics. Tabachnick and Fidell (2001, p. 84) suggested that researchers should omit highly correlated variables (>0.7). For this thesis, correlation values for all constructs were low-to-middling (range from 0.01 to 0.54). Collinearity diagnostics were determined by noting tolerance values (1 – squared multiple correlation) and variance inflation factors. Low tolerance values (those approaching zero) indicate that multiple correlation with other variables is high, suggesting the possibility of multicollinearity. The present findings indicate that the values range from 0.58 to 1, with majority being above 0.85, to suggest that this assumption is not violated.
Cases with scores that are very different from the rest are considered outliers (Kline, 2005). Outliers can be detected by examining both scatter plots of standardized residuals and Mahalanobis distance ($D$) statistics. For the former, residuals should be rectangularly distributed, with most scores concentrated in the centre (along the zero point) (Tabachnick & Fidell, 2001). Deviations from a centralized rectangle violate this assumption (Tabachnick & Fidell, 2001). This is absent in the present thesis.

$D$ statistics indicate the distance in standard deviation units between a set of scores (vector) for an individual case and the sample means for all variables (centroids) (Kline, 2005, p. 51). $D$ is distributed as a chi-square variable, with degrees of freedom equal to the number of independent variables (Tabachnick & Fidell, 2001, p. 157). To determine which cases are multivariate outliers, researchers identify the critical chi-square at the desired alpha value (values larger than a critical value are considered multivariate outliers). There are 74 independent variables in this thesis. $D$ values ranged from 42.75 to 108.95, which are below the critical value of 112.32 (70 $df$). This finding indicates that the present sample has no multivariate outliers. Tests show that statistical assumptions are not violated. The following is a discussion of EFA, criteria adopted for extracting EFA factors, and CFA. In short, a logical approach to data analyses was undertaken, the steps of which involved i) an examination of correlation matrices; ii) EFA with principal axis factoring (PAF) and oblimin rotation to identify factors; iii) one-factor and multi-factor congeneric measurement models; iv) construct reliability of each dimension; v) composite variable calculation based on congeneric measurement models; and vi) path analysis to test hypotheses.

**Psychometric Analysis of the Instrument**

EFA and CFA were employed to test psychometric properties of the Fast 100 questionnaire. EFA was used to uncover underlying structures in the relatively large set of variables. An a priori assumption is that any indicator might be associated with any factor. EFA was also used to determine the factor structure of measures and to examine internal reliability (Tabachnick & Fidell, 2001).

EFA is considered a preliminary step for identifying whether factor structures are inline with current theory. PAF with direct oblimin rotation was used. Unlike principal component analysis, which is generally regarded as an appropriate method for pragmatic purposes of data reduction,
PAF analyses shared variances between items. This technique is suitable for exploring underlying factors for theoretical purposes (Hair et al., 2005), and for determining the dimensionality of a set of variables to specifically test whether one factor can account for the bulk of the common variance in a set.

Direct oblimin rotation was used for deriving factor loadings, assuming that factors are correlated to generate a factor correlation matrix. In contrast, an orthogonal method such as varimax does not produce a factor correlation matrix, assuming that the correlation of each factor with another is zero (Hair et al., 2005). Data were analyzed by oblique rotation followed by an examination of the factor correlation matrix. When factor correlations are small \((r < .30)\), corresponding to approximately 10% explained, researchers can assume orthogonality in the model (Hair et al., 2005). Discriminant validity is demonstrated when correlations between factors are low \((r > .85)\) in an oblique rotation.

By contrast, CFA determines whether the number of factors and loadings of indicator variables on factors conform to what is expected on the basis of pre-established theory. Indicator variables are selected on the basis of prior theory and factor analysis to determine whether items load as predicted on factors. A minimum requirement of CFA is that one hypothesizes beforehand the number of factors in a model (Hair et al., 2005).

**Criteria for Extracting Factors in Exploratory Factor Analysis**

For this thesis, five criteria were taken into account when extracting factors: item loadings (those loadings less than 0.30 and loaded on multiple factors were eliminated during the EFA process), eigenvalues (Kaiser, 1960), variance percentage (solutions accounting for 60% of the total variance – in some cases less), scree plot tests, and prior research (Hair et al., 2005).

Eigenvalues measure the amount of variation and percentage of variance of a total sample accounted for by each factor (Hair et al., 2005). The ratio of eigenvalues is the ratio of explanatory importance of the factors with respect to the variables. Factors with low eigenvalues can be viewed as contributing little to the explanation of variances in the variables and thus can be considered redundant. The Kaiser rule is to drop all components with eigenvalues under 1.0, although Lance, Butts, and Michels (2006) maintained that eigenvalues usually overestimate the true number of factors.
Descriptive statistics and correlation coefficients of key variables are shown in Tables 3.8 to 3.12. Factor loadings associated with each construct measured following EFA are shown in Tables 3.13 to 3.17. It should be noted that for all tables, factor loadings <.30 are not shown.

### Table 3.8 Descriptive statistics and correlation matrix for the market orientation construct

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<th>Market Orientation Items</th>
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<th>Std. Dev</th>
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<th>p5q4</th>
<th>p5q5</th>
<th>p5q6</th>
<th>p5q7</th>
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* p < .05. ** p < .01.
Table 3.9 Descriptive statistics and correlation matrix for the learning orientation construct

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<th>p6q7</th>
<th>p6q8</th>
<th>p6q9</th>
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* p<.05. ** p<.01. \(^a\) Reversed items
Table 3.10 Descriptive statistics and correlation matrix for the entrepreneurial orientation construct

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<th>Entrepreneurial Orientation Items</th>
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<th>p7q6</th>
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* p<.05. ** p<.01. * Reversed items
Table 3.11 Descriptive statistics and correlation matrix for the marketing capabilities construct

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* p<.05, ** p<.01. * Reversed items

Table continues…
Table 3.11 Continued

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* p<.05. ** p<.01.

Table 3.12 Descriptive statistics and correlation matrix for the firm performance construct

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<tr>
<th>Firm Performance Score Items</th>
<th>Mean Score</th>
<th>Std. Dev</th>
<th>p9q1a</th>
<th>p9q1b</th>
<th>p9q1c</th>
<th>p9q1d</th>
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<td>.30**</td>
<td>.32**</td>
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* p<.05. ** p<.01.
### Table 3.13 Factor loadings associated with the market orientation scale following principal axis factoring

<table>
<thead>
<tr>
<th>Market Orientation Measures</th>
<th>Factor 1: Customer Orientation</th>
<th>Factor 2: Competitor Orientation</th>
<th>Factor 3: Interfunctional Coordination</th>
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<tr>
<td>Kaiser-Meyer-Olkin measure of sampling adequacy = 0.85</td>
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<td>Bartlett test of sphericity = 242.41, p = 0.001</td>
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<tr>
<td>PSQ3: We closely monitor and assess our level of commitment in serving customers’ needs</td>
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<td>PSQ5: We frequently measure customer satisfaction</td>
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<td>PSQ4: Our business objectives are driven by customer satisfaction</td>
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<tr>
<td>PSQ6: We pay close attention to after-sales service</td>
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<td>PSQ15: We encourage customer comments – even complaints – because they help us do a better job</td>
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<tr>
<td>PSQ2: We look for ways to create value in our products</td>
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<td>PSQ10: Top managers usually discuss competitor’s strategies</td>
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<tr>
<td>PSQ7: In our organization, our sales people share information about competitor information</td>
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<tr>
<td>PSQ11: Information on customers, marketing success, marketing failures is communicated across functionsa</td>
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<tr>
<td>PSQ14: We share resources with other business unitsa</td>
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<tr>
<td>PSQ12: All of our business functions (e.g., marketing/sales, R&amp;D, finance/accounting, etc.) are integrated in serving the needs of our target market</td>
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<tr>
<td>PSQ13: Our managers understand how employees can contribute to the value of customers</td>
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<tr>
<td>PSQ1: We have a strong commitment to our customersb</td>
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<tr>
<td>PSQ9: Customers are targeted when we have an opportunity for competitive advantageb</td>
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<tr>
<td>PSQ8: If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately</td>
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<tr>
<td>Eigenvalues</td>
<td>5.09</td>
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<td>1.08</td>
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<td>Percentage of Variance Explained</td>
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<td>11.26</td>
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**Factor Correlation Matrix**

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<tr>
<th>Factor</th>
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<tbody>
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<td>1</td>
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<td>2</td>
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<td>3</td>
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</table>

Note. a=items that did not load on their theoretical construct. b=items that loaded on multiple factors.

EFA of 15 MO items identified three factors (Table 3.13). Three items (PSQ1, Q8, Q9) were deleted because of sizeable cross loadings. Interpretation of the three-factor solution, which explained 55% of the variance, was accomplished by relating clusters of items for each construct to the theoretical concepts of MO. Theoretically, two interfunctional coordination items (Q11 and Q14) loaded on the competitor orientation construct. Discriminant validity is demonstrated as correlation between factors range between \( r = .39 \) and \( r = -.54 \).
Table 3.14 Factor loadings associated with the learning orientation scale following principal axis factoring

<table>
<thead>
<tr>
<th>Learning Orientation Measures</th>
<th>Factor 1: Shared Vision</th>
<th>Factor 2: Commitment To Learning</th>
<th>Factor 3: Open Mindedness</th>
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<td>P6Q9:</td>
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</tbody>
</table>

Eigenvalues

- Factor 1: 5.83
- Factor 2: 1.83
- Factor 3: 1.37

Percentage of Variance Explained

- Factor 1: 41.68%
- Factor 2: 13.08%
- Factor 3: 9.82%

Factor Correlation Matrix

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
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<th>3</th>
</tr>
</thead>
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<td>Factor 3</td>
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<td>-0.46</td>
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Note. a = item loadings < .30. b = items that loaded on multiple factors. c = reverse scored items.

EFA of 20 LO items identified three factors (Table 3.14). Six items were deleted: Q11, Q13, Q17 because of low loadings, and Q5, Q12, Q19 for loading on multiple factors. The remaining items, inline with theory, were found to load on their corresponding constructs. Similarly, interpretation of the three-factor solution, which accounted for 55% of variance was accomplished by relating items and their associated factors to theoretical concepts of LO.

Discriminant validity is demonstrated as correlations between factors range between \( r = -0.46 \) and \( r = -0.50 \).
Table 3.15 Factor loadings associated with the EO scale following principal axis factoring

<table>
<thead>
<tr>
<th>Table 3.15 Factor loadings associated with the EO scale following principal axis factoring</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entrepreneurial Orientation Measures</strong></td>
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<tr>
<td>Kaiser-Meyer-Olkin measure of sampling adequacy=0.62</td>
</tr>
<tr>
<td>Bartlett test of sphericity=396.39, p=0.001</td>
</tr>
<tr>
<td><strong>Factor 1: Innovative</strong></td>
</tr>
<tr>
<td>P7Q2: Many new lines of products/services have been marketed in the past five years</td>
</tr>
<tr>
<td>P7Q1: Our firm has marketed many new lines of products or services</td>
</tr>
<tr>
<td>P7Q3: Changes in product/service lines have been mostly minor in nature</td>
</tr>
<tr>
<td>P7Q9: When confronted with decision-making situations involving uncertainty, we adopt a cautious “wait and see” posture</td>
</tr>
<tr>
<td>P7Q8: Owing to the nature of the environment, it is best to explore it gradually via timid incremental behavior</td>
</tr>
<tr>
<td>P7Q4: In dealing with competitors, my firm typically responds to actions which competitors initiate</td>
</tr>
<tr>
<td>P7Q10: When confronted with decision-making situations involving uncertainty, we adopt a bold, aggressive posture</td>
</tr>
<tr>
<td>P7Q11: My firm typically adopts a very competitive “undo-the-competitors” posture</td>
</tr>
<tr>
<td>P7Q12: My firm is very aggressive and intensely competitive</td>
</tr>
<tr>
<td>P7Q6: In dealing with competitors, my firm is very often the first to introduce new products, administration techniques etc.</td>
</tr>
<tr>
<td>P7Q5: In dealing with competitors, my firm typically initiates actions which competitors then respond to</td>
</tr>
<tr>
<td>P7Q7: Top managers have a strong proclivity for high risk projects</td>
</tr>
<tr>
<td>Eigenvalues</td>
</tr>
<tr>
<td>2.97</td>
</tr>
<tr>
<td>Percentage of variance explained</td>
</tr>
<tr>
<td>27.01</td>
</tr>
<tr>
<td>Factor Correlation Matrix</td>
</tr>
<tr>
<td>Factor</td>
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<tr>
<td>1</td>
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<td>2</td>
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<td>3</td>
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</tbody>
</table>

Note. a = item loadings < .30. b = reverse scored items. c = items that did not load on their theoretical construct.

EFA of 12 EO items culminated in four factors (Table 3.15). Two items were deleted--Q4 which belongs to the proactiveness factor for also loading on the risk taking factor, and Q7 because of low loading. Interpretation of the four-factor solution which accounted for 65% of variance, was accomplished by relating items and their associated factors to theoretical concepts of EO. Discriminant validity is demonstrated as correlations between factors range between $r= .17$ and $r= .28$.

Inline with theory, EFA of 26 marketing capabilities items identified six factors (Table 3.16). One item, Q21, which loaded on the market research (Factor 1) in theory, belongs to the marketing management (Factor 6) construct. Four items were deleted: Q6, Q24 because of low loadings, and Q23, Q25 for loading on multiple factors. Interpretation of the six-factor solution, which explained 64% of variance, was accomplished by relating them to the theoretical concepts of marketing capabilities. Discriminant validity is demonstrated as correlations between factors range between $r= .23$ and $r= .34$.
Table 3.16 Factor loadings associated with the marketing capabilities scale following principal axis factoring

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</thead>
<tbody>
<tr>
<td>P8Q2: Market research skills help us develop effective marketing programs</td>
<td>.93</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>P8Q4: Our market research expertise helps us develop better marketing programs than our competitors</td>
<td>.77</td>
<td></td>
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<tr>
<td>P8Q1: Our market research ability helps us find more new customers than do our competitors</td>
<td>.76</td>
<td></td>
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</tr>
<tr>
<td>P8Q3: We use our marketing research information more effectively than our competitors use their marketing research information</td>
<td>.73</td>
<td></td>
<td></td>
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<tr>
<td>P8Q21: Our abilities to segment target market help us compete</td>
<td>.50</td>
<td></td>
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</tr>
<tr>
<td>P8Q16: We work more closely with distributors and retailers than do our competitors</td>
<td>.76</td>
<td></td>
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</tr>
<tr>
<td>P8Q14: We have better relationships with distributors than do our competitors</td>
<td>.52</td>
<td></td>
<td></td>
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<tr>
<td>P8Q15: Our distribution system is more efficient than our competitors’</td>
<td>.68</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>P8Q17: Our distribution programs are vital for marketing program success</td>
<td>.62</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>P8Q9: Our prices are more competitive than our competitors’ prices</td>
<td>.82</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>P8Q7: Our pricing approach is more effective than our competitors’</td>
<td>.67</td>
<td></td>
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<tr>
<td>P8Q5: Pricing has a major impact on marketing program success</td>
<td>.57</td>
<td></td>
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</tr>
<tr>
<td>P8Q8: We know competitors’ prices better than they know ours</td>
<td>.55</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>P8Q20: Our advertising programs are more effective than those of our competitors’</td>
<td>-.89</td>
<td></td>
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<tr>
<td>P8Q18: Advertising is a vital component of our promotional program</td>
<td>-.68</td>
<td></td>
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<tr>
<td>P8Q19: Our sales promotions (coupons, free samples etc.) are more effective than those of our competitors’</td>
<td>-.53</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>P8Q12: Our product/service development gives us an edge in the market</td>
<td>.90</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>P8Q10: We do a better job of developing new products/services than our competitors</td>
<td>.70</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>P8Q13: Our product/service development efforts are more responsive to customer needs than those of our competitors</td>
<td>.57</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>P8Q11: Our product/service development often falls short of its goals</td>
<td>.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q22: We manage our marketing programs better than our competitors</td>
<td>-.65</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>P8Q27: We are more aware of our marketing weakness than our competitors</td>
<td>-.48</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q6: Our products/services are highly differentiated</td>
<td>a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q24: Our ability to coordinate various departments and groups in this business helps us to respond to market conditions faster than competitors</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q23: Our marketing management skills give us a competitive edge</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q25: We have a better image compared to our competitors</td>
<td>b</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Kaiser-Meyer-Olkin measure of sampling adequacy = 0.77
Bartlett test of sphericity = 1666.12, p = 0.001

<table>
<thead>
<tr>
<th>Eigenvalues</th>
<th>6.70</th>
<th>2.99</th>
<th>2.15</th>
<th>1.75</th>
<th>1.53</th>
<th>1.39</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of variance explained</td>
<td>25.78</td>
<td>11.52</td>
<td>8.28</td>
<td>6.72</td>
<td>5.90</td>
<td>5.35</td>
</tr>
</tbody>
</table>

Factor Correlation Matrix

<table>
<thead>
<tr>
<th>Factor</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
<th>Factor 5</th>
<th>Factor 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>.17</td>
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<tr>
<td>3</td>
<td>.01</td>
<td>.23</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>-.27</td>
<td>-.18</td>
<td>.01</td>
<td>1.00</td>
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<td></td>
</tr>
<tr>
<td>5</td>
<td>.23</td>
<td>.32</td>
<td>.06</td>
<td>-.10</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>-.34</td>
<td>-.20</td>
<td>-.04</td>
<td>.20</td>
<td>-.31</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Note. a = item loadings < .30. b = items that loaded on multiple factors. c = items that did not load on their theoretical construct. d = reverse scored items. R’ship = Relationship with distributors. Mkting Comm. = Marketing Communications. Mkting Mgmt. = Marketing Management.
Table 3.17 Factor loadings associated with the firm performance scale following principal axis factoring

<table>
<thead>
<tr>
<th>Firm Performance Measures</th>
<th>Factor 1: Financial Performance</th>
<th>Factor 2: Market Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>P9Q1B: ROI</td>
<td>.87</td>
<td></td>
</tr>
<tr>
<td>P9Q1C: ROE</td>
<td>.88</td>
<td></td>
</tr>
<tr>
<td>P9Q1A: Business unit profitability</td>
<td>.72</td>
<td></td>
</tr>
<tr>
<td>P9Q1E: Delivering value to customers</td>
<td>.81</td>
<td></td>
</tr>
<tr>
<td>P9Q1D: Customer satisfaction</td>
<td>.81</td>
<td></td>
</tr>
<tr>
<td>P9Q1F: Overall marketing effectiveness</td>
<td>.36</td>
<td></td>
</tr>
<tr>
<td>P9Q1G: New product success</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Eigenvectors
Percentage of variance explained

<table>
<thead>
<tr>
<th>Factor Correlation Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1</td>
</tr>
<tr>
<td>1.00</td>
</tr>
<tr>
<td>1.00</td>
</tr>
</tbody>
</table>

Note. ^a=item loadings <.30.

EFA of seven firm performance items identified two factors (i.e., financial and market performance) which corresponded well with theory (Table 3.17). One item, P9Q1G, was deleted because of low factor loading. Interpretation of the two-factor solution, which explained 60% of variance, was accomplished by relating factors to the theoretical concepts of firm performance. Discriminant validity is demonstrated (r = 0.29)

In summary, one to six items were deleted from each construct due to low factor and cross loadings. Consistent with theory, majority of items loaded on their corresponding constructs. As noted, a purpose of EFA is to identify whether items fit within theoretical factor structures. The next section reports on related one-factor and multi-factor congeneric models (CFA procedures) that are associated with EFA derived factors.

Confirmatory Factor Analysis

As mentioned earlier, CFA tests the viability of a priori structures based on theory, previous experience, or research. It also examines whether data are consistent with highly constrained structures to meet conditions of model identification (Byrne, 1998).

Two types of measurement models assessed: one-factor congeneric models and multi-factor models. The former was employed to assess item reliability, determine scale reliability, and verify uni-dimensionality (Anderson & Gerbing, 1988). Five independent one factor congeneric models were evaluated. Nonsignificant items were deleted from constructs (e.g., MO, LO, EO, marketing capabilities, firm performance) until a good model fit was obtained.
Multiple criteria (i.e., chi-square ($\chi^2$) statistics, absolute fit, comparative, parsimonious, and incremental fit indexes) were used to assess goodness of fit for hypothesized models. The estimated likelihood $\chi^2$ statistic is applied to assess statistical fit of the model. In line with Kline (2005), descriptive fit is assessed by the ratio of $\chi^2$ to its degree of freedom ($df$) (normed $\chi^2$), Tucker Lewis Index (TLI), Normed Relative Comparative Fit Index (CFI), Adjusted Goodness of Fit (AGFI), and Root Mean Square Error of Approximation (RMSEA). The following section describes five goodness-of-fit statistics used in this study.

**Absolute Fit Indices**

**Chi-square statistics.** There are no clear-cut guidelines for the minimum acceptable normed $\chi^2$ value. Bollen (1989) noted that values between 2.0 and 5.0 indicate a reasonable fit. Chi-square statistics are extremely sensitive to large sample sizes, and do not completely correct sample size influences. Thus, results based predominantly on this statistic should be considered with caution.

**RMSEA.** RMSEA (Steiger, 1990) is the degree to which the covariance matrix implied by the model matches the observed model. An optimal fit is indicated by a value of zero. Values of less than 0.08 are also acceptable to reflect a reasonably good fit (Browne & Cudeck, 1993).

**Incremental indexes.** TLI (Tucker & Lewis, 1973) and CFI (Bentler, 1990) are incremental indexes that compare the fit of a hypothesized model with that of a null baseline model (Hair et al., 2005). TLI differs from CFI in that the former is unlikely to be influenced by sample size and model complexity. GFI is similar to squared multiple correlations ($r^2$). GFI=1 shows a perfect model fit, while a GFI>0.90 indicates a good fit. AGFI corrects model complexity.

For the present thesis, the criteria of $\chi^2/df \leq 3$; TLI, CFI, AGFI values exceeding 0.90; and RMSEA <0.08 (Kline, 1998) were adopted to indicate an adequate fit for measurement models and path analysis.

**One-factor Congeneric Measurement Models**

One-factor congeneric measurement models were estimated to examine measurement properties of latent variables, within which a single latent variable (factor) is evaluated by a number of observed variables (items). Such models give a realistic interpretation of data by
considering the varying degrees to which each item contributes to the overall measure to obtain a quasi-test of validity (Holmes-Smith & Rowe, 1994).

Schumacker and Lomax (1996) suggested a minimum of three items to fit a congeneric model and compute a latent construct (factor). Four to five items per factor are recommended for models to be over identified (Kline, 2005). When a standard CFA model with a single factor possesses at least three indicators, or two factors, with two indicators per factor, the model is just identified (Kline, 2005, p. 172). Factors representing only two indicators are considered as unidentified. These three types of models are incorporated in the present thesis and their findings are below.

Each scale was examined for possible redundant items, so that only those which best measure the construct under consideration are retained. For example, there were six items in the original factor structure that loaded on customer orientation. Analyses indicated that only four items were significant in measuring this factor. Table 3.18 shows items (and associated questionnaire numbering) that are linked to each one-factor congeneric measurement model and goodness-of-fit statistics.

Eighteen one-factor congeneric measurement models were investigated. Six models (i.e., inter-functional coordination, innovativeness, proactiveness, competitive aggressiveness, pricing, marketing communications) which comprised two items were unidentified. Shared vision, risk taking, financial performance, and market performance models were just identified. As demonstrated by goodness-of-fit statistics, adequacy of the commitment to learning factor was unsatisfactory (Table 3.18). The remaining six one-factor models fitted the data well (range of statistics: $\chi^2/df$ 1.000-2.399; RMSEA 0.000-0.084; TLI 0.904-1.000; CFI 0.952-1.000; AGFI 0.925-0.970). Tables 3.19 to 3.23 show standardized coefficients and $t$-values for each one-factor congeneric measurement model.
Table 3.18 Questionnaire items and goodness-of-fit statistics for the one-factor congeneric measurement models

<table>
<thead>
<tr>
<th>Construct</th>
<th>Questions</th>
<th>$\chi^2$</th>
<th>df</th>
<th>$\chi^2$/df</th>
<th>RMSEA</th>
<th>TLI</th>
<th>CFI</th>
<th>AGFI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Orientation</strong></td>
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</tr>
<tr>
<td>Customer orientation</td>
<td>P5Q3,4,5,6</td>
<td>3.942</td>
<td>3</td>
<td>1.314</td>
<td>0.049</td>
<td>0.990</td>
<td>0.995</td>
<td>0.949</td>
</tr>
<tr>
<td>Competitor orientation</td>
<td>P5Q7,8,9,10</td>
<td>5.767</td>
<td>3</td>
<td>1.922</td>
<td>0.084</td>
<td>0.904</td>
<td>0.952</td>
<td>0.926</td>
</tr>
<tr>
<td>Interfunctional coordination</td>
<td>P5Q12,13</td>
<td></td>
<td></td>
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<tr>
<td><strong>Learning Orientation</strong></td>
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</tr>
<tr>
<td>Commitment to learning</td>
<td>P6Q1,2,3,4,6</td>
<td>15.370</td>
<td>6</td>
<td>2.562</td>
<td>0.110</td>
<td>0.955</td>
<td>0.973</td>
<td>0.874</td>
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<tr>
<td>Shared vision</td>
<td>P6Q8,9,10</td>
<td>2.399</td>
<td>1</td>
<td>2.399</td>
<td>0.104</td>
<td>0.970</td>
<td>0.990</td>
<td>0.925</td>
</tr>
<tr>
<td>Open mindedness</td>
<td>P6Q15,16,18,20</td>
<td>8.939</td>
<td>3</td>
<td>2.980</td>
<td>0.123</td>
<td>0.926</td>
<td>0.963</td>
<td>0.890</td>
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<tr>
<td><strong>Entrepreneurial Orientation</strong></td>
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<tr>
<td>Innovativeness</td>
<td>P7Q1,3</td>
<td></td>
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<tr>
<td>Proactiveness</td>
<td>P7Q5,6</td>
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<tr>
<td>Risk taking</td>
<td>P7Q7,8,10</td>
<td>1.338</td>
<td>1</td>
<td>1.338</td>
<td>0.051</td>
<td>0.955</td>
<td>0.985</td>
<td>0.958</td>
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<td>Competitive aggressiveness</td>
<td>P7Q11,12</td>
<td></td>
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<td><strong>Marketing Capabilities</strong></td>
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<tr>
<td>Market research</td>
<td>P8Q2,3,4</td>
<td>1.000</td>
<td>1</td>
<td>1.000</td>
<td>0.000</td>
<td>1.000</td>
<td>1.000</td>
<td>0.970</td>
</tr>
<tr>
<td>Pricing</td>
<td>P8Q7,9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Products</td>
<td>P8Q10,12,13,25</td>
<td>4.968</td>
<td>3</td>
<td>1.656</td>
<td>0.071</td>
<td>0.973</td>
<td>0.987</td>
<td>0.937</td>
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<tr>
<td>Relationships</td>
<td>P8Q14,15,16</td>
<td>1.618</td>
<td>1</td>
<td>1.618</td>
<td>0.069</td>
<td>0.985</td>
<td>0.995</td>
<td>0.952</td>
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<tr>
<td>Marketing communications</td>
<td>P8Q18,20</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Marketing management</td>
<td>P8Q21,22,23,27</td>
<td>5.374</td>
<td>3</td>
<td>1.791</td>
<td>0.041</td>
<td>0.976</td>
<td>0.988</td>
<td>0.935</td>
</tr>
<tr>
<td><strong>Firm Performance</strong></td>
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<td></td>
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<td></td>
</tr>
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<td>Financial performance</td>
<td>P9Q1A,1B,1C</td>
<td>0.004</td>
<td>1</td>
<td>0.004</td>
<td>0.000</td>
<td>1.015</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Market performance</td>
<td>P9Q1D,1E,1F</td>
<td>7.240</td>
<td>1</td>
<td>7.240</td>
<td>0.219</td>
<td>0.762</td>
<td>0.921</td>
<td>0.782</td>
</tr>
</tbody>
</table>

Note. $a$=Unidentified model. $b$=Just identified/saturated model.
### Table 3.19 Standardized coefficients and *t*-values for customer orientation, competitor orientation, and interfunctional coordination

<table>
<thead>
<tr>
<th>Construct</th>
<th>One-Factor Congeneric Measurement Models for the Market Orientation</th>
<th>Standardized Coefficients</th>
<th><em>t</em>-value*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Orientation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q3:</td>
<td>We closely monitor and assess our level of commitment in serving customers’ needs</td>
<td>.86</td>
<td></td>
</tr>
<tr>
<td>P5Q4:</td>
<td>Our business objectives are driven by customer satisfaction</td>
<td>.76</td>
<td>10.36</td>
</tr>
<tr>
<td>P5Q5:</td>
<td>We frequently measure customer satisfaction</td>
<td>.76</td>
<td>10.25</td>
</tr>
<tr>
<td>P5Q6:</td>
<td>We pay close attention to after-sales service</td>
<td>.69</td>
<td>8.96</td>
</tr>
<tr>
<td><strong>Competitor Orientation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q7:</td>
<td>In our organization, our sales people share information about competitor information</td>
<td>.65</td>
<td></td>
</tr>
<tr>
<td>P5Q8:</td>
<td>If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately</td>
<td>.48</td>
<td>4.83</td>
</tr>
<tr>
<td>P5Q9:</td>
<td>Customers are targeted when we have an opportunity for competitive advantage</td>
<td>.58</td>
<td>5.94</td>
</tr>
<tr>
<td>P5Q10:</td>
<td>Top managers usually discuss competitor’s strategies</td>
<td>.69</td>
<td>6.97</td>
</tr>
<tr>
<td><strong>Interfunctional Coordination</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q12:</td>
<td>All of our business functions (e.g., marketing/sales, R&amp;D, finance/accounting, etc.) are integrated in serving the needs of our target markets</td>
<td>.86</td>
<td></td>
</tr>
<tr>
<td>P5Q13:</td>
<td>Our managers understand how employees can contribute to the value of customers</td>
<td>.77</td>
<td>6.33</td>
</tr>
</tbody>
</table>

Note. *Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.

### Table 3.20 Standardized coefficients and *t*-values for commitment to learning, shared vision, and open mindedness

<table>
<thead>
<tr>
<th>Construct</th>
<th>One-Factor Congeneric Measurement Models for the Learning Orientation</th>
<th>Standardized Coefficients</th>
<th><em>t</em>-value*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commitment to Learning</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q1:</td>
<td>Managers basically agree that our business unit’s ability to learn is our key competitive advantage</td>
<td>.72</td>
<td>10.13</td>
</tr>
<tr>
<td>P6Q2:</td>
<td>The basic values of this business unit include learning as key to improvement</td>
<td>.88</td>
<td>13.07</td>
</tr>
<tr>
<td>P6Q3:</td>
<td>The sense around here is that employee learning is an investment, not an expense</td>
<td>.82</td>
<td></td>
</tr>
<tr>
<td>P6Q4:</td>
<td>Learning in my organization is seen as a key commodity necessary to guarantee organizational survival</td>
<td>.86</td>
<td>14.40</td>
</tr>
<tr>
<td>P6Q6:</td>
<td>The collective wisdom in this enterprise is that once we quit learning we endanger our future</td>
<td>.69</td>
<td>9.50</td>
</tr>
<tr>
<td><strong>Shared Vision</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q8:</td>
<td>There is a total agreement on our business unit vision amongst all levels, function, and division</td>
<td>.71</td>
<td>8.83</td>
</tr>
<tr>
<td>P6Q9:</td>
<td>All employees are committed to the goals of this unit</td>
<td>.96</td>
<td></td>
</tr>
<tr>
<td>P6Q10:</td>
<td>Employees view themselves as partners in charting the direction of the business unit</td>
<td>.71</td>
<td>8.80</td>
</tr>
<tr>
<td><strong>Open Mindedness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q15:</td>
<td>Our business unit places a high value on open mindedness</td>
<td>.88</td>
<td></td>
</tr>
<tr>
<td>P6Q16:</td>
<td>Managers encourage employees to “think outside of the box”</td>
<td>.81</td>
<td>11.35</td>
</tr>
<tr>
<td>P6Q18:</td>
<td>Original ideas are highly valued in this organization</td>
<td>.73</td>
<td>9.82</td>
</tr>
<tr>
<td>P6Q20:</td>
<td>Employees, suppliers, customers are all encouraged to let the firm know if anything is wrong</td>
<td>.58</td>
<td>7.01</td>
</tr>
</tbody>
</table>

Note. *Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.
Table 3.21 Standardized coefficients and $t$-values for innovative, proactive, risk taking, and competitive aggressiveness

<table>
<thead>
<tr>
<th>One-Factor Congeneric Measurement Models for the Entrepreneurial Orientation Construct</th>
<th>Standardized Coefficients</th>
<th>$t$-value $^a$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovative</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7Q1: Our firm has marketed many new lines of products or services</td>
<td>.59</td>
<td>Scaling</td>
</tr>
<tr>
<td>P7Q3: Changes in product/service lines have been mostly minor in nature $^b$</td>
<td>.64</td>
<td>4.00</td>
</tr>
<tr>
<td><strong>Proactive</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7Q5: In dealing with competitors, my firm typically initiates actions in which competitors then respond to</td>
<td>.75</td>
<td>Scaling</td>
</tr>
<tr>
<td>P7Q6: In dealing with competitors, my firm is very often the first To introduce new products, administrative techniques etc.</td>
<td>.55</td>
<td>4.32</td>
</tr>
<tr>
<td><strong>Risk Taking</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7Q7: Top managers in my firm have a strong proclivity for high risk projects (with chances of very high returns)</td>
<td>.42</td>
<td>3.84</td>
</tr>
<tr>
<td>P7Q8: Owing to the nature of the environment, it is best to explore it gradually via timid, incremental behavior $^b$</td>
<td>.32</td>
<td>3.03</td>
</tr>
<tr>
<td>P7Q10: When confronted with decision-making situations involving uncertainty, we adopt a bold, aggressive posture</td>
<td>.82</td>
<td>Scaling</td>
</tr>
<tr>
<td><strong>Competitive Aggressiveness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7Q11: My firm typically adopts a very competitive “undo-the-competitor” posture</td>
<td>.73</td>
<td>5.60</td>
</tr>
<tr>
<td>P7Q12: My firm is very aggressive and intensely competitive</td>
<td>.77</td>
<td>Scaling</td>
</tr>
</tbody>
</table>

Note. $^a$Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification. $^b$=reversed score items.

Table 3.22 Standardized coefficients and $t$-values for market/marketing research, pricing, products, relationships, marketing communications, and marketing management

<table>
<thead>
<tr>
<th>One-Factor Congeneric Measurement Models for the Marketing Capabilities Construct</th>
<th>Standardized Coefficients</th>
<th>$t$-value $^a$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market/Marketing Research</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q2: Market research skills help us develop effective marketing programs</td>
<td>.78</td>
<td>Scaling</td>
</tr>
<tr>
<td>P8Q3: We use our marketing research information more effectively than our competitors use their marketing research information</td>
<td>.84</td>
<td>12.66</td>
</tr>
<tr>
<td>P8Q4: Our market research expertise helps us develop better marketing programs than our competitors</td>
<td>.92</td>
<td>14.13</td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q7: Our pricing approach is more effective than our competitors’</td>
<td>.64</td>
<td>5.35</td>
</tr>
<tr>
<td>P8Q9: Our prices are more competitive than our competitors</td>
<td>.70</td>
<td>Scaling</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q10: We do a better job of developing new products/services than our competitors</td>
<td>.72</td>
<td>9.00</td>
</tr>
<tr>
<td>P8Q12: Our product/service development gives us an edge in the market</td>
<td>.93</td>
<td>Scaling</td>
</tr>
<tr>
<td>P8Q13: Our product/service development efforts are more responsive to customer needs than those of our competitors</td>
<td>.66</td>
<td>8.07</td>
</tr>
<tr>
<td>P8Q25: We have a better image compared to our competitors</td>
<td>.44</td>
<td>4.96</td>
</tr>
</tbody>
</table>

Note. $^a$Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.
One-Factor Congeneric Measurement Models for the Marketing Capabilities Construct

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Standardized Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P8Q14: We have better relationships with distributors than do our competitors</td>
<td>.78</td>
<td>Scaling</td>
</tr>
<tr>
<td>P8Q15: Our distribution system is more efficient than our competitors’</td>
<td>.59</td>
<td>6.40</td>
</tr>
<tr>
<td>P8Q16: We work more closely with distributors and retailers than do our competitors</td>
<td>.83</td>
<td>7.26</td>
</tr>
</tbody>
</table>

Marketing Communications

<table>
<thead>
<tr>
<th>Marketing Communications</th>
<th>Standardized Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P8Q18: Advertising is a vital component of our promotional program</td>
<td>.91</td>
<td>Scaling</td>
</tr>
<tr>
<td>P8Q20: Our advertising programs are more effective than those of our competitors</td>
<td>.65</td>
<td>5.78</td>
</tr>
</tbody>
</table>

Marketing Management

<table>
<thead>
<tr>
<th>Marketing Management</th>
<th>Standardized Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P8Q21: Our abilities to segment target market help us compete</td>
<td>.49</td>
<td>5.85</td>
</tr>
<tr>
<td>P8Q22: We manage our marketing programs better than our competitors</td>
<td>.83</td>
<td>Scaling</td>
</tr>
<tr>
<td>P8Q23: Our marketing management skills give us a competitive edge</td>
<td>.94</td>
<td>12.09</td>
</tr>
<tr>
<td>P8Q27: We are more aware of our marketing weakness than our competitors</td>
<td>.41</td>
<td>4.80</td>
</tr>
</tbody>
</table>

Note. Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.

Table 3.23 Standardized coefficients and t-values for financial performance and market performance

<table>
<thead>
<tr>
<th>One-Factor Congeneric Measurement Models for the Firm Performance Construct</th>
<th>Standardized Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P9Q1A: Business Unit Profitability</td>
<td>.72</td>
<td>9.93</td>
</tr>
<tr>
<td>P9Q1B: ROI</td>
<td>.88</td>
<td>13.07</td>
</tr>
<tr>
<td>P9Q1C: ROE</td>
<td>.88</td>
<td></td>
</tr>
<tr>
<td>Market Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P9Q1D: Delivering value to customers</td>
<td>1.11</td>
<td>Scaling</td>
</tr>
<tr>
<td>P9Q1E: Customer satisfaction</td>
<td>.57</td>
<td>6.13</td>
</tr>
<tr>
<td>P9Q1F: Overall marketing effectiveness</td>
<td>.25</td>
<td>3.03</td>
</tr>
</tbody>
</table>

Note. Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.

Multi-factor Analysis

As mentioned earlier, a number of researchers (Naman & Slevin, 1993; Pelham, 2000) aggregate scores on each market, learning, and EO scales, to imply that each orientation is represented as a uni-dimensional concept. However, other investigators (Langerak, 2003) posit that business orientations are multi-dimensional constructs. For this reason, multi-factor model analyses were undertaken to test for the multi-dimensionality of each theoretical construct. Multi-factor measurement models were also used to calculate weighted composite scores, test for convergent and discriminant validity, and examine scale reliability (cronbach alpha), internal consistency (construct reliability), and distinct validity (variance extracted). Figures 3.5 to 3.9 show five multi-factor models and goodness of fit statistics associated with each final model. It should be noted that only results from the final models are reported to avoid repetition.
Theoretically, MO comprises three factors (i.e., customer orientation, competitor orientation, and interfunctional coordination) with seven customer orientation, four competitor orientation, and four interfunctional coordination items. The original 15 items were examined for factor structure. As Figure 3.5 and associated goodness-of-fit statistics show, the final MO measurement model comprises only seven questions and fits the data well. Goodness-of-fit statistics: $\chi^2=14.982$, $df=12$, $\chi^2/df=1.249$, RMSEA=0.044, TLI=0.985, CFI=0.991, AGFI=0.925.
Commitment to learning

Shared vision

Open mindedness

P6Q2

P6Q3

P6Q4

P6Q8

P6Q9

P6Q10

P6Q15

P6Q16

P6Q18

Note. All coefficients are significant at $p < .001$.

Figure 3.6 Three-factor learning orientation measurement model

Theoretically, LO comprises three factors (commitment to learning, shared vision, and open mindedness) with six commitment to learning, six shared vision, and eight open mindedness questions. The original 20 items were examined for factor structure. As Figure 3.6 and goodness-of-fit statistics show, the final LO measurement model comprises only nine questions and fits the data well. Goodness-of-fit statistics: $\chi^2 = 33.267$, $df = 24$, $\chi^2/df = 1.386$, RMSEA = 0.054, TLI = 0.974, CFI = 0.983, AGFI = 0.901
Figure 3.7 Four-factor entrepreneurial orientation measurement model

Theoretically, EO comprises four factors (i.e., innovativeness, proactiveness, competitive aggressiveness, and risk taking) with three innovative, two proactive, four competitive aggressiveness, and four risk taking questions. The entire construct (12 items) were examined for factor structure via the goodness-of-fit statistics. The final EO measurement model comprises seven questions and fits the data well. Goodness-of-fit statistics: $\chi^2=9.318$, $df=14$, $\chi^2/df=1.035$, RMSEA=0.016, TLI=0.994, CFI=0.997, AGFI=0.942

Note. All coefficients are significant at $p<.001$. 
Figure 3.8 Six-factor marketing capabilities measurement model

Theoretically, marketing capabilities comprises six factors (i.e., market research, pricing, product, relationship, marketing communication and marketing management capabilities) with four market research, five pricing, five products, four relationships, five marketing management, and four marketing communications items. The original 26 items were examined for factor structure. As Figure 3.8 and associated goodness-of-fit statistics indicate, the final marketing capabilities measurement model comprises only ten questions and fits the data well. Goodness-of-fit statistics: $\chi^2=32.222$, $df=26$, $\chi^2/df=1.239$, RMSEA=0.043, TLI=0.975, CFI=0.986, AGFI=0.904
Financial performance

Market performance

Figure 3.9 Two-factor firm performance measurement model

Theoretically, firm performance comprises two factors (i.e., financial and market performance) with three financial performance and four market performance questions. The original seven items were examined for factor structure. As Figure 3.9 and associated goodness-of-fit statistics illustrate, the final firm performance measurement model comprises only six questions and fits the data well. Goodness-of-fit statistics: $\chi^2=7.1$, $df=8$, $\chi^2/df=0.89$, RMSEA=0.000, TLI=1.006, CFI=1.000, AGFI=0.954

In summary, the multifactor measurement models reported above fit the data well. Goodness-of-fit statistics range: $\chi^2/df$ (0.89-1.39), RMSEA (0.000-0.054), TLI (0.958-1.006), CFI (0.979-1.000), and AGFI (0.904-0.923). From these statistics, it can be observed that the firm performance model is saturated/just identified: the number of free parameters equals exactly the number of known values, which is a model with zero degrees of freedom.

Overall results of the multi-factor measurement models were also used to compute composite scores for each latent construct, using factor score regression weight values generated from AMOS 5.0. SPSS 12.0 was employed to create a command file, which computed composite factor scores and maximized reliability scores for each latent variable using weighted factor loadings. Composite factors took into account differences in the degree to which each individual item contributed to the overall composite (latent) factor, ensuring that each factor provided more realistic representations of data (Fleishman & Benson, 1987). This method is...
more rigorous than calculating composite factors based on factor scores or additive indices of items which ignore the relative contribution of each item to composite factors. The estimated composite scores \(\mathbf{e}_i\) for each item was calculated by applying the formula below:

\[ \mathbf{e}_i = \mathbf{\omega}_1 \mathbf{x}_i + \mathbf{\omega}_2 \mathbf{x}_2i + \mathbf{\omega}_3 \mathbf{x}_3i + \mathbf{\omega}_4 \mathbf{x}_4i \]

where \(\mathbf{\omega}\) is a row vector of factor score regression weights; and \(\mathbf{X}\) is a column vector of a participant’s observed indicator variables (Joreskog & Sorbom, 1989). Tables 3.24 to 3.28 show factor score weights and calculated standardized factor score weights.

**Convergent and Discriminant Validity**

Multi-factor analyses enable researchers to address issues of convergent and discriminant validity (Gerbing & Anderson, 1988). Convergent validity is reflected in the magnitude of statistically significant factor loadings. These loadings provide investigators with information about the extent to which a given observed variable is able to measure a latent construct. Garver and Mentzer (1999, p. 45) posited that, *a reasonable benchmark value of substantial magnitude of the parameter estimate indicating convergent validity is 0.70.* However, measurement scales also attain convergent validity when standardized factor loadings of each item and all \(t\)-values are higher than the significant level (>1.96) (Anderson & Gerbing, 1988). A key criterion is that estimated parameters are statistically significant (Holmes-Smith, 2003). For the present thesis, the three-factor models of MO and LO, four-factor model of EO, six-factor model of marketing capabilities, and two-factor model of firm performance, show standardized parameter estimates (factor loadings) ranging from 0.40-1.00, and all loadings are significant \((t\)-values >1.96, \(p<.05\)). These results suggest that convergent validity is supported by the present data (see Tables 3.24 to 3.28).

Conversely, discriminant validity refers to the distinctiveness of the factors measured by different sets of observed variables, and can be supported when estimated correlations between factors are significantly less than one (Kline, 1998). In this thesis, estimated correlations among factors were low to middling (-0.05 to 0.68), indicating that dimensions (i.e., scales) measure different aspects of MO, LO, EO, marketing capabilities, and firm performance.

To further test discriminant validity, the sequential \(\chi^2\) method was used. With this technique, an unconstrained structural model (which allows all constructs to correlate freely), and a
constrained model (which fixes the value of the inter-factor covariances between a pair of constructs equal to 1, assuming that both constructs are equal) are compared (Anderson & Gerbing, 1988). In all cases, the $\chi^2$ of the constrained model was higher than that of the unconstrained model, indicating discriminant validity among all constructs (Bagozzi, Yi, & Phillips, 1991).

**Scale Reliability**

**Coefficient/cronbach alpha.** Instrument reliability refers to the internal consistency of items that comprise a latent construct (Hair et al., 2005). Reliability coefficients (Cronbach’s alpha) were calculated for measures of MO ($\alpha=0.83$), LO ($\alpha=0.85$), EO ($\alpha=0.67$), marketing capabilities ($\alpha=0.71$), and firm performance ($\alpha=0.74$). Cronbach’s alpha can be regarded as a lower bound estimate of internal reliability. Besides the EO scale, these coefficients appear to satisfy Nunally’s (1978) suggested minimum criterion of $\alpha=0.70$. Nevertheless, Nunnally (1967, p. 226) stated that reliabilities of $\alpha=0.50$ to $\alpha=0.60$ are sufficient for early stages of basic research.

**Construct reliability and variance extraction.** Construct/composite reliability and variance extraction measures were also used to estimate scale or construct reliability. The formulae are as follows (Garver & Mentzer, 1999):

$$\text{Construct Reliability (CR)} = \frac{(\Sigma \lambda)^2}{[(\Sigma \lambda)^2 + \Sigma(1-\lambda_j^2)]}$$

$$\text{Variance Extracted (VE)} = \frac{\Sigma \lambda^2}{[(\Sigma \lambda^2 + \Sigma(1-\lambda_j^2)]}$$

where $\lambda =$ standardized factor loadings, $1-\lambda_j =$ error variance

CR values should be above 0.70 to achieve high internal consistency, while VE values greater than 0.50 are considered acceptable to achieve distinct validity (Garver & Mentzer, 1999). For the present thesis, CR values range from 0.56 to 0.89 and VE values from 0.41 to 0.81, indicating middling to high internal consistency and distinct validity. Tables 3.24 to 3.28
below display standardized factor loadings, \( t \)-values, factor score weights, standardized factor score weights, CR, and VE values for each multi-factor measurement model. One possible explanation for the middling values relates to latent variables comprising relatively few items, in eight cases, only two items.

Table 3.24 Standardized factor loadings, \( t \)-values, factor score weights, standardized factor score weights, construct reliability and variance extracted values for the three-factor market orientation measurement model

<table>
<thead>
<tr>
<th>Construct</th>
<th>Standardized Factor Loadings</th>
<th>( t )-value</th>
<th>Factor Score Weights</th>
<th>Standardized Factor Score Weights</th>
<th>Construct Reliability (CR)</th>
<th>Variance Extracted (VE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer orientation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q3</td>
<td>0.80</td>
<td>Scaling</td>
<td>0.31</td>
<td>0.35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q4</td>
<td>0.77</td>
<td>8.59</td>
<td>0.26</td>
<td>0.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q5</td>
<td>0.73</td>
<td>8.22</td>
<td>0.17</td>
<td>0.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q6</td>
<td>0.67</td>
<td>7.51</td>
<td>0.14</td>
<td>0.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor orientation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interfunctional coordination</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q12</td>
<td>0.83</td>
<td>Scaling</td>
<td>0.34</td>
<td>0.48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5Q13</td>
<td>0.81</td>
<td>8.42</td>
<td>0.37</td>
<td>0.52</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. \( ^a \)Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.

Table 3.25 Standardized factor loadings, \( t \)-values, factor score weights, standardized factor score weights, construct reliability and variance extracted values for the three-factor learning orientation measurement model

<table>
<thead>
<tr>
<th>Construct</th>
<th>Standardized Factor Loadings</th>
<th>( t )-value</th>
<th>Factor Score Weights</th>
<th>Standardized Factor Score Weights</th>
<th>Construct Reliability (CR)</th>
<th>Variance Extracted (VE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment to learning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q2</td>
<td>0.79</td>
<td>10.30</td>
<td>0.16</td>
<td>0.22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q3</td>
<td>0.86</td>
<td>11.61</td>
<td>0.30</td>
<td>0.36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q4</td>
<td>0.87</td>
<td>11.85</td>
<td>0.35</td>
<td>0.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shared vision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q8</td>
<td>0.71</td>
<td>8.62</td>
<td>0.14</td>
<td>0.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q9</td>
<td>0.91</td>
<td>11.68</td>
<td>0.57</td>
<td>0.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q10</td>
<td>0.72</td>
<td>8.77</td>
<td>0.16</td>
<td>0.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open mindedness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q15</td>
<td>0.80</td>
<td>9.81</td>
<td>0.31</td>
<td>0.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q16</td>
<td>0.77</td>
<td>9.42</td>
<td>0.28</td>
<td>0.35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6Q18</td>
<td>0.72</td>
<td>8.61</td>
<td>0.23</td>
<td>0.28</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. \( ^a \)Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.
Table 3.26 Standardized factor loadings, $t$-values, factor score weights, standardized factor score weights, construct reliability and variance extracted values for the four-factor entrepreneurial orientation measurement model

<table>
<thead>
<tr>
<th>Construct</th>
<th>Standardized Factor Loadings</th>
<th>$t$-value</th>
<th>Factor Score Weights</th>
<th>Standardized Factor Score Weights</th>
<th>Construct Reliability (CR)</th>
<th>Variance Extracted (VE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovativeness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7Q1</td>
<td>0.75</td>
<td>Scaling</td>
<td>0.44</td>
<td>0.72</td>
<td>0.56</td>
<td>0.41</td>
</tr>
<tr>
<td>P7Q3</td>
<td>0.50</td>
<td>2.85</td>
<td>0.17</td>
<td>0.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proactiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7Q5</td>
<td>0.79</td>
<td>Scaling</td>
<td>0.52</td>
<td>0.73</td>
<td>0.60</td>
<td>0.45</td>
</tr>
<tr>
<td>P7Q6</td>
<td>0.52</td>
<td>2.54</td>
<td>0.19</td>
<td>0.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk taking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7Q10</td>
<td>0.56</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive aggressiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7Q11</td>
<td>0.62</td>
<td>3.62</td>
<td>0.12</td>
<td>0.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7Q12</td>
<td>0.91</td>
<td>Scaling</td>
<td>0.72</td>
<td>0.86</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. *Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.*

Table 3.27 Standardized factor loadings, $t$-values, factor score weights, standardized factor score weights, construct reliability and variance extracted values for the six-factor marketing capabilities measurement model

<table>
<thead>
<tr>
<th>Construct</th>
<th>Standardized Factor Loadings</th>
<th>$t$-value</th>
<th>Factor Score Weights</th>
<th>Standardized Factor Score Weights</th>
<th>Construct Reliability (CR)</th>
<th>Variance Extracted (VE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market research</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.88</td>
<td>0.79</td>
</tr>
<tr>
<td>P8Q3</td>
<td>0.89</td>
<td>9.47</td>
<td>0.33</td>
<td>0.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q4</td>
<td>0.89</td>
<td>10.53</td>
<td>0.52</td>
<td>0.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q9</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q12</td>
<td>0.78</td>
<td>Scaling</td>
<td>0.40</td>
<td>0.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q13</td>
<td>0.74</td>
<td>3.76</td>
<td>0.34</td>
<td>0.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationships</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.68</td>
<td>0.52</td>
</tr>
<tr>
<td>P8Q14</td>
<td>0.74</td>
<td>Scaling</td>
<td>0.37</td>
<td>0.52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q15</td>
<td>0.70</td>
<td>3.40</td>
<td>0.34</td>
<td>0.48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing communications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q18</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.89</td>
</tr>
<tr>
<td>P8Q22</td>
<td>0.83</td>
<td>10.12</td>
<td>0.17</td>
<td>0.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P8Q23</td>
<td>0.96</td>
<td>Scaling</td>
<td>0.76</td>
<td>0.84</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. *Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.*
Table 3.28 Standardized factor loadings, \( t \)-values, factor score weights, standardized factor score weights, construct reliability and variance extracted values for the two-factor firm performance measurement model

<table>
<thead>
<tr>
<th>Construct</th>
<th>Standardized Factor Loadings</th>
<th>( t )-value(^a)</th>
<th>Factor Score Weights</th>
<th>Standardized Factor Score Weights</th>
<th>Construct Reliability (CR)</th>
<th>Variance Extracted (VE)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P9Q1a</td>
<td>0.72</td>
<td>9.14</td>
<td>0.16</td>
<td>0.17</td>
<td>0.87</td>
<td>0.69</td>
</tr>
<tr>
<td>P9Q1b</td>
<td>0.88</td>
<td>11.80</td>
<td>0.38</td>
<td>0.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P9Q1c</td>
<td>0.89</td>
<td>11.99</td>
<td>0.40</td>
<td>0.43</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Market performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P9Q1d</td>
<td>0.74</td>
<td>7.04</td>
<td>0.39</td>
<td>0.33</td>
<td>0.71</td>
<td>0.47</td>
</tr>
<tr>
<td>P9Q1e</td>
<td>0.84</td>
<td>7.64</td>
<td>0.71</td>
<td>0.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P9Q1f</td>
<td>0.40</td>
<td>4.23</td>
<td>0.09</td>
<td>0.07</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. \(^a\)Scaling denotes standardized factor loadings value of indicator set to 1 to enable latent factor identification.

Following CFA, calculation of standardized factor score weights, and evaluation of construct reliability, data were ready for analysis. The next section presents the main findings emanating from path model analysis, hypothesized relationships, and a test for common method bias (social desirability). A full structural equation model was not utilized because of the relatively small sample size.

Path Analysis: Test of Hypotheses

Path analysis was employed using the maximum likelihood estimation method to test hypotheses. The main purpose of this analysis is to assess the extent to which a hypothesized model adequately describes sample data. The present researcher followed guidelines proposed by Bryne (1998) to determine adequacy of a hypothesized model and to detect any sources of incorrect estimation in the model.

When a hypothesized model does not fit the data well, researchers can modify the model to attain a better fit vis-à-vis post hoc model testing (Diamantopoulos & Siguaw, 2000). Model modifications comprise theory trimming (deletion of nonsignificant paths) and/or addition of new paths (Kline, 2005). Post hoc analysis focuses on detecting and identifying the source of poor model fit in the originally hypothesized model, based on improvement information from AMOS 5.0 (modification indices). The value of a modification index represents the expected drop in overall \( \chi^2 \) values if the parameter were to be freely estimated. However, this can only be done when changes are meaningful and justifiable (MacCallum, Roznowski, & Necowitz, 1992) and driven by prior research (Schumacker & Lomax, 1996). A re-specified model that
demonstrates excellent fit with the data might not be applicable to other samples (Diamantopoulos & Siguaw, 2000). Kline (1998) cautioned that model re-specification should be consistent with theory, and not solely data-driven. Although such modification is widely performed by investigators (Raykov & Marcoulides, 2000), this method is regarded as controversial (Kelloway, 1998). Modification indices were used to guide model improvement, and nonsignificant parameters (t-values <1.96, p>.05) were deleted. Finally, model adequacy was assessed based on goodness-of-fit statistics. Only results from the final model are reported because of the likelihood of repetition. Table 3.29 shows the descriptive statistics of theoretical constructs used in the final model.

Table 3.29 Descriptive statistics of the constructs in the final path model

<table>
<thead>
<tr>
<th>Construct</th>
<th>Mean Score</th>
<th>Std. Dev.</th>
<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>1. Customer Orientation</td>
<td>5.65</td>
<td>0.95</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Interfunctional</td>
<td>5.94</td>
<td>0.98</td>
<td>.55**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coordination</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Shared Vision</td>
<td>5.53</td>
<td>0.90</td>
<td>.37**</td>
<td>.45**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Proactiveness</td>
<td>5.50</td>
<td>1.11</td>
<td>.05</td>
<td>.15</td>
<td>.09</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Product Capabilities</td>
<td>5.83</td>
<td>0.88</td>
<td>.25**</td>
<td>.34**</td>
<td>.19*</td>
<td>.27**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Relationship</td>
<td>5.20</td>
<td>1.11</td>
<td>.12</td>
<td>.15</td>
<td>.26**</td>
<td>.27**</td>
<td>.26**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Capabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Financial Performance</td>
<td>5.60</td>
<td>1.01</td>
<td>.07</td>
<td>.10</td>
<td>.08</td>
<td>.13</td>
<td>.40**</td>
<td>.12</td>
<td>1</td>
</tr>
<tr>
<td>8. Market Performance</td>
<td>5.97</td>
<td>0.74</td>
<td>.49**</td>
<td>.43**</td>
<td>.39**</td>
<td>.13</td>
<td>.47**</td>
<td>.26**</td>
<td>.21*</td>
</tr>
</tbody>
</table>

* p<.05, ** p<.01.

Owing to a relatively small sample size (n=131), the final path model included two elements of MO (i.e., customer orientation and interfunctional coordination), one element of LO (i.e. shared vision), one element of EO (i.e., proactiveness), two elements of marketing capabilities (i.e., relationship and product capabilities), and two elements of firm performance (i.e., market and financial performance).

The hypothesized model consists of five main and 72 minor hypotheses. The final model fits the data well as indicated by fit indices of $\chi^2$ (18, n=131) =18.11, p< 0.001, $\chi^2 / df=1.006$, AGFI=0.935, TLI=0.999, CFI=0.999, RMSEA=0.007 (Figure 3.10).
**H1: Market orientation is related positively to marketing capabilities**

MO comprises three dimensions of customer orientation, competitor orientation, and interfunctional coordination. As illustrated in Figure 3.10, only one MO dimension (i.e., interfunctional coordination) was significantly and positively related to one marketing capability (i.e., product development), supporting H1p (.27, $t=3.82$). It should be noted that although direct relationships between MO and firm performance were not hypothesized, the path model tested relationships between all constructs. Customer orientation is found to be related positively to market performance (.31, $t=5.72$). Paths between all other MO and marketing capabilities dimensions are nonsignificant. Results fail to support all other minor hypotheses proposing direct, positive associations between MO dimensions (e.g., customer & competitor orientation) and marketing capabilities. Hence, H1 is partially supported.

**H2: Learning orientation is related positively to marketing capabilities**

LO comprises three dimensions of commitment to learning, shared vision, and open mindedness. Results show that there is a significant positive relationship between shared vision and product development capabilities (.29, $t=2.91$), supporting H2i. Relationships between other LO and marketing capabilities dimensions are nonsignificant. Findings fail to support all other minor hypotheses proposing direct, positive relationships between LO
dimensions (e.g., open mindedness & shared vision) and marketing capabilities. H2 is partially supported.

**H3: Entrepreneurial orientation is related positively to marketing capabilities**

EO comprises four dimensions: innovativeness, proactiveness, risk taking, and competitive aggressiveness. Surprisingly, proactiveness is the only dimension that shows significant positive relationships with product development (0.18, t=2.84) and relationship capabilities (0.25, t=3.10), to support hypotheses H3i and H3j. Similar to LO and MO, all other EO dimensions are related nonsignificantly to marketing capabilities. Hence, results fail to support all other minor hypotheses proposing positive links between EO dimensions (e.g., innovativeness, risk taking proclivity, & competitive aggressiveness) and marketing capabilities. H3 is partially supported.

**H4: Marketing capabilities are related positively to firm performance**

Findings indicate that only one marketing capability factor is significantly and positively related to firm performance. Product development capabilities shows a significant positive effect on market (0.31, t=5.14) and financial performance (0.45, t=4.87), supporting hypotheses H4c and H4i, respectively. H4 is partially supported. Findings fail to support all other minor hypotheses proposing direct, positive relationships between marketing capability dimensions (e.g., pricing, marketing communications, relationships, marketing management, & market research) and firm performance. Table 3.30 shows path model results, standardized coefficients, and related t-values.

**Table 3.30 Path model results**

<table>
<thead>
<tr>
<th>Hypothesis (Paths Modeled)</th>
<th>Standardized Coefficient</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Orientation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1d: Customer Orientation</td>
<td>→ Relationship Capabilities</td>
<td>.03</td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>→ Market Performance</td>
<td>.31</td>
</tr>
<tr>
<td>H1p: Interfunctional Coordination</td>
<td>→ Product Capabilities</td>
<td>.27</td>
</tr>
<tr>
<td>H1q: Interfunctional Coordination</td>
<td>→ Relationship Capabilities</td>
<td>.00</td>
</tr>
<tr>
<td><strong>Learning Orientation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2i: Shared Vision</td>
<td>→ Product Capabilities</td>
<td>.02</td>
</tr>
<tr>
<td>H2j: Shared Vision</td>
<td>→ Relationship Capabilities</td>
<td>.29</td>
</tr>
<tr>
<td><strong>Entrepreneurial Orientation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H3i: Proactiveness</td>
<td>→ Product Capabilities</td>
<td>.18</td>
</tr>
<tr>
<td>H3j: Proactiveness</td>
<td>→ Relationship Capabilities</td>
<td>.25</td>
</tr>
<tr>
<td><strong>Firm Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H4c: Product Capabilities</td>
<td>→ Market Performance</td>
<td>.31</td>
</tr>
<tr>
<td>H4d: Relationship Capabilities</td>
<td>→ Market performance</td>
<td>.08</td>
</tr>
<tr>
<td>H4i: Product Capabilities</td>
<td>→ Financial Performance</td>
<td>.45</td>
</tr>
<tr>
<td>H4j: Relationship Capabilities</td>
<td>→ Financial Performance</td>
<td>.01</td>
</tr>
</tbody>
</table>

Note. ns means nonsignificant
Test of Common Methods Bias: Social Desirability

Structural equation modeling procedures were adopted to test for common method bias (Podsakoff, MacKenzie, & Lee, 2003). Figure 3.11 shows the structural model tested for social desirability, revealing poor fit (Goodness-of-fit statistics: $\chi^2=215.407$, $df=152$, $\chi^2/df=1.417$, RMSEA=0.057, TLI=0.677, CFI=0.712, AGFI=0.806). All path coefficients are nonsignificant ($p>.05$), suggesting low social desirability bias responses.

![Figure 3.11 Model depicting tests for common methods bias (social desirability)](image)

Discussion

This section discusses findings in relation to hypotheses and concludes with limitations and recommendations for future research. This thesis bridges a significant gap in understanding the nature of relationships between marketing capabilities, from a positional advantage perspective, key antecedents (sources of CA), and effects of marketing capabilities on firm performance.

Overall, a hypothesized model (Figure 3.12) was developed and tested revealing that particular elements of market (inter-functional coordination), learning (shared vision), and EO
(proactiveness) are significant antecedents to predictors of marketing capabilities (product development and relationship capabilities) and firm performance. This model demonstrates that firms leverage advantages associated with firm business orientation to strengthen their marketing capabilities. While superior marketing capabilities are important drivers of performance, these capabilities also mediate relationships between business orientation and performance. In other words, these capabilities appear to be critical of the business orientation-performance nexus.

Similarly, Tsai and Shih (2004), in their investigation of large Taiwanese manufacturers of consumer goods and services, found that marketing capabilities mediate relationships between Kohli and Jaworski’s (1993) measure of MO and performance. Tsai and Shih (2004) concluded that firms can enhance their marketing capabilities through MO. However, in contrast, the present findings identified that fast growth SMEs invest in maintaining sound relationships with distributors and in developing superior products/services for positional

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**Figure 3.12 Relationships between firm business orientation, marketing capabilities, and firm performance**

Note. —— denotes significant relationship. ——— denotes nonsignificant relationship. — denotes omitted variables from the final model.
advantage. Notwithstanding, only the latter capability contributes significantly to firm performance. Factors relating to marketing research, marketing management, marketing communication, and pricing capabilities are nonsignificant contributors in the present hypothesized model.

**H1: Market orientation is related positively to marketing capabilities**

There is a significant positive relationship between interfunctional coordination and product development capabilities, partially supporting Hypothesis 1. According to MO literature (Narver et al., 1998), being coordinated as a team is important for corporate success because, when all functions are geared towards enhancing buyer value, effectiveness and efficiency for customers are realized. Narver and Slater (1990, p. 22) employed the following metaphor to explain the importance of interfunctional coordination: *Creating value for buyers is analogous to a symphony orchestra in which all members contribute according to a general plan and in which the contribution of each subgroup is tailored and integrated by a conductor with a synergistic effect. This integration builds directly on both customer and competitor analyses.* Similarly, interfunctional interactions between quality and marketing functions (higher levels of interfunctional connectedness and lower levels of interfunctional conflict) are associated positively with product quality alignment (Morgan & Vorhies, 2001). In general, product development literature (Jassawalla & Sashittal, 1998; Kahn, 1996) found positive relationships between cross-functional integration and improved product development processes. However, research has focused on the benefits of R&D-marketing integration (Griffin & Hauser, 1996). As all FGFs in this sample employ less than 200 employees, coordinating aspects of their firms are easier compared to their larger counterparts. CEOs recognize the value associated with interfunctional coordination of business activities.

On the whole, there is a tendency for researchers not to differentiate components of MO when investigating relationships between MO and marketing capabilities. This omission might be attributed to disparity in findings across studies. As a case in point, Atuahene-Gima (1995) identified that customer focus influences proficiency of predevelopment and launch activities, service quality, product advantage, marketing synergy, and teamwork. In the Atuahene-Gima study, product advantage was defined in terms of excelling their rivals in the areas of offering unique and higher quality products, benefiting customers, solving their problems and being innovative and radically different. Atuahene-Gima (1995) identified MO as using customer
information to develop and implement strategic plans based on customer needs (Ruekert, 1992).

The present model reveals a direct relationship between customer orientation and market performance, implying that FGFs do not necessarily need to possess a marketing advantage (superior) to gain superior market performance. FGFs undertake diligent efforts to understand customer needs, add unique value, and gain customer knowledge (Barringer & Jones, 2002).

Earlier, Barringer, Jones, and Lewis (1998) found that 84% of FGFs in their sample emphasize focus on customer relations, thus differentiating themselves on this dimension. These FGFs also quantify their customer relations performance vis-à-vis direct contact and key clientele. For example, Smith (1998) found that the majority, if not all high performing companies receive feedback from their customers, and 80% of them take customer comments into consideration. It is not uncommon for FGF entrepreneurs to implement changes based on customers’ suggestions, indicating the value placed on customers’ opinions (Fischer & Reuber, 2002).

FGFs are also more likely to report a keen sense of customer needs and desires, compared to their slow-growth counterparts (Barringer et al., 2005). These enterprises cultivate a strategy of differentiation which depends on close client relationships, including frequent and personalized contacts, especially with other firms. In Quebec, the strategies go as far as customizing production for clients (OECD, 2004).

For a number of businesses, end products supplied are the same, but the manner in which services are provided can make a difference. Often, front-line employees are the first, sometimes the only representative of a service firm that consumers encounter (Soods & Lings, 2004). Recently, Tan and Smyrnios’ (2006b) cited the following views of a FGF owner:

*It’s some of the things that seem so simple that often don’t get done, when someone wants something done, make sure that you do it. It’s part of the culture that we have built, customer first, customer centric. It’s not just the guy installing a switch that is benefiting from his customer, because there are other people within our organization that are relying on him to do a good job.*

The present model identifies that being customer focused (e.g., closely assessing customer needs) leads to superior customer value and overall customer satisfaction (market performance measures), but not financial performance. Surprisingly, this finding is contrary to
a number of studies (Slater & Narver, 2000) that reported significant direct relationships between overall MO and financial performance measures (e.g., business profitability). However, this disparity can be attributed to different business populations. For example, the Slater and Narver (2000) study investigated 53 single-business corporations of strategic business units of large multi-business corporations in three US western cities representing a wide variety of businesses (53% product, 47% service). Chief marketing officers provided an assessment of their firm’s MO, whereas profitability was assessed by general managers, avoiding problems of common respondent bias.

Notwithstanding, a review of the literature reveals positive (Pelham, 2000), negative (Voss & Voss, 2000), and nonsignificant (Han et al., 1998, Kohli & Jaworski, 1993) associations between MO and performance. Mixed findings can be attributed to methodological considerations relating to samples, measurement scales, and geographical location of research. To illustrate, Pelham (2000) identified a positive relationship between MO and firm performance when examining small-medium sized public and private industrial companies in the US. Pelham utilized a total MO score encompassing 16 MO items derived from Narver and Slater (1990) and Jaworski and Kohli (1993). The present thesis, in contrast, utilized composite scores for each latent construct, taking into account differences in the degree to which each individual item contributed to the overall composite factor. As mentioned earlier, utilizing weighted factor loadings ensures that each factor provides a realistic representation of data (Fleishman & Benson, 1987). Pelham measured performance via marketing/sales effectiveness, growth/share, and profitability relative to competitors.

Voss and Voss (2000) found negative associations between customer orientation and subjective and objective performance measures in the non-profit theatre industry. Reasons for these negative relationships are attributed possibly to frequent theatre goers responding favorably to strategies that lead and educate as opposed to customer led strategies. Kohli and Jaworski (1993), by comparison, reported nonsignificant relationships between MO and an objective measure of performance (market share). These investigators utilized the Kohli and Jaworski (1993) scale comprising intelligence dissemination, response design, and response implementation. Participants were members of the Marketing Science Institute (MSI) and top 1000 large companies (listed in the Dun and Bradstreet Million Dollar Directory). Differences in findings for the Kohli and Jaworski (1993) study are due to measurement scales used. As mentioned earlier, the Narver and Slater scale viewed MO as organizational values/culture, whereas Kohli and Jaworski (1993) regarded MO as a set of behavioral activities.
Han et al. (1998), one of a few researchers who investigated the effects of various MO dimensions (e.g., customer orientation, competitor orientation, interfunctional coordination) on innovation and firm performance, found that customer orientation facilitates firm innovativeness, which in turn positively affects firm performance. Hence, innovativeness mediates the relationship between MO and performance. Participants were Midwestern US banks. Firm performance was assessed utilizing subjective (e.g., growth rates, profitability), and objective (e.g., net income growth, return on assets) measures. This review indicates that while a number of researchers (e.g., Han et al., 1998) have employed discrete scales tapping various MO dimensions, others (e.g., Pelham, 2000) have aggregated MO measures. The same can be said with measures of firm performance. It is possible that these disparities contribute to the different conclusions reached by investigators.

One of the three MO variables, competitor orientation, was omitted from the final model because of poor fit. FGFs do not appear to be competitor oriented, choosing to focus on customers (Tan & Smyrnios, 2006b). These findings however, are consistent with Deshpande, Farley, and Webster Jr. (1993) who distinguished MO from competitor orientation, arguing that it can be antithetical for firms to focus on competitor strengths rather than customers’ unmet needs. Moreover, focus on competitors can culminate in relatively fewer resources being made available for customer-related activities. Similarly, Chang, Chen, and Polsa (2003) investigated MO in relation to only customer orientation and interfunctional coordination, deliberately forgoing competitor orientation. Frambach, Prabhu, and Verhallen (2003) also found negative associations between competitor orientation and new product activities. Similarly, Olson et al. (2005) cautions prospector archetype firms against allocating resources to competitor analysis at the expense of customer analysis and linking. Hence, one reason for the exclusion was based on prior research which demonstrated negative associations between competitor orientation and business performance, but significant positive relationships among customer orientation, inter-functional coordination, and performance (Armstrong & Collopy, 1996). Therefore, it is reasonable to find that competitor orientation is a nonsignificant variable in the present path model.

H2: Learning orientation is related positively to marketing capabilities

Findings indicate significant positive relationships between shared vision and relationship capabilities, suggesting that when employees are informed of the direction in which their enterprise is heading, and are cognizant of an organizational vision, firms are increasingly likely to form superior relationships along the supply chain, providing them an edge. Sharing
company vision is like providing staff with a road map of what is required to achieve specific goals (Gome & Tan, 2005).

Present findings also highlight an importance of communication with other firms throughout the supply chain. Moreover, committed employees, who are treated as part of the business, seem to work towards attaining organizational goals, leading to sound relationships with retailers and distributors. Employees who are aware of organizational objectives (e.g., vision) are in a strong position to work and negotiate with stakeholders. SMEs tend to keep close to their customers (Hogarth-Scott et al., 1996). Moreover, the present sample involves more than 80% of firms operating in B2B markets (Tan & Smyrnios, 2006a). Coviello, Brodie, Danaher, and Johnston (2002) identified that this category of firms are more relational in nature, compared to those who are engaged in end-customer marketing. Building relations involves a number of complexities (Gilmore et al., 2001), including understanding customers and tailoring products/services to each business, all of which contribute to relationship capabilities.

Within the context of the present model, two LO dimensions (i.e., commitment to learning and open mindedness) were eliminated from the original model because of poor fit. This decision does not suggest that FGFs do not possess these characteristics, but rather implies that these variables do not drive firm marketing capabilities and subsequently firm performance. Sinkula et al. (1997) identified that shared vision is different from commitment to learning and open mindedness, in that shared vision influences the direction of learning, whereas the latter two factors affect the intensity of learning. Although direction and intensity can be regarded as components of LO, these investigators posited that vision sharing provides a crucial foundation for proactive learning because of its direction function. Learning can foster energy, commitment, and purpose among employees (Day, 1994).

**H3: Entrepreneurial orientation is related positively to marketing capabilities**

Findings show significant positive relationships between proactiveness and product/service development and relationship capabilities, partially supporting H3. The term proactiveness refers to a posture of anticipating and acting on future needs in the market place, creating a first mover advantage vis-à-vis competitors (Lumpkin & Dess, 1996). Proactive FGFs are able to develop superior products/services and relationships because they seek new possibilities such as extending product/service lines, looking at different avenues to distribute their products/services, and venturing into new international markets (Tan & Smyrnios,
2005c). The present findings confirm Slater and Narver’s (2000) proposition that EO is indirectly related to firm performance via product development.

Innovativeness, risk-taking, and competitive aggressiveness components were removed from the final model because of poor statistical fit. The EO scale, for example, measures innovativeness in terms of launching many new product/service lines and major changes in these product/service lines (Lumpkin & Dess, 2001). However, most FGFs engage in process innovation, which is regarded as secondary to product innovation (Tan & Smyrnios, 2005c), unless those products/services are new to the market. Tan and Smyrnios’ (2005a) findings are consistent with those of Oke, Burke, and Myer (2004) who reported that growth-oriented SMEs are inclined to focus on incremental innovation (i.e., improvements to products, services and/or processes often in response to customer needs) than on radical innovation (i.e., new products, services and/or processes and/or new markets).

Similarly, according to Lumpkin and Dess (2001), entrepreneurially-oriented firms adopt bold, aggressive postures when confronted with decision-making situations involving uncertainty (risk-taking proclivity). However, in reality, different situations require leaders to adapt accordingly. Consistent with Grant et al. (1997), Tan and Smyrnios (2005a) noted that fast-growth entrepreneurs spend time calculating risks and are not gamblers, that is, do not leave business activities to chance. It is also evident that FGFs do not pursue an ‘undo-the-competitor’ posture (Tan & Smyrnios, 2006b). The present findings are in line with Rauch et al. (2004) who indicated that different dimensions of EO affect dependent variables in dissimilar ways.

Notwithstanding, EO appears to be an important orientation that CEO of FGFs should foster. While MO and LO might help managers devise superior products and processes and develop ideas, it is likely that EO provides a stimulus for driving such activities. EO embodies proactive qualities which can propel managers to act on various innovative activities (Atuahene-Gima & Ko, 2001).

As mentioned earlier, the current model indicates that only two marketing capabilities are influenced positively by EO. This finding is in contrast with that of Weerawardena (2003b), and Smart and Conant (1994) who concluded that entrepreneurial intensity variables influence all marketing capabilities. This disparity can be attributed to different measurement scales and populations. For example, Weerawardena (2003b) investigated mature manufacturing firms
(operating for more than 20 years), in the machinery and equipment and metal product manufacturing industries within a northern Australian (Queensland) regional area. Weerawardena measured EO utilizing the Naman and Slevin (1993) scale which does not include the competitive aggressiveness dimension. Marketing capabilities were assessed by the Atuahene-Gima (1993) scale.

Smart and Conant (1994), by contrast, studied 1459 independently-owned apparel specialty retailers throughout the United States, the majority of which were located in the south-central and south-eastern states. These investigators operationalized EO in relation to uncertainty and risk, complementary managerial competence, and creative opportunism. Marketing capabilities were measured vis-à-vis an expanded version of the Conant et al. (1990) marketing competency scale. Questions included activities performed by marketing managers and other broad-based distinctive competencies. Organizational performance was evaluated using a subjective, self-report instrument in relation to retailing evaluation and control systems. The findings of Weerawardena (2003b) and Smart and Conant (1994) imply that the effects of EO on marketing capabilities can be context specific. For example, mature manufacturing firms and specialty retailers are not expected to engage in similar EO activities and marketing capabilities as FGFs. Another reason for differences in findings might be attributable to the fact that in the present thesis, EO is represented by only the proactive dimension.

**H4: Marketing capabilities are related positively to firm performance**

Current findings confirm product/service development capabilities as an important determinant of both market and financial performance, partially supporting Hypothesis 4. Product development can be considered as one of the cores of FGFs because this factor seems to be related strongly to growth (Brown & Eisenhardt, 1995). On a related note, Morgan and Vorhies (2001) found that product quality alignment is an important driver of business unit performance. FGFs put new products to market more often compared to low-growth firms (OECD, 2002). Development of new products and the improvement of existing ones require innovation in production systems, including incremental innovations involving products, production methods, and approach to customers (OECD, 2002). In a global study of CEOs, part of the Deloitte Technology Fast 500, Lee (2004) reported that unique products and technologies provide foundations for most FGFs worldwide. Thus, the present findings confirm FGF industry reports (Sexton & Seale, 1997), implicating the importance of product/service development for FGF success.
FGFs choose to differentiate their goods in terms of quality from competitors in order to provide relatively different products/services that target niche markets. Present findings are in line with Smith (1998), who found that products/services constitute the most important aspect of high performers. Fast growth requires firms to have an ability to continuously expand their customer base and products/services which must also be carefully selected because of limited resources and competitive demands (Sexton & Seale, 1997).

Moreover, 86.8% of CEOs in the 2003 Fast 100 sample claim that their firms possess a clear advantage over their competitors regarding products/services (Smyrnios, Tan, & Wang, 2004). Superior products combined with excellent customer service can catapult firms onto a high growth path (Sexton & Seale, 1997). Recently, Tan and Smyrnios (2006a) identified that FGFs focus on product differentiation and product quality to ensure that these characteristics are superior to those of their competitors. Best performing fast-growth companies are those which are active in developing products/services for existing customers, developing new markets, broadening their customer base, managing their product portfolio, and, at the same time, take steps to make their products competitive (Smallbone et al., 1995).

Although relationship capabilities are related positively to shared vision (LO) and proactiveness (EO), this marketing capability dimension displays nonsignificant relationships with both performance measures. This finding suggests that even though FGF employees might have sound relationships with distributors/retailers, relationship capabilities are not a direct contributor to firm profitability, ROI, ROE, customer satisfaction, new product success, and overall marketing effectiveness, confirming that positional advantage does not necessarily lead to enhanced firm performance (Coff, 1999; Ma, 2000).

Fahy and Smithee (1999) used the Euro Disney Paris case to elaborate this point. The Disney Company possessed several strengths such as cartoon characters, reputation, and skills in theme park management. Disney executives were optimistic about the venture, with one of them noting a major concern was that the company would be too successful. Against all expectations, Euro Disney lost $921m in the first fiscal year of operations. A combination of factors contributed to poor performance, one of them being that their core strengths did not create value in Europe, as was the case elsewhere. Hence, CA alone does not always lead to higher levels of performance (Powell, 2001; Tan & Smyrnios, 2003).
Present findings also reveal nonsignificant relationships between marketing capabilities and turnover growth (an objective performance measure). A possible explanation for this finding is that turnover growth is a general rather than unique measure of firm performance. Nonsignificant associations between market research, marketing communications, pricing, marketing management, and relationship capabilities and firm performance are also evident, culminating in the removal of these variables from the final model because of poor fit. By way of comparison, Vorhies, Harker, and Rao (1999) and Vorhies and Harker (2000) reported that all six marketing capabilities positively affect firm performance.

Disparities in findings are due to different sample types. Vorhies and Harker (2000) investigated 87 Australian publicly traded (ASX listed) large manufacturing and service firms. These researchers found that market-driven firms (versus non market-driven enterprises) as defined by Kohli and Jaworski (1993), demonstrate higher levels of all six marketing capabilities, outperforming their competitors across all performance measures. Performance was measured via profitability, growth, adaptability, and customer satisfaction relative to competitors.

Furthermore, Vorhies and Morgan (2005) noted significant interrelationships among marketing capabilities (i.e., pricing, product development, distribution (relationships), marketing communication, selling, market information management, marketing planning, and marketing implementation) and performance, indicating that large US firms tend to be superior in a number of marketing capabilities. These investigators added that, theoretically, such interdependency across these factors makes marketing capabilities an inimitable resource and a potential source of CA. The Vorhies and Morgan (2005) marketing capabilities’ scale, which incorporates eight factors, is relatively different from their original marketing capabilities’ scale (e.g., Vorhies et al, 1999, Vorhies & Harker, 2000). The latter was incorporated in the present thesis.

The Tzokas et al. (2001) investigation of small Greek manufacturing enterprises found that certain marketing competencies are more strongly associated with performance than others. Key operational competencies associated with performance include the development of marketing plans and an emphasis on marketing communications; a climate of trust with customers, suppliers, and financial organizations; a clear understanding of the competitive environment; an ability to offer customer payment assistance; and availability of working capital. Notwithstanding, these researchers used a marketing capability measurement scale
(e.g., Conant et al., 1990) that is different from the present investigator. The Tzokas et al. study employed multi-dimensional measures of performance that comprised the adoption of technological and administrative innovations, sales and profit growth over the previous three years, and subjective assessments of a firm’s ability to respond to future changes in the market.

Another possible reason for nonsignificant relationships between marketing capabilities and firm performance could be associated with the observation that CEOs of SMEs are generalists and not marketing specialists (Hogarth-Scott et al., 1996) and that research is usually undertaken in established manufacturing/service industries. Moreover, relatively new ventures face many challenges. These organizations are usually unknown entities that have to develop the trust of clients. Gruber (2003) opined that new enterprises are challenged to win customers; lack exchange relationships with customers, distributors, and suppliers; lack experience in marketing, marketing planning, and effective execution of plans; and face resource limitations in terms of finance and personnel, culminating in difficulties financing large-scale market development.

The present findings suggest that marketing in a traditional sense is possibly not one of the strong points of FGFs. Reasons for disparity in findings can be attributed in part to the marketing practices of FGFs (Tan & Smyrnios, 2006a). These researchers identified seven customer value based marketing activities that are actively pursued synergistically by FGFs: employee branding; target marketing; marketing planning; marketing/market research; product differentiation via quality; relationship marketing, and guerrilla marketing. These elements form a complex web, in which each marketing activity complements the other. The three main implications that emerged from the Tan & Smyrnios study stressed that all marketing activities are intertwined, in line with marketing theory and practice associated with large firms; most marketing activities undertaken are low cost; and establishing a winning reputation is an important objective. CEOs associate reputation with brand building via employees.

Although Tan and Smyrnios (2006a) did not identify which specific marketing activities formed capabilities, they revealed that FGFs practice marketing in an entrepreneurial sense. Entrepreneurial marketing is a central concept accommodating the disciplines of marketing and entrepreneurship (Morris, Schindehutte, & LaForge, 2002), while concurrently integrating three key characteristics, that is, both concepts are change focus, opportunistic in
nature, and innovative in their approach to management (Collinson & Shaw, 2001). This type of marketing extends beyond the small firm scenario (Morris et al., 2002) and is often associated with SMEs because entrepreneurial activities are visible and less likely to be sustained within multi-layered management structures (Collinson & Shaw, 2001). Accordingly, within the context of Study 1, managers are advised to improve the product/service development of their businesses in their efforts to attain superior business performance.

Relationships among Market, Learning, and Entrepreneurial Orientation

As observed in Figure 3.10, significant covariations between MO and LO, reflect the findings of Hult and Ketchen Jr. (2001), who suggested that this linkage is not linear but rather embedded within a kaleidoscope of interrelationships. However, Baker and Sinkula (1999b) argued that because LO involves *knowledge questioning values* (p. 416), a synergy with MO should not be expected. Their results showed that LO weakens the positive impact of MO on new product success.

Other researchers (e.g., Slater & Narver, 1995, Farrell, 2000) proposed that market-oriented firms provide a cultural framework from which LO can develop. Farrell (2000) added that enterprises that are able to appreciate the value of timely and relevant information (market-oriented) should be able to challenge existing assumptions about the way markets operate (learning-oriented). In contrast, Day (1994) viewed organizational learning to be the foundation for market-driven/market-oriented strategies (Bell et al., 2002). Baker and Sinkula (1999a) argued that LO is a more pervasive resource than MO because it has bearing on more than marketing related activities in firms, and that LO might be more important than a strong MO. Bell et al. (2002) suggested that LO and MO are mutually interdependent. According to Farrell and Oczkowski (2002), within the context of large Australian firms, MO is the preeminent strategy to achieve superior firm performance. Although the present study does not test for causality between MO and LO, findings reveal significant covariations between these constructs.

Firms need to strike a self-reinforcing balance between MO and EO to engender product innovation and performance (Hamel & Prahalad, 1994). While MO is primarily concerned with learning from various forms of contact with customers and competitors in the market (Narver & Slater, 1990), entrepreneurship focuses on learning from experimentation (Dickson, 1992). Furthermore, an EO encompasses such values and behaviors as
innovativeness, risk taking, and competitive aggressiveness (Lumpkin & Dess, 1996), which are not explicit in MO. Thus, entrepreneurial values can enhance prospects for developing breakthrough products or identifying unserved market segments (Hamel & Prahalad, 1994). Webster Jr. (1994, p. 14) suggested that managers must create, *an overwhelming predisposition toward entrepreneurial and innovative responsiveness to a changing market.* In practice, MO and entrepreneurial values should complement each other (Slater & Narver, 1995).

A number of researchers (George & Zahra, 2002a) reported significant interrelationships between MO and EO. For example, Atuahene-Gima and Ko (2001) suggested overall superiority of high MO and EO combinations upon investigating Australian manufacturing and service firms. These investigators utilized the Covin and Slevin (1989) scale for EO, and the Kohli and Jaworski (1993) measure of MO. The latter scale was employed to capture specific behavioral activities reflecting the reactive/responsive nature of MO.

In another investigation, George and Zahra (2002a) highlighted that being market-oriented strengthens the performance implications of being an entrepreneurial firm. It is likely that firms that are entrepreneurial (being proactive, innovative, risk-takers) might benefit by developing strong market-driven capabilities of intelligence gathering and dissemination. MO helps firms capitalize upon emergent opportunities, enhancing firm performance. In their model however, correlations are somewhat middling.

Matsuno, Mentzer, and Ozesomer (2002) tested a MO, EO, performance model by postulating EO (entrepreneurial proclivity) to be an antecedent of MO. Using a sample of marketing executives in manufacturing firms, these investigators reported significant and positive direct relationships between entrepreneurial proclivity and MO. The EO-performance link was mediated by organizational structures and MO. In all cases, researchers found positive links between MO and EO. Surprisingly, the present thesis found nonsignificant covariation relationships between EO and the other two business orientations investigated.

There are possibly four main reasons for these disparities. First, other studies reporting significant relationships between MO and EO have all utilized the Kohli and Jaworski (1993) measure of MO and the Covin and Slevin (1989) EO scale. Perhaps difference in findings could be attributed to these method disparities. Second, researchers have not investigated relationships hypothesized in Study 1 as an overall model. Third, the present sample involves
a diverse group of FGFs, from different sectors, and is not homogeneous in terms of industry. Examination of data reveals scores on measures to be negatively skewed, and middling to high, with low variability. Fourth, firm sample size \( n=131 \) is relatively small, providing low statistical power (Kline, 2005).

By definition, proactive firms focus on anticipating and acting on future needs of the markets and by being pioneers (Lumpkin & Dess, 2001). In contrast, customer orientation is achieved when firms succeed in creating superior value for customers because sellers understand the value chain of buyers. Employees of market-oriented businesses spend considerable time with their customers, and realize that maintaining sound relationships is critical for delivering superior customer value (Slater & Narver, 1994b). MO also includes the coordination of personnel and other resources throughout the enterprise in order to create value for buyers (Slater & Narver, 2000).

Although Slater and Narver (1993) argued that market-oriented firms are inclined to act proactively to develop their markets and differentiate themselves from competitors, these features are not evident in the Narver and Slater (1990) scale. As a result, a number of researchers (Hamel & Prahalad, 1991) viewed MO as reactive and focusing on clients' current needs, ignoring emerging markets and/or competitors. Thus, the present findings make sense because while EO focuses on being ahead of the market in terms of products/services and the future, MO concentrates on customer wants and needs, competitors, and how to efficiently and to effectively attain interfunctional coordination, which could be considered as opposite ends of the same continuum.

Research (Hult et al., 2004) has attempted to summate the unique contributions of MO, LO, and EO to firm performance in given circumstances. This thesis, by contrast, seeks to disaggregate the components of MO, LO, and EO with the aim of identifying those dimensions that account for significant relationships among these factors. From a resource perspective, it is clear that product development capabilities require firms to be interfunctionally coordinated (MO) and initiate moves ahead of competition (EO).

In conclusion, the findings of Study 1 point to several critical factors in the business performance of FGFs. In aggregate, little is known about interrelationships among integrative elements of MO, LO, and EO, their effect on marketing capabilities, and subsequent impact of marketing capabilities on business performance. Yet, present evidence suggests that these
Interrelationships serve to provide positional advantage to organizations and are therefore, important to understand. Product/service development, in particular, appears to be a key mediator between MO and EO, and firm performance. A central message based on this evidence is that possession of interfunctional coordination and proactiveness, in the absence of product/service development capabilities is likely to be substantially less effective for FGFs to achieve performance targets. Given the importance of product/service development capabilities for firm performance, management needs to foster an organizational culture that embodies market, learning, and EOs.

Limitations
Notwithstanding, there are six main limitations associated with this investigation. First, the present study utilized subjective measures. Researchers (Harris, 2001) reported differences utilizing objective and subjective performance measures. The seminal study of Jaworski and Kohli (1993) found positive relationships only between MO and subjective performance, while Agarwal, Erramilli, and Dev (2003) reported stronger relationships for subjective versus objective measures. These findings raise the question: To what extent are differences across studies attributable to the application of objective or subjective measures of performance when investigating the impact of business orientation? Interestingly, González-Benito and González-Benito (2005) claimed that objective measures can be unreliable and difficult to obtain.

Second, this thesis utilized single-informants. Although an alternative approach would be to combine information from multiple informants, difficulties associated with using this method are recognized by management researchers (Kumar, Stern, & Anderson, 1993). For example, in order to establish a more informed and reliable view of MO, multiple responses from customers, competitors, and differing intra-organizational functions are required. While this design is more complex, difficult to administer and analyze, this approach appears to overcome weaknesses of extant approaches and should provide seemingly accurate and converging insights into firm MO (Harris, 2002). MO should be measured from a customer viewpoint because customers might not perceive employees to be as market-oriented as employees perceive themselves to be (Deshpande et al., 1993; Donavan & Hocutt, 2001; Webb, Webster, & Krepapa, 2000). Customer perceptions are frequently different. Thus, future research should utilize multiple respondents because response data can be of superior quality (Bruggen, Lilien, & Kacker, 2002).
Third, findings are cross-sectional, focusing on the analysis of static, rather than dynamic parameters, placing limitations on the extent of inference of associated relationships between constructs (Bowen & Wiersema, 1999). Two questions emanate from this methodological perspective: Do firms that have developed superior marketing capabilities develop appropriate MO and strategic directions as a result of these capabilities? Do these strategies and MO of firms drive the development of supportive marketing capabilities? Both processes probably occur simultaneously (Vorhies et al., 1999). In this context, longitudinal research might provide a means of determining the directionality of associations (Noble et al., 2002).

Fourth, it is acknowledged that MO, LO, and EO are not stable orientations, taking time to evolve and change. Findings do not capture the dynamics of these changes. The current investigation is concerned with a relatively small proportion of fast growing private and public companies as specified by inclusion and exclusion criteria. Thus, findings can be generalized only to these firms meeting specific constraints (young emerging FGFs). Furthermore, variables examined represent a narrow set of possible predictors. Notwithstanding, Cragg and King (1988) highlighted that no study can reveal all attributes involved in making small businesses successful.

Fifth, when investigating interrelationships between sources of CA (e.g., MO, LO, EO), positional advantage (e.g., marketing capabilities), and firm performance, the present investigator utilized marketing capabilities as a proxy measure of CA. There appears to be no specific constructs that purport to measure CA directly (Tan & Smyrnios, 2003). In a number of instances, researchers (Weerawardena, 2003a, 2003b) have relied on developing their own instruments. For example, McGee and Finney (1997), and Love and McGee (1999) tailored CA constructs in relation to marketing competencies for application in the retailing industry.

Finally, this thesis used a relatively small sample size. This characteristic prohibits researchers from individualizing indicators for each variable. A large sample size is required to meet an optimum sample size to variable ratio when there are many items per scale that are used as indicators. With a relatively small sample and relatively large number of indicators, statistical procedures will tend to favor smaller factor solutions than what the true structure might be (Kaplan, 2000). Also, accuracy of factor loadings can be thrown into question, especially when communalities are small (Kaplan, 2000). As a result, composite scores for indicator variables were computed. Furthermore, it was not possible to cross-validate the model owing to sample size constraints. Thus, the model might hold only for this sample,
raising questions about external validity of findings. In an opposing view, Sawyer and Peter (1983, p. 124) contended that researchers should have more confidence in the study with the smaller sample, because investigators expect to find significant results in studies with high statistical power (Slater & Narver, 2000). Despite these limitations, it can be argued that this thesis contributes to the entrepreneurship, marketing, and strategic management literatures.

**Implications for Future Research**

Seven implications emerge from the present study. These implications focus on matters concerning: relationships between shared vision and marketing capabilities; pre-eminence of the proactive dimension on marketing capabilities and firm performance; relative importance of different dimensions of business orientation as determinants of marketing capabilities and performance; the role of marketing capabilities as mediators between business orientation and firm performance; relationships between marketing capabilities and firm performance; relationship capabilities provide positional advantage, but do not culminate in firm performance; and development and application of a model as a theory of relationships between sources of advantage, positional advantage, and performance.

First, present findings show that shared vision (a component of LO) is related significantly to relationship capabilities, but has a nonsignificant relationship with performance. This finding is contrary to studies (Baker & Sinkula, 1999b; Calantone et al., 2002) which have established positive relationships between LO and firm performance. However, this discrepancy can be attributed to LO being regarded as a desire to develop knowledge, which is insufficient on its own to impact significantly on firm performance (Santos-Vijande et al., 2005b). Farrell and Oczkowski (2002), on investigating Australian manufacturing organizations concluded that MO might be more important than LO because a strong MO reflects company behaviors and values, whereas LO reflects only values. Similarly, Wong and Mavondo (2000) identified nonsignificant relationships between LO and performance in the Australian Building and Construction Industry, suggesting that LO does not have universal applicability. Perhaps, future research should investigate further links as to why relationships between LO and FGF performance are nonsignificant.

Second, proactiveness is the only variable which consistently impacts both marketing capability dimensions (i.e., relationships and product/service development), the latter of which is associated significantly with firm performance. This finding underpins the importance FGFs place on being ahead of the pack. Being proactive could possibly be related
to driving markets. For example, Jaworski et al. (2000) proposed that firms should actively influence markets (proactive) rather than being only reactive. Organizations can gain sustainable CA by changing the structure or composition of markets and/or behaviors of players, and by offering products/services that are likely to be valued by consumers. Market behaviors can be shaped directly (i.e., by either building or removing customer or competitors’ constraints) or indirectly (i.e., by creating or reversing new customers or competitor preferences). Kumar, Scheer, and Kotler (2000) postulated that there are two necessary conditions for driving markets: a leap in customer value proposition and a unique business system. An initial attempt at this line of enquiry is found in Tuominen, Rajala, and Möller (2004) who used degree of organizational proactiveness to assess market-driving in firms. Accordingly, an interesting avenue for research would be to investigate FGFs’ proclivity towards driving markets.

Whilst MO and LO covary significantly, these two orientations are not related to EO (proactiveness). Future research might want to consider testing this model on larger data sets to determine whether these findings can be replicated. In addition, investigators should examine how FGFs undertake market, learning, and entrepreneurial-oriented activities. Thus, a further research question flows from these considerations.

**Research Question 1:** What are the ways in which FGFs implement firm business orientation, marketing capabilities, customer value, and firm performance?

Contrary to Hypothesis 1, there is a positive direct link between customer orientation and market performance. Essentially, this direct relationship suggests that FGFs which are customer-oriented, receive market performance benefits (e.g., satisfied customers, customer value delivery). The adoption of a customer focused view by FGFs (OECD, 2002) is integral to an understanding of performance. Perhaps another interesting avenue for research would be to investigate in what instances (i.e., cases) is customer orientation not related directly to financial performance.

Third, customer orientation is just one aspect of MO. The present findings also indicate that relationships between interfunctional coordination and performance are mediated vis-à-vis product/service development, implying that in order to attain a product/service development advantage, FGFs are required to coordinate their employees. This finding shows that two dimensions of MO can possibly impact differently on disparate variables, suggesting that MO
should be considered as a multi-dimensional construct. The present model demonstrates that dimensions of MO, LO, and EO should not necessarily be assumed to have equally strong associations with any particular dependent variable. Each element comprises unique features, and for this principal reason, should be assessed from associated theoretical dimensions rather than from one factor alone (Noble et al., 2002; Tan & Smyrnios, 2004a). Accordingly, this body of evidence raises a further question to be addressed in Study 2.

**Research Question 2:** For what reasons are only particular elements of MO, LO, EO and marketing capabilities evident in the present model?

Fourth, this study demonstrates important interrelationships between product/service development capabilities and MO (interfunctional coordination), LO (shared vision), EO (proactiveness), and FGF performance (market and financial performance). This finding underscores the role of marketing capabilities as a key mediator between business orientation and organizational performance (see Figure 3.11). FGFs leverage advantages associated with MO and EO to strengthen their product/service development capabilities. Without such capabilities, it appears that market and EO provide little value to the attainment of desired performance objectives.

Fifth, only one marketing capability dimension (i.e., product/service development capabilities) is related significantly to firm performance, indicating that marketing capabilities (as defined by Vorhies & Harker, 2000) are not a strength of FGFs, or that this cohort utilizes entrepreneurial marketing specific to their firms. This finding raises one relevant question which is addressed in Study 2.

**Research Question 3:** For what reasons is only one marketing capability dimension related to firm performance in fast-growth companies?

However, as expected, findings indicate that entrepreneurial FGFs build and nurture product/service development capabilities (Tan, 2005). This investigation provides evidence supporting a resource-based explanation of firm performance (Barney, 1991), revealing strong positive associations between product development capabilities and firm performance. Innovation expresses itself in new products and is the driving force in FGFs. Given the importance of product/service development capabilities, perhaps researchers should consider
investigating different types of product/service development in FGFs, and related antecedents and consequences.

Sixth, the present model shows the importance of relationship capabilities in providing FGFs with a positional advantage. However, this capability does not seem to culminate in superior firm performance. Coviello Brodie, Danaher, and Johnston (2002) supported the notion that nurturing relationships is a priority for most firms. Perhaps other measures of performance, such as customer retention rates would relate significantly to relationship capabilities. Associations between relationship capabilities and firm performance could possibly be mediated via customer value as resources alone do not confer CA (Fahy, 2000; Fahy & Smithee, 1999; Slater, 1996). These investigators stress that value to customers is imperative to attaining CA, and is possibly an antecedent to firm performance. Gaining a CA through the provision of greater value to customers can be expected to lead to superior performance measured in conventional terms such as market-based (market share, customer satisfaction) and financial-based (profits, return on investment) performance measures (Hunt & Morgan, 1995). Firms holding a customer value focus, complemented with appropriate resources and capabilities, are best positioned to attract capital necessary for expansion of scale or scope of activities (Slater, 1997). For example, Barney (1991) asserted that for resources to be a potential source of CA, they must lead to value. Notwithstanding, value exists in the mind of customers (Ambler, 1996). As noted earlier, customers might perceive products/services differently to organizations. Accordingly, tapping customer views on customer value is another important consideration. Given the possible significant role that customer value might play in the CA-firm performance nexus, a case can be made to address two further related research questions.

Research Question 4: Do fast growth companies take into consideration customer value?
Research Question 5: Is customer value an antecedent to firm performance?

Finally, the present thesis has attempted to investigate empirically, associations between sources of CA, positions of advantage, and firm performance, utilizing the Day and Wensley (1988) CA framework. This research highlights that CA is not synonymous with performance. However, it is not uncommon for investigators (Porter, 1985) to implicitly treat CA and performance as interchangeable constructs. CA is not a surrogate for performance and does not necessarily culminate in firm performance (Ma, 2000; Powell, 2001). Accordingly, it might seem prudent to evaluate business owners/CEOs’ understanding of CA. A relevant
topic for investigation could be to find out what FGF CEOs regard as the CA, or otherwise, of their firms?

Clearly, there is a need for further research in the area of business orientation, marketing capabilities, and firm performance, possibly involving larger samples and/or utilizing alternative methodologies. In other words, rigorous testing of key relationships reflected in this study should be pursued using larger data sets to ensure stable solutions that are likely to be replicable (Hair et al., 2005). Large samples allow researchers to employ SEM techniques, with samples of at least 200 being recommended for models of moderate complexity (Kelloway, 1998). The advantages of SEM over other multivariate procedures include the ability to show modeling interactions, nonlinearities, correlated independents, measurement error, correlated error terms, multiple latent independents and one or more latent dependents with multiple indicators (Hair et al., 2005).

Five principal research questions arise from Study 1. These questions will be addressed in Study 2 which is an in depth qualitative examination of business orientation, marketing capabilities, and firm performance. Hill and McGowan (1999a) suggested that qualitative approaches such as case study methodologies should also be adopted when investigating the behavior of organizations. These investigators argued that an over reliance on quantitative methods has limited research implications in the entrepreneurship/marketing area. Investigation of business orientation is largely quantitative, focusing on justifying performance links (e.g., Langerak, 2003). Qualitative case study approaches offer researchers opportunities to capture an in-depth contextual portrayal of pertinent organizational, CEO, and firm performance variables, as reported in the present CA model.

Gummesson (2001, pp. 34-35) stated that case study research can be employed to arrive at specific or general conclusions about certain phenomena, recognizing the multitude of complex variables, interrelations, and ambiguities of social life. Through the process of being there, researchers are able to immerse in an environment rich in data that have time and space dimensions. Consistent with this view, Sells, Smith, and Sprenkle (1995) concluded that quantitative and qualitative methods build upon each other. While quantitative methodologies emphasize causality, qualitative approaches help to clarify participating perspectives, process, and contextual detail (Bryman, 1992). Creswell (2003) added that combining methods carefully and purposely can add breadth and depth to analyses, especially when methods complement each other within a research design. Given that this thesis is the first to
investigate the concurrent interrelationships between business orientation, marketing capabilities, and firm performance, undertaking Study 2 would seem to be a logical step towards the process of building theory concerning these relationships that involve FGFs.

The present investigator has paid heed to calls for the adoption of mixed method approaches (quantitative and qualitative). Study 2 aims to build on and address the limitations and implications that emerge from Study 1. While the present study investigated the strength of association between variables (e.g., correlations), establishing relationships and causation, Study 2 addresses the What? Why? of associated relationships. One of the major concerns associated with Study 1 are inconsistencies contained in findings when compared to those reported in the literature. It is proposed that by undertaking qualitative research, Study 2 will help to confirm (or for that matter disconfirm) hypothesized relationships between variables as outlined in the proposed model, and allow for new theory to emerge.
Chapter 4
Study 2

Overview
As noted in Chapter 3, Study 2 comprises the qualitative component of this dissertation and incorporates a case study methodology. This chapter provides a brief introduction to this investigation, details the present methodology, commencing with a description of case study research designs, participants involved, instruments used, and criteria for evaluating validity and reliability of case study research data collection procedures. This chapter concludes with an evaluation of qualitative data analysis procedures (i.e., within-case analysis, cross-case analysis, causal network modelling, and thematic analysis).

Introduction
The aim of Study 2 is to extend and corroborate findings of Study 1, including the final model. The main findings uphold that hypothesized relationships are positive. However, not all components of business orientation and marketing capabilities were included in the final path model, as these measures are multi-dimensional constructs. Notwithstanding, FGFs leverage advantages associated with business orientation to strengthen their marketing capabilities. While superior marketing capabilities are important drivers of performance, these capabilities also mediate relationships between business orientation and performance. Without such capabilities, firm market, entrepreneurial and learning orientation (LO) provide little value to the attainment of desired performance objectives. Hence, while most researchers (Bhuian, 1998) advocate direct relationships between business orientation and performance, Study 1 suggests a somewhat more complex interaction between factors.

While Study 1 tests hypothesized relationships, Study 2 provides an in-depth examination of how relationships between variables are formed. For example, the quantitative model attempts, on the one hand, to demonstrate that there is a positive relationship between market orientation (MO) and an advantage in product development; the qualitative component in Study 2, on the other hand, seeks to discover how MO impacts product development and what actions companies undertake to enhance this process. Gummesson (2002) stated that in-depth case studies are essential for developing theory in marketing. Qualitative research is appropriate for research issues that necessitate discovery of concepts and relationships in order to develop theoretical explanatory frameworks (Strauss & Corbin, 1998, p. 11). Accordingly, an objective of this study is to acquire deep and rich insights into phenomena (McCracken, 1988, p. 18). Specifically, the present research aims to acquire an in-depth
understanding of CEOs/founder attitudes to business orientation, marketing capabilities, customer value, and firm performance. Following is a description of case study research design.

Research Design

Case Study Method

Yin (2003, p. 13) defined case studies as an empirical inquiry that investigates a contemporary phenomenon within its real-life context especially when the boundaries between phenomenon and context are not clearly evident, providing researchers with opportunities to uncover pertinent contextual conditions. Case studies are also suitable for investigating the how and why questions that seek to explain (Yin, 2003), describe, build, or test theory (Eisenhardt, 1989; Yin, 1994) associated with exploratory work during the formative stages of theory development (Benbasat, Goldstein, & Mead, 1987). In addition, case studies are used as a follow-up to survey based research in an attempt to examine in greater depth and to validate empirical results (Voss et al., 2002).

The Role of Theory in Case Studies

Miles and Huberman (1994), and Yin (1994) concurred that theory development is an essential part of the design phase when developing or testing theory. Similarly, Eisenhardt (1989) supported the idea of having a model by suggesting a priori specification of constructs which are helpful in the initial design stage of theory building. Eisenhardt advocated a conceptual framework because it permits researchers to measure constructs more accurately. If these constructs prove important as the study progresses, then researchers have a firmer empirical grounding for the emergent theory (p. 536).

Nevertheless, opinions differ in the use of conceptual theory, especially when applying propositions and openness to a model. For example, Yin (2003) encouraged general propositions (which suggest relationships among constructs) as a means of focusing research efforts on research designs that provide strong guidance when determining the kind of data to collect and strategies to adopt for data analysis. In other words, Yin (2003) advocated a deductive, rather than an inductive approach to case study research. Cases which confirm propositions enhance confidence in the validity of concepts and their relationships.

In contrast, Eisenhardt (1989) suggested that investigators should not think about construct relationships as a way of remaining open to new possibilities when building theory.
Notwithstanding, Miles and Huberman (1994) posited that conceptual models and research designs should be contingent on factors such as time availability, researcher experience, and number of cases studied. While literature was reviewed prior to the qualitative phase, the present researcher was sensitive to possibilities of changing theories. Table 4.1 shows the process of building theory from case study research as advocated by Eisenhardt (1989), whose recommendations were taken into account when developing the present methodology. Key factors associated with the theory building process include confirming, extending, and sharpening theory.

In theory development research, it is important to review emerging theory against existing literature. Failure to refer to relevant literature reduces confidence in findings (Voss et al., 2002). Literature discussing similar findings will help tie together underlying similarities. A review of emerging theory involves finding similarities, differences and reasons behind any new hypothesis (Eisenhardt, 1989), and has the overall effect of increasing both the quality and validity of findings (Voss et al., 2002).

**Inductive versus Deductive Reasoning**

One of the main objectives for Study 2 is to examine results derived from Study 1 in greater detail, utilizing the path model as a guide to confirm (or otherwise) findings. Hence, the present investigation employs both deductive and inductive processes. Extreme induction deprives researchers of useful theoretical perspectives and concepts which can help guide further exploration of a phenomenon, whereas extreme deduction precludes investigators from developing new theories (Hyde, 2000). Research in marketing has historically emphasized deductive processes – in many cases, applying these processes prematurely, before an adequate understanding of the concepts operating have been developed (Deshpande, 1983). Deductive reasoning is a theory testing process which commences with an established theory or generalization and seeks to examine whether theory applies to specific instances. To operate within a deductive framework, researchers should seek to falsify initial findings objectively, and look for support from alternative explanations (Hyde, 2000).

The present study addresses this flaw by allowing theory to emerge vis-à-vis inductive reasoning, which *lets reality tell its story on its own terms and not on the terms of extant theory* (Gummesson, 2005, p. 322). Inductive research is about theory building: starting with data collection followed by a search for patterns and relationships in the data. Patterns become generalizations, and its accumulation finally becomes theory (Blaikie, 2000). The
logic of an inductive approach is shown in Figure 4.1. Briefly, this Figure shows the importance of utilizing data to form broad patterns and themes which are subsequently generalized to the literature.

**Table 4.1 Process of building theory from case study research**

<table>
<thead>
<tr>
<th>Step</th>
<th>Activity</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting started</td>
<td>Definition of research question.</td>
<td>Focuses efforts.</td>
</tr>
<tr>
<td></td>
<td>Possibly <em>a priori</em> constructs.</td>
<td>Provides better grounding of construct measures.</td>
</tr>
<tr>
<td>Selecting cases</td>
<td>Neither theory nor hypothesis.</td>
<td>Retains theoretical flexibility.</td>
</tr>
<tr>
<td></td>
<td>Specific population.</td>
<td>Constrains extraneous variation. and sharpens external validity</td>
</tr>
<tr>
<td></td>
<td>Theoretical not random sampling.</td>
<td>Focuses efforts on theoretically useful cases i.e., those that replicate or extend theory by filling conceptual categories.</td>
</tr>
<tr>
<td>Crafting instruments and protocols</td>
<td>Multiple data collection methods.</td>
<td>Strengthens grounding of theory by triangulation of evidence.</td>
</tr>
<tr>
<td></td>
<td>Qualitative and quantitative data combined.</td>
<td>Synergistic view of evidence.</td>
</tr>
<tr>
<td></td>
<td>Multiple investigators.</td>
<td>Fosters divergent perspectives and strengthens grounding.</td>
</tr>
<tr>
<td></td>
<td>Overlap data collection and analysis, including field notes.</td>
<td>Speeds analyses and reveals helpful adjustments to data collection.</td>
</tr>
<tr>
<td></td>
<td>Flexible and opportunistic data</td>
<td>Allows investigators to take advantage of emergent themes and unique case features</td>
</tr>
<tr>
<td>Entering the field</td>
<td>Within-case analysis.</td>
<td>Gains familiarity with data and preliminary theory generation.</td>
</tr>
<tr>
<td></td>
<td>Cross-case pattern search using divergent techniques.</td>
<td>Forces investigators to look beyond initial impressions and see evidence through multiple lenses.</td>
</tr>
<tr>
<td>Shaping hypotheses</td>
<td>Iterative tabulation of evidence for each construct.</td>
<td>Sharpens construct definition, validity and measurability.</td>
</tr>
<tr>
<td></td>
<td>Replication, no sampling, logic across cases.</td>
<td>Confirms, extends, and sharpens theory.</td>
</tr>
<tr>
<td></td>
<td>Search evidence for “why” behind relationships.</td>
<td>Builds internal validity.</td>
</tr>
<tr>
<td>Enfolding literature</td>
<td>Comparison with conflicting literature.</td>
<td>Builds internal validity, raises theoretical level, and sharpens construct definitions.</td>
</tr>
<tr>
<td></td>
<td>Comparison with similar literature.</td>
<td>Sharpens generalizability, improves construct definition, and raises theoretical level.</td>
</tr>
<tr>
<td>Reaching closure</td>
<td>Theoretical saturation when possible.</td>
<td>Ends process when marginal improvement becomes small.</td>
</tr>
</tbody>
</table>

Twenty-one CEOs/founders of 18 Fast 100 companies from the 2003 and 2004 BRW Fast 100 were interviewed (Three companies were founded as partnerships and each partner was interviewed separately). Two companies were interviewed twice over a one-year period for longitudinal purposes. The general process for selecting interview participants was based on a diversity of dimensions: type of industry (e.g., wholesale, personal & business services, retail), age of firms (e.g., 4 – 10 years), type of firm (public versus private; family versus non-family), growth rate/rank on the Fast 100 (e.g., firms that achieved growth rates greater than 100% versus companies that attained relatively moderate growth, that is, 35%-50%) and focus (local, regional, national, global). Table 4.2 shows demographic information of participants. This table shows that rankings ranged between 4 and 92; industry sectors included information technology, manufacturing, recruitment, and retail; turnover ranged between AUD$2.3 million and AUD$71 million; all firms are identified as small (<20) to medium (<200); and 3-year growth rates were up to 460.3% (i.e., for Aconex).

![Figure 4.1 The inductive logic of research in qualitative studies](source)

Conceptualization of the present case studies is based on the model emanated from Study 1. The specificity of this model is appropriate for Study 2 because multiple cases are investigated. However, care was also taken to ensure that this model is open, and does not identify a priori propositions and includes two exploratory research questions: What is happening? How is it happening? The following is a description of the Method section for Study 2.

### Method

#### Participants

Twenty-one CEOs/founders of 18 Fast 100 companies from the 2003 and 2004 BRW Fast 100 were interviewed (Three companies were founded as partnerships and each partner was interviewed separately). Two companies were interviewed twice over a one-year period for longitudinal purposes. The general process for selecting interview participants was based on a diversity of dimensions: type of industry (e.g., wholesale, personal & business services, retail), age of firms (e.g., 4 – 10 years), type of firm (public versus private; family versus non-family), growth rate/rank on the Fast 100 (e.g., firms that achieved growth rates greater than 100% versus companies that attained relatively moderate growth, that is, 35%-50%) and focus (local, regional, national, global). Table 4.2 shows demographic information of participants. This table shows that rankings ranged between 4 and 92; industry sectors included information technology, manufacturing, recruitment, and retail; turnover ranged between AUD$2.3 million and AUD$71 million; all firms are identified as small (<20) to medium (<200); and 3-year growth rates were up to 460.3% (i.e., for Aconex).
Table 4.2 Fast 100 company demographics

<table>
<thead>
<tr>
<th>RANK</th>
<th>COMPANY</th>
<th>SECTOR</th>
<th>YEAR FOUNDED</th>
<th>TURNOVER 2003/2004 AUD$</th>
<th>NO. OF EMPLOYEES</th>
<th>TURNOVER GROWTH (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>DNP Aconex</td>
<td>Online information management</td>
<td>2000</td>
<td>$2,369,856</td>
<td>38</td>
<td>460.34</td>
</tr>
<tr>
<td>7</td>
<td>DNP Boost Juice Bars</td>
<td>Smoothie operator/franchiser</td>
<td>2000</td>
<td>$18,227,386</td>
<td>196</td>
<td>257.22</td>
</tr>
<tr>
<td>DNP 10</td>
<td>Global Dial</td>
<td>Telecommunications carrier</td>
<td>1994</td>
<td>$5,339,000</td>
<td>34</td>
<td>162.72</td>
</tr>
<tr>
<td>103</td>
<td>12 Waterwerks Australia</td>
<td>Water feature manufacturer</td>
<td>1998</td>
<td>$9,375,000</td>
<td>24</td>
<td>151.16</td>
</tr>
<tr>
<td>12</td>
<td>DNP Mor Cosmetics</td>
<td>Body and bath products manufacturer</td>
<td>2000</td>
<td>$4,680,000</td>
<td>14</td>
<td>169.44</td>
</tr>
<tr>
<td>35</td>
<td>44 Scigen</td>
<td>Biotechnology company</td>
<td>1999</td>
<td>$6,040,000</td>
<td>44</td>
<td>83.51</td>
</tr>
<tr>
<td>DNP 41</td>
<td>Apex Steel</td>
<td>Steel manufacturer</td>
<td>1997</td>
<td>$71,075,000</td>
<td>74</td>
<td>72.87</td>
</tr>
<tr>
<td>42</td>
<td>42 Realestate.com.au</td>
<td>Real estate web portal</td>
<td>1996</td>
<td>$19,100,000</td>
<td>110</td>
<td>72.11</td>
</tr>
<tr>
<td>47</td>
<td>DNP Liaise Marketing</td>
<td>Supermarket broker</td>
<td>1995</td>
<td>$1,803,000</td>
<td>35</td>
<td>63.39</td>
</tr>
<tr>
<td>50</td>
<td>DNP Sitepoint</td>
<td>Web development</td>
<td>1999</td>
<td>$2,444,185</td>
<td>8</td>
<td>61.85</td>
</tr>
<tr>
<td>57</td>
<td>50 Reactive Media</td>
<td>Website design agency</td>
<td>1997</td>
<td>$1,881,404</td>
<td>14</td>
<td>54.96</td>
</tr>
<tr>
<td>66</td>
<td>DNP Smart Partners</td>
<td>Advertising agency</td>
<td>2000</td>
<td>$3,778,069</td>
<td>32</td>
<td>50.27</td>
</tr>
<tr>
<td>72</td>
<td>70 Cableman</td>
<td>Premium electronic products installer</td>
<td>1997</td>
<td>$2,570,000</td>
<td>10</td>
<td>46.45</td>
</tr>
<tr>
<td>DNP 75</td>
<td>Regency Recordings</td>
<td>DVD manufacturer</td>
<td>1986</td>
<td>$31,000,000</td>
<td>100</td>
<td>41.74</td>
</tr>
<tr>
<td>76</td>
<td>90 MC Labour Services</td>
<td>Construction labor hire</td>
<td>1995</td>
<td>$15,370,000</td>
<td>10</td>
<td>44.79</td>
</tr>
<tr>
<td>86</td>
<td>8 Total Cabling Solutions</td>
<td>Electrical cabling</td>
<td>1999</td>
<td>$3,624,000</td>
<td>17</td>
<td>39.35</td>
</tr>
<tr>
<td>92</td>
<td>91 Andrew's Airport Parking</td>
<td>Airport parking services</td>
<td>1997</td>
<td>$2,831,063</td>
<td>30</td>
<td>37.05</td>
</tr>
<tr>
<td>DNP 96</td>
<td>Dixon Appointments</td>
<td>Recruitment agency</td>
<td>1999</td>
<td>$7,000,000</td>
<td>14</td>
<td>32.85</td>
</tr>
</tbody>
</table>

Note. Company number indicates Fast 100 ranking (1-100). Turnover for Companies ranked 10, 12, 41, 75, and 96 (2003) is based on 2002/2003 financial data.
DNP = Did not participate.
Sample size was not decided \textit{a priori}. An underlying principle is to select information rich cases which are worthy of further research (Patton, 1980). Number of interviews were dictated by the progression of theory development, known as theoretical sampling, whereby researchers jointly collect, code and analyze interview data, then decide which participants to interview next, in order to develop relevant theory as it emerged (Strauss & Corbin, 1998). A goal of theoretical sampling is to select cases that replicate/extend cases, and theoretical reasons that fit into various theoretical categories and/or provide examples of polar types (Eisenhardt, 1989).

Eisenhardt (1989) also stated that \textit{there is no ideal number of cases, a number between four and ten cases often works well} (p. 545). Kemper, Stringfield, and Teddlie (2003) recommended the use of extreme/deviant case and typical case sampling techniques (i.e., seeking out the most outstanding cases such as those reflecting success and/or failures to learn about outliers or seeking those that are most average and representative); choosing confirming/disconfirming cases (the latter means finding specific sampling units that fit into emerging patterns regarding data, while the former means seeking those that are exceptions to provide rival explanations to emerging patterns); or opting for stratified purposive sampling (i.e., deliberately selecting target population based on strata, that reflect average, above average or below average categories, with the aim of discovering similar/differing elements across subgroups).

Sampling ceased at 21 founders/CEOs from 18 companies as it became clear that redundant data were being collected. The present investigator captured the desired breath and depth of phenomena. In theory building, researchers seek comprehensive concepts, and it is not uncommon to rely on a deep understanding of a relatively few key informants (McCracken, 1988). Generalization is not sought in theory building, but rather is reserved for future theory-testing research (Flint & Mentzer, 1997). For the purposes of this thesis, case studies of only four companies are reported. The following section provides a brief description (vignettes) of these enterprises and CEOs. Presentation of these vignettes is in descending order of Fast 100 rankings.
Company: **Aconex**

Founders: Leigh Jasper and Rob Phillpot

Growth rate: 460.34% (2004), 147.37% (2005)


Interviewed: Leigh Jasper, August 2004

Aconex offers online information management service and collaboration solutions for the construction, resources, and property management industries. Launched in 2000, this privately owned company focuses on providing solutions for entire project life-cycles. All system features are built and owned in-house.

Aconex is effectively used by a spectrum of companies, from major developers and property managers, to architects, consultants, subcontractors, and building materials suppliers. The Aconex online system is used to manage information flow around projects. For example, at a construction point, 50 companies might be involved. Sub-contractors and head contractors need to transfer drawings and information. Aconex’s system tracks and logs all information transfers: drawings, plans, contracts, specifications, structure, and variation which are usually used in industry. Prior to the development of this system, companies exchanged information manually, employing staff to manage information.

Currently, the Aconex system is implemented by more than 22,000 companies with projects valued at more than AUD$60 billion. Offices are located in Melbourne, Sydney, Brisbane, Adelaide, Perth, London, Dubai, Malaysia, Shanghai, Singapore, Hong Kong, Vietnam, South Africa, Chennai, Mumbai, and Auckland with research and development based in Melbourne.

Leigh Jasper, one of the founders of Aconex, studied engineering prior to working at McKinsey as a management consultant. After a number of years, he decided to start his own business with Rob Phillpot, a friend from the construction industry. Raising capital was not easy as they endeavored this task at the end of the dot.com boom and September 11, 2001. They aim for their enterprise to become an IPO or sell at an opportune time.
Company: **Boost Juice Bars**  
Founder: Janine Allis  
Growth rate: 257.22% (2004)  
Turnover (2003-04): AUD$18.227 million  
Rank: 7 (2004)  
Employees: 196 (2004)  
Interviewed: 3rd November 2004

Boost Juice Bars is the largest *smoothie* operator in the Southern Hemisphere selling over 1 million juices and smoothies each month. Janine developed the business idea while accompanying her husband on a trip to the US. She saw a similar concept in North America and liked parts of it. Upon returning to Australia, Janine wrote a business plan and spent 8 months doing research. Compared to smoothies in the US, which are low fat and sugar based, Boost smoothies focus on health, and are yoghurt based. In terms of the visual outlook of the stores, US stores are wooden, timber, and coffee color in appearance, whereas for Boost, outlets are open and light (bright yellow, green, orange, and red in color).

Three weeks before the opening of her first store in King Weave Street, Adelaide, a manager and 15 store staff were hired. This location was chosen because Janine believed that it was a sound test of the market, managing to attain a 72% reach of her core target market. Janine and her husband, with 6 other partners raised AUD$200,000 to start the business. Twelve months from start-up, Janine considered the franchise model as a way of growing with quality people. Currently, there are a number of franchised and company owned business, with more than 170 stores throughout Australia and New Zealand.

Janine has a varied life/work experience. Leaving school at 16 years, she started working in the advertising industry. Subsequently, she worked as a model, an assistant manager in a gymnasium, a nanny in France, time share salesperson in Portugal, a stewardess in David Bowie’s yacht, a manager for Village Roadshow, comedian, and eventually founded Boost.
Established in 1994, Global Dial is a licensed telecommunication carrier (not a reseller buying from Telstra) operating in Australia, South East Asia, and China, offering voice and dial up services, broadband Internet and satellite services, and a range of new and innovative products related to telecommunications. Initially, starting as an internet service provider (ISP) in Perth with AUD$5,000, Patrick purchased computer servers and rented a room in Claremont, Perth as an office for Global Dial.

In 1998, Global Dial used technology it developed to provide cheap long-distance calls, and introduced a phone card for residential customers. Clients were attracted to this product because call rates were much lower than those of competitors. Over 6,000 outlets sell Global Dial products. In 2000, offices were expanded to Melbourne, Sydney, and Brisbane. Currently, the company operates in corporate markets, servicing large multi nationals including Leo Burnett Australia, Westpac Banking, and Duxton Hotels International. This enterprise continually develops products through software programming.
Company: **Waterwerks Australia**

Founder: Graeme Pope

Growth rate: 151.16% (2003), 33.08% (2004)


Rank: 12 (2003), 103 (2004 – did not make final list)


Interviewed: 18th March 2004, 16th November 2004

Waterwerks (WW) is a supplier of water garden and lifestyle products for the Australian, US, and European markets. Discovered and engineered over a cup of coffee on a cold Monday morning in 1999, purely as an idea on a piece of paper, WW was built around looking at types of businesses that might be successful in the future and that related to lifestyle and changing demographics in Australia. In an aging population, people spend more time on garden activity, and in products that relax and calm them.

Previously, water features were targeted at relatively affluent Australians willing to pay AUD$1,000 for a 400 kg stone from specialized garden centers. WW has revolutionized the market, offering customers replicas of sandstone and slate materials, 30% lower priced than previously. Products are made of composite material which are much lighter than stone, incorporating a complete knockdown do-it yourself concept. WW reaches its end customers (serious garden decorators) via big retailers, garden centers, and mega stores such as Bunnings, K-Mart Garden Centre, landscapists, and wholesalers.

Prior to heading WW, Graeme worked in the US in a fast-growth environment, running an Inc. 500 company which achieved an annual turnover of AUD$100 million. Graeme was also instrumental in bringing Target, the retailer into Australia and worked in Coles Myer for ten years in mass market retailing. Following this, he spent five years in social work, focusing on children diagnosed as dysfunctional. In the 80’s, Graeme joined a Melbourne company marketing shade cloth, increasing revenue for this firm from AUD$0.5 million to AUD$35 million within 3 years. In 1997, he sold his interest in this enterprise and started WW in 1998.
Mor cosmetics (MOR) is a supplier of body and bath products for the North American, Australian, Asian, and UK markets. Employing 30 staff currently, MOR started trading in 2000 and was launched at a Melbourne trade fair. The founders researched the market and commenced with launching 120 products. Entry into the Australian market was viewed by MOR as relatively easy, as it stay focused on product quality. The prime target market is a 25 to 40 year old single, career woman.

Products, which range from body creams, scrubs, foam baths, massage oils, lip gloss, and scented soaps, are manufactured in Australia by professional chemists and filling houses. Dianna and Deon, together with their employees, are in charge of running of the company and the design part of the business.

Deon graduated with a degree in Industrial Design at RMIT University. Prior to MOR, Deon operated and founded three other enterprises, one of which was a home-ware business which was co-founded with Dianna. Their range included vases, clocks, coasters, and placemats designed by Deon. Dianna, originally from Western Australia, worked previously as a retail visual merchandiser for department stores such as Harrods in the UK. After some years, she was ready to go into her own business, and coincidentally, upon meeting Deon, decided jointly to start a venture. Having prior interest in product design, they commenced working together and released their first range of merchandise within 12 months. Their firm was called D1. Three years into the business, D1 was exporting products that were available in 300 to 400 stores Australia wide. During this time, they went to India to source silk for their operations. While in India, they were inspired to take their business to the next level, that is, by incorporating a small range of body washes and bath foams. While they were enjoying the new bath and body products they created, they set upon a new idea to launch MOR. On returning to Melbourne, they decided to close D1, and returned to the next trade fair as MOR.
Scigen is a publicly listed biotechnology company which licenses four products: Hepatitis B (HepB) vaccines, a needle free injection device, growth hormones, and insulin for the Asia Pacific region. The two latter products are generic. Asia has been an unknown arena for drug developers. Scigen helps small scientific based companies which do not have the expertise in sales and marketing or regulatory affairs nor the capacity to take their products to move on to the next level of development (i.e., commercialization). Scigen then makes commercial arrangements and pays drug developers royalties for a number of years.

Products are sold directly to doctors, pharmacies, employers, and governments. For example, Scigen sold 10,000 vials of the HepB vaccine to a ship building company in Vietnam, to immunize all their employees. Scigen maintains sales representatives in each country to sell their products.

One of their products is a growth hormone produced by the pituitary gland. Previously, this hormone was extracted from dead bodies, crushed and formulated, and when needed, injected into children who were of short stature, had Turner syndrome, or suffer from a range of other genetic hormonal defects. Currently, growth hormone is produced in the laboratory, via recombinant DNA and genetic engineering technology. There are a number of uses for this product such as in anti-aging medicine, and the treatment of burns, heart disease, and abdominal surgery. Patients are encouraged to take growth hormone prior to surgery to enhance recovery time.
The Scigen HepB vaccine is a proprietary product which differs from that of competitors in that it not only prevents HepB but can be used to treat HepB patients with chronic infection. Scigen invested seed capital in a company that developed this vaccine 15 years ago, and has the distribution rights for the Asia Pacific region.

The needle free injection device is used in a number of countries in Asia, and in markets currently adopting their growth hormone. This product looks slightly bigger than a pen and has no needle, but a flat end with a little pinhole aperture. Users are required to blow this devise, hold it against their leg or arm, and hit the button. The device then spurts the drug literally through the skin. Scigen currently owns the patent rights to this product.

Before Scigen entered the growth stage, there were discussions to close the firm. Sonic (a biotechnology company that owned 60% of Scigen) called upon the former CEO Mark Compton to evaluate the future of the company and decide whether to sell, close, or expand it. At that time, Scigen was cash strapped, with little revenue to meet the monthly payroll of 6 employees.

In September 2001, Mark recognized that there was value in expanding Scigen. By November 2002, this company was publicly listed, succeeded in raising AUD$30 million and was able to clear all debts. Since then, Scigen has been doubling yearly revenue, and although small in terms of the number of employees, was able to secure large business contracts. For example, the insulin project in China is worth US$22 million.
Company: **Apex Steel**

Founder: Joe Calleja

Growth rate: 72.87% (2003)

Turnover (2002-03): AUD$71.075 million


Employees: 74 (2003)

Interviewed: 9\textsuperscript{th} August 2004

Apex Steel (AS) manufactures and sells rain water goods such as metal roofing and metal accessories. Their customers are primarily roofing plumbers who operate in industrial and residential markets. AS also owns shares in 3 other companies which were acquired in 2001 and 2002: AISI, United Steel (which supplies sheet metal to companies such as Aqua Max, a hot water tank manufacturer), and Horan Steel (which supplies structural steel used by structural engineers for general steel fabrication). As the newly acquired firms operate in three different areas, Joe had no experience in these industries prior to buying them. Their main competitors include large companies such as Smorgan steel, Bluescope, and One Steel.

Joe, from Italy, migrated with his family to Australia when he was eight. He left school in 1973 at the age of 18 when he completed Year 11, and started work in the steel industry in a store called Macphersons Metals. After working for another steel company, he began his own business (Impact Steel) with two other investors, but was sold at a later date. In 1997, he decided to start AS which attained a turnover over of AUD$3 million within the first year of operation.
Company: **realestate.com.au**

CEO: Simon Baker

Growth rate: 72.65% (2003), 72.11% (2004), 78.98% (2005)


Interviewed: 16th March 2004

realestate.com.au (RES), an ASX listed company, sells classified advertising packages online to residential and commercial real estate agents. RES caters predominately to two types of customers: real estate agents and customers who view properties online. From a real estate agent perspective, brand exposure at a reasonable price is highly valued. Customers appreciate opportunities that allow them to view properties from a comprehensive and easily accessible format.

Formed in 1996, RES almost wound-up in mid 2000. The board approached News Limited (NL) for some equity injection. Simon Baker (who previously worked in NL), was asked to analyze and evaluate the case. NL purchased 44% of the business. Simon did not like the way RES was being operated, hence, was pitching to the board to operate the enterprise differently. He was appointed CEO. At NL, Simon held a business development role for their online business. Prior to this venture, he headed a technology unit in a start-up firm in the US. He was also a consultant at McKenzie and Co. and served in marketing and sales at IBM. He holds an MBA degree from Melbourne Business School.
Company: **Liaise Marketing**
Founder: Tony Merlino
Interviewed: 20\textsuperscript{th} October 2004

Liaise Marketing (LM) operates as a broker in the Australian supermarket industry. A broker usually represents manufacturers’ products to a variety of prospective retail buyers. These buyers could be specialty stores, retail grocery chains, wholesalers, foodservice operators and distributors, drug chains, mass merchandisers, industrial users, or military institutions. In attempting to sell products and achieve a listing, brokers might have to liaise with the head offices of chains and wholesale groups, besides carrying out merchandising (i.e., planning, promoting and keeping products on shelves), computerized ordering, and data collecting services. Brokers establish personal and long-term contacts with buyers. They also possess expertise in select markets (Bosse, 2003).

LM offers the services of sales managers and sales teams to Australian manufacturers in the supermarket industry. Manufacturers who are very good at what they do can struggle with having a sales team, marketing manager, and all expenses associated with having that infrastructure. LM positions these manufacturer’s products to cater for their growth, working on sizing, pricing, labelling, and conformity. When products are ready to market, LM together with the manufacturer visits retail buyers. LM’s sales teams also ensure that products receive the best position on the shelves so as to attract the highest sales. LM represents such products as Chapstick lip conditioners, Avian and San Pellegrino mineral water, and Centrum multi-vitamins.

Tony, of Italian heritage, was born in Melbourne in 1959. He started to work as a management trainee in the supermarket industry immediately after high school. Subsequently, he became a retail buyer for two large Australian supermarket chains. He began to examine his professional and career prospects after working for more than 25 years in the same industry. This made him start LM with AUD$2,000, which is described as being on the other side of the desk, and involves developing and marketing manufacturer’s products and selling to them Coles, Woolworth’s, and Bi-Lo (supermarket chains).
Company: **Sitepoint**  
Founders: Mark Harbottle and Matt Mickiewicz  
Growth rate: 61.85% (2004), 67.46% (2005)  
Interviewed: 25th November 2004

Sitepoint offers career enhancing products that assist web developers and designers improve their job prospects. This firm sells books, cover kits, software, and CDs online on how to build websites. Most customers are freelancers or small businesses. Website visitors are mainly web developers worldwide.

Prior to selling web development books, Sitepoint tried selling software, and e-books, but with little success. After evaluating how potential customers were using their websites, Sitepoint found that 50% of readers who perused lengthy articles on their website would often download these documents. This led Mark to the idea of creating *print on demand* books. Basically, when customers order, Sitepoint prints and mails the ordered books. There was no inventory or risk involved. This service was satisfactory, but over time, customers were unhappy with delivery times, which was longer than that of Amazon.com. Clients were used to receiving books in three days whereas Sitepoint took two days to print, one day to pack, and four days to ship. Sitepoint consequently decided to produce small print runs, which shortened delivery time to three days. The writing of books is contracted out to those who are subject specialists. Authors are paid to write and they receive royalties in return, but with Sitepoint having the copyright. This firm aims to produce practical books that are fun to read and reader friendly. Editing, design of covers and titling are undertaken in-house, and shipped from the US to anywhere in the world.

Prior to founding Sitepoint, Mark worked in the marketing department of Sausage Software, a web authoring product for building web pages. People were less knowledgeable of online marketing in the 1990’s. Mark studied the online purchasing habits of technical customers. After leaving Sausage, he established Sitepoint with Matt in 2000. Matt, who operated from Canada, was running a small website which Sausage used to advertise its products. Running the business was difficult at the onset when they had to operate with only themselves as employees. But the partners were able to build a team of 13 employees over a four-year period.
Company: **Reactive Media**
Founders: Tim Fouhy and Tim O’Neil
Growth rate: 61.60% (2003), 54.96% (2004)

Reactive media is a web design firm based in Melbourne. Founded in 1997, with the aim of developing creative, functional, interactive websites, Reactive has grown from a two-man team to a firm of 21 full-time staff. Reactive’s clients range from small businesses to large corporations and the government, including BHP Biliton, Victoria Police, L’Oreal Beauty Club, and Nike Air Zoom, a promotional range for Nike's 2004 football boots.

Following graduation from a university in New Zealand, Tim and Tim were offered jobs at Sausage Software in Australia. This firm was growing rapidly and employing new staff almost on a daily basis. However, the expansion became unmanageable and Sausage began to retrench a sizable number of their employees. Tim and Tim were promoted to senior web developers, but found producing virtually the same website relatively boring. They wanted a change and the observation that their university peers were working with a variety of clients, prompted them to start Reactive Media in 1997.

Company: **Smart Partners**
Founders: Ben Lilley and Paul Findlay
Growth rate: 50.27% (2004)
Turnover (2003-04): AUD$3.778 million
Rank: 66
Interviewed: 13th September 2004

Smart Partners is a full service advertising agency. Ben launched Smart in 2000 when he decided to quit from working for other people. He teamed up with Paul Findlay, who already owned a boutique design agency, which is a small business, focusing on creative design work and is not well suited to fully serve the needs of large blue chip clients.

Being a value driven organization, Ben and Paul clearly defined the role of Smart in the advertising world and upheld strong points of difference from other advertising agencies. Being a young enterprise, Smart tends to attract youth oriented brands or companies that prefer creative approaches such as Adidas, STA Travel, Just Jeans, Thrifty, Mambo, Yarra Trams, and News Limited.
Company: **Cableman**

Founder: Anthony Elbaum

Growth rate: 44.97% (2003), (2004)


Employees: 10 (2003, 2004)

Interview: 26th February 2004

Cableman (CM) is a wholly Australian owned company in the high automation industry that supplies and installs cabling systems to solely the high-end market. The company was registered in 1995 and commenced trading in late 1996. CM was established when the CEO identified a growing demand for complete home entertainment solutions by homeowners and homebuilders. Basically, CM combines total cabling systems with premium integrated electronic products for homeowners by supplying all the equipment and services needed: an end-to-end service. CM has 10 employees who work on project management, sales, strategic operations, and installation of cables/equipment. For example, their system is able to control the air conditioning, heating, towel rails heating, tennis court lights, and electrical requirements of swimming pools and spas from a single screen. CM’s products are also aesthetically installed as customers, who comprise primarily tycoons, multi-millionaires and CEOs of major Australian corporations dislike cables or wires within a visible range in their residences/offices.

Anthony started this business with a partner and each of them was able to secure a loan of AUD$9,000. His interest in electronics stemmed from his experience in the armed forces. He left school at 16 to do his apprenticeship in the Royal Australian Navy, where he spent ten years on ships. His duties included maintaining satellites, computers, and electrical equipment. Following his navy service, Anthony developed the idea of setting up a one-stop shop that sells and fixes house electronics, cabling, and wiring.
Regency Recordings (RR) was originally a cassette and video tape manufacturer. This enterprise began as a small business with an average turnover of AUD$100,000. Fiona purchased RR in 1986. She left school at 16 without any tertiary training, and had to run the company based on previous experience. She started in the recording industry with three staff. Since then, RR has become the number one DVD replicator in Australia. Clients are mainly Australian- and New Zealand-based recording companies in the film and music industries.

RR is a medium sized firm. However, competitors include international corporations such as Sony and Technicolor. Comparatively, RR is the only independent Australian manufacturer offering end to end solutions (receiving content from clients, combining, manufacturing, and distributing end products). Competitors concentrate purely on manufacturing and do not distribute media for clients. Fiona’s decision to include a distribution arm in her company was based on market trends.
MC Labour Services (MCLS) is a family firm which supplies supplementary labor, such as fork lift drivers, brick layers, and cementers to the commercial construction industry in the Melbourne area. It started trading in 1995 with nine staff members. Clients are Australian construction companies and developers such as Multiplex and Grocon.

Marc grew up in a family business environment, and on leaving school began to help his father in his various business enterprises, including a butcher shop, supermarket, and construction company. When he left school at 16, he started work as a general laborer for a construction firm. Although his father wanted him to be in his construction investments, Marc preferred to gain working experience as an employee. At one stage, he was elected shop steward and site delegate to represent workers in the company he was serving. However, during the 1989/90 recession, many employees were laid off, and Marc and his father decided to buy another butcher shop. When the construction industry recovered, Marc identified those companies that were outsourcing labor for hire. Following research on this aspect of the industry, Marc established his business with his wife, and hired himself as a laborer in construction companies. When clients made requests for more staff, he accordingly began to employ laborers and sent them out to work in construction sites.
Company: **Total Cabling Solutions** and **Exabit Communications**

Founders: Brad Giles and Damian Hegarty


Growth rate: 165.84% (2003), 39.35% (2004)


Interviewed Damian Hegarty: 4\textsuperscript{th} December 2003, Brad Giles: 30\textsuperscript{th} October 2004

Total Cabling Solutions (TCS) commenced operations in late 1999. Damian and Brad were previously electricians at a competitor’s firm. Upon deciding that they could do a better job than their current employer, both founders developed a business plan for their new company, formulated a sound vision, purchased a van, and invested $1,000 in cash in this enterprise. TCS is an electrical and data communications contracting business, fixing lighting, power, data communications, and fibre options in the commercial construction building industry. Clients range from SMEs to multinational companies.

TCS’ first project entailed wiring up shearing sheds in 45 degree heat. A month later, the insurance commission of Western Australia (WA) put out a tender to wire eleven floors with data cabling. TCS submitted a proposal. Although at that time, TCS’ workforce comprised only its founders and a first year apprentice who was two weeks into his apprenticeship, Brad and Damian compiled the necessary documents, researched the tender work, and submitted a proposal. As the WA government purchases were based primarily on cost, TCS was ranked third for this tender. However, the WA government was not impressed with the first 2 companies although they were much larger and more experienced. Comparatively, TCS submitted a large proposal which meticulously addressed each requirement, rather than a standard document that outlined the cost of doing the job in XYZ dollars. This submission gave it the big break that shot gunned it into winning other contracts.

In 2002, Brad and Damian registered their second joint enterprise, an IT company called Exabit Communications, which installs telephone systems, VOIP, wireless connections, networking servers, and personal computers for the commercial sector. The business functions as a complete outsourcing model for construction companies by providing whole packages that installs accessories related to communications.
Company: Andrew's Airport Parking
Founder: Andrew Shanahan
Growth rate: 34.48% (2003), 37.05% (2004)
Interviewed: 7th September 2004

Andrew’s Airport Parking (AAP) is a full valet car park service for Melbourne Airport travellers. Operating since August 1997, customers drop off their cars, while AAP courtesy shuttles send them to the airport, which is five minutes away. Four shuttles operate continuously to pick/send customers 22 hours/day. Additional services include car detailing, servicing, and clothes dry cleaning.

As it is relatively easy for customers to take a taxi from the airport vicinity, most AAP customers are from the Victorian countryside. Approximately three years ago, Andrew observed that substantially fewer customers were traveling mid-week. This prompted him to reach an agreement with Pacific Brands to allow their employees to park at AAP for business travel at corporate rates.

Prior to managing AAP, Andrew worked at Thrifty Truck Rental (as a car detailer, where he rose to become a branch manager), and at Delta Car Rental (now Europcar) as an operations manager. While at Delta, he was instrumental in assisting the company establish airport parking at Melbourne Airport. However, company politics caused him to resign from Delta and to launch AAP. Although the concept of providing an airport car park service is relatively simple, running it as a business can be complex.
Company: **Dixon Appointments**  
Founders: Hilary Dixon  
Growth rate: 36.81% (2006)  
Rank: 96 (2003) – did not participate in the following years  
Interviewed: 2nd March 2004, 4th August 2005

Dixon Appointments (Dixon) is a recruitment agency for temporary and permanent staff in the areas of accounting, administrative and secretarial services, information management, project management, and sales and customer services. Essentially, Dixon deals with two kinds of customers, viz., clients and candidates.

Dixon’s clients are largely organizations, ranging from government agencies, education providers, to medium-sized businesses (pharmaceuticals, market gardeners). It focuses only on high margin jobs and for the past five years was the preferred supplier for the Victorian Government. Being the smallest agency supplying permanent and temporary staff to the Victorian government, it has 45% of the Victorian Government market.

Candidates include those who seeking permanent or temporary employment. They register with Dixon, complete psychometric testing, and are interviewed by consultants. The latter group is trained in a number of interview techniques. Candidate information is placed on a database to facilitate satisfactory placement for clients.

**Instrument**

**Interview Protocol**

For the purposes of the present thesis, an interview protocol was developed outlining interview guidelines relating to research questions identified in the literature review and Study 1 (Appendix 4.1, p. 345). A case study protocol contains the instrument, procedure, and general rules to be followed during each interview. This is necessary to increase reliability of case study research and guide the present investigator in undertaking data collection (Yin, 2003). A select cluster of questions in the protocol and their choice was dependent on the kind of participants involved and their organizational backgrounds. For example, when CEOs were not familiar with marketing strategies of their firm, questions that pertain to this subject area were omitted.
The interview protocol comprised the main form of data collection covering broad topic areas such as market, learning, and entrepreneurial orientation; marketing capabilities; customer value; and firm performance. These constructs were tentative and flexible allowing new research themes to emerge for theory building purposes. As more participants were interviewed, certain themes began to surface. This information was incorporated in subsequent interviews so that emerging patterns could be detected.

Validity and Reliability of Case Study Research
According to Yin (1994), the quality of case study design can be judged according to four tests: construct validity (establishing correct operational measures for the concepts being studied); reliability (demonstrating that the operations of a study can be repeated with similar results); internal validity (establishing causal relationships); and external validity (establishing domains on which findings can be generalized). Three issues are associated with construct validity, namely, using multiple sources of evidence, establishing a chain of events, and having key informants review case studies. Each element is described briefly, below.

Construct Validity
Multiple data sources. A primary element of construct validity is triangulation which involves the use of multiple data sources to support evidence (Yin, 2003). As noted previously, for the present thesis, a triangulated approach that incorporates both quantitative and qualitative procedures was employed. Interview data enables new research questions to be uncovered that could be tested in subsequent quantitative research (Scandura & Williams, 2000). Quantitative data alone can also reveal relationships that are not immediately evident to a researcher and hence could contribute towards misleading impressions being presented in qualitative data form (Dooley, 2002).

The interview protocol used was based on precedence made in case study research and served as a guide for the present researcher when semi-structured interviews were conducted. When interesting avenues not directly related to the interview guide arose, the lines of questioning surrounding these issues were pursued, and comments noted. The current investigator obtained relevant company documents and products manufactured by firms interviewed to gain a better understanding of their business, and also to substantiate any verbal statements made (Cresswell, 2005).
Establishing and maintaining a chain of evidence. The second element of construct validity relates to the ability of readers to follow data and analysis from initial formulation of research questions to final conclusions (Yin, 2003). For these case studies, an independent external reviewer examined the research questions, research plan, interview protocol, and individual case summaries. Case studies were reviewed for logic, flow, clarity, and content. This process determined whether the cases revealed a logical flow and a chain of evidence.

Draft review by key informants. Key informants were asked to review overall case study reports. Participants verified that facts were accurate. It should be noted that participants did not recommend changes to the case studies.

Reliability
Reliability addresses the repeatability of an experiment, that is, whether replication will achieve similar results (Yin, 2003). As mentioned earlier, reliability was maintained by using a case study protocol and the development of a case study database. The case study interview guide is included in Appendix 4.2 (p. 345). The actual field aspect of the research began with a pilot study of two cases. In case study research, the purpose of a pilot study is not to pre-test (Yin, 2003) but to further refine research regarding content and procedures. Some participants requested for a copy of the interview guide before hand so that they would know what type of questions to expect. The standard form of letter of introduction is included in Appendix 4.3 (p. 351).

To further corroborate evidence, a case study database was established, which includes a copy of the completed interview guides for each firm, any additional notes taken outside the interview guide, and a written summary of each case. As case studies involve multiple data sources, information gathered from questionnaires (open- and close-ended questions), printed materials provided by participating firms to the present researcher (e.g., brochures, annual reports), and information from company websites were included in the database.

Internal Validity
Internal validity is a concern for explanatory case studies, particularly when a researcher attempts to demonstrate that an outcome was caused by an independent variable (Yin, 2003). Internal validity in case study research concerns making proper inferences from data, considering alternative explanations, use of convergent data, and related tactics (Yin, 2003). For the purpose of Study 2, pattern matching during data analysis was used.
**External Validity**

External validity reflects how accurately the results represent a phenomenon under investigation, and determines whether results can be generalized (Yin, 2003). This is an issue that was addressed at the research design stage. The lack of generalization has been the major criticism of case studies (Yin, 2003), which is addressed by replicating case studies and verifying patterns. However, this thesis is not looking for generalizations, as the purpose of these case studies is to build, rather than to test theories.

**Data Collection Procedures**

**Interviews**

Tape recorded semi-structured interviews of 2-3 hours at each CEOs’ office involved a list of pre-determined questions. Participants were recruited at the 2003 and 2004 BRW Fast 100 award function. CEOs were also emailed and invited to participate in this study. The present researcher reviewed respondents’ responses to the questionnaires utilized in Study 1 and the company websites before conducting each interview. A prior understanding of each business made the interview process more productive than when knowledge of the firm was absent. Participants were also given Plain Language Statements (see Appendix 4.4, p. 352) and were asked to sign Consent Forms (see Appendix 4.5, p. 353). Following each interview, respondents were sent interview transcripts, copies of case study reports, and a response form for causal network verification (see Appendix 4.6, p. 354). The latter was used as a method for validating individual causal network models. Follow-up communications via email interviews were also undertaken to gather further information and to clarify any issues (Cresswell, 2005).

Interviews were transcribed by the present researcher, immediately following each interview. Transcripts ranged from 20,000 to 23,000 words, and approximated an equivalent of between 20 to 30 pages of single-spaced text. Interpretive analyses took place over a ten-month period. In addition to interview transcripts, open-ended questions from the 2003 and 2004 Fast 100 questionnaire (see Appendix 4.7, p. 355, for a copy of the 2004 Fast 100 questionnaire) were analyzed and compared with interview transcripts. Codes, categories, and interpretations were eventually integrated into a theoretical framework. However, it should be noted that only open-ended questions from surveys related to fast-growth owners interviewed were analyzed.
**Data Analytic Procedures**

Analysis began with data coding, within-case analysis, cross-case analysis, and culminated in building causal network models (Miles & Huberman, 1994). These steps are reviewed below.

**Data Coding**

Coding is a form of data analysis and a way for researchers to understand what is unclear, by putting names on incidents and events, trying to cluster them, communicating with others around commonly held ideas, and trying out enveloping concepts against another wave of observations and conversations (Miles & Huberman, p. 62). Codes are tags or labels for assigning units of meaning to descriptive or inferential information compiled during a study, usually formed in chunks of varying size – words, phrases, sentences or whole paragraphs, connected or unconnected to a specific setting (Miles & Huberman, 1994, p. 55).

Coding of interview data began with a start list of provisional codes generated from the present literature review and Study 1. Creating a start list of codes prior to fieldwork is recommended as this procedure forces an analyst to tie research questions or conceptual interests directly to data (Miles & Huberman, 1994, p. 65). Appendix 4.8 (p. 367) shows the start list of codes which comes from the conceptual framework, list of research questions, hypotheses, problem areas, and key variables that the researcher brings into the study (Miles & Huberman, 1994, p. 58). As Appendix 4.8 illustrates, these initial codes include the following categories for each case: MO, LO, EO, marketing capabilities, and firm performance. Familiarity with codes enabled the present researcher to identify themes in transcripts. Each transcript was reviewed twice (while simultaneously listening to the interview tape), and theme codes were noted next to each paragraph.

Pattern codes, a second-level coding method, are explanatory or inferential categories that identify emergent themes, configuration, or explanations (Miles & Huberman, 1994). Codes such as PATT (pattern), TH (theme), and CL (causal links) were used subsequently in analyses. For example, when three or four participants independently indicate that they started their current business after being frustrated for working with large organizations, the present researcher identified several different phenomena – conflict or organizational politics. These interpretations involved chunking and sorting data. Another issue that arose was checking to see whether there was anything else in common between these informants? (Miles & Huberman, 1994, p. 69), suggesting important variables to be considered. These pattern codes
are then added to a tentative list of codes which are tried in the next case study to identify fit. After coding data, a descriptive report for each case was written.

**Causal Network Modeling**

A number of researchers (Lofland & Lofland, 1995) uphold that qualitative studies are not designed to provide definitive answers to causal questions. However, Miles and Huberman (1994) posited that developing hypotheses, explanations, and causal attributions can be derived only when quantitative studies are inaccurate. These investigators stated that qualitative evaluation research can identify causal mechanisms, deal with complex local networks, sort out temporal dimensions of events, and is well equipped to cycle back and forth between different levels of variables and processes (Miles & Huberman, 1994, p. 147).

A causal network is a display of the most important independent and dependent variables in a field study (shown in boxes) and of the relationships among them (shown by arrows) (Miles & Huberman, 1994, p. 153). Miles and Huberman (1994) posited that these strategies are dialectical rather than mutually exclusive research procedures. The constructivists’ inductions are informed by a personal conceptual universe; the conceptualists’ a priori frameworks contain more empirical data than first meets the eye (p. 155). Relationships in a causal network are directional, rather than solely co-relational. The present thesis adopts a variable-oriented approach (Miles & Huberman, p. 91), which identifies relationships between well-defined concepts.

Data analysis engages the use of narratives that compel investigators to be less mechanistic and more coherent. Turning a network into clear text requires researchers to be honest and explicit about the causes and effects of their findings. *This process provides an opportunity for expansion, explaining why variables are related, why they are rated differently, why some precede others, and which ones matter more* (Miles & Huberman, 1994, p. 160).

**Within-case Analysis**

Analyzing data is the heart of building theory from case studies, but is the most difficult and least codified part of the process (Eisenhardt, 1989). Analysis consists of data reduction, data display and conclusion drawing and verification (Miles & Huberman, 1994). When multiple cases are employed in a case study, each must first be analyzed on its own (Yin, 1994; Eisenhardt, 1989). The objective of within-case analysis is for researchers to become familiar with each individual case before making comparisons and drawing conclusions from a set of
cases (Eisenhardt, 1989). Within-case analysis involves detailed case study write-ups for each, and they are often purely descriptive in nature. However, longitudinal graphs and tabular displays are sometimes used.

The format for a within-case analysis followed specific research questions, using data displays to organize, compress, and assemble information in a way that allows researchers to draw conclusions (Miles & Huberman, 1994). Displays include extended text, matrices, graphs, and networks. Miles and Huberman (1994) also stressed the importance of taking both a variable-oriented, conceptual approach (explanatory effects and case dynamics matrices) and a process-oriented, story-like approach (causal networks). Displays of single-case data can be folded easily into multiple-case analysis when formats of displays in a multi-case study are comparable (Miles & Huberman, 1994).

The present investigator recorded and hypothesized some of these emerging patterns during data collection and initial analysis. According to Miles and Huberman (1994), identification of emerging patterns is a way of grouping data into a smaller number of overarching themes and constructs, warning against the danger of getting locked too quickly into naming a pattern and assuming you understand it (p. 69).

This process revises and sharpens lines of inquiry as data collection and analysis progress. However, these patterns can only be confirmed through constant revision and reshaping which occur during cross-case analyses, the construction of causal networks and detailed analysis of variable interactions. Such methods of analysis discourage premature analytic closure (Miles & Huberman, 1994). Overriding themes and patterns are clarified, tested and expanded through data analysis, and form the basis for the findings and conclusions of this study. Data were presented to participants for feedback, correction, and verification.

**Cross-case Analysis**

Cross-case analysis started when the within-case analysis was completed (Yin, 1994). Cross-case analyses forces researchers to derive conclusions from a set of cases (Eisenhardt, 1989), that is, an emergent theory that fits data in all cases.

Cross-case analysis aims at ordering and explaining both variable and process-oriented strategies that complement each other. Miles and Huberman (1994) noted that cases can often be sorted into explanatory families sharing common scenarios, but it is important to look
carefully at deviant cases and not to force cross-case explanations. Cross-case causal networking is a comparative analysis of all cases in a sample, using variables estimated to be the most influential in accounting for the outcome variables (Miles & Huberman, 1994, p. 228). This process transcends the case-specific explanations of findings that uncover and reinforce constructs. For the present thesis, causal networking is applied to conduct the general analysis that allows for the identification of variable patterns associated with fast-growth.

Yin (2003) recommended the application of pattern matching as a preferred approach for analyzing data across cases: comparing tabular summaries for each of the cases to identify patterns. When general patterns were suggested, analysis became more detailed in order to look for underlying reasons. This process involves comparing empirically-based patterns with a predicted one, and when patterns coincide, results can help a case study strengthen its internal validity (Yin, 1994). The analysis examines an underlying definition of constructs to ensure that the comparison is valid in all cases. This procedure was undertaken because careful construction of construct definitions and evidence produces the sharply defined, measurable constructs which are necessary for strong theory (Eisenhardt, 1989, p. 542). For multiple case studies, theoretical replication is achieved when patterns coincide across cases.

The reason for the application of cross-case searching tactics is to compel researchers to go beyond initial impressions, especially with the use of structured and diverse lenses on data (Eisenhardt, 1989). The shaping of hypotheses in theory-building research implies a measurement of constructs and verification of relationships (Miles & Huberman, 1994; Voss et al., 2002).

As more information became available during data collection, recurring patterns of interaction between variables within the research framework begins to surface, both within and across cases. A number of variables appear to be connected, while others appeared random. Several tactics for generating meaning were applied for the whole process such as noting patterns, detecting plausibility, clustering, counting, making contrasts/comparisons, noting relations between variables, finding intervening variables, and building a logical chain of evidence (Miles & Huberman, 1994, pp. 245-262).

These patterns guided decisions made on the direction of influence among sets of variables. Initial versions of causal networks were amended and refined as they were successively tested.
against data collected. The working blocks are codes, researcher comments, interim case summaries, and the displays constructed in the data reduction stages.

During the course of this process, it is important to seek negative evidence that oppose emerging relationships and rival explanations. In the concluding phase of theory building, Eisenhardt (1989, p. 544) stated that an essential feature is comparison of the emergent concepts, theory, or hypotheses with the extant literature. This involves asking what is this similar to, what does it contradict and why. Thus, examining literature which conflicts with the emergent theory, and those discussing similar findings, can corroborate internal validity and/or generalization (Miles & Huberman, 1994).

**Thematic Analysis for Open-ended Questions**

Qualitative data were collected concurrently with quantitative survey data. Open-ended questions were added to the survey to eliminate the bias inherent with the use of single methods of research (e.g., solely quantitative research design). Survey participants’ responses to open-ended questions were contemplated to further assist the development of conclusions in developing a broader understanding of the relationships between the five constructs at issue (Cresswell, 2003).

Thematic analysis was used to analyze the open-ended text, identifying recurrent words and emerging themes (Patton, 2002). No known or established code existed specifically for the constructs being studied. Interpretations of responses were based on multiple readings of each question in order to capture a holistic image of participant’s stories. In all cases, interpretations of parts were continuously compared to each other and the whole. Concepts were coded and categorized using standard content analysis techniques (Lincoln & Guba, 1985). The following chapter provides a within-case analysis of each company interviewed, summary of causal relationships, and individual causal network models.
Chapter 5

Case Studies: Within-case Analysis

The present chapter contains a within-case analysis of four companies: Smart Advertising, Dixon Appointments, Sitepoint, and MOR Cosmetics operating in the advertising, recruitment, web development, and body and bath industry respectively. These enterprises were ranked 66 (2004), 96 (2003), 50 (2004), and 4 (2004). Each case comprises an in-depth review of the firm’s business orientation, marketing capabilities, customer value, and firm performance. Findings derived from inductive analyses also culminated in the development of four individual causal network models.

Smart Advertising Case Study

Company Snapshot

It’s just an idea, an insight, a solution so simple; you just know it is right. It may even leave you wondering why you didn’t think of it before. It’s not Advertising or Design, Direct Marketing, Public Relations, or Interactive. It’s all that and more. Integrated. Uncomplicated. It’s just an idea after all. Briefly encountered. Long remembered. That’s Smart.

Company Name: Smart Partners Pty. Ltd.
Trading Name: Smart
Founders: Ben Lilley & Paul Findlay. Capacity: CEOs/Founders, Creative Partners
Turnover (2003-04): AUD$3.778 million
Growth Rate (2004): 50.26%
Number of Employees (2004): 32

Smart Partners (Smart) is a full-service national advertising agency with a reputation for creative television, print, radio, outdoor, and online work, which culminated in this company being named the Victorian 2003 B&T (advertising industry publication) Agency of The Year. Founded in 2000 by Ben Lilley and Paul Findlay, Smart was ranked 66 on the 2004 BRW Fast 100, with a turnover of AUD$3.778 million and an average growth rate of 50.27%.

Information for this case study is based on an in-depth interview with Ben, his written responses to a series of open-ended questions in the 2004 Fast 100 questionnaire, and email correspondence between 2004 and 2006. Numbers and lower case letters in parentheses relate to variables outlined in the proposed model shown in Figure 5.1.
Figure 5.1 Causal network model of relationships between sources of competitive advantage, positional advantage, customer value, and firm performance for Smart Advertising

Note. Company places strong emphasis on all characteristics
**The Smart Business**

As a start-up enterprise, launched by two 27 and 28 year old business *virgins*, Paul and Ben were under the mistaken impression that they had to *cut their teeth* working for smaller companies like their own. Since then, they learnt that as long as there is a will and ability to deliver outstanding products and services, size is not an impediment to take on successful big businesses. Smart’s clients include a number of the most sought after medium-sized accounts in the advertising industry, including Adidas, Blockbuster, Just Jeans Group (Jay Jays), Mambo, MGM Home Entertainment, News Ltd. (*Daily Telegraph, Herald Sun*), Seek.com.au, STA Travel, and Thrifty. These challenger brands are considered *more spirited, passionate, and a little bit less full of themselves than the big blue chip clients*.

Ben gives four key reasons for Smart’s relatively small size as being a distinct advantage for servicing these clients. First, by being small and independently owned, they do not have to factor margins into their profits for a parent company or distant shareholders. This means that smaller trading volumes of medium-sized blue chip businesses are still highly profitable for Smart.

Second, because these types of clients represent a larger share of turnover than that of a bigger agency, they are considered more important to Smart compared to larger competitors. Third, a focus on medium-sized businesses has allowed Smart to achieve greater competency in developing effective strategies for servicing and building businesses in this sector, and enabled them to offer highly specialized level of expertise. Finally, in an industry where clients are prepared to pay a premium for fresh creative thinking, this agency is in a unique position of being able to employ *edgier* creative staff to support their more innovative business offering (3a $\rightarrow$ 9a), in a way that larger agencies with more conservative client bases cannot afford to risk doing.

**The Advertising Industry**

Prior to the deregulation of the Australian advertising industry in 1997, agencies were required to be certified media buyers to operate advertising firms. Since then, many *frustrated creative people* or *account management people* started running their own independent agencies. However, Ben explains: *most of them have failed because creative people are not particularly good at running their own businesses*. Within the advertising industry worldwide, there are approximately five major global groups which own different multinational agencies such as FCB, McCann Eriksson, and Leo Burnett.
Start-up

Prior to start-up, Ben was employed by a number of multinational agencies in Melbourne including George Patterson Bates, McCann Eriksson, and JWT. Although he had always served other creative directors, Ben’s passion was to direct his own work. Together with Paul, they began developing ideas for the kind of clients they preferred. Both did not possess prior managing experience, and relied on appropriate texts and advice from peers and mentors. The founders learnt primarily from trial and error. *A lack of knowledge/experience has been a real advantage because it’s meant that we’ve created something quite different* (1a).

As creative advertising professionals, Ben’s initial goal in starting the business was to achieve greater freedom and fulfilment than he had experienced as an employee in conservative multinational agencies. His main intention was to undertake innovative projects. *Paul and I just wanted to be creative rock stars and do the kind of ads that we really wanted to do without being interfered by the layers of management that you had in big multinational agencies* (1b → 5c). As Smart progressed, they expanded their business. Although the overriding objective was to ensure a high standard of creative work, experiencing continued growth meant having more opportunities and keeping employees challenged and stimulated.

In 2000, Smart worked with approximately 70 clients and catered to a relatively few dot com companies. Early success was driven by the dot com bubble. This company concentrated on undertaking ad hoc assignments which provided them total creative fulfilment. However, when the dot com industry burst, they lost the wishlist.com.au account which, financially, gave the company sizable revenue. Thus, with a payment of AUD$40,000 per month in wages, Smart was unsure of its future income. Ben elaborates:

* I just freaked out and thought, I didn’t know where the next dollar was coming from and I wanted the certainty that came from having full service accounts, where you had a monthly guarantee amount of work or you had a good idea of what you were doing each month and you don’t have to worry about how you are going to feed your staff every month, particularly at Christmas time.

In line with this thinking, Smart changed its strategies and client type, focusing on 15 medium-sized blue chip clients. The client base was gradually reduced from 70 to 50, then to 30, and finally to 11. Ben explains: *we really thrive on change, we embrace it and use it to constantly better our agency and offering* (1c).
This section addresses the skills and resources regarded as driving market, learning, and entrepreneurial orientations (business orientation), ultimately affecting marketing capabilities, customer value, and firm performance. For the present case, a contextual analysis of interview material identified four key resources/capabilities that synergistically drive firm business orientation, such as leadership (i.e., transformational leadership characteristics), human resource activities (i.e., recruiting the best, rewards systems, training), organizational climate (i.e., fun, casual, supportive), and organizational culture (i.e., value driven, politics free employee focus, youthful, high performance). The following section discusses elements that emanated from the present findings.

**Transformational Leadership Characteristics**

CEOs, with energy, determination, and love of their business, steer the direction and strategy of their organizations (Tan & Smyrnios, 2005b). Interview data reveals that Ben possesses transformational leadership characteristics (Tucker & Acworth, 2004) which are evident in the way he runs Smart.

Ben enjoys seeking inspiration for new methods to manage and stimulate his business. This proclivity generally means that the firm is in a perpetual state of change and development, as both CEOs continue to experiment with novel and new ways of doing things. Ben elaborates: *I’m an avowed enemy of the status quo, or of the mentality of ‘this is how we do things here’. I am inspired by the Japanese principle of Kaizen, or continuous movement, and am constantly striving to improve on the Smart way of doing things* (1d).

He strives to energize, motivate and inspire staff to think creatively about their output and to celebrate ongoing success, adding: *I love sharing my passion for our business and for our client’s businesses, and developing new ideas and new ways of doing things with our staff. I am by nature an energetic, enthusiastic, outgoing and optimistic person. And while at times I’m acutely aware that this might annoy the hell out of some staff and clients, most of the time it serves as an energizing force for our business* (2a).

Ben admits to being *unashamedly addicted to growth, because of the incredible challenges and opportunities it brings* (1e). As part of a growing company, every three months is entirely different from the last. While at times the challenges that growth brings are daunting and exhausting, he feels that growth is an exhilarating way of doing business. *I wouldn’t want it any other way!*
Nevertheless, it is difficult to progress without the support of capable and competent employees. By relying on his team to help Smart grow, Ben learned to delegate and entrust others with the work that he would like to be doing himself. The present case reveals that leadership qualities influence human resource (HR) activities, and organizational climate and culture.

**Human Resource Activities**

Four human resource (HR) activities seem to be driven by leadership: employee recruitment (i.e., employee branding, culture fit, head hunting the best personnel), staff remuneration, motivation, and training. These (discussed below) also impact positively on firm culture, organizational climate, and business orientation.

**Employee Recruitment**

In a professional services industry that thrives on creativity and ideas, *passionate people are the lifeblood of our business* (3a). Smart is frequently looking for enthusiastic individuals who are excited about finding new ways to solve clients’ business problems (1&2 → 3a → 6a, 7c, 8a, 8b). Talented and capable account management employees (3a) are essential to relate with a variety of clients. Smart ensures that those working on each account are well suited in terms of personality and experience. Clients appear to value Smart’s investment in relationships through the provision of quality services (3a → 10b).

Within the context of building a robust brand to become an employer of choice in the advertising industry, Ben describes how he used novel means to recruit top employees (1 → 3a):

_We have achieved this through the same communications channels that we recommend to our own clients. This has involved carefully distilling our brand’s core values. The most successful example of this is a ‘stunt’ that we launched earlier this year in the hope of attracting an ambitious young new creative team to the business. We plastered stickers cheekily advertising the job opening in the foyers and elevators of competing advertising agencies. The stickers read: “Attention Agency Management: If your best young creative team is in late this morning we apologize. They’re probably seeing us. Smart, now hiring.” We were quickly inundated with applications, including the successful creative team who liked the idea of working for a company that would take such a creative approach to recruitment._
Hiring the best staff does not mean engaging the most qualified people suited for a position. Appointments based solely on appropriate skills are inadequate. Recruitment of appropriate staff to ensure culture fit can also be challenging. Ben adds:

*We look pretty hard before we make a commitment to anyone. I would like to think I am a pretty good judge of character so you can tell pretty quickly if someone is too full of themselves. We have to make sure that they have to be smart, but their thinking also has to be ‘Brave, Fresh, Inspired, and True’ (3b), which is all about risk taking (3b → 8c). Being inspired is about people being smart and insightful enough to create great work (3b → 9a) and they have to be really good people. Culture is very important here and we don’t want a whole bunch of obnoxious, arrogant smart people coming in running the place. We want people whom our clients and staff love doing business with.*

Employees in top agencies are often poached by rival firms, as headhunting is fairly common within the advertising industry. In Smart, two employees were headhunted from larger multinationals (3c). Although they are not as highly remunerated, Smart gives them an opportunity to produce quality strategic creative work. Ben explains:

*We don’t try and compete financially with other agencies because they had bigger salaries and bigger resources than we have. The offering that Smart has is very appealing to people who are very passionate about their work. We found that people will work for less money if they get to do better work and they get to work in a better agency culture which doesn’t have layers of management that doesn’t have politics, back stabbing and all that kind of thing that can happen in bigger agencies (5 → 3c).*

**Staff Remuneration**

When setting up the business, Ben and Paul decided that they wanted to create the kind of advertising agency that employees would want to work for. Ben elaborates: *As an independently owned and operated business, Smart is entirely dependent on staff for successes and failures. Sharing the good fortunes (or otherwise) of the business with staff is paramount.* Smart offers conventional financial rewards like bonuses and profit sharing for senior management, and Employee Share Ownership Plans (ESOP) for key staff in order to align work performance and career advancement with long-term financial rewards.
**Employee Training and Staff Motivation**

Smart invests in regular training in the key areas of strategic thinking, creative development, and production for existing and new staff across departments (3g). *As an ideas business, Smart is committed to ensuring that every staff member has the opportunity to contribute to the strategic and creative process* (3g → 6a, 7c, 8a, 8b). Staff satisfaction and morale is an integral precursor to work performance. Ben provides challenging, strategic and creative work that is not available to most employees in other agencies (2a → 7c, 8a). *By ensuring that the work itself is as much fun as the work environment, staff are constantly motivated and fulfilled* (4a → 3i).

**Organizational Climate**

Management concentrates on four key areas of organizational climate in the workplace: having fun (4a), fostering a relaxed environment (4b), having a place to hang out (4c), and utilizing an open door policy (4d). Games are permitted to ensure a fun environment. When perspective employees visit Smart for interviews, the ambience is drastically different from that of multinational agencies, where people look stressed and manic (4a → 3a).

> For me, it’s very important that the music is always pumping and people are having fun. You can play games, you can help yourself to food in the kitchen. We have drinks in the bar whenever you want. You can wear whatever you want, do whatever you want, as long as you are doing your job well. People like the fact that they can also relax and have a good time while they are doing great work (4b → 9a, 8a). Every Friday night everyone comes here for a drink and the bar opens and the music is turned up.

Work spaces are more hang-outs than offices, and include bean bags and couches for relaxation. Ben’s idea of introducing creative work space is compatible with that of Google Inc. Comparatively, *to maximize Google’s flexibility, large rubber exercise balls became highly mobile office chairs in an open environment which is free of cubicle walls. While computers on the desktops were fully powered, the desks were wooden doors held up by pairs of sawhorses. Lava lamps began sprouting like multi-hued mushrooms* (Anonymous, 2006).

As the company grew, Smart has carefully built and evolved a business structure to ensure that any facet of their work is not compromised. There is a total open door policy in Smart where even the physical office adopts an open plan and staff members are not separated from
each other by cubicles. In addition, Ben does not have his own room, choosing to be surrounded by his employees (4d 7c). He explains:

*I like to be able to mix freely with the staff. I don’t want to be seen to be existing in some kind of ivory tower where the staff members have to either feel fearful or separate from me or something like that. We have always worked as one big partnership, if you like, and collaboratively rather than with a strong hierarchy.*

**Agency Culture**

**Value Driven**

To complement Smart’s organizational set-up, their agency culture is value driven, politic free, youthful, and high performance. When Smart first started, Paul and Ben made a commitment to clearly define their strong point of difference from other advertising agencies, to the extent of creating their own brand identity and core values. As stated earlier, Smart has four core values: to be *Brave, Fresh, Inspired and True* (5a). These are communicated to staff in a variety of ways. Ben explains:

*No other agency I’ve ever worked in has ever been bothered to communicate its core values or point of view/difference or even its vision or anything like that. We do that all the time; we are constantly doing things with the staff that remind them what we stand for and what we are aiming for.* (2 5a 7b).

A high performance culture (5b) is also evident at Smart. Employees are always motivated to produce exceptional work (5b 8a, 8b, 9a). According to Ben:

*We also have a creative, fun culture built around ideas, challenging norms and preconceived notions about how things should be done. It’s certainly a culture that is always open to new ideas and new ways of doing things.* (5e 7c).

**Organizational Structure and Company Politics**

At start-up, Smart adopted a flat organizational structure where job titles were not given to employees. However, as the firm grew, this caused confusion among staff and clients, compelling Smart to incorporate a management structure. Ben works hard to ensure that the office is free of politics (1b 5c). He adds:

*We have been very careful about making sure that the kinds of people we bring in understand we are not trying to create some kind of fiefdom, where everyone has their little political group or anything like that. It’s very much an equal distribution of power. So even though we have a solid management structure*
now, we don’t have those layers of management that can start to demoralize staff or get in the way of doing great work because you have power plays going on (3a \(\rightarrow\) 5c).

Most employees are young and enthusiastic. We don’t have a lot of aging professionals in this business who are trying to protect their own turf. It’s a very young (5d) and energetic (5f) culture. Something that everyone comes in and comments on is the fact that we are young, energetic and passionate about the business. (3a < -- > 5d, 5f). The following section describes Smart’s proclivity towards market, learning, and entrepreneurial orientation.

**Market Orientation**

**Customer Orientation**

Given the diversity of customer needs and expectations, Smart, from the outset, ensures that employees are aware of the levels of service that are expected of them. For example, some clients hold weekly work-in-progress meetings with Smart, whereas others prefer less contact. When pitching to clients, most other agencies would focus solely on advertising. By contrast, Smart adopts a more holistic approach, developing ideas for all aspects of their business including products, services, logistics and distribution (3a \(\rightarrow\) 6a, 8a, 8b). Smart’s creativity is reflected in every aspect of their operations.

Smart encourages staff to view their clients’ businesses strategically, creatively and from several angles. Employees are rewarded for proactive ideas and are actively encouraged to immerse themselves in their clients and clients’ competitor businesses through store or factory visits, and utilization of product sampling. By recommending that staff regularly discuss the state of the client’s business with each key client contact, Smart is able to identify further areas for proactive thinking and opportunities for further dialogue (3f \(\rightarrow\) 6a, 6b, 8b). There are also weekly internal staff meetings where creative solutions to a particular customer’s problem are brainstormed.

**Competitor Orientation**

As this agency is constantly being judged against others during the pitching stage, knowledge of competitors’ capabilities, strengths, and weaknesses is important (6b). This helps Smart to gauge what their rivals might pitch to clients, and the issues to take into consideration when they prepare to pitch against that agency. Smart also holds monthly management meetings to discuss who is doing what and where.
Interfunctional Coordination

Factors associated with failure and success are discussed regularly. A number of questions are evaluated: Why hasn’t something worked the way it should? What were the successful factors? We certainly want to make sure that everyone is aware of what happened and why it happened so we can look out for any of those warning signs in the future (1 → 6c).

Learning Orientation

Commitment to Learning

Smart’s ability to learn has enabled them to work on larger businesses and to grow so that they can accommodate additional work. Interestingly, Ben states:

If we knew four years ago, what we know today, we probably would grow a lot more quickly because we have made a lot of mistakes along the way that have cost us clients or money, but we’ve learnt from those mistakes. Ability to learn has a major key to our growth (7a →12e), but so has our businesses unique offering in terms of creative and strategic work, and culture and brand values (5 →12e).

Smart is committed to learn the various facets of the business. We are constantly learning new and better ways of doing things throughout the organization. The staff members have to constantly go for informal training (3h) that we have for them where we will share elements of strategic planning approach or creative thinking or things like that. That’s a constant process (3h → 10a, 8a).

This agency regularly benchmarks themselves against industry norms to identify areas for improved performance. As a member of the Advertising Federation of Australia, Smart receives an annual profitability benchmark report which compares their agency’s performance with that of industry. This process has allowed Smart to identify and learn about areas in which they can do better in their financial management which, in turn, will enhance profitability (7ai → 12ai).

Shared Vision

The concept of where the organization is heading is well expressed. Everyone lives and breathes the core values and knows what they are. Our vision is constantly being talked about and discussed with staff. Moreover, employees are presented the game plan for growth every six months during a long lunch. Long lunches are an important part of our culture, getting
people out of the agency and helping them to get a good understanding about what has been happening with the business and having an opportunity to take a break and celebrate the success.

Open Mindedness
As the advertising industry is changing constantly, Smart is always looking for new ideas and novel ways of working. Whilst doing things differently is frequently discussed in larger firms, this rarely happens in reality. Ben explains: Small companies are always known as being nimble and innovative, and creative and experimental, and in big companies, if you are constantly trying to do things differently, it would be hard to get anything done. We don’t like to make assumptions about how we should or shouldn’t conduct ourselves because we would stop being creative (5g → 7c).

To encourage innovative thinking, Smart incorporated a program called Street Smart, where employees recommended Smart thoughts for clients which are pitched to them when new ideas arise. Management is always open to new thinking, rather than dictate as to how staff should work. I provide direction and leadership and that’s the way that the rest of the management team works as well. We all work side by side with our staff on all of our accounts (1f → 7c).

Entrepreneurial Orientation
Innovativeness and Proactiveness
Smart employees are encouraged to arrive at innovative ways of communicating their client’s brand positions rather than just come up with an advertisement (1f → 8a). Since inception, Smart has introduced new offerings such as strategic planning and web design services, and entered new markets (Sydney). Most of these changes are regarded as major in nature. Ben comments: we have either big rewards from them or big failures. Smart is constantly innovating so to be seen as pioneers of change, leading creative thinking rather than just following (3a → 8b).

Risk Taking
Smart engages regularly in calculated high risk behavior. Ben states: We assess both the upside and the downside, and as long as the downside isn’t too significant, we will give it a go, we will try anything once, that doing things in a conventional way is not going to give us a chance with the client (1d → 8c). As a case in point, after establishing their Sydney office,
Smart learnt that the Peugeot advertising account was seeking an alternative agency. It immediately contacted the client who, although familiar with Smart, regarded its newly established Sydney office as being too small for the AUD$10 million Peugeot business. After repeated attempts to convince Peugeot otherwise failed, Smart decided that the only avenue to obtain an invitation tender was to turn its small size to its advantage.

Smart managed to *rustle a couple of dwarves* into the Peugeot office. By that time, the Peugeot Marketing Team was inundated with proposals from numerous small advertising agencies which included Smart. Dressed in Smart caps and t-shirts bearing the message, *We are small but we work hard* and armed with feather dusters, sponges, and some petty cash for coffee and donuts, the dwarves started to help the team at the Peugeot office in any way they could. *The message was clear: these guys might be small, but you’d be amazed at just what they could achieve for Peugeot. Just like Smart really...* Although the stunt was regarded positively by the Peugeot Marketing Team, the business was awarded to a globally aligned Sydney agency without a formal tender process. *The Peugeot stunt was high risk because there was a cost involved in doing it, but we felt we had to go for a high risk in order to get a return on that one.*

**Competitive Aggressiveness**

Agencies are required to be aggressive in how they target prospective clients. For example, Smart managed to secure the Herald Sun, Brumbys, Melbourne Central, and Levis’ account by *banging down the door*. Ben explains:

> *We are constantly calling up potential clients for credentials meetings, sending ideas or whatever it might be. It’s just the nature of the game. If you are a client in this industry, you just get used to constantly being harassed by ad agencies. And if you are an agency, part of your job description is to constantly harass prospective new clients (3d). It’s a constant occupational hazard. Sometimes you do it well, we have lost clients before. Other agencies have done a better job of impressing them somehow and we lose the business (3d -> 8d).*

Smart’s proclivity towards a market, learning and entrepreneurially oriented stance was found to drive product and relationship marketing capabilities. This tendency is elaborated below.
Marketing Capabilities

Product Capabilities
The innovative ways in which Smart is run has provided an added advantage. *When you are running your agency, particularly if you want to be creative focus as we are, you have to be really able to understand good creative advertising. You have to be able to effectively manage the growth to be successful and attract new business.* Smart also needs to continuously ensure that they are delivering the best strategic, creative, and professional services. By failing to do so, would allow competitors to *snap them up* (6a, 6b, 8a, 8b → 9a).

Ben advocates the importance of staff taking pride in their work. However, creativity is a natural inhibitor of growth. *You can’t grow rapidly because the really big piece of the business would spear your growth and large businesses are not where the creative opportunities are.* Smart, by virtue of its current business model, is highly likely to remain a medium-sized agency.

Relationship Capabilities
Like any other industry, Smart views relationships with stakeholders as vital for its success. This agency maintains solid working relationships with media and production companies along the supply chain to produce the best for work clients and the media, so that *good coverage can help us in terms of presenting ourselves well to the market* (10a → 9a). However, all advertising agencies are known to have similar standard relationships with their clients.

Customer Value Creation
Ultimately, customers value creative and strategic product ideas (11a) developed by Smart (9a → 11a). Smart also focuses on securing results for clients and concentrates on client’s needs to ensure that the brand strategy is right for each client (9a → 11b) *We are not all just about creativity, we have to make sure our work achieves our clients’ objectives* (9a → 11c) *at the end of the day and that it gets results for them. That’s something that is important for them.*

Ben adds: *We put a lot of work into putting the brand fundamentals right and the client before we start producing creative work for them and that ensures that all of the work we do for them is consistent in the brand values that is conveyed or communicated. We’ve gone through the process upfront very carefully in trying to find out what the brand is about and what the communication objectives are* (6a → 9a → 11).
Firm Performance

Smart believes that their financial performance is on par with its competitors. Although a profitable venture, profitability has not been a core focus. A current aim is to build revenue. Income is reinvested into the business in order to sustain growth. As for market performance, Smart is a well known brand, continues to attract new business, and is frequently invited to pitch for clients’ business. According to Ben, Smart has established a reputation for being more creative than an average agency or multinational.

Smart utilizes three firm performance systems: financial performance ratios, client reports, and industry awards. Financial performance ratios are set as targets including salaries, income, and expenses. Smart relies on clients’ business reports to indicate how well Smart is doing (11c → 12b). Every six months, this agency undertakes formal appraisals with all clients. Industry awards obtained are viewed as an indication of how well Smart is performing vis-à-vis their peers (11a → 12c). In addition, management regularly enters agency work for various advertising awards.

The BRW Fast 100 is considered to be a prestigious award for SMEs. Ben elaborates, *The BRW Fast 100 is a great sign to staff that we are doing well, and they should be proud of their achievements. It’s a good sign to the industry* (12c → 3i). Similarly, Smart has been awarded *B&T 2003 Agency of the Year, and 2004 Advertising Agency Employer of the Year*. The latter award was based on staff surveys (3i → 12c). Awards are considered a *great sign to staff that we are doing well, doing things right, and they should be proud of their achievements for the business. It’s also a good sign to the industry as well that Smart is a company is doing well and that people should want to work for* (12c → 3a).

The work that Smart produces is the best advertisement for the agency. *Clients take notice of that, and that’s what gets us on the pitch list*. Being named Agency of the Year or Agency Employer of the Year also helps it convey the message that it is doing well. Word-of-mouth is very important in this industry because many clients are referred by others in this manner (9a → 12c → 12d).

These three systems when combined provide a structure in which Smart can evaluate overall company performance. In 2005, all performance ratios improved from the previous year’s. For example, growth was reported for solid client reports and excellence awards, and revenue rose by 30%. In a nutshell, Smart has invested a sizable amount of resources in their brand,
knowing who they are, and what they stand for. All employees are clear on the kind of work they want to do, and seem genuinely enthusiastic and passionate about their job.

Case Study Summary
Key leadership characteristics, comprising an ability to continually energize, motivate, and inspire employees, determine the way Smart operates. As reported in this case study, leadership accelerates development in four key areas of human resource activities: recruitment, remuneration, motivation, and employee training. Within the Smart business, culture (being value driven, highly motivated to perform, politics free, and young) and firm climate (having fun, relaxed and informal) are important aspects that enhance employee experiences which ultimately affect staff interactions with customers.

Different aspects of CEO and leadership characteristics, organizational climate and culture, employee recruitment, rewards, and training affect MO, LO, and EO disparately. Employees, including the CEO, are learning and entrepreneurial-oriented, thus giving added advantage in terms service development and relationships, both of which are aimed at achieving client objectives and firm performance. Industry awards help to promote employee satisfaction and attract top personnel, besides creating positive word-of-mouth referrals amongst clients. These key relationships are shown in Figure 5.1.

A number of significant interrelationships between variables are evident, as shown in the proposed causal network model for Smart Advertising (Figure 5.1). Subsequent paragraphs summarize these causal paths.

Interrelationships between CEO Attributes, Culture, Climate, and Human Resource Issues
- CEO attributes (1) → Recruitment (3a: passionate, quality, on-the-edge employees)
- CEO attributes (1b: Ambition to develop a creative business) → Agency culture (5c: politic free)
- Transformational leadership (2) → Recruitment (3a: passionate, quality, on-the-edge employees)
- Organizational climate (4a: fun) → Staff motivation (3i: focus on staff motivation and morale)
- Organizational climate (4a: fun) → Recruitment (3a: passionate, quality, on-the-edge employees)
• Agency culture (5d: youthful, 5f: energetic) ↔ Recruitment (3a: passionate, quality, on-the-edge employee)

CEO attributes and transformational leadership characteristics appear to be influence Smart’s agency culture and recruitment of a particular type of employee. The company’s culture revolves around the four main values of being brave, fresh, inspired, and true. Potential employees are required to possess these characteristics, reinforcing bi-directional relationships between agency culture and recruitment. Another important variable is organizational climate, which also determines staff selection. More importantly, Smart believes that fostering a climate of fun helps to motivate employees to excel.

**MO Antecedents**
• CEO characteristics (1) → (6c: interfunctional coordination)
• Employee training (3g: formal training on strategic thinking, creative development) → (6a: customer orientation)

**LO Antecedents**
• Transformational leadership (2) → (7b: shared vision)
• CEO attributes (1f: passionate about life) → (7c: open mindedness)
• Transformational leadership (2a: energize, motivate, and inspire employees) → (7c: open mindedness)
• Recruitment (3a: passionate, quality, on-the-edge employees) → (7c: open mindedness)
• Employee training (3g: formal training on strategic thinking, creative development) → (7c: open mindedness)
• Organizational climate (4d: open door) → (7c: open mindedness)
• Agency culture (5e: challenging the status quo; adhocratic) → (7c: open mindedness)

**EO Antecedents**
• CEO characteristics (1d: believe in continuous change) → (8b: proactive)
• Transformational leadership (2a: energize, motivate, and inspire employees) → (8a: innovative/creative)
• Organizational climate (4b: relaxed) → (8a: innovative/creative)
• Agency culture (5b: high performance) → (8a: innovative/creative)
- Recruitment (3a: passionate, quality, on-the-edge employees) → (8a: innovative/creative, 8b: proactive)
- Recruitment (3d: ability to pursue prospective clients) → (8c: competitive aggressiveness)
- Rewards (3f: rewards proactive ideas) → (8b: proactive)
- Employee training (3g: formal training on strategic thinking, creative development) → (8b: proactive)

The present case indicates that CEO attributes, leadership characteristics, human resource elements (i.e., recruitment, rewards, training), organizational climate, and agency culture are significant antecedents of Smart’s business orientation. There seems to be only two MO antecedents: interfunctional coordination which is influenced by the CEO, and customer orientation which is determined by employee training. Relationships between LO (open mindedness), EO (innovativeness and proactiveness), and antecedents identified appear to be more evident (compared to MO).

**Consequences of MO**
- Customer orientation (6a) and Competitor orientation (6b) → Marketing capabilities (9a: product/service development capabilities)

**Consequences of LO**
- Commitment to learning (7a) → Firm performance (12a: financial performance ratios, 12e: growth rates)
- Learns from others (7ai) → Firm performance (12ai: profits)

**Consequences of EO**
- Innovative (8a) & Proactive (8b) → Marketing capabilities (9a: product/service development capabilities)

Consistent with Study 1, the present case highlights that MO and EO are related positively to product/service development capabilities. However, LO is associated positively to firm performance.
Other Drivers of Product/Service Development Capabilities

- Recruitment (3a: passionate, quality, on-the-edge employees, 3b: fit within a culture)
- Organizational climate (4b: relaxed)
- Agency culture (5b: high performance)
- Relationship capabilities (10a: relationships with media)

While product/service development is an important marketing capability, the Smart case highlights that recruitment, organizational climate, agency culture, and relationship capabilities are necessary precursors for the development of services/products that are better than those of competitors.

Drivers of Relationship Capabilities (with clients)

- Recruitment (3a: passionate, quality, on-the-edge employees)
- Employee training (3h: informal training)

Relationship capabilities are evident as in the case of Study 1. However, interactions with clients are enhanced by employee recruitment processes and are dependent on ways in which staff are (informally) trained to focus on relationship building.

Relationships between Competitive Advantage Positions and Customer Value

- Marketing capabilities (9a: product/service development capabilities) \(\rightarrow\) Customer value (11a: provide creative, strategic product ideas, 11b: matching brand strategy with client expectation, 11c: achieving client objectives).

As elaborated throughout this thesis, it is important for products/services to culminate in superior customer value. Being conscious of customers’ wants and values has helped Smart achieve its targeted results.

Customer Value and Firm Performance

- Customer value (11a: provide creative, strategic product ideas, 11c: achieving client objectives) \(\rightarrow\) Firm performance (12b: client reports, 12c: industry awards)

Other Direct Precursors of Firm Performance

- Marketing capabilities (9a: product/service development capabilities) \(\rightarrow\) Firm performance (12d: word-of-mouth)
- Firm performance (12c: industry awards) \(\rightarrow\) (12d: word-of-mouth)
Customer value is not the only direct determinant of firm performance. An ability to consistently create products/services that are superior to those of competitors, and the attainment of industry awards promotes positive word-of-mouth recommendations among clients and potential employees.

**Consequence of Firm Performance**

- Industry awards (12c) → (3i: staff motivation)

Industry awards help to motivate staff, enhancing pride in their work and productivity. This cycle appears to be nonrecursive, promoting organizational growth.

The next within-case analysis is Dixon Appointments.
Dixon Appointments Case Study

Company Snapshot

Company Name: Dixon Appointments Pty. Ltd.
Trading Name: Dixon Appointments
Founder: Hilary Dixon, Capacity: Managing Director
Turnover (2005-06): AUD$17.880 million
Growth Rate (2006): 36.81%
Number of Employees (2005): 28

Dixon Appointments (Dixon) is a Victorian-based recruitment and placement agency that provides administrative and business support staff for enterprises. Dixon initially started as generalist recruiters, but is now a specialist in government and public sector recruitment at state and federal levels covering all areas of recruitment. Dixon commenced trading in December 1998. Ranked 96 in the 2003 BRW Fast 100, their growth rate was 32.85%, turning over AUD$7 million in 2002/03. Information for this case study is based on two in-depth interviews with Hilary Dixon, written responses to a series of open-ended questions contained within the 2003 Fast 100 questionnaire, and email correspondence with the CEO during the period 2004 - 2006. Numbers and lower case letters in parentheses relate to variables outlined in the proposed model shown in Figure 5.2.

Background on the Business

Dixon concentrates on two major sectors: government and corporate, both of which require diverse skills and expertise. This firm provides a full range of administration, accounting, technical, management, and professional staff within divisions of knowledge and information management, marketing and communications, engineering, payroll services, and human resources. Dixon has been business partners with Spotless Australia, an ASX listed company since 2002, and the preferred supplier of the Victorian State and Commonwealth Governments since 1997, providing personnel predominantly in the areas of office support and public sector administration.
Figure 5.2 Causal network model of relationships between sources of competitive advantage, positional advantage, customer value, and firm performance for Dixon Appointments

Note. High means company places strong emphasis on that characteristic, Medium means company places middling weight on that characteristic, Low means company places a low priority on that characteristic.
Customers: Clients and Candidates
Dixon’s clients are mainly medium-sized businesses, ranging from Victorian state government agencies, education providers (Melbourne and LaTrobe Universities), to medium-sized businesses (pharmaceuticals, market gardeners). Dixon focuses only on high margin positions. Despite being the smallest agency supplying permanent and temporary staff to the Victorian government, Dixon has captured 35% of the market.

Candidates are those individuals seeking permanent or temporary work. The latter are known as temporary (transient) staff because their assignments last between two weeks to three months. Basically, candidates are required to register, complete psychometric testing, and undertake interviews by Dixon consultants. Information derived from this process is placed on a database to enable satisfactory placement.

Employees: Temporary and Permanent Consultants
Temporary consultants are in charge of temporary staff placements. For example, when the Department of Human Services requires the services of a receptionist for one week, a temporary consultant will be contacted. Consultants are required to interview candidates and send an appropriate person for the positions. In contrast, permanent consultants assist firms to interview, advertise, screen, and hire the best person for advertised permanent positions.

The Recruitment Industry
There are approximately 350 large and small employment agencies in Melbourne. However, Dixon competes mostly with large multinationals for the government market. Relatively smaller organizations focus mainly on niche markets.

Larger competitor firms usually concentrate on multi national corporate businesses which require Australia-wide services. Competing with larger firms also provides Dixon an advantage because we are small, quicker, and nippier. Hilary elaborates: we get the benefit of being Victorian owned, they are loyal to us, as we are loyal to them too. It’s a lot easier to relate to a small local company than it is to some of our competitors. We push that and we find that people respond to that very well, the fact that we have got stable staff and can build those relationships.
The CEO: Hilary Dixon

The CEO started working in the recruitment line for ten years upon completion of tertiary studies overseas. Entering this line was more of an accident than planned. I thought office work was the worst thing that could happen to a person. I came back from overseas and I needed a job and someone said, “Do you want to be a recruitment consultant?” So, I thought, well, if you pay me I’ll do it, I just need a job. Within a short period, the firm became insolvent because the owner did not pay the required taxes. I thought if I start my own business, I’ll know the taxes are paid and I’ll never be out of a job again because of somebody else’s stupidity. So I didn’t want to be the victim of somebody else’s incompetence again, except my own.

Hilary thoroughly enjoyed the complexity of dealing with people (1a) and started her own business with a partner. However, both owners had different outlooks on what they wanted from the business, which was neither growing nor shrinking. After 7 years of working hard, I was seeing little progress, the conflict between us was intolerable and I was envious of our staff when they resigned. I wanted to resign too but I felt more like an endured slave than the master of my own company. I was working hard, getting nowhere, and utterly miserable. Finally, I made the decision to terminate the partnership and started again on my own as Dixon Appointments.

Hilary is very focused (1b) and has a ferociously competitive streak (1c). But you can compete so that no one loses except perhaps the other companies. You can compete against yourself. It’s very clear goal posts if you generate more revenue this month compared to last month, then you’ve done better. Her success is also attributed to being work-oriented (1d). Her competitive streak, vision, attitude, enthusiasm and managerial competence of the business steered the organization towards an employee and customer foci, and learning and entrepreneurial orientations. Hilary attracts, selects, and retains employees who share similar values.

An Employee Focus: Human Resource Activities for Staff Retention

Dixon uses a structured and multi-leveled approach to promote the development of staff by ensuring that employees receive support which encourages performance and engenders confidence to achieve their potential. Their support program contained the following features:

- An innovative recruitment plan
- The development of a reputation as employer of choice

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• Structured ongoing training programs
• Opportunities for continuous learning and education

One of the main ways Dixon has managed to stay competitive is by staff retention (15c). Hilary elaborates: *If we can’t keep our staff, we aren’t going to keep our clients. Our clients love the long-term relationships with our staff, they know the knowledge they build, stays with the company and enhances the services year after year* (15c → 15d). *Clients respect the fact that we treat our staff well and that they are happy and enthusiastic* (3a).

**Recruitment Programs**

Dixon adopts a proactive approach to recruitment including specialist recruitment programs to source the best people (3b). Recommendations and word of mouth comprise a major recruitment method as Dixon’s reputation is based on its values and track record for success at (15 → 3), attracting potential staff. Dixon also develops career opportunities awareness for staff as a way of encouraging retention and career development (3c) within the firm (8d → 15c).

**Employee Training**

Low turnover rates (15c) can be attributed to consultants undergoing four to eight weeks of extensive key job-skill training (4a) (4a → 15c). Employees are assessed every three-to-six months following training. Staff is also trained fortnightly. This training contributes to employee confidence (4a → 5b), particularly in relation to decision making. Hilary adds:

> We have very little turnover and that has given us a real competitive advantage because it’s one of the things that clients hate. They just get to know a consultant, who gets to understand their business, and then they are gone. We can really lock down our clients by eliminating that real source of annoyance.

Six-week training programs for new staff are structured involving approximately 40 hours of one-on-one training, interspersed with guided practical experience and supplemented by external training from accredited trainers. Training is monitored and at each point assessed to ensure that a level of competency is achieved before staff progress to the next level. All roles are supported by position descriptions that are reviewed quarterly and annually, and accessible via the intranet. Reporting and responsibilities matrix are used within staff induction handbooks to communicate responsibilities, and individual and team roles.
A structured approach to training ensures that all the staff is multi-skilled (4b) to cover vital and key roles. A team approach (6a) also ensures that consultants are familiar with client and candidate profiles and requirements. Dixon ensures that teams maintain regular contact, familiarity, and access to information on all clients so that the absence of a consultant does not affect the continuity of business or service delivery. Familiarity with client information is enhanced through the company’s staff retention program.

In general, the recruitment market is very competitive, with a high level of staff turnover. Employees working in this industry normally have between 6 to 24 months’ experience, with a high turnover of temporary consultants in this industry. Hilary explains: *A lot of consultants leave because the pressure is just relentless, and the embarrassment of doing a bad job or not being equipped to do a good job is just too much for people who are basically good hardworking people. Most consultants are like that but they can’t cope with the circumstances they have to work in, so we have improved the circumstances.* On average, Dixon consultants have between 3.5 and 16 years experience. According to Hilary, Dixon’s low turnover rate can also be attributed to fairness:

> One of our staff said to me, ‘Hilary, you need to know that we are not going anywhere, and what they all say is that you are fair and ethical’... I don’t always give them decisions they like, but I try to treat everyone fairly, to pay them well, to give them good work conditions, but I still expect them to do a lot for their work. And they know that if they do ABC, they would get paid. It’s a bonus structure. They are well trained, it alleviates the stress that drives a lot of consultants out of business (1 → 6a & 6b → 15c).

One staff in Dixon elaborated that *even though I have more responsibilities, I enjoy them because I understand where I fit in and I am included in all the decisions and know what is going on* (1 → 11b).

Dixon’s salary packages reward individual and team performance (7a), while providing flexibility to reflect goals and aspirations of individual staff members. All personnel benefit from the success of the organization though bonus and profit sharing (7b), (7b → 15c).

**Providing Career Opportunities, Learning, and Development**

Dixon’s track record for retaining staff and promoting them through the firm is characteristic of career opportunities (8d → 15c) that exist. Employees are offered opportunities to increase their knowledge, experience, and scope of their responsibilities through ongoing career
management strategies (8a). Dixon provides financial support, resources and flexible time arrangements to enable study that relates directly to the staff member’s position. Personal development is encouraged through flexibility of arrangements and recognition of achievement (8a, b, c → 15c).

Organizational Values

The Dixon culture values team participation and individual achievement which are reflected by core values expressed throughout the firm. Hilary indicates that Dixon’s values revolve around:

Honesty and Integrity by respecting the rights of both our clients and candidates to make informed decisions (9a)… Dynamic partnerships by utilizing innovative recruitment models and targeting opportunities for our clients, becoming an extension of their business (9b)…; High performance with the excitement and fulfilment of achieving superior business results and stretching our capabilities (9c)…; and Equality for our candidates by ensuring they are given fair access to employment and that decisions are based on performance and achievement (9d) (9a, b, c, d → 10).

The following section is a discussion of how Dixon adopts market (i.e., customer orientation, competitor orientation, and interfunctional coordination), learning (i.e., commitment to learning, shared vision, and open mindedness), and entrepreneurially-oriented (i.e., innovativeness, proactive, and risk taking) postures.

Market Orientation

Customer Orientation

In order to understand fully their clients’ needs and businesses, Dixon’s personnel spend considerable time in the offices of their clients. A strong emphasis is placed on solving problems, confronting issues, and finding solutions (3d) that work for all. Dealing with dissatisfied clients is difficult. Hilary explains: if you can turn that around, you have a client for life (3d → 15d). Our clients know we will work with them through the good and the hard times (3 → 10).

Staff are trained to ask questions so that they can identify whether organizations are suitable for Dixon. As the time involved in winning client’s businesses can be lengthy, one of Dixon’s first priorities is to decide whether a client is appropriate. Hilary elaborates:
We are willing to spend time developing the relationships, often for several months until the organization decides to give us a go. Once they do, they seldom look back. One of our strengths is in keeping the clients we work with; we deliver our promises believing in the adage ‘under promise, over deliver’ (4a → 10).

Hilary serves customer needs by operating at a hands-on level, and regularly visiting clients. I am actually sitting with the consultants, I can hear them talking to their customers. I know what is going on. I know most of our major customers and would make practice of speaking to them regularly. Clients and candidates are also monitored via customer satisfaction surveys during and after employment terms. We do a lot of auditing of our systems so we are constantly auditing the jobs we are handling to make sure that there are no random issues we are overlooking.

**Business objectives driven by customer satisfaction.** Dixon has adopted a structured approach for the collection and management of client and candidate feedback. The aim of this program is to monitor levels of customer satisfaction and to provide feedback for continuous improvement. Staff collect this information for their own client group, including systematic and structured verbal contact throughout the entire recruitment assignment phase, written feedback and assessment survey at the end of each assignment, and data derived from an After Placement Active Monitoring Program (A.M.P) involving daily, weekly, and monthly telephone and site checks (10a).

As a case in point, following one of Dixon’s initial surveys, findings demonstrated that clients’ levels of satisfaction with the skills of their candidates were substantially lower than their ratings of satisfaction with other aspects of Dixon’s services. These findings were contrary to expectations. Over the ensuing 12 months, Dixon revisited these skill-related activities, modified their skill testing methods, and introduced new assessments. It was noted that 12 months down the track, client satisfaction levels increased from 65% to 90%. Dixon strives to have objective assessments based upon what clients are thinking, regularly talking with them about new services. *If they don’t want it, we will downscale it a little bit. But that’s where we get all of our information from.*
Encouraging customer complaints. Dixon believes that complaints are important as they represent opinions of customers, highlighting weaknesses in services that can be addressed. Hilary elaborates:

*If you’ve got a customer complaint, you can do something with it, and to me, that is good. All businesses are able to provide good service when running perfectly. The difference between firms is how problems are handled. How you handle it when things go off the rails. If you are there when things start to get a bit muddy, and it’s not so comfortable, that’s what makes an organization good to me. I actually like their complaints because then I know what can make my business better (10b → 13a), I can resolve it for them, and we all can learn from it and I can keep my customer (1 → 10b).*

Competitor Orientation
Both employees and clients inform Hilary of competitor’s actions. However, Dixon is not competitor-oriented, focusing predominately on customers. Hilary elaborates: *This will sound terrible to a marketing person but in some ways, I’m aware of competitors, but they don’t determine what we do. It’s our customers that determine what we do. So our focus is on our customers and doing our jobs well. And whether that is right or wrong, that’s where our focus is. If competitors keep up with us, good for them! Then I have to run a little faster (1 → 10c).*

Although Dixon owns 35% market share of the government business, they do not rest on their laurels. Hilary explains:

*We don’t wait to respond till they (competitors) attack. We do it by making sure that we continuously act as if our clients are precious and everyone wants them. Not waiting until somebody else tries to take them from us. We do that through our relationships. We make sure there is always more than one person in the organization has a good relationship with them so that there are multiple levels of contact. We have a system of making contact with the clients based on a personal level, on the phone, face to face visits, sending out various promotions, promoting different aspects of our business. We have a very structured approach to doing it (10 → 13ci).*
**Interfunctional Coordination**

Information on customers (success and failures) are usually shared with Dixon employees. For example, meetings are held twice weekly to discuss opportunities which reflect planning future improvements. Hilary elaborates: *If there is a problem with the client or a placement, we will look at what went wrong and how we can manage it better in the future. Employees play a part in making it all work and successful* (1 → 10d).

**Learning Orientation**

**Commitment to Learning**

Employees are encouraged to learn in order to develop professionally and personally. Hilary elaborates:

*I think that concept of learning is what promotes your mind to think and create new ideas and new solutions. Learning is not just an investment, it’s a necessity. Because it’s what sparks creativity in the mind and the way you solve problems is the way you think about issues* (3e). *Anyone who is not learning is not thinking. And this isn’t a job for people who don’t think. We deal with people; they are very dynamic creatures because you can never say you finished learning. The people who succeed in our job have a very deep and intense interest in other human beings and find them fascinating so there is no end of sources of what you can learn about them. I think that the concept of learning is what promotes your mind to think and create new ideas and new solutions* (3 → 11a).

**Shared Vision**

Employees seem to share similar company values to those of the current CEO. These goals form part of the planning process and are reviewed regularly. *They genuinely believe that. There is no conflict there.* However, Hilary does not believe in having a mission statement: *I don’t like them. Have you ever read one that said something different from any other mission statement?*

Staff regard themselves as partners voicing their opinions directly to Hilary. This partnering is one of the reasons why she does not have her own office, using similar desks and computers as employees (6c). Hilary believes that her role is to *help staff develop and do their jobs right. It can revolve around talking about issues or bouncing ideas off each other* (1e).
**Open Mindedness**

Hilary advocates the use of creative thought processes to generate new ideas (1e → 11c). Employees are also encouraged to appraise decisions and their actions as their work involves problem solving. For example, when a client is given a choice of several candidates who do not exactly match their requirements, employees are forced to arrive at new solutions, which require problem solving, rethinking, and innovation.

Hilary believes that Dixon’s success can also be attributed to their belief that change is absolutely necessary. Innovation is considered an important element of success:

*We constantly change the things we do...there are no sacred cows, you can’t say because you’ve always done it this way that this is the way to do it. Life is changing very quickly. Technology is changing. What was absolutely crucial last year may not be crucial next year. So, it’s important to always think why do we do it this way? A foolish obsession with consistency is the hob goblin of little minds. Don’t be obsessed with always doing it the same way. Rethink (3d → 11c).*

**Entrepreneurial Orientation**

**Innovativeness** (12a)

Dixon does not regard themselves as massive innovators, being a fairly conservative business. Consistent with the recruitment industry, this company does not frequently adopt radical new ideas. Notwithstanding, in order to meet market demands, Dixon introduces new services regularly. Recently, Dixon introduced training and interviewing-skills program for clients to assist staff make recruitment decisions. Often these services are triggered by customers saying they need something (10 → 12a). Dixon also regularly changes the way in which their organization is run. *It’s not a place to be if you like to be in the comfort of lack of change.* For example, Dixon introduced an online system to allow candidates to register from home, eliminating in house data entry and risk of error while, simultaneously increasing accuracy and currency of information. This procedure provides candidates with opportunities to maintain their own database record, including work history, contact details, requirements, skills, and availability.

Hilary explains: *It’s nothing radical, but not a lot of agencies do it. It’s amazing how conservative this industry is and how unwilling they are to invest in technology. They’ll have a website that shows all the bells and whistles, but what’s happening inside their own agency*
is often pretty ordinary stuff. Innovation is a continuing process; it’s to change 100 things 1% rather than one thing 100%.

According to Hilary, *we don’t always want to be the ones introducing new services with the bangs, whistles, and bells. Let other people introduce new things. We want to be just a little behind the real innovators so we can cherry pick the good idea without burning ourselves out, introducing things no one wants anyway. But we will always introduce new ideas. We will test out new things. We are always implementing new computer systems, new software.*

**Proactiveness (12b)**

Dixon can be considered a proactive firm, not waiting to respond to competitor’s actions. This company maintains a high level of service so that we don’t leave any nooks for competitors to sneak in to. However, it is important that Dixon is not tardy, seizing opportunities as the need arises, and move forward assertively (1 & 3d → 12b).

For example, as mentioned earlier, the Victorian government is one of Dixon’s major clients. Over the previous four years, Dixon has consistently won over 35% of their business as part of a panel of ten administrative staffing suppliers. In April 2005, the state redefined its requirement with the intention of combining three supplier panels (administration, accounting, and IT) into one panel and reducing its current total of 35 contracted suppliers and dozens of informal suppliers to just three to four master vendors. These master vendors would manage all government recruitment over the next five years with an estimated budget of AUD$65 million per annum.

To retain the Victorian state government’s business, Dixon had to meet government needs in relation to a range of recruitment services, guaranteeing an ability to deliver recruitment in the areas of information systems and technology, administrative and professional, clerical and administrative support, technical, accounting and financial management, and, executive search (which, incidentally, is not Dixon’s core focus). Moreover, state government recruitment providers were required to be located state wide, in all regional centers. Ordering, invoicing, and reporting had to be centralized through Dixon. Dixon was aware that margins would be tight owing to the perceived volume of recruitment. Furthermore, the quality of services provided needed to be of the highest level as this was the basis of Dixon’s reputation with government clients, and any reduction in service delivery would be apparent. These requirements were ideally suited to large, multinational suppliers, and Dixon, as a small
Melbourne based company was at risk of losing this account. It was clear that Dixon needed to demonstrate that its company could compete on equal terms with the biggest and perceived best recruitment organizations.

To broaden Dixon’s services, they identified organizations from the outgoing panel that have the expertise, relationships and resources, but owing to their size and specialization could not expect to be chosen as a master vendor. Dixon negotiated with these companies over several weeks to obtain their agreement to become Tier 2 (companies with whom the master vendor enters into contractual relationships) suppliers to Dixon. There were 12 Tier 2 suppliers, all of whom were smaller Victorian-owned and operated businesses. Alone, none could have retained their government business. These partners were required to agree to hand over effectively their existing relationships and trust Dixon to manage revenue that would flow from subsequent business. Extensive negotiations, agreements, and contracts were drawn, and put in place. Dixon had to offer the government services no other firm could provide. Obviously, these agreements had to be legally and financially robust for these Tier 2 companies and for the government. In December 2005, Dixon was appointed as master vendor to the Victorian government, but shared with two other suppliers -- Hays International and Hudson Global Resources (multinationals) (12b → 15e).

**Risk Taking Proclivity (12c) and Competitive Aggressiveness (12d)**

The recruitment services industry is generally not regarded as risky. *We tend to decide what to do and go for it. It’s not high risk stuff either (1 → 12c). The environment is not aggressive. It’s aggressive in terms of its competitiveness, our consultants compete quite aggressively but it’s not an aggressive culture (1 → 12d).*

Consequently, when firms are up-to-date with information on customers and competitors (market-oriented), learning-, and entrepreneurially-oriented, these enterprises are capable of effectively handling marketing activities. Dixon focuses on five core marketing capabilities: product, market research, relationship, marketing communications, and marketing management capabilities, all of which provide Dixon a competitive edge. The following section is a discussion of Dixon’s view of marketing, followed by a description of five marketing capabilities listed above.
Marketing
Dixon’s approach to marketing involves employees sharing a goal of promoting the organization’s image and brand consistently, passionately, and creatively. The company ensures that employees know what is happening in the market place so that decisions can be made regarding future strategies (11b → 13). Marketing strategies are planned 12 months ahead, reviewed weekly/monthly, and managed by their marketing assistant, the management team, and with input from all staff. This process can lead to feisty discussions and disagreements, but on the positive side, can culminate in new ideas, while harnessing creative, organizational or resourceful talents of staff. Strategies are tailored to their target market in a marketing plan. The plan shows the overall strategy and it makes sure that we cover our entire client base and is quite broad and detailed. We might have 1,000 clients, so we have got to make sure that they are all covered. That it is targeting the more important ones more strongly.

Marketing Capabilities
Product/Service Development Capabilities
As mentioned earlier, Dixon is regularly introducing new services. An example of a new service which has not been incorporated by many competitor firms is client training. This activity introduces interviewing techniques to clients. For example, line managers are usually involved in interviewing potential employees but do not have the expertise as interviewers. Client training helps them hone their skills and work with Dixon effectively. It also helps clients make better decisions. This process also assists Dixon. Sometimes we offer it to our existing clients as a freebie. It’s like an incentive. It has been effective. We only started doing this in 2003. Similar training is offered to candidates, that is, training them on how to apply for jobs and prepare resumes.

Dixon’s service development has given the company a small edge. As part of their overall marketing strategy, introducing new services is a necessity. It made us see what the interest level is out there and it just keeps you going back to your clients with fresh ideas and testing the market place and seeing what interest people and you become a resource that’s useful. And you never know that you might find something that really interests people or enhance your services. You’ve got to keep fresh (10 → 13a).
New services are often triggered by customers. Things usually succeed because customers let us know that they are looking for it. We try the products for about 6 or 12 months and if it is not successful we will stop marketing it or pushing it (10 → 13a).

**Market Research Capabilities**
While market research has not helped Dixon find new customers, this activity has assisted the company understand existing customers and markets. For example, Dixon asks candidates where they are going for jobs, where they are working, or by observing advertisements in the print news media and the Internet (10a → 13b). Dixon also researches growing companies as growth areas means new business for Dixon.

The company follows the latest trends in employment, industrial relations, workplace legislation issues, current methodologies and ideas. Dixon maintains currency in the latest human resource recruiting trends through education, learning, and development (11a → 13b). Subscribing to a number of journals and professional publications, information gathered is both locally and internationally. Affiliations with organizations and business partners who have the expertise to conduct research and provide expert advice on pertinent issues are sought to foster Dixon’s continued growth and development.

**Relationship Capabilities**
Relationship building for Dixon has four components: relationships with clients; customer care to candidates placed and represented; respect for relationships built with suppliers (other recruitment agencies); and valuing the involvement and commitment of staff. These areas are discussed below.

**Relationships with clients** (13ci). Dixon’s success is in part based on developing and building relationships that are valuable to partners. As a relatively small organization, it is essential that Dixon is selective about whom they work so that resources are utilized in the most effective manner. These like-minded partner organizations are predominately companies that are also growing, successful, and that value the people they hire. Even if their budgets are tight, Dixon prefers to work with them to promote their growth and success.

The importance of relationships is accentuated because there is a strong sense of loyalty and strong business relationships within the recruitment industry. Hilary explains: *we have to wait until there is some issue with their existing supplier. Because it’s very much relationship
driven, and it depends on having a good working knowledge of their business, people don’t change suppliers very quickly. It takes a long time to break into new businesses. They don’t just disappear overnight or get built overnight, it takes time.

**Relationships with suppliers** (13cii). Dixon is aware of the potential disadvantage of being small by building a network with agencies around Victoria. They work closely with other small agencies that hold other areas of expertise. Strategic alliances allows for Dixon to tender for large contracts, particularly where a state wide service is needed. Not all agencies foster relationships with other agencies. *Some would feel that it was a dreadful thing to do...When you are small, in order to compete with larger companies, you need to be more strategic.* These alliances provide Dixon with strategic power, enhancing learning processes (13cii → 11).

**Marketing Communication Capabilities** (13d)

**Promotional campaigns.** Dixon carries out brand awareness campaigns which are developed by a dedicated team, and this is evident from their promotional strategy. The company often includes promotions with topical relevance. For example, Dixon prides itself during Christmas because they meet clients face-to-face. *We deliver things rather than post them. All of us go out in teams of two. Two people would go out to deliver to about 25 people. You get time to speak to people. Some people you talk to, or have coffee with.* Hilary ensures that more than one person in Dixon fosters a relationship with clients. Having multiple points of contact is regarded as essential.

Sometimes, promotions are meant to be flippant and amusing such as chocolate hearts on Valentine’s Day. Dixon sent clients profiles on a dozen good candidates and changed the tagline to, *Recruitment solutions you’ll love.* Dixon balances their promotional strategies with workshops and breakfast briefings, which provide substantial information on issues such as equal employment opportunity (EEO), workplace legislation, or interview skills training.

Promotions are scheduled throughout the year to include a quarterly visit to clients’ offices, events such as workshops, breakfast briefings, or sporting events. Clients are also sent journals with updates on legislation, best practice, and market place analysis. Dixon engages in providing monthly value added services.
**Marketing Management Capabilities**

Marketing management is monitored via a marketing plan. For example, when managing marketing to clients, Dixon implements a frequency rating in which consultants decide how frequently they should contact clients. A diary system is used to follow up, at regular intervals. Clients are contacted regularly.

These marketing management skills provide Dixon with a competitive edge, leading to a heightened awareness for both clients and candidates. *Branding is very important for a small agency no one has ever heard of.*

Dixon works towards informing and educating potential clients about the services they can provide, emphasizing a wide list of options and quality services. The focus here is differentiation. *Our products are not highly differentiated, certainly not in the minds of our clients. A lot of our clients think that all agencies are the same and because we don’t manufacture a product, they’re candidates, and you can go to three agencies and they will all have the same candidates on their database. So it is very difficult to differentiate our services.*

In summary, Dixon competes with larger competitors by focusing on quality, value added service delivery, and customer satisfaction. *Our clients have been with us for a long time. We get a lot of work through referral and word-of-mouth. So if we have a relationship with a client, we work hard to manage it effectively.* Therefore, by effectively handling relationships with current clients, Dixon is able to increase their client base (13ci → 15e). Ultimately, Dixon’s services culminate in the provision of superior customer value, as perceived by clients. The following section shows methods in which Dixon engages customer value perceptions within their strategies, ultimately enhancing firm performance.

**Customer Value**

Customer value perceptions appear to be highly appreciated at Dixon. Through client consultation and extensive research, Dixon has determined that clients seek at least 11 competencies when choosing a recruitment company, namely, experience, resources, speed of response, people, technology, strategic approach to recruitment, risk management, accessibility, confidentiality, compliance with legal and statutory requirements, and best practice. After each assignment, temporary staff (candidates) are also asked to complete a questionnaire to assess Dixon’s services (13b). *We greatly value the feedback from the people*
who represent us in the marketplace. Understanding candidates’ needs and expectations help us to improve our services for the candidate and client alike.

Hilary advocates different company and customer perspectives, elaborating:

\[ I \text{ think you can think you are doing a great job and doing the best. We live in a very insular world, and in a company, you can get a very inflated idea about yourself. You listen to your own self talk, and everyone sits around and thinks, “Oh we are the best, we are great, we are fantastic”. You can start to believe your own publicity after a while, if you are not careful and find out what other people think of you. And, it’s really gratifying and really lovely, but if you’ve got things to say, it’s worth hearing. It stops you from falling over your own inflated opinion of yourself (10a, 11c, 13b \rightarrow 14). } \]

As a case in point, when a potential client asked Dixon to elaborate on differences between themselves and competitors, Hilary’s initial response was to list notable firm characteristics. Upon realizing that it would only be the company’s perception, her team phoned ten clients and ten candidates and asked them why they chose to use Dixon. Hilary and her employees then presented the differences to their client and said: \text{It doesn’t matter what we say, it only matters what our clients say. And this is what they say that differentiates us. Hilary adds: We try to sell solutions and peace of mind, lack of worry of your business as opposed to putting a bum on the seat (14 \rightarrow 15d & 15e).}

In a survey of 365 Victorian government clients who currently use Dixon’s services, the company found the following eight strengths that the clients rated highly:

1. Speed at which suitable candidates are found and placed
2. Confidence that staff will complete the full term of the assignment for which they have been booked
3. They have a good team environment and everyone is helpful
4. They are flexible and easy to deal with
5. Assistance from a consultant to handle any problems should they arise
6. The turnover of consultants is low so we receive consistent service
7. They find us the right person for the vacancy every time
8. Their rates offer good value for the service provided
The above findings provide Dixon with an objective view of their services so that Dixon consistently remains focused on providing products that are valued by customers. As can be seen, customers seem to value staff abilities, flexibility, low staff turnover, and value for money.

**Firm Performance**

Dixon is a financially successful organization. One reason for success involves their employees, leading to return business and satisfied customers. Profits enable the CEO to pay their staff above market rates and this factor contributes to staff retention. There are complex relationships between clients and employee organizations. According to the CEO, *we do well by any model that we have good return business* (15a), *good customer satisfaction* (15b), *we make money. I can distribute to the staff, and they get well paid, and there is good staff retention* (15c).

Dixon uses a structured and multi-leveled approach to measure performance, and ensure that clients receive high standards of service throughout the period of the contract, including:

1. Auditing of key tasks: as a quality assured organization, Dixon uses a system of periodic auditing of all business processes. This system includes auditing key tasks that relate to service delivery in order to ensure that clients comply with agreed procedures.

2. Analysis of data and records: integrity reports are run weekly to ensure that records are accurate and comprehensive. These reports include candidate records, job records, and payroll integrity.

3. Customer feedback assessments: Dixon adopts a total quality management process which emphasizes customer satisfaction and continuous improvement through collecting and managing client and candidate feedback. The aim of this program is to monitor levels of customer satisfaction and provide feedback for organizational development.

4. Independent surveys: every year, clients’ opinions are surveyed to monitor the overall perception of performance and issues that are of value to clients. These surveys are conducted by an independent organization to ensure confidentiality and objectivity of findings.
5. Reporting: Dixon’s internal reporting process measures performance on an ongoing basis. Additional reporting required by a client can be incorporated into our reporting framework so that issues are first monitored internally.

In addition, Dixon also measures employee performance by incorporating a 360º feedback program. This method aims to achieve a three dimensional picture of how each employee is performing. The objective of this exercise is to improve organizational, functional, unit, and individual performance. Dixon values staff opinions and encourages candid feedback. The 360 degree appraisal usually comprises a broad range of respondents (three to eight people) chosen as reviewers by a participant for their knowledge and understanding of the participant’s ways of working. Participants and managers also complete proformas to provide a self-assessment. This review is used to determine those areas in which employees are confident and fully proficient and to identify deficiencies needing to be addressed through training. This review also helps to set goals, highlight achievements to-date, and to establish objectives and training needs for the next 12 months.

Case Study Summary
This section addresses the skills and resources driving market, learning, and entrepreneurial orientations, ultimately affecting marketing capabilities, customer value, and firm performance. A contextual analysis of interview material identified four key resources/capabilities that synergistically drive firm business orientation, namely, founder characteristics (i.e., competitive, work-oriented, passionate), employee focused human resource activities which emphasize staff retention (i.e., recruitment, structured ongoing training, encouragement and support for continuous learning and education), and organizational values (i.e., high performance, innovative). Business orientation, in turn, positively affects five key marketing capabilities (i.e., product, market research, marketing communications, marketing management, and relationships), and perceived customer value. Although marketing is considered important for this firm, certain capabilities including marketing communications and management capabilities do not appear to be related to firm performance. These marketing aspects help build Dixon’s brand for potential employees and clients. Firm performance is measured holistically (with a focus on employee retention/low staff turnover), and these indicators are used for fostering improvements within this organization, further enhancing services provided (the specific relationships are summarized below).
Interrelationships between CEO Attributes, Culture, Climate, and Human Resource Issues

CEO characteristics (1) \(\rightarrow\) Organizational climate/environment (6)

Hilary strives to create a fair organizational climate, providing employees with sound working conditions. This founder instills human resource activities geared towards staff retention, the activities of which include recruitment programs and extensive multi-skilled structured employee training. Organizational values emphasize team participation and individual achievement.

Market Orientation Antecedents

- CEO characteristics (1) \(\rightarrow\) (10: customer orientation, 10c: competitor orientation, 10d: interfunctional coordination)
- Recruitment (3: employee characteristics) \(\rightarrow\) Customer orientation (10)
- Employee training (4a: job skill training) \(\rightarrow\) Customer orientation (10)
- Organizational values (9a: honesty and integrity, 9b: innovative recruitment for clients, 9c: high performance) \(\rightarrow\) Customer orientation (10)

Dixon is primarily customer oriented, consciously choosing not to focus on competitors. Customer orientation is enhanced by the activities and behaviors of Dixon’s employees who are encouraged and trained to confront issues and find quick solutions for client problems. Staff are trained to maintain regular contact and familiarity with client information. The values of Dixon are important precursors because of an emphasis on honesty and integrity, and candidates’ and clients’ rights, the values of which provide innovative recruitment solutions and targeting opportunities for clients.

Learning Orientation Antecedents

- Recruitment (3: employee characteristics) \(\rightarrow\) (11a: commitment to learn)
- CEO characteristics (1) \(\rightarrow\) (11b: shared vision)
- CEO characteristics (1e: role to develop staff) \(\rightarrow\) (11c: open mindedness)

Hilary encourages staff to learn for professional and personal development. The CEO also believes in the importance of recruiting employees who are able to think creatively. Being receptive to change is a pivotal ingredient in Dixon’s business orientation. An ability of employees to solve problems, confront issues, and find solutions helps to promote rethinking and innovation comprise characteristics of open mindedness (LO).
**Entrepreneurial Orientation Antecedents**

- CEO characteristics (1) → (12b: proactive, 12c: risk taking proclivity, 12d: competitive aggressiveness)
- Recruitment (3d: ability to solve problems, confront issues, and find solutions) → (12b: proactive)
- Customer orientation (10) → (12a: innovative)

Owing to regular communication with clients, Dixon’s employees are in a strong position to provide innovative solutions about potential new services. Staff seem to have a capacity to seize opportunities and move forward assertively.

**Consequences of Customer Orientation**

- Customer orientation (10a: collects information on clients) → Marketing capabilities (13b: market research capabilities)
- Customer orientation (10) → Marketing capabilities (13a: product/service development capabilities, 13cii: relationship with suppliers).
- Customer orientation (10) → Customer value (14)

As Dixon’s business objectives are driven by customer satisfaction, measurement of client satisfaction levels and views are used to obtain an objective assessment of services provided. Being close to customers enables Dixon to stay fresh testing the market with new services. This company is also concerned with differences between customer and client perspectives. As a case in point, Dixon makes a conscious effort to understand customer viewpoints, feedback is sought, and where warranted complaints are encouraged. This line of communication helps Dixon appreciate customer values.

**Consequences of Learning Orientation**

- Commitment to learn (10a) → Marketing capabilities (13b: market research capabilities)
- Shared vision (11b) → Overall marketing capabilities (13)
- Open mindedness (11c) → Customer value (14)

Dixon is up-to-date with human resource trends vis-à-vis education, learning, and development, enhancing the firm’s market research abilities. Shared vision is related positively to overall marketing capabilities because Hilary believes in the importance of
employees being knowledgeable of Dixon’s future strategies so that they can contribute to the firm’s brand and image. More importantly, staff members are encouraged to remain open to new ideas and take customer value perceptions into consideration.

**Consequences of Entrepreneurial Orientation**

- Proactiveness (12b) $\rightarrow$ Firm performance (15e: increased business)

Proactiveness was found to be related directly to firm performance. For this particular case, the possibility of losing a big slice of their government clientele drove Dixon to be proactive in approaching other small recruitment suppliers to form alliances. Their efforts resulted in winning a substantial contract, considerably increasing their coverage nationwide.

**Other Drivers of Customer Value**

- Marketing capabilities (13b: Market research capabilities)

As discussed previously, customer orientation (10) and learning orientation (11c: open mindedness) are related positively to customer value. Dixon’s market research capabilities enhance the firm’s customer value knowledge.

**Direct Precursors of Firm Performance**

- Customer value (14) $\rightarrow$ (15d: customer retention, 15e: increased business)
- Marketing capabilities (13ci: relationships with clients) $\rightarrow$ (15e: increased business)
- Proactive (12b) $\rightarrow$ Firm performance (15e: increased business)
- Organizational climate/environment (6a: team approach, 6b: fair) $\rightarrow$ (15c: staff retention)
- Rewards (7b: bonus and profit sharing) $\rightarrow$ 15c: staff retention
- Staff development (8a: increase knowledge and development, 8b: financial support, flexible time arrangements for study, 8c: personal development, 8d: career development) $\rightarrow$ (15c: staff retention)
- Recruitment (3c: career driven employees) $\rightarrow$ (15c: staff retention)
- Recruitment (3d: ability to solve problems, confront issues, and find solutions) $\rightarrow$ 15d: customer retention
- Employee training (4a: job skill training) $\rightarrow$ (15c: staff retention)
- Firm performance (15c: staff retention) $\rightarrow$ (15d: customer retention)
Customer value is a significant antecedent of firm performance. However, the present case highlights the importance of employee related issues (e.g., organizational climate/environment, recruiting career driven employees, rewarding individual and team performances through profit sharing and bonuses, providing extensive on-the-job training, and developing staff professionally) as direct drivers of staff retention. Within the recruitment industry, staff retention is intertwined with customer retention as clients, in general, display feelings of discontent when dealing with different staff, at each interaction. The Dixon case also highlights the importance of forming relationships with clients (relationship capabilities) to promote word-of-mouth referrals to increase their client base.

**Consequence of Firm Performance**

- Firm performance (15) → Recruitment (3: employee characteristics)

Dixon’s consistent high performance continues to enhance their track record for success, attracting top employees in the recruitment industry.

Sitepoint is the subsequent within-case analysis.
Sitepoint Case Study

Company Snapshot

Web Development Solutions to Grow your Business

Company Name: Sitepoint Pty. Ltd.
Trading Name: Sitepoint
Founders: Mark Harbottle & Matt Mickiewicz, Capacity: CEOs
Turnover (2004-05): AUD$3.189 million
Growth Rate (2005): 67.46%
Number of Employees (2005): 19

Sitepoint is an online media company and information provider targeting web developers and designers in the web professional market. Employing 19 staff, Sitepoint was founded in 2000 by Mark Harbottle and Matt Mickiewicz. Ranked 50 and 68 in the 2004 and 2005 *BRW Fast 100*, respectively, Sitepoint’s growth rate was 61.85% in 2004, and 67.46% in 2005, turning over AUD$3.189 million in 2004/05. This company has five major revenue streams: advertising and sponsorship, content-based products (online and retail), software, and more recently streaming video subscriptions (training videos for developers that are viewed on demand via the internet generating income from customer subscription), and classified listings (www.sitepoint.com.au). Information for this case study is based on an in-depth interview with Mark, his written responses to a series of open-ended questions in the 2004 Fast 100 survey, company website, and email correspondence with Mark and Sitepoint’s general manager, Luke Cuthbertson in 2006. Numbers and lower case letters in parentheses relate to variables outlined in the proposed model shown in Figure 5.3.

Pre Sitepoint

Upon completing a computer systems engineering degree in 1994, Mark joined Sausage Software (the world’s first web authoring tool) as a programmer and founding member. Having no interest in computer programming, he started working in the marketing department of this online company in 1997. During this time, online marketing was at its infancy. Mark’s duties included managing a marketing team and analyzing online consumer behavior. By 1998, Mark and his team grew sausage.com into Australia’s most popular website. The Sausage Software user base had over 1 million registered users worldwide.
Note. High means company places strong emphasis on that characteristic, Medium means company places middling weight on that characteristic, Low means company places a low priority on that characteristic.

Figure 5.3 Causal network model of relationships between sources of competitive advantage, positional advantage, customer value, and firm performance for Sitepoint
Matt, launched a resource site for webmasters in Canada in 1997. In the following year, Matt registered a somewhat more credible-sounding domain name for his site: Webmaster-Resources.com. Within months of its launch, Webmaster-Resources.com was featured in the LA Times, USA Today, Washington Times, and given a full-page write-up in Windows Magazine.

After working on several successful advertising deals together, Matt and Mark planned a business partnership for the future. They began work on the re-branding of Webmaster-Resources.com and launched their new company, Sitepoint Pty. Ltd. In 2000, Mark left Sausage Software to run Sitepoint fulltime. Mark and Matt started the business with an initial cash injection of $15,000. Both owners decided that the combination of Matt’s website popularity and Mark’s knowledge (1a) to grow the business would help them create something bigger. Their site was re-launched with an improved look, revised layout, and improved domain name: sitepoint.com. The new layout enabled Sitepoint to create new advertising and revenue-generating opportunities for the business. Mark’s passion lies in marketing and engaging new ideas for the business (1b). His duties involve helping website developers write user friendly books. I like running a business and everything that comes with that (1c).

Start Up
Sitepoint’s focus was selling online advertising when this business was launched. Matt also started a web design division which built websites for clients to help fund the development of sitepoint.com. Prior to selling web development books, Sitepoint sold software and e-books, but with mediocre results. After evaluating how potential customers were using their website, Sitepoint found that 50% of readers who examined long articles would often download these documents. Noticing a need for high-quality, easy-to-understand content for web developers, Mark and Matt took their most popular PHP/MySQL tutorial and launched it as a print-on-demand book.

In short, when customers order books on the website, Sitepoint prints and mails them out. There was no inventory or risks involved. The success of this product was deemed as satisfactory. However, with time, customers began to complain about delivery time, which was longer than that of Amazon.com. Clients were used to receiving books in three days, whereas Sitepoint took two days to print, one day to pack, and four days to ship.
Consequently, Sitepoint decided to produce small print runs (1,000 to 2,000 books), which shortened delivery time to three days. Sitepoint moved towards a more traditional publishing model, ordering larger print runs, and utilizing a warehouse distribution facility in the USA. In 2003, Sitepoint registered its 10,000th sale of the PHP/MySQL book through sitepoint.com, with customers in over 145 countries worldwide. Sitepoint.com was also ranked among the top 1,000 web sites in the world by Alexa.com at that time. Despite this achievement, Sitepoint was still not convinced that subsequent books would be successful. Their second book (which covered CSS layouts) was launched 12 months later and tripled to $1 million in sales.

**The Sitepoint Business Model (9a)**

Book writing is outsourced to experts in web development. Authors are paid to write books and also receive royalties. However, Sitepoint owns the copyright. Books are compiled digitally in Melbourne. This process includes editing, cover designs and titling, and sent to the US for printing, after which, 30-40 palettes of books are stored in a warehouse by a fulfilment provider. Books are shipped to end-customers, anywhere in the world from the US. The present business model was devised by the founders and employees, after observing their customers’ behavior for the previous three years (1 → 9a).

**Sitepoint Products**

Sitepoint offers a range of career enhancing products such as books, business kits, software, and CDs on how to build websites. These products assist web developers and designers improve their job prospects. Sitepoint also provides free content on their website, and monitors online forums on web development. Three main products in Sitepoint’s portfolio -- books, business kits, and online classifieds -- are presented below.

**Books**

As noted earlier, the first Sitepoint book was written in-house, with subsequent publications being outsourced to experts in web development. To-date, Sitepoint has published 15 web development related books. Potential authors are recommended by techies, as they are always researching everything that is going on in the web development space. Most authors, who are from the UK, US, and Australia, are required to write for an American audience. Although these authors are given a document which explains writing styles and guidelines, a number of them experience difficulty writing user friendly books, as they are accustomed to writing technical
documents. Mark states that *50% of our books have had to be rewritten. We had to improve it, but the authors we are picking now are getting better and better, because Sitepoint is getting more of a name for itself. We are finding that we are attracting better authors and so hopefully down the track we don’t have to do too much editing.*

It appears that Sitepoint has adopted a different approach to competitors, specializing in publishing fun, practical, and easy-to-understand content for Web professionals. According to Matt,

> Part of the brand attributes that we are trying to create are practical books that are fun to read. Technology is quite boring, to be honest. You have to make it a bit fun to people who are reading it. It’s got to be easy to follow because you don’t want to intimidate people. You have to lead them through and not make them feel stupid at the same time.

**Business Kits**

To supplement books, Sitepoint offers two business kits (*The Web Design Business Kit* and *The Search Engine Marketing Kit*) which are also outsourced to industry experts. The *Web Design Business Kit* comprises two ring-bound folders and a CD ROM containing electronic versions of all business documents that authors use to run their businesses. Written by Brendon Sinclair, who runs one of the most successful web design firms in Australia, this product targets freelancers, web design shops, Internet consultants, web designers and developers, and businesses who sell web-related professional services in B2B markets. Brendon utilizes case studies and personal studies to teach customers: *How to sell yourself. What should you charge? How to keep clients for life? How to manage budgets and how to hire and fire employees?* Mark, together with his employees generate ideas for kits (1 & 2 → 10a).

The second kit, *The Search Engine Marketing Kit*, was written by Dan Theis. Dan has been a search engine consultant, active writer, speaker, and teacher for web beginners and professionals, since 2000. This product is an up-to-date guide on search engines. Customers learn optimization for large complex websites, keyword selection, and pay-per-click strategies reviewed by experts.
**Sitepoint Marketplace**

In 2005, this enterprise launched Sitepoint Marketplace, a community trading place for websites, domain names, and website templates. Users can advertise in the Sitepoint community of 100,000 web professionals; run auctions; and choose from whom and to whom to sell, and from whom to receive enquiries from interested parties by private message or email. For example, products/services (except web hosting services) can be advertised in the Sitepoint Marketplace for $9.95. Users can also advertise the sale of websites for the same price. This new line is considered as paid classified listings in its forums, adding new revenue streams to the company.

The following section addresses skills and resources that drive market, learning and entrepreneurial orientations, which in turn lead to the development of specific marketing capability development, customer value, and Sitepoint’s performance. A contextual analysis of interview material identified four key resources/capabilities (human resource recruitment, CEO characteristics, firm culture, and climate) that synergistically drive firm business orientation. The following section discusses each of these elements.

**Human Resource Recruitment**

Many employees at Sitepoint worked previously with Mark at Sausage Software. *I didn’t poach them, they got sick of Sausage and wanted another job.* Since business start up, employee turnover has been very low, only two have left. While recruitment was easier in the earlier stages (employees referred friends they thought were capable), hiring suitable people became more difficult as the firm progressed.

Currently, Sitepoint uses seek.com.au (an online recruitment portal) to recruit employees. To filter applications, potential employees are required to complete a survey which *weeds out a lot of people because those who don’t want to spend ten minutes filling out a survey are not guaranteed to get a job. When people have to fill in a survey, they need to invest a bit of time before we are going to bother talking to them* (1 → 2a). This process helps Sitepoint recruit quality personnel (2a). Over 50% of employees possess a computer science degree, while others are self trained or have undertaken pre-university TAFE certificate courses. Sitepoint aims to recruit individuals who hold university qualifications and have practical experience.
Luke, Sitepoint’s general manager elaborates: The questionnaire filters out 80-90% of the applicants. We'll do an initial interview for the remainder, and if it is a technical position that they ask, they sit an exam to prove competency. The final hurdle is an interview with the CEO to make sure that the person fits culturally. We don't look for a specific 'type' of person as much as we make sure the person will fit in and work well with the team (2b).

**Firm Climate**

Mark aims to promote an open, happy and friendly climate and culture because he believes that employees who enjoy working for Sitepoint will be able to synergistically develop superior products/services (1 → 3 → 10a). Mark elaborates:

> We are a happy team (3a) and everyone works together really well. It’s quite casual (3b). We’ve got flexible culture as well, there are no set starting times, no set finishing times. It’s a bit cliché dot commy sort of environment (3d) here. At the same time, I expect everyone to be professional (3e), and the way we treat customers, products and develop our products, has to be professional and high quality. Don’t mistake a happy and relaxed culture and one that is not professional because we try to be as professional as we can.

Essentially, the focus seems to be on being professional and flexible in the way in which Sitepoint is run. Although the ultimate goal is to create quality products and delight customers, an organizational climate which emphasizes employee feelings and well-being are necessary first steps to achieve these targets.

**Firm Culture**

Mark cultivates a culture of information sharing (4a) by encouraging staff to email new information to a list (research@sitepoint) that can be assessed by all staff (1 → 4a). They will bring it up, walk into my office and tell me, or bring it up in a meeting. Information spreads really easy because everyone gets along really well. Luke confirms Mark’s viewpoint, adding:

> The culture is defined by a very flat management structure (6a), an absence of internal politics (4b) and a sense that the staff "own" the company (4c). Mark has made an obvious effort in asking for regular feedback, and then making sure it is not dismissed, but rather acted on. It is unusual to see a boss so regularly and confidently questioned by the staff.
It is apparent that leadership strongly influences organizational culture. As a small firm, it is relatively possible to incorporate flat management structures and to keep Sitepoint “free” of company politics. Using these characteristics to the company’s advantage, employees can focus solely on making Sitepoint more efficient and effective in the marketplace. In sum, Mark encourages flexibility, professionalism, quality, opportunities to question leadership, and non-hierarchical structures.

Customers
As mentioned earlier, Sitepoint’s main customers comprise web developers or designers. We are targeting a small niche on a global scale. While in some cases customers market websites, most are freelancers or operate small businesses. Customer details are kept on a database, providing Sitepoint with an ability to monitor psycho demographics: We have a breakdown of what countries they are from. We run surveys and ask them their income levels, are you male/female, do you work in a large company, do you freelance...We have a fairly good picture...

Sitepoint visitors, subscribers, and customer characteristics
80% are males, with 50% aged between 25 and 40 years
51% rate their internet ability as advanced, 28% are experts.
88% invest their own money in furthering their careers.
50% have been online since 2002 or earlier.
71% build web sites professionally for a living.
22% own their own businesses.
84% influence the purchasing decisions of the company they work for or own.
41% have an annual income between $40,000 and $100,000 USD.
7% have an annual income greater than $100,000 USD.
58% reside in the USA, Canada, or the UK.
Source. www.sitepoint.com
The following section describes how Sitepoint has incorporated a customer focused culture and encouraged learning and entrepreneurial-oriented stances within their organization.

**Market Orientation**

As MO incorporates three dimensions, the present case study shows that only customer orientation (being customer focused) and interfunctional coordination are evident within the derived causal network model (see Figure 5.3).

**Customer Focused**

Sitepoint monitors closely its organization’s level of commitment in serving customer needs. Clients who buy products receive emails 2-3 weeks later asking them two questions: *How did you find the product? Have you got any feedback? And that gets logged.* Response rates are between 20-30%. Customers also leave testimonials on the website. About 98% of the customers provide positive feedback. On occasions when customer feedback is negative, even the experience which is out of Sitepoint’s control (e.g., the book was lost in the post, or the book was damaged), Sitepoint addresses the problem immediately by sending another copy. *We will ask them again, How did the new book go? And we get a testimonial, we’re happy. A lot of companies wouldn’t care. We are very customer focused, that’s the reason why we have been successful* (5a → 11a).

The following is an example of a customer testimonial on the website: *I found very solid, practical and useful information presented in a clear concise way. I’m proud to have it in my library and I do refer to it frequently* (anonymous).

Sitepoint also provides 24/7 customer support through their website, guaranteeing a 24 hour turnaround. Being customer centric, Mark describes: *We service customers. We don’t care if they have bought one book, no book, or ten books. They all get an equal service.* Sitepoint also offers a *No-Risk Money Back Guarantee* which enables clients to try books risk-free for 30 days, after which they will be refunded the full purchase price minus shipping and handling.

**Monitoring customers.** Customers are targeted by using Google keywords. Sitepoint observes web developer search words. For instance, there is a Google tool which informs Sitepoint of key words that are being searched and how often. For example, database development might be a targeted word. This tool enables Sitepoint to determine the number of people who are looking for books on database development and how successful they are at finding these books.
What Drives a Customer-Centric View for Sitepoint?

Possessing a customer focused view stems from Mark’s previous experience as a teenager (1d → 5a). While working at a hardware store when he was 15 years of age, he saw his colleagues (floor staff) avoiding customers. On the contrary, Mark loved helping and interacting with them, elaborating:

*I actually wanted to serve customers. I would search out customers to serve, find out about the product, and help them in their buying decisions. Just the comments you get from people: I would help them carry out their bags of cement and stuff like that. Customers would compliment you, give you tips, and I actually found that exciting. I thought, if you look after customers, the same kind of people would come back to the shop and they would say, the only reason I come to this shop is because I can get your help. I could go to the shop next door but I go out of the way to come to this store. I saw the value in looking after the customers, by that experience.*

Competitors

Competitors are large $100million+ publishing houses, such as Pearson’s. In contrast to Sitepoint, Pearson’s publishes books in all areas and does not have an online presence or loyal audiences. In short, competitors write and sell technical books and retail vis-à-vis Barnes and Nobles stores. Mark notes: *They are competitors on retail space, but they are not online.* Sitepoint also competes with websites that provide web development content, but do not sell books. *We have a lot of competitors, but we don’t have many that do both. There is only one, and we are actually partnering with them. They (O’Reilly) are helping us distribute our books into retail and receive a percentage of profits for each book sold. O’Reilly is the second-largest technical book publisher in the US.*

According to Mark, *Sitepoint is NOT competitor oriented, but 100% customer focused!* (1 → 5b) All employees are online everyday, looking at potential services, and observing competitor movements. However, monitoring competitor moves is relatively informal. Usually, employees just inform Mark of rival firms’ activities. Mark emphasizes:

*It’s more of an ongoing process. Generally, we don’t worry too much about our competitors. We are aware of what they are doing, but we are not focused on them (5b). We are more focused on our customers because they are buying our products.*
And who cares really, what our competitors are doing. If we can keep our customers happy, we’ll do ok.

It would appear exceedingly difficult for major competitors to launch an intensive campaign targeted at Sitepoint’s customers. Within the Internet world, Mark states:

Who are the customers? They are everywhere. They are web developers who are developing sites. Yes! Other companies do target our customers, but they are not just our customers, they could be their customers as well. And we have a database for our customers, but nobody else knows who they are. And they have a database and I am sure there are people on both databases. It’s not geographically relevant. No one has really made an attack on our customers in a direct way.

The present case seems to emphasize that Sitepoint is neither geared towards making decisions based on competitors’ moves nor focused on the idea of crushing their competition, features associated with other FGFs.

Interfunctional Coordination (5c)

Information on marketing success and failures are communicated across the firm. During weekly meetings, opportunities arise to make announcements and to discuss successes, book reviews, and current sales. After which, emails are also sent out regularly to all staff. Being a small company, Mark frequently communicates with staff by walking out of his office (3b ➔ 5c), and saying… Guess what? Sales are good today… If you create quality products, and you are looking after your customers, they are more likely to buy from you. I communicate that to everyone all the time. And I am pretty sure they understand it (employees) because I go on about it so much.

The ability to coordinate various departments and people in the business helps Sitepoint to respond to market conditions faster than competitors because of their flat structure (6a): We are very nimble and can respond very quickly (6a ➔ 5c).
Learning Orientation
The CEO believes that Sitepoint is a learning-oriented firm, possessing three main values: commitment to learning, shared vision, and open mindedness, which are explained below.

Commitment to Learning
All employees work closely with industry, and are keen to learn about technologies. While Mark is interested in business and has a passion for reading business-related books and magazines, and talking to other enterprises, his team of 12 employees are described as passionate about technology (2c).

It’s just part of what we do because we like it. If you didn’t like it, I don’t think you will be interested in learning. The employees learn in their own time, they don’t go to courses. Generally what they are learning is not taught in a course yet. We are the ones who write the books. So we have to go and learn stuff before everyone else. And then we develop books so by the time other people have caught up, we’ve got something.

To encourage learning, Mark believes that firms should hire employees who are passionate about their work. Employment goes beyond recruiting people only with technical skills to having other important qualities.

You have to hire people who are interested in technology, because as I said before, I’m not really interested in computers. If you put me out there, and say, go and learn these technologies, you will have to say pay me more money, because I’m not interested in it. It is more about I don’t have to encourage them. In fact, I have to stop them, because sometimes they get so carried away, they don’t do their work. They are too busy looking at new things. I have to pull them back and say, all right, it is good to look at new things, but you should finish this book first. It’s about the people that you hire, not about your policy for learning (2c ➔ 7a).

Shared Vision
There is a well expressed concept of organizational direction to all employees. Operating on a simple business model that is communicated across the company, staff are in accord with the business vision. When employees disagree with management, they are encouraged to voice their opinions and change the course of action (3b ➔ 7b). Employees possess a sense of ownership
(4c). Some staff own options in the company which will be financially beneficial to them should the company be sold. *I don’t think that is what motivates them. I think it’s more the ownership of helping to make decisions.*

Staff feel a sense of ownership because they are empowered, can influence change, and make decisions on their own (3c ➔ 7b). When Mark reviews staff performance, he asks employees two questions with three related options: *Tell me three things that I do well, and three things that I don’t do so well.*

*You get some really good information about how you are running the business. A lot of them say that they have a sense of ownership in the business. They are able to influence change and make decisions. They don’t feel that they are being controlled, they have freedom and they are empowered to do the right thing* (3f). *While we don’t have managers as such, each person is managing a specific part of the business and they are responsible for that. I think if you do empower people and give them responsibility for the success or failure depends on them in that area, they will rise to the challenge usually, if you have the right people.*

**Open Mindedness**

Mark also regards Sitepoint as an open minded firm, enabling employees to voice their opinions on all firm activities. Mark is open to criticism and constant change (1e). *I wouldn’t ask if I didn’t want to hear it. I’d rather hear what we’re doing wrong as a company, than what we are doing right, because I know what we are doing right. I would encourage people to tell us what we are doing wrong. I love change very much. When things get process driven and stale, I actually get bored. So give me change for any reason, and I will take it on board* (1e ➔ 7c). Sitepoint holds *idea meetings* to encourage innovative thinking.

Mark encourages employees to think outside the box and rewards them for doing so. These rewards can be monetary (depending on the job), or in the form of positive verbal gestures, congratulatory comments, and recognition within the company structure (8 ➔ 7c). There is also a culture of *you are the man or woman type thing, so everyone wants to be the man or the woman when you come up with a good idea.* By encouraging employees to think, Mark promotes, praises, and rewards those who come up with new ideas (8 ➔ 7c).
The preceding case formulation demonstrates the relevance and importance of management’s beliefs and encouragement in promoting learning-oriented values within Sitepoint. However, in terms of supporting commitment to learning values, emphasis is placed on recruiting employees who are passionate about their field of expertise. The CEO’s personal characteristics as a leader and manager also seem to be influential. The qualities are evident in being open to change and instilling a sense of ownership within the enterprise, which are inherent in open mindedness and shared vision values.

**Entrepreneurial Orientation**

Next, is a description of how Sitepoint engages in innovative, proactive, and risk taking behaviors which are components of the entrepreneurial orientation (EO) construct (Lumpkin & Dess, 2001). An analysis of the narration provided by Sitepoint indicated that the fourth EO factor, competitive aggressiveness is not evident within the present causal network model.

**Innovativeness and Proactiveness**

As mentioned earlier, Sitepoint has sold products such as software, books, kits, and web development services within the web development area. Changes in product lines tend to be minor in nature. *Once Sitepoint has established a product line, it doesn’t change that much* (1 → 9a). Sitepoint’s innovation lies in their business model, which is determined by a combination of various facets of the business. Mark elaborates: *the hard part is building a website that gets 70,000 visitors a day. You can write a book, but who is going to distribute it for you? Where are you going to sell it? We’ve got the distributors, retail, website online, quality products, and quality customer service. So those things together make a business not just one* (9a → 10f).

Sitepoint was one of the first companies to sell print-on-demand books and e-books. This product was considered *pretty cutting edge at their time.* Interestingly, Sitepoint does not scan competitor activity for new ideas. However, it is not uncommon for competitors to mimic Sitepoint’s style. For example, there are other websites covering similar topics as those of Sitepoint’s:

*We are kind of like The Age [national] Newspaper and they are like the local newspapers. The local newspapers will sometimes take news and copy formats from the bigger guys. That’s what happens to us: we get people copying our website, mainly. We don’t give them free content, they take our content and reword it. We can’t stop it.*


**Risk Taking Proclivity**

Sitepoint is conservative regarding high risk activities. *There are a lot of ideas that we have that we don’t pursue because we think it’s too high risk.* Sitepoint is cautious when it comes to entering new markets or when developing products. Mark states:

*We tend to go down, let’s put a toe in the water and see how it goes, and if it works we will go full on. That's not always the best way because you are showing your hand, and competitors can come in and say, hey look at what they are doing.*

Sitepoint explores their environment with caution. Unless Mark and Matt are confident about their new task, they will not enter the market. For example, when they started the business, they invested $500 in print-on-demand books, which were printed *one at a time.* While the company spent $10,000 on developing the contents of books, they intentionally did not invest in a mass distribution system until they were sure that customers would buy the book. However, as Sitepoint grew, the owners were willing to take bigger risks. *We now have more money to take big risks. We might take a $50,000 risk now, whereas before it was a $5,000 risk. That gives us scalability to do more things. We always try to start slowly and work the way up* (1  9b).

Hence, in terms of EO, Sitepoint’s business operations can be regarded as innovative. The firm has chosen to compete within a market niche, as product lines are consistently created within the web development area. As one of the pioneers in industry, Sitepoint strives to be ahead of the market, without seeing the need to seek ideas from competitors. The CEOs spend considerable time analyzing business environments, new systems, or demand for new books to minimize risk. All projects are calculated and evaluated with caution before new ideas are adopted.

Sitepoint’s approach towards customer focus, learning, and entrepreneurial orientation seems to drive the development of specific marketing capabilities. This company focuses on six marketing capabilities (i.e., product development, pricing, market research, marketing communications, relationships, distribution capabilities) and two complementary marketing activities (i.e., direct, guerrilla marketing). These capabilities are reported below.
Marketing Capabilities

Marketing is an important activity for Sitepoint. Luke explains: *If we don't continually invest in communicating with our customers about our brand and product, our products do not sell. Either because our customers don't know about the product or because we're not in touch and have released something that they do not want.* The following section is a discussion of six marketing capabilities (i.e. product development, market research, pricing, marketing communication, relationship, distribution), which are dependent on different components of business orientation, employee ideas/abilities, management direction, and Sitepoint’s unique business model.

**Product Development Capabilities**

Sitepoint believes that their firm is more effective than their competitors in developing new products, and is more responsive to customer needs because of their closeness to customers through their website. For example, retail book competitors have to go through three main levels of the supply chain before their products reach end-customers: publishing, transporting books to distributors, who then arrange their delivery to retailers, and on to end consumers. However, Sitepoint has the added advantage of selling direct to customers and retailers.

Sitepoint generates ideas by observing topics that are discussed by online forum participants (5a → 10a). Employees regularly try new technologies, debating about the *next hottest thing* which could potentially become a book (2c → 10a). Hence, product ideas stem from both customers and employees. To-date, Sitepoint has successfully published 15 user-friendly web development related books. Within the previous 12 months, the Sitepoint Marketplace (a community trading place similar to Ebay) recorded a 1600% growth (i.e., 16 times more transactions in the last month, than during the first full month of operation). This essentially means that buying/selling activities among web users who advertise on Sitepoint Marketplace have increased substantially within one year.

**Market Research Capabilities**

Sitepoint’s research includes their current audience who is regarded as representative of the market. This is maintained via online surveys, emails, and feedback. Although substantial amounts of data are collected, information is not analysed regularly. Mark elaborates: *We are great at catching data because we are all techies* (2c → 10b). *I am the one who is supposed to be*
analysing it but I don’t always have time. When we hire a marketing person, their job will be to analyse data. We can do a lot better if we analyzed and segmented.

**Pricing Capabilities**

Pricing has a major impact on Sitepoint’s success. For example, when the company increased the business kit price from $200 to $250, there was a substantial decline in sales. They reviewed this factor, and realising that it has gone beyond people’s comfort level for that product, Sitepoint reduced the price to $200. Mark reveals:

> It’s something we’ve been discussing internally for a few weeks now, and we don’t just want to make a jerk reaction and put it back because we might get complaints. We might refund the customers who bought at $250, their $50 and put the price back, and admit that there was a mistake. Customers love it when you tell them that you have made a mistake. They will be more loyal to you if you can admit that you have made a mistake. Big companies don’t admit mistakes (1 → 10c).

**Marketing Communication Capabilities**

Sitepoint offers complimentary samples of books that can be downloaded on their website. Free books are also distributed via *techie conference show bags*. This is intended as a form of promotion for authors who attend conferences. Sitepoint adopts a creative approach to sales promotions. For example, they ran the *Around the World* competition in which its customers were asked to submit photos of themselves with their favorite Sitepoint book in exotic locales, that is, with famous people or against well-known local landmarks. The top of Mt. Fuji, the Acropolis, the Equator, the set of NBC News, and the Austrian Alps were a few of the locations where Sitepoint customers posed with their books. Over 150 submissions were received from India, France, South Korea, Saudi Arabia, and Japan. In total, customers from 24 different countries submitted photos. The winner received an Apple iPod. Promotional activities within Sitepoint are well-targeted, creative, and low cost, and aimed at potential and current customers. However, these strategies are not necessarily superior to those of competitors. Mark emphasizes the importance of branding the Sitepoint name.
**Branding.** As elaborated below, Mark ensures that messages conveyed are consistent and products are of high quality (10a → 10d).

*Our brand is being built like how you would build trust in a person, how would you build a friendship... We give stuff away for free and we make sure it’s quality and we are giving them something. Hopefully, they will come back and when they’ve got something to buy, as long as its good quality, pricing and everything else, they buy from us (10a & 10c → 11e). They appreciate that. It is just give and take. People need to recognise your colors and things like that. You need mind share and branding does that.*

Mark’s comments indicate that product branding is a relatively noncomplex process. Marketing communications in the present context is predominately via guerilla marketing, which includes giving away free samples to key buyers/distribution channel members, obtaining a venue which can be a good display platform for a new product/service, and use of websites and the Internet (Stasch, 1999).

**Relationship Capabilities** (10e)

Sitepoint forms relationships mainly with distributors such as O’Reily, Barnes and Nobles, and Borders in North America. However, compared to competitors, the relationships are all the same, I don’t think our competitors would be any better. O’Reilly’s chief operating officer, Laura Baldwin, elaborates: *We're extremely pleased to be working with Sitepoint. Their grassroots approach to content development, community building, and marketing impressed us, as did their ability to succeed in an extremely tough marketplace. We're looking forward to working with Sitepoint and exploring many other exciting opportunities with them in the future (www.sitepoint.com).* This case indicates that relationships need not be superior but rather a necessity to enable effective competition within the industry.

**Distribution Capabilities** (10f)

Sitepoint’s competitive edge can be attributed to their distribution system. *Distribution programs are vital because when a customer purchases online, it is the complete experience* (12c) (10f → 12c). Selling online is more efficient and attains high margins (10f → 11b). Customers are charged $40 for books and $4.95 for postage within the US, and $9 to Australia. Although it costs Sitepoint $6-$10 to ship via UPS, and sometimes up to $20 to ship to Australia, Sitepoint
subsidizes shipping cost at the expense of speed to customers. *We want to guarantee and provide a tracking number. Amazon won’t do that unless you pay top dollar. Our customers love it. They get their book in 2 days. Even internationally, we can get books into Australia in about 5 days* (1Æ10f).

Delivery speed is essential for this online business. For example, slow delivery prompts customers to complain in writing, or by calling the company for more information. Attending to customer complaints is time consuming, and costly.

*If you are a customer, you are sitting at home and haven’t got your book in three weeks, you are going to write and say, where the hell is my book? By saving on shipping, we are going to increase customer support costs. Therefore, it’s better to send the book fast. Obviously you don’t want to over pay for the shipping. We are not sending by the absolute fastest, but it’s still fast.*

By securing an agreement with O’reilly, Sitepoint books are distributed to over 3,000 bookstores, including major retailers such as Barnes and Nobles, Borders, and Walden Bookstores. This process can enhance perceived value, providing customers convenience, freedom of choice (12d), and increased brand awareness by supplementing online sales with bricks-and-mortar distribution (10fÆ12d).

**Marketing Management Capabilities** (10g)
Mark’s core strength is online marketing. However, as the firm grows, he foresees a need to hire an online marketing manager to manage marketing activities. *I am spending too much time trying to run the business, not enough time controlling the marketing programs.* Less successful marketing campaigns have been undertaken. However, marketing failures have not been substantial. *We tend not to risk too much money on marketing if we are not really sure of the outcome. We limit our risk.* In other words, although Mark’s expertise lies in online marketing management, the focus has been on other activities. Sitepoint management also takes a cautious approach towards marketing related capabilities.
Marketing Activities

Contextual analysis of the interview data reveals that Sitepoint utilizes direct, guerilla, and word-of-mouth (WOM) marketing.

Direct Marketing

One of Sitepoint’s core strength is direct marketing which is on par or better than its competitors. Their website is considered a major marketing tool. Mark states: *direct marketing is the only way we can go because we have a niche audience* (5a → 10h). Sitepoint corresponds with their customer base via email and regular mail. The company has also investigated other sale avenues such as libraries. At the time of interview, Sitepoint bought a list of libraries so that a brochure on Sitepoint books could be sent to them.

Guerrilla Marketing

Sitepoint uses four methods of guerrilla marketing: free book/magazine reviews, virtual WOM marketing, industry awards, and Google keywords, all of which are reviewed below.

Sitepoint solicits free exposure by keeping in touch with American, British, Canadian, and Australian magazines, and sending them gratis copies of books. Magazine editors are encouraged to review these copies. *Getting people to do book reviews is not always successful.* It is difficult to judge sales that are derived from these reviews, as readers would just visit the Sitepoint website upon reading. This company also views this activity as a form of branding which will *get the word out there.*

Sitepoint’s Market Place was also featured in the US Business 2.0 Magazine, which caters to more than 600,000 subscribers. Luke explained: *We did a press release directly to a journalist there, and he picked up on the story.* Matt elaborated: *It's quite an honor to have a full page article about us in the June (2006) issue. It'll definitely bring in a lot more buyers and sellers into the Marketplace, which is good for everyone.* Below, is an excerpt from the above mentioned article:

*Last August, Jones paid $1,000 to buy 411Hype.com, a web site about all things hip-hop. He beefed it up - added some forums about fitness and health, for example - and managed to boost traffic by a couple thousand unique visitors, to 7,000 a month.*
Then, in late March, Jones put the site up for sale on a marketplace called Sitepoint. He was bombarded with offers, quickly closing a deal for about $13,500.

**WOM Marketing**

Arndt (1967) can be considered a pioneer in the area of WOM influence on consumer behavior. This investigator characterized WOM as oral, person-to-person communication, regarding a brand, product or service, perceived as non-commercial, between a receiver and a communicator. More recently, virtual WOM, including electronic bulletin boards have been developed. Internet use plays a promotional role by regularly keeping in touch with customers (Brooksbank et al., 2003).

Mark elaborates: *We are very close to our customers and potential customers through our forums. So we will look and see what they are starting to talk about, what is interesting. They read our free content, they contribute to our forums, and they get our newsletters* (5a → 10i). Positive WOM also occurs when good news testimonials and endorsements are expressed (Buttle, 1998). Sitepoint regularly adds customer testimonials on sitepoint.com as a form of reference for potential buyers.

Alexa.com ranks Sitepoint as the Top 250 most visited web site across all categories in the world (2006). The Top 250 sites represent less than 0.003% of sites on the Internet but generate 45% of all Internet traffic. The alexa.com online intelligence hub provides detailed, time-critical statistical data to both individual and corporate users, with an alexa.com rank indicating a site's overall popularity among web surfers. Luke explained: *Alexa.com gets its traffic information directly from Internet Service Providers (ISPs). If a particular website becomes popular with people browsing the Internet, it will automatically appear in alexa.com*

Mark comments: *Our ranking among on alexa.com shows that word of mouth is spreading about our quality content and products, and Sitepoint.com is meeting a real need amongst web professionals. If we can maintain our growth rate through 2006 we should be pushing for a top 200 ranking, which would be a remarkable achievement.*
Industry Awards

Fast 100 firms often use industry awards as a way of indicating their success. These firms like to be recognized as industry leaders (Tan & Smyrnios, 2006a). Sitepoint has been listed in the BRW Fast 100, Deloitte Technology Fast 50, and Deloitte Asia Pacific Fast 500 for two consecutive years (2004 & 2005).

The Deloitte Technology Fast 50 ranks the 50 fastest growing, public or private, technology companies in Australia, based on percentage revenue growth over a period of three years (2003 to 2005). Sitepoint was ranked 40 and 25 in 2004 and 2005, respectively. In contrast, the Deloitte Technology Fast 500 Asia Pacific 2005 list ranks Australian, Chinese (including Hong Kong), Indian, Japanese, Korean, Malaysian, New Zealand, Singaporean, Taiwanese, and Thai fast growing technology companies. Mark adds: The Deloitte Technology Fast 500 Asia Pacific 2005 awards just reinforce to us the fact that we're doing the right things to serve our customers. Our team works hard to meet the needs of a global audience, and we're proud to have our success officially recognized.

Google Advertising

Sitepoint uses a program called Adsense which involves buying cost per click advertising. Businesses can pay Google to create their link. For example, if Sitepoint wants to be located when someone searches Web Design Melbourne, the latter’s key words would have to be purchased. The Sitepoint website would be listed every time a search of these words is made on Google. When it is clicked, Google is remunerated. Moreover, because Sitepoint provides free content, Google finds these pages and indexes them in the search engine. Sitepoint is a popular website on Google (10i ➔ 11c). If you type in anything to do with web development, we are in there. And that’s how we get a lot of traffic. We pay for some as well, but most of it is free. Just to put it into perspective, we get more traffic than theage.com.au, realestate.com.au, or ninemsn.com.au (three popular Australian websites). As mentioned previously, Sitepoint’s clientele comprises web developers from 150 countries worldwide.

The present case material, consistent with Study 1 findings, indicates that not all marketing capabilities are related directly to firm performance, or evident in the present causal network model. This case highlights ways in which Sitepoint utilizes marketing activities such as guerilla marketing, which incorporates the use of Google keywords, along with three key marketing
capabilities (e.g., product development, pricing and distribution) that can be regarded as antecedents of firm performance.

The Sitepoint Advantage
Mark adds: I don't think there are any real secrets to our growth. We understand our customers very well, and we continue to respond swiftly to their needs. We also have a great team of people who thrive on innovation and results (2d). Luke exemplifies Mark’s comments by adding that their success can be attributed to:

Hard work (2e). There is no hidden secret - the team works very hard and continually strives to learn (7a) from everything that we do. The culture demands performance from individual team members (4d), while the staff is very supportive (3g) of each other. Quality is a very big focus. Customers are taken very seriously. There are no politics (4b) which equals much more time during the day to get on with the job, and results in better productivity. New ideas are quickly implemented. If they work they become a new revenue stream, if they don't, we move on (2d, 2e, 3g, 4b, 4d, 7a \(\rightarrow\) 11a).

Customer Value Creation
More importantly, Sitepoint creates value for customers by making their books practical.

There are millions of technical books around that cover the same topics that we cover but we do them better, and we make them easier to understand (10a \(\rightarrow\) 12a). That’s how we sell books, that’s the value (12a \(\rightarrow\) 11e). With the kits, we create value by saying you purchase this $200 kit, you are going to make more than $200, you are going to make it very quickly, if you do what the kit says. We are always creating, buy this, you’ll earn this. That’s like saying, you give me $1, I give you $10. You are going to do that all day everyday. And that’s how we create value.

Customers also appear to have a connection with the Sitepoint brand:

They read our free content, they contribute to our forums, and they get our newsletters. We give them a lot of stuff for free before we ask them to give us $30 and buy a book (10i \(\rightarrow\) 11e). Our competitors aren’t doing that. A lot of them just say, if you want to learn about this technology, go and buy a book. That’s all they do.
Firm Performance

According to Mark, Sitepoint has been a profitable company since the first day of operation (11b). Mark attributes this performance to sound financial management (1 \rightarrow 11b). Having started the business with $15,000, Sitepoint now attains net profits of $100,000 per year. In terms of marketing effectiveness, Mark explains: *We are a company in Australia, competing against companies all around the world. And we are one of the most well known, popular sites in our area. I think that sort of speaks for itself that we know what we are doing.* Sitepoint can be regarded as the number one company within the web development book publishing industry, providing practical content and resources for web professionals. The Sitepoint website has 138,480 forum members. By observing online customer forums, Sitepoint employees generate innovative ideas for future products/services (5a \rightarrow 10a).

Firm Performance Measures

Recently, Sitepoint introduced to all employees the Key Performance Indicators (KPIs) which include revenue growth (both generally and for the specific areas within which staff work); innovation (number of employee ideas executed); quality (e.g., reducing the number of errors found in their books; sitepoint.com popularity growth; and profit (for GM & CEO only). At the start of each year, Sitepoint sets performance goals against these KPIs and measures success regularly by referring to these objectives during the year (11d). Staff bonus payments are based on performance against KPI and agreed targets. These indicators are regarded as objective (11d \rightarrow 8).

Case Study Summary

As can be seen from Figure 5.3 and from narratives on the company, Mark’s attitudes, skills, experience, knowledge, and capabilities as CEO and leader appear to be important drivers of business orientation and firm activities.

Within this company, there seems to be a strong emphasis on human resource elements (e.g., recruitment of passionate and hard working employees who fit in with Sitepoint’s culture; rewards), organizational culture (e.g., a culture of sharing information, absence of internal politics, sense of ownership, and high performance), and organizational climate (e.g., contentment, casualness, flexibility, empowerment, and professionalism). Recruitment practices to secure passionate employees capable of developing unique products are utilized to herald firm
innovativeness and proactiveness (EO). Moreover, employment of result-oriented and hard-working staff is recognised as a direct antecedent of overall success (firm performance). One HR element (e.g., rewarding employees monetarily or verbally for creative, outside the box ideas) appears to act as a precursor to promoting open mindedness among staff (LO).

In terms of organizational climate, Mark highlights the significance of a casual climate and flat management structure to promote interfunctional coordination (MO). As a case in point, Sitepoint’s size allows the CEO to disseminate information to staff simply by walking out of his office and making announcements. Non-hierarchical management structures also aid interfunctional coordination because decisions are made speedily. As for organizational culture, it is not surprising that a high performance culture among staff is essential for firm growth. Personnel who operate in fast growth environments are required to consistently perform well.

A contextual analysis of interview data also revealed that customer orientation influences Sitepoint’s marketing activities (e.g., direct & guerrilla marketing for brand building) and market research capabilities. However, innovativeness (EO), based on their business model, drives the development of distribution capabilities, essential for this brick-and-mortar business. Commitment to learning is associated directly with overall company success.

Consistent with Study 1, product development capabilities are related positively to firm performance (e.g., increased sales). However, pricing and distribution capabilities are also important direct antecedents of increased sales and profits (firm performance measures), respectively. The present case study shows the importance of guerrilla marketing (e.g., online forum participation, free content for web users) as a method for influencing sales.

The Sitepoint case also revealed that product development capabilities lead to perceived customer value creation of easy-to-understand web development books (customer value), ultimately leading to increased sales (firm performance). Distributing products online provides customers with a complete experience of buying online, convenience, and freedom of choice. Accordingly, Mark believes that customers place value on three key attributes: access to a wide range of practical web development books, free content material, and open communication between customers/visitors of the Sitepoint website.
Clearly, Mark is influential when it comes to fostering Sitepoint’s human resource activities. Success can be attributed to a combination of unique quality products, customer focus, organizational culture, and supportive climate, which focuses on employee well-being, and importantly, optimum distribution channels to support the company’s unique business model. Below is a summary of interrelationships between variables identified as integral to the Sitepoint causal network model.

**CEO Characteristics as Drivers of Recruitment, Organizational Culture, and Climate**
CEO characteristics (1) → Organizational culture (4a: culture of information sharing), Recruitment (2a: utilizes survey methods to stream applicants), Organizational climate (3)

**Market Orientation Antecedents**
- CEO characteristics (1d: previous experience as a teenager) → 5a: customer orientation
- Organizational climate (3b: casual) → 5c: interfunctional coordination
- Flat management structure (6) → 5c: interfunctional coordination

**Learning Orientation Antecedents**
- Recruitment (2c: employees who are passionate about technology) → 7a: commitment to learning
- Organizational climate (3b: casual, 3c: flexible) → 7b: shared vision
- CEO characteristics (1e: open to criticism and constant change) → 7c: open mindedness
- Rewards (8) → 7e: open mindedness

**Entrepreneurial Orientation Antecedents**
- CEO characteristics (1) → 9a: innovativeness and proactiveness and 9b: risk taking proclivity

**Consequences of Customer Orientation**
- Marketing capabilities (10a: product development, 10b: market research, 10h: direct marketing, 10i: guerrilla marketing)
- Firm performance (11a: overall success)
Consequences of Learning Orientation

- 7a: commitment to learning \(\rightarrow\) firm performance (11a: overall success)

Consequences of Entrepreneurial Orientation

- 9a: innovativeness and proactiveness \(\rightarrow\) marketing capabilities (10f: distribution capabilities)

Other Drivers of Marketing Capabilities

- CEO characteristics (1), Recruitment (2) \(\rightarrow\) 10a: product development capabilities
- CEO characteristics (1) \(\rightarrow\) 10c: pricing capabilities, 10f: distribution capabilities
- Recruitment (2c: employees who are passionate about technology) \(\rightarrow\) 10a: product development capabilities, 10b: market research capabilities
- Organizational climate (3) \(\rightarrow\) 10a: product development capabilities
- Product development capabilities (10a) \(\rightarrow\) 10d: marketing communication capabilities

Marketing Capabilities and Customer Value

- 10a: product development capabilities \(\rightarrow\) 12a: easy to understand books
- 10f: distribution capabilities \(\rightarrow\) 12c: complete experience of buying online, 12d: convenience and freedom of choice

Customer Value and Firm Performance

- 12a: easy to understand books \(\rightarrow\) 11e: increased sales

Marketing Capabilities and Firm Performance

- 10f: distribution capabilities \(\rightarrow\) 11b: profits
- 10a: product development capabilities (emphasis on quality), 10c: pricing capabilities, 10i: guerrilla marketing \(\rightarrow\) 11e: increased sales
- 10i: guerrilla marketing \(\rightarrow\) 11c: popular website
Other Direct Drivers of Firm Performance

- CEO characteristics (1) → 11b: profits
- Recruitment (2d: employees who thrive on innovation and results, 2e: hard working employees) → 11a: overall success
- Organizational climate (3g: supportive) → 11a: overall success
- Organizational culture (4b: absence of internal politics, 4d: high performance) → 11a: overall success

Consequence of Firm Performance

- 11d: achievement of agreed targets → rewards (8)

Mor Cosmetics is the final within-case analysis.
Company Name: MOR Cosmetics Australia Pty. Ltd.
Trading Name: MOR Cosmetics
Founders: Deon Iuretigh and Dianna Burmas. Capacity: CEOs, Founders
Turnover (2003-04): AUD$4.68 million
Growth Rate (2004): 169.44%
Number of Employees (2004): 30
MOR cosmetics (MOR) is a supplier of body and bath products for the North American, Australian, Asian, and UK markets. MOR started trading in 2000. In 2004, this firm was ranked 12 in the *BRW Fast 100*, attained a growth rate of 170%, and a turnover of AUD$4.68 million. As noted earlier, information for this study is based on three in-depth interviews conducted jointly with the CEOs/founders, Deon and Dianna, and separately over a period of three months. As indicated in previous cases, numbers and lower case letters in parentheses relate to variables outlined in the proposed causal network model (Figure 5.4).

MOR was founded by Deon and Dianna, and launched in 2001 at a Melbourne trade fair. Deon stated: *We researched and done all the important business plans and the whole lot that backed the door, but sometimes you run on gut feeling as well. Getting into the market was relatively easy – it is about confidence and quality products. Being made in Australia adds a good flavor.* Deon and Dianna also spent time overseas studying trends, but being designers themselves, their *ideas came from within.*

These founders commenced manufacturing product samples with a start-up capital of less than AUD$5,000, and did not undertake full production runs until retailers ordered stock. Based on previous experiences, Deon and Dianna understood that first-time customers were required to pay for supplies upfront, and also recognised an importance of investing in a product catalogue.

**The MOR Business Model**
All products are Australian made. Although MOR operates in the manufacturing sector, production activities are outsourced to professional chemists and filling houses. The company is in charge of the “smart” part of the business (i.e., product design, firm direction, strategies), and *picking and packing* products.

**Background of Founders**
Deon grew up in Queensland, but moved to Melbourne to complete a degree in industrial design (ID) at RMIT University in 1995. Immediately after graduation, Deon started a homewares business with two other university friends, which involved a consultancy arm in the areas of interior, product, and commercial design for other businesses (1a).
Note. High means company places strong emphasis on that characteristic, Medium means company places middling weight on that characteristic, Low means company places a low priority on that characteristic.

**Figure 5.4** Causal network model of relationships between sources of competitive advantage, positional advantage, customer value, and firm performance for MOR cosmetics
Within three years of start-up, Deon established another similar enterprise (D1) on his own, concentrating exclusively on homewares that ranged from vases, clocks, coasters, placemats to a small range of body and bath products (1a). During this time, Deon met Dianna, who became his business partner. Although the business was successful, selling a range of 400 products, Deon and Dianna became aware of a need to refocus because manufacturing home-wares in Australia is relatively tough. Following an inspirational business trip to India to source silk, the partners decided to off load all their stock and shut down D1 in Melbourne. They were sitting in the back of a New Delhi cab when Deon saw a street sign with the name MOR. The name struck a chord and on return to Melbourne, MOR Cosmetics was registered. They relaunched themselves as MOR at the next trade fair. Deon’s previous experience in the manufacturing industry provided him with added knowledge as to how to avoid pitfalls that surface during business start-ups. McGrath and Macmillan (2000) suggested that entrepreneurs with prior start-up experience have developed an entrepreneurial mind set which drives them to seek and pursue new opportunities.

Dianna was originally from Perth. She studied art and design for two years, before leaving school to work in visual merchandising for a departmental store, where she acquired practical professional skills and techniques which are not taught at universities (1a). Dianna moved to the UK at the age 19, where she gained experience working for retailers such as Harrods. She explained:

I’ve been very fortunate to meet interesting people and really good mentors throughout my whole life. I kind of felt that I missed out by not going to university but I knew I could do whatever I wanted to do. It’s that entrepreneurial spirit (1b) that being in Perth breeds. It’s very common to start your own business there and do something on your own. I don’t think I’ve ever felt that I couldn’t achieve things. I have spent a lot of time in many countries and I think a lot of that has fed into my creativity. I need it to be energised and get ideas from all over the world.

Dianna and Deon did not have ambitions to be the number one Australian body and bath company. Deon elaborated: We are business people but we are also leaders in our market. We enjoy being creative. We really do get along extremely well and it’s fun. We are young and we still want to have fun in life. We have a good time. We don’t want to be stuffy and boring (1c).
Dianna feels that their background has provided them with an advantage in the market. She explained: *A lot of people who are in this particular industry that we’re in now, don’t have our background. We can see everything from a manufacturing, design, and retail level. We can bring all those elements into the picture and it just happens to be a unique situation in the formula that we have, experiences that we have, I think that all of that and the history we have manufacturing in helps us. We know what’s possible; we know what a machine can do* (1d).

Deon and Dianna stress the importance of being up-to-date with current business trends by travelling, attending trade fairs, reading journals, and meeting with industry peers (1e). They are always learning about opening new markets or working with different distributors. For example, within the European Union, there is fluid, omnipresent legislation regarding cosmetics. Dianna elaborates: *everything is changing over there, there are different requirements. We are aware that we know what’s going on. In the future, we are able to adapt to the changes. We try to keep as informed as possible.*

**Building a Global Brand**

Deon and Dianna built the MOR brand by focussing on two main issues: product quality and aesthetics. MOR currently has offices in Melbourne and Los Angeles (LA), and was in the process of establishing an office in the UK (at the time of interview) because of the similarities in business culture between the two countries. A number of products are country specific selling a different story. MOR can be found in Liberty and Selfridges in the UK; Fred Segal, Henri Bendel, Nordstrom, and Sephora (the latter is one of the largest cosmetics retail chains in North America & Europe) in the US; David Jones and Myer in Australia; and with extensive distribution networks in Asia, including South Korea, Hong Kong, Thailand, Singapore, and Japan.

MOR was supplying only to several retailers in LA prior to opening their office in US. With a stroke of serendipity, an industry representative contacted the founders after coming across their catalogue. Dianna, on meeting her commented: *we found the right person. It was a coincidence. We had a lot of confidence in her, and her experience, that it would work out. We were very similar in our mind set, she spoke the same language. She had the same ideas for the brand.*
Initially, Deon and Dianna considered using a distributor for the US market. However, they did not want to be misrepresented in this large market as distributors usually purchase products that they believe the market will want. For example, their UK distributor was unsatisfactory. They didn’t do store refills, were sloppy, and were over pricing the products. MOR has the right to terminate the agreement when distributors misrepresent MOR, and do not shape up.

Within smaller, unfamiliar markets such as South Korea, Hong Kong, Japan, Taiwan, Thailand, and Singapore, MOR’s products are also sold vis-à-vis distributors who undergo a tedious screening process that require them to sign a 60-page legal document binding them to promote the brand to various stores. Usually, distributors don’t make it to first base. The brand is getting enough recognition on a world scale. We get five enquiries a week. We’d have a check list that they have to go through first, and see if they qualify. We have a whole deal. We are quite prepared. When they get that document, we usually never hear from them again. We have expectations of our distributors. How you want to see the brand represented, your turnover etc.

The following section is a contextual analysis of interview data which identifies five key resources promoting this firm’s market-driving, customer, learning, and entrepreneurial-oriented stance, that is, employee recruitment; team environment, fun climate and culture; and employee skills training.

**Employee Recruitment**

MOR employees are required to be passionate and demonstrate fit (2a), in order to assist the company experience growth continuously (10f) for the next five to eight years (2a → 10f). Dianna explains: They have got to be versatile to fit into this situation. Thinking outside the square is really important because there is always more than one way in solving problems. Everyday is really problem solving (2b). There has to be a connection plus the professionalism (2c). They also have the sense to do the job. Basically, Deon and Dianna emphasize recruiting employees who share MOR philosophies and gel with their current team of employees.

**Team Environment, Fun Climate and Culture**

The two CEOs emphasizes a sense of a team environment (3a) (1 → 3a). Deon elaborates: it’s about a real culture here. It’s amazing. Dianna adds: You can’t be all sort of static. In our industry, it’s about fashion, you have to hype it up a bit. There is fashion, media, celebrity, hype
all the time. Everybody in the company has to feel that way (3b). Deon also stresses the importance of good culture, spirit, and having fun (3c). As with most other FGFs interviewed, the work environment is casual and close knit. Within MOR, even during times of stress, *having fun is the fibre or thread that holds these things together. We always go out as an organisation. Every month or two, we have a big dinner or big bash where everyone gets drunk on champagne or wine. It’s all part of it. We have a lot of fun together as a team. It’s quite morale strengthening (3d) when we can spend some time out of the office, get to know each other on a more personal level. Employees experiencing difficulties are encouraged to talk to Dianna or Deon: If they had a problem, any dramas, or internal issues, they can just come up to us (3e).

**Employee Skills Training**

The Fast 100 encourage staff to regularly update their skills and obtain further education (Gome & Tan, 2005). Being an employee focused company, Dianna says: *To get staff to the next level, we are always trying to nurture the staff to get them good at what they do. They don’t always have the skills, it might not be as polished, but we can get them to that level with a bit of training. Everybody has their different strengths so, you try and identify their weaknesses and help them out with that* (4).

**Market-driving Strategies**

In response to criticism (Hamel & Prahalad, 1991) that MO (conceptualized as being market-driven) is a reactive process, Jaworski et al. (2000) identified two forms of MO -- market-driven versus driving market approaches. Market-driven businesses adopt a reactive stance and focus on trying to learn, understand, and respond to stakeholder perceptions and behaviour (Jaworski et al., 2000). In contrast, driving markets processes involve proactive strategies that aim to change the structure of the marketplace or the rules of the game. Driving markets involve leading customers rather than being predominately responsive to the ongoing requests of customers. These investigators believed that truly market-oriented firms combine both approaches. In the light of views expressed by Jaworski et al. (2000), MOR appears to focus on market-driving strategies and reflect two dimensions of Narver and Slater’s (1990) MO conceptualization: customer orientation and interfunctional coordination.

As a market leader, MOR is persistently working on having a following of customers (retail buyers). Products are design driven. Deon elaborates: *If we feel that the product should be on the
market, we will invent it and make it happen. We are always leading our customers and saying, you have to do this now. They like to be led. They love it. If you can lead your customers, that’s a better way to go anyway. You don’t want them leading you (5).

He adds:

It’s a desirable product, you’ve got to make them want it, and obviously it sells. It’s just something to talk about, be excited about, and give them the energy they need. In the retail environment, it’s quite difficult to be out there. You need something that stimulates you all the time, visuals, smells, texture of the product, or the fact that it’s completely different and no one has anything like that, the exclusivity of it. Deon believes that these characteristics are what his retail customer values. Those are all important things for the retailer. It can be very tiresome. So we try and create them through the product (1 & 2 ➔ 5 ➔ 11a ➔ 10k).

Both founders seem to support market-driving strategies throughout their firm, instilling these values in their employees. Similarly, in relation to their products, MOR concentrates on creating fresh fashion trends within the body and bath industry. Dianna elaborates:

You don’t see the elements we have in our brand in other body care and cosmetics products. Inspiration doesn’t just come from fashion, it comes from all sorts of things like architecture, food etc. There are so many elements in the development of a product, from the ingredients to packaging (1 & 2 ➔ 5).

**Market Orientation**

**Customer Orientation**

MOR communicates frequently with their customers, including end customers (i.e., prime demographics: 25 to 40 year old career women), wholesalers, and retailers. Our retail customers tell us everything. They tell us exactly what they like and don’t like. On a consumer level, we keep a log of all emails and attend to them very quickly. Customers are the main focal point. Inherently, we are very customer focused as a brand (6a). We keep an eye in beauty chat groups and what people are saying about the product.
MOR attends to matters swiftly with regard to end-customers. Dianna elaborates:

We get so much feedback from the consumer, through the website. We respond very quickly to our customers and if there was an issue, we attend to it very quickly; they always will email or write us a letter and thank us for the experience. One of our customers wrote, ‘WOW! That was the quickest response! Within the hour, like I’ve got a response from you and you’ve sorted everything out, now you have a customer for life’ (1&2 → 6a).

MOR is able to increase end-customer loyalty by being quick on the uptake on customer issues (6a → 10g).

**Competitor Orientation**

Competitors are mostly foreign. However, competition is not only about companies in the body and bath industry. It is also about fighting for strategic floor space in department stores. Competitor information is shared among employees. Dianna explains:

Don’t get me wrong, we do get feedback about what other people are doing, but we don’t base our decisions on what other people are doing. I think we go out there and do what we do. We are pretty much lone rangers. We are too far ahead, our own competition is ourselves. We look at what we have done, and the standards we’ve set (1 → 6b). There is an expectation from our customer to deliver the same quality.

**Interfunctional Coordination**

Information on customers and marketing success is communicated across the organization. Dianna explains: We have an open office, and nothing gets passed anybody here, so it’s a good thing from a communication point of view. Nobody is ever outside the loop. We have a lot of meetings as well. The 1st tier of management here: We have our board meetings, all those topics are covered as well (3f → 6c).

**Learning Orientation**

The following section reports on how MOR displays a commitment to learning, shared vision, and open mindedness, three characteristics identified as being associated with LO.
Commitment to Learning (7a)
Being learning-oriented recognizes opportunities to learn from collaborations with customers, suppliers, and other potential learning partners (Sinkula et al., 1997). Deon elaborates: *We spend a lot of time overseas seeing trends, what is happening and we will get so excited about a little new technology, this new product. For us, it is to embrace technology that is coming through and different things that happen. It’s really important to keep ahead* (1e → 7a). Burmas strongly encourages that knowledge gained by individual staff members be disseminated effectively throughout the company. He says: *We are a young company with young staff* (2d). *We are all growing and learning together. It is one of the key reasons for our success* (2d → 7a → 10h). Employee learning is given a top priority. Dianna explains: *Not different to us, where you are constantly learning, and you get excited about new things. So should they (employees). They are helping and relieving us. So they need to be up to speed as well* (2e → 7a).

Shared Vision (7b)
Within MOR, organizational values are made explicit. This position is achieved through regular focus meetings, board meetings, and weekly staff meetings. Dianna adds:

> It is important that staff know what they are working towards (7b). Everyone is kept up to speed. They know what is going on in every area even though it doesn’t concern them. They thrive on that: What new things are going to happen, new possibilities, and that keeps them informed. It keeps the goals common to everybody because if we were very private about that, people start feeling that there is a lack of communication.

Open Mindedness (7c)
Being able to reflect critically on decisions can indicate open mindedness (Sinkula et al., 1997). Encouraging employees to think outside the box and contribute original ideas can help organizations move forward (1 → 7c). During recruitment, potential employees are also given certain scenarios to test their ability to provide innovative solutions (2 → 7c).

Deon and Dianna encourage staff to question the way things are done through healthy debates. *The sales and production might disagree on something, and there would be a debate about it where all the extreme views are put on the table. It often achieves a better result, and then everyone gets excited about the next process* (2b → 7c). Burmas frequently questions traditional
practices. **Cosmetics are traditionally dominated by men in suits who have set ways of doing things. Our manufacturers say we do things differently from our formulas to visual quality control** (1 → 7c). These disparate practices (discussed in the following section) can also be considered entrepreneurial.

**Entrepreneurial Orientation**

**Innovativeness** (8a)

MOR launches 120 to 150 new products annually, compared to 10 to 20 introduced by competitors. **We are building the range to provide retailers with variation and depth.** Each retailer sells different products. Consequently, according to Deon, **MOR penetrates the market better than any competitor ever would.** For us, it is important to give the consumer diversity and we have **480 products in the range now** (1 → 8a). That’s a really big range. You go to any local company, they won’t even have anything near to what we have in bath and body (5 → 8a).

**Proactiveness**

MOR is usually the first company to introduce new products, marketing a new range every six months (in contrast, competitors, on average, do this only annually). According to Dianna, it is not uncommon for competitors to contact our supplier and take our product. They say, “I want to make something like this”. Thank goodness our supplier tells us when that is happening!

**Calculated Risk Taking**

Making bold decisions, such as entering overseas markets demonstrates an attitude of being not scared to try new things. It’s not that hard, having the right people gets everything done. You just do it. You take a chance. Trading is just like selling to yourself, you are your own distributor, and you have to have control. People always say, that’s so difficult, going into the US market, I mean no one that we know, throughout the whole giftware industry or anyone we do trade fairs with, has a US office.

As mentioned earlier, while operations are handled internally in North America, Australia, and the UK, distributors are employed in Asia. In uncertain situations, advice from experts is regarded as essential. **In every area, whether it’s legal, financial or business, we will always take advice, and if we don’t have the right people, we find them.**
Marketing Capabilities
While focus has not been on marketing at a consumer level, MOR is preparing to head in that direction. *We are trying to get better at that, and are investing money in that area. It’s a progressive learning curve at the moment. Our marketing budget is spent on retail catalogues for the wholesale person rather than the end consumer.* MOR’s marketing comprises product development (i.e., art & design, product differentiation, quality), marketing management (i.e., segmenting markets), marketing communications (i.e., brand building, beauty editorials, public relations), and relationship (i.e., with publicists, distributors, beauty editors, and retailers) capabilities. The following section discuss capabilities in relation to MOR.

Product Development Capabilities (9a)
MOR invests heavily in the art and design department of their business, focusing on catalogues, product designs, and aesthetics. *We don’t outsource, we bring all those sort of stuff internally. It gives us an incredible competitive edge. Most people who do what we do wouldn’t have this element in the business* (2 Æ 9a). It is perhaps surprising that Deon and Dianna do not actively search to expand their markets, claiming: *You have to have confidence in the product, that’s what it is about. We sit back and let the product do the talking.* Catalogues are regarded as an important selling tool. *We can send an 80-page catalogue to a store in another country, which costs AUD$7 to produce. People take us seriously. Just from the catalogue, clients would order cold from that. Our story is told through this medium* (9a Æ 10i).

Products are highly differentiated in terms of content and outlook. Competing purely on quality, Deon describes: *The formulations are high quality, aesthetic and packaging on the product, the whole lot. We won’t release it through the door unless it looks perfect. If the label is crooked, it wouldn’t go out of the door.* MOR innovative methods of launching 140 products every six months for different retailers provides their firm with a product advantage (8a Æ 9a). Deon explains: *You stay a step ahead. Launching 140 products puts us in a category, so, it’s just impossible. No other bath and body company even comes close to what we’ve got. They have a long way to catch up now* (5 Æ 9a).

Marketing Management Capabilities
Segmenting the market. Essentially, MOR segments the market to suit different target audiences by supplying a disparate product range to retailers based on their clientele. *We try and
keep it as different as we can just so the customer gets options. We try and profile the customer according to the store. For example, a store targeting younger people might carry a Juice range, which is perceived as funkier. When a store is salon based, the Deluxe Spa range is carried. Utilising different stores, going to different fashion areas is a really new thing for most body care brands (6a → 9b).

MOR explores different retailing avenues by going into new fashion areas: to align ourselves with fashion week. Fashion is a relatively new area for body and bath brands. We want to be associated with clothing, shoes and accessories, everything fits into a lifestyle. MOR was contacted by Sabi, a lingerie shop, to retail the Dolce range, which is consistent with their product offerings. According to Deon, we have never gone out to talk to potential retailers; we can’t keep up as it is. Trade fairs are our showcase and that’s it.

Products are also segmented according to different themes. For example, the Icelandic range is kind of funky. It’s a sub cultural type happening place, [whereas with Ibiza Disco] - you get everything from your full on party animal to those glamorous rich kids. That island is full of lots of interesting pubs, bars, and places to eat. It’s very beautiful, so we thought of something a little bit more fun for the party girl.

Marketing Communications Capabilities

**Branding with amenities.** As a branding exercise, MOR supplies amenities to hotels, airlines, and resorts. The Versace hotel in the Gold Coast, Queensland approached MOR to supply amenities for their hotel after coming across MOR products by accident (9a → 10i). MOR planned to operate under licence for amenities, professing not to be experts in the hotel area. Although this is not the most profitable part of their business, brand exposure is attained. Another case in point, is the MOR Icelandic range which was sold to a retailer in Iceland. Employees there decided to take it to Iceland air, and try to get products on the flights. They wanted to pitch it to Iceland air...Icelandic is not even an amenity, it’s just a line.

**Beauty editorials.** MOR affiliates their products with fashion-based magazines, advertising on one to two page fashion spreads. Their marketing manager actively ensures that products are constantly featured in magazines. MOR contacts the media and invites beauty editors to their office for one-on-one sessions.
Currently, MOR uses public relations to communicate with the media. *We have special events where we invite them to see the new range. There was a big media event in Sydney held at a beautiful gallery for the media, where all the editors were wined and dined. There was nice food and we themed everything according to the products. So if we have food, we have elements of what the products are. Everything is connected so it’s a nice experience for them and tells a little bit more about the image that we want to project. This gives them something to write about, and they learn more about the product on a one-to-one basis.*

**Relationship Capabilities (9d)**

MOR maintains sound relationships with publicists, distributors, beauty editors, and retailers. Deon seeks feedback from them, elaborating:

*We’re always prompt, active, always answering their questions, getting things done. We are very active. Distributors are easy to deal with, it’s about communication. We wouldn’t know so much the competitors relationship with their distributor. These relationships are important because they are really not part of MOR. They are representing MOR. If we didn’t have it, I wouldn’t feel comfortable dealing with them.*

In Dianna’s work with publicists, she explains: *We have some good relationships because we are based in Los Angeles and Hollywood, Beverley Hills, which is quite in the thick of celebrity land. You know someone, who knows someone. For example, employees of retailers would inform MOR that Charlize Theron, Ivana Trump, or Adam Sandler’s wife has visited and bought something. Oprah’s producer also contacted MOR when Oprah wrote a full page on their fig and olive product. We do not pay anyone for endorsements. We often get feedback from celebrities. Thus, in terms of non-paid media (10j), Dianna explains:* 

*It really has to do with our relationships. We established the relationships since we were MOR. That’s just being on the telephone. Now they actually come down here, or we have special media events. You get to know them because you go to the same events. You meet them, a lot of the beauty editors. We get invited to different launches. Our personalities have a lot to do with it too (1 \(\rightarrow\) 9d). We are very sociable people so it makes a lot of difference. There is a business side to it, unfortunately we are always so busy, but you have to mix business with pleasure at the same time. You want to have a bit of fun, have some drinks, go to a nice cocktail*
party, you make friends, you do a bit of business, and it always goes hand in hand (9d → 10j).

**Customer Value**
Customer perceptions are often different from those of retailers. MOR has not actively researched customers’ reasons for using their products, as the focus has not been marketing at a consumer level. Nevertheless, based on email feedback from retailers, consumers, and beauty forums, Deon and Dianna believe that customers value beautiful pampering products (i.e., packaging, ingredients). *Your mind can make you feel healthy or sick. But these perceptions, it’s all about a feeling as much as anything else.* They also attribute customer value to customer experiences and perceptions elicited when buying their products. Dianna describes:

> You are attracted to it because you think it is beautiful. That soap is beautiful; I am going to look at it. Then you pick it up and then the whole experience: you smell it; you buy it and follow through. You take it home, and the formulation, the ingredients are so amazing. You got to take someone by the hand all the way through. If you are attracted to buy the body wash over there, you know you are looking at it, you might read the ingredients. You have to follow all the way through. It’s meeting the final use of the product, that you met the customers’ expectations. You need to marry that. You need to connect all that, the experience is what they hope for (9a → 11b → 10k).

**Firm Performance**
Deon and Dianna reported that most, if not all, of their products have been successful (10a) with customers being satisfied with their purchases. Feedback is provided by retailers and end-customers through emails, phone calls, and positive word-of-mouth (10b). *You can see that through what the retailers are reordering* (10c).

MOR has been *really good* in overall marketing effectiveness especially via non paid media. Dianna explains: *You need to spend time with them, and you hang out together sometimes, you do all that kind of stuff, you are going to work with these people, you need to be friends with them. It’s all relationship based with the right people. They are good promoters, people who are out there to promote you* (9d → 10j).
Although the present investigator is not privy to profit and loss reports (other than audited turnover figures), MOR appears to be a profitable business that will continue growing, and reinvesting profits/knowledge gained back into the business. Dianna attributes success to: The whole machine behind it. The passion is the answer. Passion the staff have, they push it out onto the product and what you see, from the design side. It’s what makes us competitive, we like what we do (2a → 5 → 9a → 10a).

Case Study Summary
Deon and Dianna’s background in manufacturing, design, and retail, along with their entrepreneurial spirit, travel experiences, creativity, and youthful and fun personalities appear in no small way to influence the ways in which MOR operates as an enterprise. In order to promote firm growth, they seek individuals who display a passion for the business, display culture fit, and who can work in a team environment and have fun. Nurturing staff development is also regarded as an important ingredient. This company focuses on simultaneously driving the market and being customer oriented. Deon and Dianna consider MOR to be ahead of the body and bath industry. Consistent with other FGFs, MOR is not competitor oriented, managing to gain a loyal customer base by being customer focused as a brand.

LO is viewed as vital for employee well-being. Recruitment of likeminded youthful staff helps MOR learn and adapt quickly to different environments, ultimately driving success. As an entrepreneurial firm, MOR has been able to launch ten times more products than competitors. Their product range is aligned to current lifestyles and fashion.

MOR focuses on four major marketing capabilities: product development (i.e., art & design focus, product differentiation via quality), marketing management (i.e., segmentation via target markets), marketing communications (i.e., branding, public relations), and relationships (i.e., with publicists, distributors, editors, retailers) capabilities.

Their products are considered to be the talking piece driving sales. Deon and Dianna have taken advantage of approaches by potential distributors or retailers when entering new markets. New markets and customers are captured through the strategic application of tailored products. Product development capabilities are linked to retail and end customer value and firm performance.
MOR remains creative by segmenting the market into different retailing avenues. In this way, end-customers and retailers attain choice and variety. As a way of branding and complementing retail sales, MOR entered the hotel and airline industries, thus enabling expansion into different and unfamiliar areas of trade.

Another driver of performance concerns relationships with the media (e.g., magazines). The founders have built and maintained these relationships virtually since inception and gained non-paid media exposure publicity for MOR products. Celebrity focus has also given the firm added mileage in the North American market.

Customers are not directly questioned about what they value in bath and beauty products. Notwithstanding, MOR strongly believes that retail customers emphasize visuals, smells, texture, exclusivity, and unique product ranges. By way of contrast, it appears that end customers value packaging, ingredients, and the experience of using its products. Accordingly, customer value perceptions are aligned with product quality and aesthetics, leading to increased sales (firm performance). In short, this business relies on creative employees who are passionate about their job and are quite capable of consistently developing innovative products. Below, is a summary of interrelationships that are shown in the causal network model.

**MO Antecedents**
- CEO characteristics (1) $\rightarrow$ (6a: customer orientation)
- Recruitment (2: employee characteristics) $\rightarrow$ (6a: customer orientation)
- Organizational climate/environment (3f: open) $\rightarrow$ 6c: interfunctional coordination

**Market-driving Antecedents**
- CEO characteristics (1)
- Recruitment (2), (2a: employees who are passionate and fit in)

**Learning Orientation Antecedents**
- CEO characteristics (1e: well traveled and up-to-date with current trends) $\rightarrow$ (7a: commitment to learn)
- Recruitment (2d: youthful employees, 2e: constantly learning) $\rightarrow$ (7a: commitment to learn)
- CEO characteristics (1) $\rightarrow$ (7c: open mindedness)
- Recruitment (2b: versatile employees) $\rightarrow$ (7c: open mindedness)

**Entrepreneurial Orientation Antecedents**
- CEO characteristics (1) $\rightarrow$ (8a: innovative)
- Market-driving/proactive market orientation (5) $\rightarrow$ (8a: innovative)

**Consequences of Market Orientation**
- (6a: customer orientation) $\rightarrow$ customer value (11b: packaging, ingredients, experience)
- (6a: customer orientation) $\rightarrow$ marketing capabilities (9b: marketing management – segmentation capabilities)
- (6a: customer orientation) $\rightarrow$ firm performance (10g: customer loyalty)

**Consequences of Market-driving**
- Entrepreneurial orientation (8a: innovative)
- Marketing capabilities (9a: product development)
- Retail customer value (11a: visuals, smells, texture, and exclusivity of products)

**Consequences of Learning Orientation**
- (7a: commitment to learn) $\rightarrow$ firm performance (10h: success)

**Consequences of Entrepreneurial Orientation**
- (8a: innovative) $\rightarrow$ marketing capabilities (9a: product development)

**Customer Value and Firm Performance**
- Retail customer value (11a: visuals, smells, texture, and exclusivity of products) and end customer value (11b: packaging, ingredients, experience) $\rightarrow$ firm performance (10k: increase in overall sales)
**Other Direct Drivers of Firm Performance**

- Marketing capabilities (9a: product development) → (10a: successful products, 10i: increased sales in different markets)
- Marketing capabilities (9d: relationship capabilities) → (10j: non paid media exposure)
- Recruitment (2a: employees who are passionate and fit in) → (10f: firm growth)

The following Chapter comprises a deductive and inductive cross-case analysis of these four cases. Comparisons are made in relation to main categories: MO, LO, EO, marketing capabilities, customer value, firm performance, CEO characteristics, human resource practices, and organizational culture and climate. For each case, summaries of all causal relationships are provided and compared.
Chapter 6

Findings and Discussion: Cross-case Analyses

Utilizing a cross-case analysis of four case studies, this chapter addresses five research questions derived from Study 1 (see Chapter 3, pp. 125-127). A principal aim of cross-case analysis is to derive conclusions, moving beyond initial impressions of individual cases. Key findings across cases are discussed within the context of a conceptual model derived from Study 1. While Study 1 reports on interrelationships between variables within a framework of a proposed model, this section examines the how, what, and why of findings emanating from Study 1 in relation to current literature, and as promulgated by the four case studies presented as part of Study 2.

The inductive nature of qualitative research propelled the present researcher to extend the hypothesized model originating from Study 1, and to develop theoretical conceptualizations in relation to competitive advantage (CA) in fast-growth firms (FGFs). Data collection and analyses were carried out concurrently such that initial data analytic procedures helped to shape the direction of subsequent information collected. This process provided opportunities for increasing the density and saturation of recurring categories, as well as following up unexpected findings. Interweaving data collection and analysis in this way is held to increase insights and clarify parameters of emerging theory (Glaser & Strauss, 1967; Strauss & Corbin, 1998).

Inductive approaches also call for initial data collection and preliminary analyses to take place prior to incorporating research literature in order to ensure that analyses are based on data, and that pre-existing constructs do not shape analyses and subsequent theory formation (Ali & Birley, 1999). Thus, in the context of this thesis, inductive analysis plays an integral part in theory development, driven by findings derived from interviews with CEOs/founders. As reported in in the Method section of Chapter 4 (i.e., Study 2), both inductive and deductive procedures were utilized. Employing deductive reasoning (Hyde, 2000), the following section discusses case study findings in terms of the five research questions which emerged from Study 1. The subsequent section, however, applies inductive reasoning to understand material derived from FGF CEOs in order to develop a theoretical conceptualization of CA.
Research Question 1: What are the ways in which FGFs implement firm business orientation, marketing capabilities, customer value, and firm performance?

Research Question 2: For what reasons are only particular elements of market orientation (MO), learning orientation (LO), and entrepreneurial orientation (EO) evident in the present model?

Research Questions 1 and 2 are addressed with respect to how FGF CEOs incorporate market, learning, and EOs as part of the day-to-day running of their organizations, relevant marketing capabilities, and firm performance. The ensuing discussion concerns MO, LO, EO, and marketing capabilities of the current four cases, culminating in a cross-case analysis of issues concerning firm performance.

**Market Orientation**

On the basis of the present cases (Table 6.1), organizations appear to be cognizant of their markets and customers, and are interfunctionally coordinated. As can be seen in Table 6.1, each firm spends considerable time with customers, and understanding their requirements is regarded as a norm (necessity), rather than an exception. As a case in point, Smart Advertising (Smart) employees are rewarded for customer related proactive ideas, whereas Dixon Appointments (Dixon) trains their staff to identify potential clients suitable for their firm. Undertaking customer research, communicating with customers, and seeking feedback to improve products/services form an integral part of their business strategies.

Consistent with the findings of Study 1, overall, FGFs tend not to be competitor oriented (Tan & Smyrnios, 2006b). As an exception, Smart is the only company that actively analyses competitors. This proclivity is not to say that companies are unaware of competitors’ strengths, weaknesses, and strategies. Contrary to large firms (e.g., Virgin Atlantic, Qantas) that regularly monitor each other’s strategies (Washington, 2005), FGFs, while acknowledging an awareness of their competitors, state that being better than competitors is not a focus. FGFs aim to be the best in their field, setting their own standards on route to achieving strategic targets. It is particularly noteworthy that recently, Armstrong and Green (2007) indicated that competitor-oriented objectives can be detrimental to firms’ profitability. Perhaps, because most FGFs are leading their market, competitors are ‘playing catch-up’ with these companies. Thus, being pioneers in
their markets requires FGFs to constantly challenge themselves relative to their competitors (Tan & Smyrnios, 2006b).

Being interfunctionally coordinated is another feature, as FGFs report regularly discussing failures and successes at weekly meetings. Although Fisher, Maltz, and Jaworski (1997) stressed a need for meetings and documented information exchange to promote interdepartmental unity, Harris (1998) postulated that in reality, dimensions of MO might not be applicable in small business sectors. Notwithstanding, the present findings highlight the importance of a customer orientation and an interfunctional coordination of activities.

**Learning Orientation**

Being learning-oriented is of fundamental value. Fast 100 companies make it a priority to create a strong learning culture and hire staff who embrace learning (Gome & Tan, 2005). Possessing a LO goes beyond collecting and disseminating organizational knowledge. Changing mental models and articulating organizational vision to shape cultures and values are important elements (Senge, 1990). Challenging assumptions can be difficult, however, this research informs us that FGF leaders challenge the status quo, unlearning detrimental traditional practices. Questioning norms might be a feature of relatively young CEOs of emerging firms. Alvesson (2002) suggested that large organizations, by contrast, can be characterized by uncertainty, bureaucracy, and distrust. FGF leaders seem to work towards ensuring that ongoing learning not only extends prior experience, but also focuses upon acquiring and incorporating new sources of knowledge from both employees and related organizational learning processes.

Table 6.2 reveals that learning is associated with introducing new and better ways of undertaking activities within firms. Whilst Mor Cosmetics (MOR) founders spend considerable time overseas identifying new market trends, their employees are encouraged to participate in this process, so that learning and growth occurs in tandem. Dixon regards learning as a prerequisite for being successful in the recruitment industry. As noted previously, there is merit when employees share a company’s vision and utilize sound communication, providing staff with a road map of where their enterprise is heading and what learning is required to help their company arrive. Staff members are kept in the loop.
Being able to reflect critically on decisions indicates a degree of open mindedness and is an essential part of creating a LO (Calantone et al., 2002). For example, Table 6.2 shows that Smart’s CEO does not dictate ways in which employees are to complete certain tasks, allowing staff to generate their own creative ideas and strategies. Similarly, Sitepoint and MOR encourage employees to voice their opinions, and to be open to criticism and constant change. Founders of these two organizations believe that change is a necessity and that traditional practices should be questioned. For example, Mark Harbottle, founder of Sitepoint elaborated: *I love change very much. When things get process driven and stale, I actually get bored. So give me change for any reason, and I will take it on board.*

Indirectly, growth can challenge company norms because of the so-called unlearning of what is known of the market. For example, Dixon questions their beliefs about task and market environments, and encourages employees to test the validity of their beliefs about cause-effect relationships that might guide their behavior. Hilary Dixon explained: *What was absolutely crucial last year may not be crucial next year. So, it’s important to always think why do we do it this way? We constantly change the things we do...there are no sacred cows, you can’t say because you’ve always done it this way that this is the way to do it.* Accordingly, learning-oriented organizations tend to be more competitive than their counterparts because of their ability to respond quickly to changing markets and unpredictable events (Sinkula, 1994). It might also be easier for young organizations to unlearn because *they operate with a ‘clean slate’...what they (and the organization) learn is not jaded by the experience lessons of history* (Sinkula, 2002, p. 255).

**Entrepreneurial Orientation**

FGF owners are entrepreneurially oriented. As these firms grow organically, one route to growth is through the provision of differentiated services. As mentioned earlier, process innovation is not an uncommon characteristic (Tan & Smyrnios, 2005c). Similarly, Flint, Larsson, Gammelgaard, and Mentzer (2005) described that *innovation does not need to be new to the world, merely new in the eyes of the beholder* (p. 114). FGFs can be regarded as being proactive, seizing opportunities as they arise, leaders in their own industries, pioneers of change, and calculated risk takers (Table 6.3). A focus appears to be on exploiting opportunities. These findings accord with those of Study 1.
### Table 6.1 Market orientation dimensions

<table>
<thead>
<tr>
<th>Market Orientation</th>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Orientation</td>
<td>Smart adopts a broad-based approach to clients, developing solutions for all aspects of their business including product, service, logistic, or distribution ideas.</td>
<td>Strong emphasis on solving problems, confronting issues, and finding solutions for customers.</td>
<td>Customer details are kept on Sitepoint’s database, allowing the company to regularly monitor customer demographics.</td>
<td>Chooses to lead their retail customers (driving markets) by creating new and fresh fashion trends in the body and bath industry. Products are design driven.</td>
</tr>
<tr>
<td></td>
<td>Employees are rewarded for proactive ideas and are actively encouraged to immerse themselves in their clients’ and clients’ competitor businesses.</td>
<td>Employees are trained to identify client fit for Dixon.</td>
<td>Monitors the level of commitment in serving customer needs: clients are sent emails 2-3 weeks after purchase about feedback and satisfaction. Customers leave testimonials.</td>
<td>Customer focused as a brand.</td>
</tr>
<tr>
<td>Competitor Orientation</td>
<td>Knowledgeable of competitors’ capabilities, strengths, and weaknesses.</td>
<td>Not competitor oriented.</td>
<td>Customer centric: 24/7 customer support through the website, guarantees a 24 hour turnaround.</td>
<td>Regular communication with retail customers and wholesalers.</td>
</tr>
<tr>
<td></td>
<td>Holds monthly management meetings to discuss who is doing what and where.</td>
<td>Focus on customers and doing their jobs well.</td>
<td>Customers are targeted by using Google keywords.</td>
<td>Feedback from end-customers via emails, beauty forums.</td>
</tr>
<tr>
<td>Inter-functional Coordination</td>
<td>Factors associated with failure and success is discussed regularly.</td>
<td>Dixon arranges two weekly meetings to discuss Opportunities: things that can be improved for the future. (e.g., if there is a problem with the client or a placement, Dixon investigates what went wrong and how they can manage it better in the future).</td>
<td>During weekly meetings, opportunities arise to make announcements and discuss successes, book reviews, and current sales.</td>
<td>Responds to customer complaints/issues within one hour.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Emails are sent out regularly to all staff. The CEO frequently communicates with staff by meeting his staff at their work place.</td>
<td>Not competitor oriented.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Flat organizational structure.</td>
<td>Regards their organization as being ahead of the market.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Compete with themselves.</td>
</tr>
</tbody>
</table>

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Contrary to research which postulates that possessing an EO includes being competitive aggressive, Table 6.3 shows that the present cohort of FGF CEOs report not possessing an *undo-the-competitors* posture. Although these enterprises are extremely competitive, as revealed by taking clients from competitors or poaching employees from competitor firms, these organizations appear not to respond to actions initiated by competitors. These findings are in contrast to Garcia-Lillo and Marco-Lajara (2001) who identified that aggressive firms tend to have higher growth rates. It seems that these FGFs are aggressive in terms of their actions, but not with respect to any intention of eliminating competitors.

Table 6.2 Learning orientation dimensions

<table>
<thead>
<tr>
<th>Learning Orientation Commitment to learning</th>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commitment to learning</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regularly learning new and better ways of doing things throughout the organization.</td>
<td>Learning is what <em>promotes your mind to think</em> and create new ideas and new solutions.</td>
<td>Sparks creativity in the mind and the way you solve problems in the way you think about issues.</td>
<td>To encourage learning, the CEO recruits employees who are passionate about their work.</td>
<td>Founders spend time overseas identifying new trends (embrace new technologies)</td>
</tr>
<tr>
<td><strong>Shared Vision</strong></td>
<td>Employees understand core values and knows what they are.</td>
<td>The CEO presents the company’s game plan for growth and how they are performing 6-monthly.</td>
<td>Employees seem to share similar company values.</td>
<td>Employees and management grow and learn together.</td>
</tr>
<tr>
<td><strong>Open Mindedness</strong></td>
<td>Employees <em>do not dictate</em> how people should work.</td>
<td>Always looking at new ideas and new ways of doing things.</td>
<td>Belief that change is absolutely necessary.</td>
<td>Always learning and gets excited about new things.</td>
</tr>
<tr>
<td><strong>Does not dictate</strong> how people should work.</td>
<td>Belief that change is absolutely necessary.</td>
<td>Employees are always required to <em>problem solve, rethink, and innovate solutions</em>.</td>
<td>Encourages employees to <em>voice their opinions</em> on all firm activities.</td>
<td>Encourage employees to question the way things are done through healthy debates.</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>Employees are always required to <em>problem solve, rethink, and innovate solutions</em>.</td>
<td>Open to criticism and constant change.</td>
<td><strong>Employees</strong> possess a sense of ownership because they are empowered, can influence change, and make decisions on their own.</td>
<td>Questions traditional practices.</td>
</tr>
</tbody>
</table>
Table 6.3 Entrepreneurial orientation dimensions

<table>
<thead>
<tr>
<th>Entrepreneurial Orientation</th>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative</td>
<td>Employees encouraged to arrive at <strong>innovative ways of communicating their client's brand propositions</strong></td>
<td>Does not regard themselves as massive innovators</td>
<td>Business model innovation</td>
<td>Launches 120-150 new products yearly - <strong>product range</strong> is <strong>14 times the norm</strong></td>
</tr>
<tr>
<td>Proactive</td>
<td>Pioneers of change, <strong>leading creative thinking</strong> rather than just following</td>
<td><strong>Introduces new services regularly</strong>: Triggered by customers Important that firms are not <strong>tardy</strong>, seizing <strong>opportunities</strong> as the need arises, and move forward assertively</td>
<td><strong>First mover advantage</strong>: one of the first companies to sell print-on-demand books and e-books</td>
<td><strong>First to introduce new products</strong> introducing new ranges every 6 months (competitors do this yearly)</td>
</tr>
<tr>
<td>Risk Taking</td>
<td><strong>Calculated high risk behavior</strong>: assesses upside and downside</td>
<td>Recruitment services industry is generally <strong>not regarded as risky</strong>.</td>
<td><strong>Ahead of the market Conservative</strong> regarding high risk activities.</td>
<td>Undertakes <strong>calculated risks</strong> such as entering overseas markets</td>
</tr>
<tr>
<td>Competitive Aggressiveness</td>
<td>Constantly calling up potential clients for credential meetings</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Note.** N/A means not applicable

**Marketing Capabilities**

Fast growth entrepreneurs view marketing as important. Firms demonstrating strong market and EO tend to approach marketing functions differently to those of their counterparts (Morris et al., 2002). Table 6.4 shows that not all marketing capabilities are associated with each firm. For example, Sitepoint attributes part of their success to possessing high quality distribution systems, whereas MOR believes their advantage is attributable to relationships with magazine editors and retailers. Marketing activities in SMEs need to be practical and relevant (Tan & Smyrnios, 2006a). Perhaps, not surprisingly, researchers (Beverland & Lockshin, 2004) report that SMEs practice **marketing in context** (Carson & Gilmore, 2000, p. 2), crafting marketing approaches and reacting to day-to-day market changes, and follow a much less complex process in making strategic marketing decisions compared to larger corporations (Jocumsen, 2004; Simpson & Taylor, 2002).

The present research reveals that FGFs do not practice marketing haphazardly and informally. There are two principal marketing capabilities on which these four organizations focus: developing new products/services and building quality relationships with stakeholders (Table
6.4). FGF entrepreneurs seek to offer the best products/services, rather than competing on low prices. The present findings are consistent with Brooksbank (1992) who advocated that higher performing SMEs compete more on the basis of providing value (product differentiation) to customers, by offering broad product lines or customized products, rather than competing on price alone. FGFs adopt top quality strategies as a requirement, rather than a choice (Sexton & Seale, 1997).

Product/service development capabilities, marketing communications (e.g., branding), and relationship capabilities are characteristics evident across all cases. Forming strong relationships with different stakeholders along the supply chain is integral. It goes without saying, however, that competitors are likely to hold or work towards developing similar quality relationships with suppliers, distributors, retailers, and customers. Consequently, marketing in FGFs seems to be focused on providing products/services responsive to customer needs and building business relationships for positive word-of-mouth. Entrepreneurial firms also promote resource leveraging which might comprise guerrilla marketing. Reuber and Fisher (2005) advocated reputation signaling as a way in which organizations position themselves in the marketplace, a technique compatible with guerilla marketing. Findings indicate that the present enterprises utilize at best three activities which can be considered forms of guerilla marketing: WOM, use of testimonials, and achieving industry awards.

**Table 6.4 Relevant marketing capabilities**

<table>
<thead>
<tr>
<th>Marketing Capabilities</th>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/service development capabilities</td>
<td>Creative way in which Smart is run has provided an added advantage.</td>
<td>Continuously introduces new services.</td>
<td>More responsive to customer needs due to their closeness to customers vis-à-vis their website.</td>
<td>Invests heavily in art and design for catalogues, product design, and aesthetics.</td>
</tr>
<tr>
<td></td>
<td><strong>Best strategic, creative, and professional services.</strong></td>
<td>Monitors interest level and keeps Dixon with fresh ideas and testing the market place and see what interest people and you become a resource.</td>
<td>Also generates ideas by observing the topics that participants discuss on the online forums.</td>
<td>Products are differentiated based on content.</td>
</tr>
<tr>
<td></td>
<td>Engages in sound creative work that staff are proud of.</td>
<td></td>
<td>Product ideas stem from customers and employees.</td>
<td>Quality focus.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sitepoint has successfully published 15 web development related books.</td>
<td>Products are the talking piece for sales (potential customers order from catalogues without viewing products). Table continues...</td>
</tr>
<tr>
<td>Marketing Capabilities</td>
<td>Smart Advertising</td>
<td>Dixon Appointments</td>
<td>Sitepoint</td>
<td>Mor Cosmetics</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------</td>
<td>-------------------</td>
<td>-----------</td>
<td>---------------</td>
</tr>
<tr>
<td>Market Research Capabilities</td>
<td>N/A</td>
<td>This activity has assisted the company to <strong>understand existing customers</strong> and markets.</td>
<td>Undertakes research with their current audience which is regarded as representative of the market (information is not regularly analysed).</td>
<td>N/A</td>
</tr>
<tr>
<td>Pricing Capabilities</td>
<td>N/A</td>
<td>N/A</td>
<td>Pricing has a major impact on Sitepoint’s success. Core strength is <strong>online marketing</strong>.</td>
<td>N/A</td>
</tr>
<tr>
<td>Marketing Management Capabilities</td>
<td>N/A</td>
<td>Marketing strategies are <strong>planned 12 months ahead</strong>, reviewed weekly/monthly. Strategies are tailored to their target market in a marketing plan. The plan shows the overall strategy and makes sure that the entire client base is covered.</td>
<td></td>
<td>Segmenting the market Retailers carry different skews of products. Product ranges are profiled according to stores. Also segmented into themes.</td>
</tr>
<tr>
<td>Marketing Communications</td>
<td>Branding</td>
<td>Undertakes <strong>brand awareness campaigns</strong> (e.g., Christmas promotions, workshops, breakfast briefings, interview skills training for clients). Branding is very important for unknown small agencies in this industry.</td>
<td><strong>Branding</strong> is an important aspect of marketing for Sitepoint. The CEO ensures that the message conveyed is consistent and products are of <strong>high quality</strong>. Competitions.</td>
<td>Branding with amenities Supplies hotels, airlines, and resorts to increase brand exposure. Beauty editorials Affiliates products with fashion based magazines, advertising 1-2 page fashion spreads. Public relations Invites the media to special events for new product launches.</td>
</tr>
</tbody>
</table>

Note: N/A means not applicable
### Marketing Capabilities

<table>
<thead>
<tr>
<th>Relationship Capabilities</th>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solid working relationships with media and production companies to create the best for work clients.</td>
<td>Dixon is selective about with whom they work so that resources are utilized in the most effective manner. These like-minded partner organizations are predominately companies that are also growing, successful, and value the people they hire.</td>
<td>Relationships are all equally the same.</td>
<td>Maintains relationships with four main stakeholders: publicists, distributors, beauty editors, and retail customers.</td>
<td></td>
</tr>
</tbody>
</table>

### Distribution Capabilities

| N/A | N/A | Competitive edge is attributed to its distribution system. |
| N/A | N/A | Online customer purchases are a complete experience |

### Other Marketing Activities

| Guerilla Marketing industry awards (within the case, this was discussed as a performance measure). | N/A | Direct Marketing Guerilla Marketing free book/magazine reviews, virtual word-of-mouth (WOM) marketing, industry awards, testimonials, and Google keywords. |
| N/A | N/A | Free downloadable samples of books on their website. |

*Note. N/A means not applicable*
**Firm Performance**

FGF CEOs appear to measure firm performance differently to large organizations and their slow-growth counterparts (Table 6.5). Apart from the application of standard financial performance measures such as those concerning profits and growth, these enterprises also utilize measures of positive word-of-mouth (Smart & MOR) and customer satisfaction (Dixon). Not surprisingly, these fast growth companies adopt a multi-level approach involving different sources and contexts to performance measurement, including use of subjective and objective employee performance indices, attainment of industry awards, receipt of client reports, website popularity, and number and quality of successful innovations adopted. Another key focus is staff retention. Founders highlight the importance of providing employees with flexible environments and career opportunities as a way to reduce churn. Such organizational characteristics signal nonfinancial benefits and incentives of working in these types of firms to potential employees and customers. These findings are in accord with current literature (Pun & White, 2005) which advocates associations between performance measurement systems and strategies.

Conceptual models of CA indicate that performance is usually measured in terms of market share and profits. However, literature (Carson, Cromie, McGowan, & Hill, 1995) reports that small firms are less likely to use market share as an indicator of performance because of niche markets and small customer bases. For SMEs, research (Hogarth-Scott et al., 1996; O'Donnell et al., 2002) highlights that positive WOM recommendations are one of the most important means of acquiring new customers. In terms of SME CA, a key performance outcome measure is quantity and quality of WOM recommendations. The present findings reflect those of O'Donnell et al. (2002), demonstrating that levels of customer loyalty can be regarded as a significant performance outcome since repeat business is, if not, more important than acquiring new customers.
Table 6.5 Firm performance measures

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income reinvested into the business</td>
<td>Good return business, customer satisfaction, profits which can be distribute to staff (results in staff retention)</td>
<td>Profitable company</td>
<td>Successful products</td>
</tr>
<tr>
<td>3 main performance measurement systems: Financial performance ratios (i.e., salaries, income, and expenses)</td>
<td>Multi-leveled approach to measuring performance: Auditing of key tasks Analysis of data and records</td>
<td>Reputation of the most well known, popular sites in the web development area (alexa.com rating)</td>
<td>Positive Word-of-Mouth</td>
</tr>
<tr>
<td>Client reports (i.e., clients’ business performances as indicators of how well Smart performs)</td>
<td>Customer feedback assessments Independent surveys internal reporting process</td>
<td>Measures firm performance via: Key Performance Indicators (KPIs) for almost all employees. The consistent KPI's are: Revenue Growth (both generally and for the specific area the staff works in); Innovation (how many employee ideas were executed); Quality; sitepoint.com popularity growth; and Profit (for GM &amp; CEO only).</td>
<td>Product reordering</td>
</tr>
<tr>
<td>Industry awards (i.e., indication of how well Smart is performing against their peers)</td>
<td>Measures employee performance by incorporating a 360° feedback program</td>
<td></td>
<td>Marketing effectiveness</td>
</tr>
<tr>
<td>Word-of-Mouth Growth rates</td>
<td></td>
<td></td>
<td>Profitable</td>
</tr>
</tbody>
</table>

Interrelationships between Marketing Capabilities, Customer Value, Business Orientation, and Firm Performance

In the subsequent section, interrelationships between marketing capabilities, customer value, business orientation, and firm performance are discussed in terms of three research questions emanating from Study 1.

Research Question 3: For what reasons is only one marketing capability dimension related to firm performance in fast-growth companies?

Consistent with Study 1, the present findings show that product/service development capability is the only marketing capability related directly to firm performance (Table 6.6). This result runs contrary to research on large organizations (e.g., Vorhies & Morgan, 2005), indicating significant interrelationships between a number of marketing capabilities, and their subsequent impact on enterprise performance.
Study 2 participants do not consider other marketing capabilities to be direct drivers of firm performance, rather highlighting the importance of other marketing activities (e.g., word-of-mouth marketing) as being relevant to their firms. CEOs emphasize the importance of branding as a way to increase awareness amongst potential clients (Dixon), expanding markets (MOR), providing consistency in service delivery and supply of top quality products (Sitepoint), and attracting highly competent employees and potential customers (Smart). However, these activities are not necessarily superior to those of competitors, nor direct drivers of firm performance.

Table 6.6 shows that marketing capabilities affect different aspects of enterprise performance. For Smart, product/service development capability is associated with word-of-mouth communications. For MOR, number of successful products and increased sales in different markets are related to marketing capabilities. In terms of relationship capabilities, the ways in which Dixon relates to clients is linked to increased business. MOR’s relationship with the media and celebrities enhances non-paid media exposure, another firm specific performance measure.

Study 1 reveals nonsignificant relationships between relationship capabilities and firm performance. Three possible reasons for these nonsignificant associations emerge from Study 2: firm performance measures are company specific; performance is not measured relative to major competitors; and associations between relationship capabilities and firm performance might be mediated via customer value as resources alone do not confer CA (Fahy, 2000; Fahy & Smithee, 1999; Slater, 1996).

Table 6.6 Relationships between marketing capabilities and firm performance

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/service development capabilities → word-of-mouth</td>
<td>Relationships with clients (relationship capabilities) → increased business</td>
<td>Distribution capabilities → profits</td>
<td>Product development capabilities → successful products, increased sales in different markets</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Relationship capabilities → non paid media exposure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Product development capabilities (emphasis on quality); pricing capabilities; guerrilla marketing → increased sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Guerrilla marketing → popular website</td>
<td></td>
</tr>
</tbody>
</table>
Research Question 4: Do fast growth companies take into consideration customer value?

FGF entrepreneurs are customer centric, analyzing markets and their customers, regularly introducing new services/products that meet customer requirements. Customer value is dynamic, evolving over time, determined by customers’ views rather than suppliers’ assumptions or intentions (Doyle, 1989). MOR and Sitepoint do not explicitly ask customers what they value, although the CEOs of these two organizations seem to believe that they understand their customer behavior patterns because of the amount of time they spend with clients and via personal observation. Dixon, by contrast, emphasizes the importance of understanding customer perceptions. This point is articulated by the following example. Within the recruitment industry, services offered are often viewed as homogenous. Dixon’s challenge is to convince clients of their company’s position of difference in service offerings. Table 6.7 shows CEOs’ opinions of what they think customers value. As can be seen in this table, Smart’s clients’ value creative ideas which result in achieving client objectives, whereas MOR’s customers (retail buyers) seem to value visuals, smells, and texture of their products.

Tan and Smyrnios (2006b) suggested that CEOs hold particular views of what they believe their customers’ value. Such judgements seem to be based, inter alia, on repeat business and service, exceeding customer expectations, and providing what might be regarded as superior customer service. Value-driven companies spend sufficient time with customers so that they have a fundamental understanding of their customers’ businesses, and their current and latent needs (Slater, 1997). This type of organization seeks to understand which product features provide customer benefits versus adding to product costs without giving customers incentives to buy (Slater, 1996). In other words, FGFs analyze their customers’ experiences and attempt to differentiate themselves at all points along the supply chain (MacMillan & McGrath, 1997).

Table 6.7 Company perceptions of customer value

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint Practical books - connection with the Sitepoint brand</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative and strategic product ideas</td>
<td>Clients value: experience, resources, speed of response, people, technology, strategic approach to recruitment, risk management, accessibility, confidentiality, compliance with legal and statutory requirements, and best practice.</td>
<td>Retail buyers’ value: visuals, smells, texture, exclusivity and a completely different experience.</td>
<td>End customers’ value: packaging, ingredients, and the experience.</td>
</tr>
<tr>
<td>Achieve client objectives</td>
<td>Match brand strategy with client expectations</td>
<td>Fulfil clients’ brand values and expectations</td>
<td></td>
</tr>
</tbody>
</table>
**Relationships between positional advantage and customer value.** Consistent with Guenzi and Troilo (2006), present findings reveal that the capacity to create superior customer value stems from marketing capabilities. Table 6.8 shows that different marketing capabilities for each company are significant antecedents of customer value, suggesting that superior marketing capabilities, as evaluated by the founders themselves, are insufficient. Even though FGF entrepreneurs believe that their firms are superior to those of competitors, these characteristics appear to be associated with what they consider customers value. As a case in point, the CEO of Dixon elaborates:

*I think you can think you are doing a great job and doing the best. We live in a very insular world, and in a company, you can get a very inflated idea about yourself. You listen to your own self talk, and everyone sits around and thinks, “Oh we are the best, we are great, we are fantastic”. You can start to believe your own publicity after a while, if you are not careful and find out what other people think of you.*

![Table 6.8 Competitive advantage positions and customer value](image)

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/service development capabilities → Customer value (provide creative, strategic product ideas; matching brand strategy with client expectation; achieving client objectives).</td>
<td>Market research capabilities → Customer value</td>
<td>Product development capabilities → easy to understand books</td>
<td>-</td>
</tr>
</tbody>
</table>

**Research Question 5: Is customer value an antecedent to firm performance?**

A contextual analysis of data shows relationships between customer value and firm performance (Table 6.9). Miles and Darroch (2006) corroborates this position emphasizing that firms enjoy advantageous market positions or CA when customers perceive firms offering high value propositions. When customers view products/services as providing superior value, they are likely to become loyal customers, and inform others about their favorable experiences, consequently helping to realize increased sales and profits (Tan & Smyrnios, 2006b). For example, Ben Lilley, founder of Smart states: *We are not all just about creativity, we have to make sure our work achieves our clients’ objectives at the end of the day and that it gets results for them. That’s something that is important for them.*
Table 6.9 Relationships between customer value and firm performance

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer value (provide creative, strategic product ideas; achieving client objectives)</td>
<td>Customer value → Customer retention; increased business</td>
<td>Customer value (easy to understand books) → increased sales</td>
<td>Retail customer value (visuals, smells, texture, and exclusivity of products) and end customer value (packaging, ingredients, experience) → firm performance (increase in overall sales)</td>
</tr>
</tbody>
</table>

Business Orientation, Marketing Capabilities, and Firm Performance

Consistent with the findings of Study 1, Table 6.10 demonstrates that only certain elements of business orientation affect firm marketing capabilities and performance, including the link between commitment to learning (part of LO) and firm performance. Expected interrelationships between variables such as competitor orientation (part of MO) and competitive aggressiveness (part of EO) are surprisingly absent.

FGFs tend to be close to their customers, and consequently, are well positioned to understand their market (Tan & Smyrnios, 2004b). Business orientation underpins development of market-focused products and business relationships amongst stakeholders, contributing to perceived superior customer value and firm performance. In line with this view, Smart and Conant (1994) noted that business people with high levels of EO report holding distinctive marketing competencies. Moreover, product development literature emphasizes that product advantage is a consequence of MO (Kok, Hillebrand, & Biemans, 2003). The present study extends current literature adding that all three business orientations are required to drive product/service development advantages. In addition, findings suggest direct relationships between business orientation and firm performance. Deon Iuretigh, owner of MOR adds: *We are a young company with young staff. We are all growing and learning together. It is one of the key reasons for our success.*
<table>
<thead>
<tr>
<th>Companies Consequences of MO</th>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consequences of MO</td>
<td>Customer orientation and Competitor orientation → Marketing capabilities (product/service development capabilities)</td>
<td>Customer orientation (collects information on clients) → Marketing capabilities (market research capabilities)</td>
<td>Customer orientation → Marketing capabilities (product development, market research, direct marketing, guerrilla marketing)</td>
<td>Customer orientation → Marketing capabilities (marketing management – segmentation capabilities); customer value (packaging, ingredients, experience); firm performance (customer loyalty)</td>
</tr>
<tr>
<td>Customer orientation → Marketing capabilities (product/service development capabilities, relationship with suppliers).</td>
<td>Customer orientation → Marketing capabilities (product/service development capabilities, relationship with suppliers).</td>
<td>Customer orientation → Firm performance (overall success)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consequences of market-driving/Proactive MO</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Commitment to learning → Firm performance (financial performance ratios, growth rates)</td>
<td>Commitment to learning → Marketing capabilities (market research capabilities)</td>
<td>Commitment to learning → Firm performance (overall success)</td>
<td>Commitment to learning → Firm performance (success)</td>
<td></td>
</tr>
<tr>
<td>Learns from others → Firm performance (profits)</td>
<td>Shared vision → Overall marketing capabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment to learning → Firm performance (success)</td>
<td>Open mindedness → Customer value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consequences of LO</td>
<td>Innovativeness &amp; Proactiveness → Marketing capabilities (product/service development capabilities)</td>
<td>Proactiveness → Firm performance (increased business)</td>
<td>Innovativeness and proactiveness → Marketing capabilities (distribution capabilities)</td>
<td>Innovativeness → Marketing capabilities (product development)</td>
</tr>
<tr>
<td>Note. N/A means not applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Inductive Analysis of Case Studies

Study 1 highlighted relationships between business orientation (i.e., MO, LO, & EO) as sources of CA, and their relationships to marketing capabilities and firm performance. On the basis of a detailed inductive analysis of case studies, four further dimensions: leadership/CEO characteristics, human resource (HR) practices, organizational culture, and organizational climate are identified as outcomes of this investigation and discussed in relation to relevant literature. These qualities are not only associated with FGFs, but also seem to be intangible resources and significant antecedents to business orientation, marketing capabilities, customer value, and firm performance. In addition, while Day and Wensley (1988) asserted that profits are invested back in businesses to sustain advantage, the present analysis adds that success enhances the firm’s ability to attract potential customers and top employees. Not only are profits reinvested during the process of competition, businesses’ history/portfolio of work is also developed over time, increasing sales velocity. Hence, the model is nonrecursive.

Intangible Sources of Competitive Advantage: Leadership, Human Resource Practices, Organizational Culture, and Climate

For FGFs, leadership, organizational culture, climate, and specific human resource aspects can be regarded as integral intangible enterprise resources. Usually, small, traditional firms in highly competitive industries are unable to differentiate their strategies owing to low barriers to entry and possession of insufficient or easy to imitate resources, consequently limiting their range of viable strategic alternatives (Hofer & Sandberg, 1987). Compared to their larger counterparts, small enterprises are capable of achieving superior performance when they make better use of available resources (Penrose, 1959, p. 54), through a careful selection of appropriate strategies (Brush & Chaganti, 1998). Human capital resources, such as personal experiences, education, and commitment of entrepreneurs and employees (Honig, 1998), can also impact directly on SME performance. Entrepreneurs, no matter how talented, are unlikely to possess all the managerial skills required for business success. Organizations require a combination of capabilities (Barney, 1991), such as technical, human, and conceptual skills (Katz, 1974) in order to build talented management teams.

Researchers (Barney, 1991; Boxall, 1998; Senge, 1994) propose that firm-specific intangible sources of advantage (organizational history, culture, learning, human dimensions) that are valuable, rare, and difficult to imitate are influential in sustaining CA. Accordingly, human
resource management (HRM) and HR activities can be strategically important. Barney and Wright (1998) suggested that the challenge for HRM is to develop systems of practice that create synergistic effects rather than independent sets of best practices (Heneman, Tansky, & Camp, 2000). De Geus (1997) pointed out that talent cannot be bought nor developed as a program within companies, but can be produced by taking risks and giving people time to develop.

Organizational culture, another source of CA relevant to the present study, is less flexible (Chatterjee & Wernerfelt, 1991), difficult to modify (Barney, 1986), hard to accumulate, not easily transferred, and not consumed when in use (Collis & Montgomery, 1995). Given the relevance of this dimension, culture-building activities are sometimes necessary for organizations so that they can maintain parity with other firms. The following section examines these four dimensions (i.e., leadership, human resource practices, and organizational climate & culture).

**Leadership**

Bass (1990) defines leadership as a principal dynamic force that motivates an organization in the accomplishment of objectives. The impact of leadership on organizational effectiveness is well documented in the literature (Montes, Moreno, & Morales, 2005). Mackey and Barney (2005) posited that leaders account for 27% of variance associated with firm profitability. Daily, McDougall, Covin, and Dalton (2002, p. 391) noted that there is little disagreement that the most powerful executive position is that of CEO. Small firm CEOs tend to occupy a position of unique influence, serving as the locus of control and decision-making.

Given that most FGFs in the present sample were established less than 10 years ago, founders are also CEOs. Findings reveal that CEOs report possessing energy, determination, and love for their business. Russo (2001, p. 7) emphasized that gazelle entrepreneurs have audacious goals at the heart of what they are doing. In order to inspire employees, leaders reflect a passion for what they do, stress the importance of working hard to achieve goals; and note the importance of being open to change and criticism, along with observing and learning from markets. It is not uncommon for FGF entrepreneurs to set challenging goals and standards, striving to exceed benchmarks and to improve performance. CEOs of Smart and Dixon view aspects of their roles as inspiring, motivating, and assisting staff develop (Table 6.11). Smart’s CEO, Ben says: I love sharing my passion for our business and for our clients’ businesses, and developing new ideas and new ways of doing things with our staff.
Prior industrial or business experience is a key contributing factor for business start-up. This experience can be associated with past business successes and failures (Stokes & Blackburn, 2002). Consistent with Aldrich (1999), the present CEOs founded their businesses in sectors in which they were previously employed because of familiarity and industry knowledge.

### Table 6.11 CEO/leader attributes/characteristics

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative non-business background</td>
<td>Enjoys dealing with people</td>
<td>Knowledge of industry</td>
<td>Previous business &amp; practical experience</td>
</tr>
<tr>
<td>Ambition to develop creative business</td>
<td>Focused</td>
<td>Passionate about marketing &amp; likes to engage in new business ideas</td>
<td>Entrepreneurial spirit</td>
</tr>
<tr>
<td>Thrives on change</td>
<td>Competitive streak</td>
<td>Likes to run the business</td>
<td>Young &amp; fun</td>
</tr>
<tr>
<td>Growth oriented</td>
<td>Work oriented</td>
<td>Role to develop staff</td>
<td>Background in manufacturing, retail, &amp; design</td>
</tr>
<tr>
<td>Passionate about life</td>
<td></td>
<td>Previous experience as a teenager</td>
<td>Well traveled &amp; up-to-date with current trends</td>
</tr>
<tr>
<td>Energizes, motivates, and inspires employees</td>
<td></td>
<td>Open to criticism &amp; constant change</td>
<td></td>
</tr>
<tr>
<td>Encourages innovative thinking</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Consequences of Leadership

Findings demonstrate that CEOs have wide ranging influences on their firms, affecting recruitment of employees targeted to display and to possess particular qualities (e.g., passionate go-getters). This influence extends to organizational characteristics including organizational culture (e.g., instilling politic free cultures), organizational climate (e.g., that are fun, open), MO (e.g., customer orientation, interfunctional coordination), LO (e.g., commitment to learning, shared vision, open mindedness), EO (e.g., innovativeness, proactiveness, risk taking proclivities), and ultimately firm performance (Table 6.12). Passion and ambition to grow their businesses and attain success can influence organizational cultures and employee experiences.

Being passionate, hard working and high achievers, alone, does not drive success. These leaders need to be supported by likeminded individuals who are able to fit into specific cultures (Keeley, Keeley, Knapp, & Rothe, 1998). As founders influence value systems, entrepreneurs tend to attract and select people who share similar values (Schneider, Smith, & Goldstein, 2000). The
present findings are consistent with Heneman et al. (2000) who identified that CEOs/founders of fast-growth SMEs are not so much concerned with traditional HRM practices but rather with matching personal characteristics of employees to the values and culture of their firms. Similarly, Tan and Smyrnios (2005b) reported that FGFs strive to target staff who have relevant skills and knowledge, as well as distinct personalities that accommodate to firm culture. Mark Harbottle, Sitepoint’s owner, explains: The final hurdle is an interview with the CEO to make sure that the person fits culturally. We don't look for a specific 'type' of person as much as we make sure the person will fit in and work well with the team.

Leadership and organizational climate and culture. Culture and climate is either the creation of founders/top management or develops organically in tandem with a business (Choueke & Armstrong, 2000). A review of the literature (Senge, 1990) identifies scant attention being paid to investigating relationships between leadership and organizational culture and climate in SMEs. Amabile (1998) suggested that leaders affect employee work attitudes and motivation, influencing work environments and organizational culture.

Leadership and business orientation. Narver, Slater, and Tietje (1998), and Day (2002) noted that CEOs are vital for maintaining market-oriented cultures in organizations. A critical question remains: What styles of CEO leadership cultivate personnel to adopt a MO (Narver et al., 1998)? Researchers (Harris & Ogbonna, 2001a) have identified a number of qualities: participative, supportive, caring, achievement oriented with delegation, supportive, being a coach/mentor (Kasper, 2002), charismatic (Zhou, Gao, Yang, & Zhou, 2005), transformational (Carrillat, Jaramillo, & Locander, 2004; Menguca, Auh, & Shih, in press), and being effective when providing structure to tasks (Stock & Hoyer, 2002).

Although Study 2 did not focus specifically on identifying leadership styles as antecedents of MO, findings reveal a number of CEO qualities that are associated with promoting development of a customer orientation and interfunctional coordination amongst employees, and driving learning-oriented activities within their firms. These characteristics include a sense of youthfulness, having fun personalities, enjoying dealing with people, thriving on change, and being open to criticism, growth oriented, passionate about work, employee focused, and up-to-date with current trends. For example, Deon from MOR elaborates: We are young and we still want to have fun in life. We have a good time. We don’t want to be stuffy and boring. In addition,
Ben describes himself as: *I am by nature an energetic, enthusiastic, outgoing and optimistic person.*

The current CEO of Smart ensures that all employees are aware of successes and failures in their firm. Hilary, founder of Dixon, holds the view that customer complaints are important as client opinions can highlight weaknesses in services. Mark (Sitepoint) elaborates that his teenage experiences contributes substantially to him instilling a customer focus in the way he runs his business (Table 6.12). He illustrates: *I thought, if you look after customers, the same kind of people would come back to the shop and they would say, the only reason I come to this shop is because I can get your help. I could go to the shop next door but I go out of the way to come to this store. I saw the value in looking after the customers.* As mentioned earlier, these entrepreneurs believe in being fully customer centric, acknowledging competitor moves but not basing decisions on competitor activities. This attitude stems directly from the founders themselves. Hilary (Dixon) explains: *This will sound terrible to a marketing person but in some ways, I’m aware of competitors, but they don’t determine what we do. It’s our customers that determine what we do.*

A number of authors (Farrell, 2000; Senge, 1990) discuss the importance of leadership in shaping values, culture, and style of firms. For this reason, Slater and Narver (1995, p. 69) recommended that leaders should share information readily, motivate employees to learn, and challenge their own assumptions and mental models. Farrell (2000) noted that transformational leadership, rather than transactional and laissez-faire leadership styles, is crucial in helping individuals to learn and reach their full potential. Table 6.12 reveals that transformational leadership styles, incorporating founder abilities to energize, motivate, and inspire employees (Smart), is an important antecedent of shared vision and open mindedness (LO). Overall, CEO characteristics appear to drive all three LO dimensions.

EO antecedents have been investigated in terms of several founder personality characteristics such as, tolerance for ambiguity and locus of control (Entrialgo, Fernandez, & Vazquez, 2000; Lumpkin & Erdogan, 1999), achievement motivation (Entrialgo et al., 2000), self-efficacy (Poon, Ainuddin, & Junit, 2006), and social capital (Manev, Gynoshev, & Manolova, 2005). The present findings suggest that entrepreneurs’ passion for life, orientation towards business growth, openness to change and criticism, and entrepreneurial spirit are related to three EO dimensions:
innovativeness, proactiveness, and risk taking proclivity. Table 6.12 shows interrelationships between leadership/CEO characteristics and firm dimensions.

**Table 6.12 Consequences of leadership/CEO characteristics**

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEO attributes → Recruitment</strong> (passionate, quality, on-the-edge employees)</td>
<td>CEO characteristics → Organizational climate/environment; (MO: customer orientation, competitor orientation, interfunctional coordination); (LO: shared vision); (EO: proactiveness, risk taking proclivity, competitive aggressiveness)</td>
<td>CEO characteristics → Organizational culture (culture of information sharing). Recruitment (utilizes survey methods to stream applicants); Organizational climate</td>
<td>CEO characteristics → (MO: customer orientation; LO: open mindedness; EO: innovative)</td>
</tr>
<tr>
<td>CEO attributes (Ambition to develop a creative business) → Agency culture (politic free)</td>
<td>CEO characteristics (role to develop staff) → (LO: open mindedness)</td>
<td>CEO characteristics (previous experience as a teenager) → (MO: customer orientation)</td>
<td>CEO characteristics (well travelled and up-to-date with current trends) → (LO: commitment to learn)</td>
</tr>
<tr>
<td><strong>Transformational leadership → Recruitment</strong> (passionate, quality, on-the-edge employees)</td>
<td>Transformational leadership → (LO: shared vision)</td>
<td>Transformational leadership (energize, motivate, and inspire employees) → (LO: open mindedness)</td>
<td>Transformational leadership (energize, motivate, and inspire employees) → (EO: innovative/creative)</td>
</tr>
<tr>
<td>CEO characteristics → (MO: interfunctional coordination)</td>
<td>CEO attributes (passionate about life) → (LO: open mindedness)</td>
<td>CEO characteristics (believe in continuous change) → (EO: proactiveness)</td>
<td>CEO characteristics (previ</td>
</tr>
</tbody>
</table>
encompasses abilities influenced by genetic factors (e.g., intelligence, health, personality, attractiveness) and acquired skills such as education, job training, tenure, work experience, and interpersonal relationships (Shanahan & Tuma, 1994).

The most significant difference between SMEs and large firms in HRM practices is not what but how practices are adopted (Cardon & Stevens, 2004; Kotey & Slade, 2005; Nguyen & Bryant, 2004). Creativity, innovation, willingness to take risks, cooperation, interactive behavior, and tolerance for ambiguity are important behaviors in small and emerging firms (Balkin & Logan, 1988) but possibly less vital in larger established firms. HRM practices can be utilized to promote employee commitment, participation in decision making, and shared ownership (Block & Macmillan, 1993), the findings of which are consistent with this study. For example, Luke Cuthbertson, Sitepoint’s general manager explains: The culture is defined by a very flat management structure, an absence of internal politics and a sense that the staff "own" the company. Mark has made an obvious effort in asking for regular feedback, and then making sure it is not dismissed, but rather acted on. It is unusual to see a boss so regularly and confidently questioned by the staff.

**Recruitment.** Fast-growth companies not only compete for customers, but also for the best employees. The present cross-case analysis reveals that FGFs seem to go to lengths to engage top personnel. Table 6.13 shows that staff are selected on the basis of their qualities (e.g., level of enthusiasm, career drive; and abilities to solve problems, confront issues, find solutions, and think). Employees are passionate and demonstrate culture fit, versatility, professionalism, youthfulness, and a desire to learn. It can be observed that these characteristics mirror those of CEOs in the present sample.

**Rewards/remuneration.** Table 6.12 shows that compensation mechanisms, incentives, and benefits are primarily monetary (e.g., bonuses), merit-based, and involve salary increases (Greiner, 1972). Incentives can be used for promoting proactive ideas amongst employees (Tan & Smyrnios, 2005b).

**Staff development.** FGF leaders depend heavily on the abilities and efforts of employees to maintain growth-oriented strategies. Extraordinary efforts are often taken to equip employees with skills necessary to meet most challenges (Barringer & Jones, 2002). Those who possess
Effective and transferable skills are more likely to be able to face the demands of fast-changing work environments (Kerr & McDougall, 1999). Fast growth SMEs utilize systematic approaches to train and develop staff, including structured training and recommended attendances at formal and informal external courses (Jones, 2004), the findings of which are reflected in the present study (Table 6.13).

### Table 6.13 Human resource practices

<table>
<thead>
<tr>
<th>Human Resource Practices</th>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment</td>
<td>Passionate, enthusiastic, talented, quality, creative, and on-the-edge employees</td>
<td>Happy &amp; enthusiastic</td>
<td>The best</td>
<td>Utilizes survey methods to weed out applicants to get top employees</td>
</tr>
<tr>
<td></td>
<td>Employee fit within a culture</td>
<td>Career driven</td>
<td>Ability to solve problems, confront issues &amp; find solutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Headhunt top senior employees</td>
<td>Always thinking</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pursue prospective clients</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff Remuneration/Reward</td>
<td>Bonuses and profit sharing</td>
<td>Individual and team performance</td>
<td>Monetary (depending on the job)</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Rewards proactive ideas</td>
<td>Bonuses and profit sharing</td>
<td>Verbally congratulating employees and recognising them within the company structure if they recommended ideas to help the company</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Focus on staff satisfaction and morale</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Staff motivation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee development/training</td>
<td>Formal strategic thinking, creative development, and productions</td>
<td>Job skill training</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Informal training</td>
<td>Multi skilled training</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Staff Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase knowledge, experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial support, resources, flexible time arrangements for study</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Personal development</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. N/A means not applicable
Consequences of Human Resource Practices

Two unique findings emerge from Study 2: the relationship between recruitment and marketing capabilities (product development & market research) and associations between HR practices (e.g., recruitment, employee training, rewards, & staff development) and firm performance (e.g., staff retention, firm growth, & overall success). Not surprisingly, the present study suggests direct relationships between HR practices and business orientation.

Human resource practices and market orientation. HR practices (e.g., recruitment, training, & compensation/rewards) facilitate market-oriented behaviors (Webster Jr., 1988). Other HR related MO antecedents include high performance work systems (HPWS), internal marketing (Bansal, Mendelson, & Sharma, 2001), and internal MO (Gounaris, 2006).

Harris (1996) noted that an inadequate acknowledgment of employees’ marketing efforts is indicative of a lack of market-based evaluation and reward systems. According to a number of investigators (Day, 2002; Hartline & Ferrell, 1996; Scott & Bruce, 1994), employees should be evaluated and compensated based on specific criteria including effort, commitment, teamwork, customer orientation, and willingness and ability to solve customer problems.

The present findings demonstrate that FGFs tend to provide quality customer service because their employees are both capable and willing to respond positively to customer and market needs. Two HR antecedents of MO (Table 6.14) can be realized when employees are given formal training on strategic thinking and creative development (Smart), and job skill training (Dixon). Employee training can include an emphasis on knowledge accumulation and learning (Fischer et al., 1997). These findings are in contrast with literature (Pulendran, Speed, & Widing, 2000; Santos & Stuart, 2003; Strong & Harris, 2004) which regards customer focused training (as opposed to overall job skill training) as being an antecedent of customer orientation. One possible explanation for this difference could relate to hiring employees who possess inherent characteristics, such as, understanding that customer-centric views are fundamental to their employing firms. Hence, there is no need for customer-related training.

Human resource practices and learning orientation. Researchers (Jaw & Liu, 2003) who have concentrated on drivers of organizational learning, propose a number of learning-oriented HRM processes including, encouraging commitment to the firm, empowerment, supporting benefit
programs, comprehensive training, and performance, contributing to employees’ positive learning attitudes.

Present findings indicate that employee characteristics (e.g., being passionate & on-the-edge) can influence LO. For example, Smart personnel are encouraged to question current practices and incorporate innovative thinking (open mindedness). Similarly, Dixon hires whom they consider to be the best employees: individuals who are on the look out for new ways of doing things. MOR makes it a point to recruit staff who are committed to learning, versatile, and capable of adapting to fast moving environments. Sitepoint engages workers who love technology, the personnel of which are rewarded for being innovative and open to novel ideas (open mindedness) (Table 6.14). Hilary (Dixon) demonstrates the importance of HR and learning by explaining:

Anyone who is not learning is not thinking. And this isn’t a job for people who don’t think. We deal with people, they are very dynamic creatures because you can never say you finished learning. The people who succeed in our job have a very deep and intense interest in other human beings and find them fascinating so there is no end of sources of what you can learn about them. I think that the concept of learning is what promotes your mind to think and create new ideas and new solutions

**Human resource practices and entrepreneurial orientation.** A review of the pertinent literature (Sciascia et al., 2006) indicates one study investigating relationships between EO and HR practices (employee rewards). However, a number of investigations (Chandler & Hanks, 1994) have concentrated on associations between HR and innovative strategies. Recruiting employees who are passionate about their work, and have an ability to solve problems, confront issues, and find solutions for developing innovative products/services and be persistently ahead of the market (EO), is another noteworthy finding to emerge from this study. Ben (Smart) illustrates: Smart is constantly looking for individuals who are enthusiastic about finding new ways to solve clients’ business problems. The professional services industry thrives on creativity and ideas, and requires passionate people who are the lifeblood of our business.
### Table 6.14 Consequences of human resource practices

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee training</strong> (formal training on strategic thinking, creative development)  →  (MO: customer orientation)</td>
<td><strong>Recruitment</strong> (employee characteristics)  →  (MO: customer orientation)</td>
<td><strong>Recruitment</strong> (employees who are passionate about technology)  →  (LO: commitment to learning)</td>
<td><strong>Recruitment</strong> (employee characteristics)  →  (MO: customer orientation)</td>
</tr>
<tr>
<td><strong>Recruitment</strong> (passionate, quality, on-the-edge employees)  →  (LO: open mindedness)</td>
<td><strong>Employee training</strong> (job skill training)  →  (MO: customer orientation)</td>
<td><strong>Employee training</strong> (employees who are passionate about technology)  →  (EO: innovativeness and proactiveness)</td>
<td><strong>Recruitment</strong> (youthful employees, constantly learning)  →  (LO: commitment to learn)</td>
</tr>
<tr>
<td><strong>Employee training</strong> (formal training on strategic thinking, creative development)  →  (LO: open mindedness)</td>
<td><strong>Recruitment</strong> (ability to solve problems, confront issues, and find solutions)  →  (EO: proactive; Firm performance: customer retention)</td>
<td><strong>Rewards</strong>  →  (LO: open mindedness)</td>
<td><strong>Recruitment</strong> (versatile employees)  →  (LO: open mindedness)</td>
</tr>
<tr>
<td><strong>Recruitment</strong> (passionate, quality, on-the-edge employees)  →  (EO: innovative/ creative, proactive)</td>
<td><strong>Recruitment</strong> (career driven employees); <strong>Employee training</strong> (job skill training); <strong>Rewards</strong> (bonus and profit sharing); <strong>Staff development</strong> (increase knowledge and development, financial support, flexible time arrangements for study; personal development, career development  →  (Firm performance: staff retention)</td>
<td><strong>Rewards</strong> (employees who thrive on innovation and results, hard working employees)  →  (Firm performance: overall success)</td>
<td><strong>Recruitment</strong> (employees who are passionate and fit in)  →  (Firm performance: firm growth)</td>
</tr>
<tr>
<td><strong>Recruitment</strong> (ability to pursue prospective clients)  →  (EO: competitive aggressiveness)</td>
<td><strong>Rewards</strong> (rewards proactive ideas)  →  (EO: proactive)</td>
<td><strong>Recruitment</strong> (employees who are passionate about technology)  →  (EO: proactive)</td>
<td><strong>Recruitment</strong> (employees who are passionate and fit in)  →  (MCs: product development and market research capabilities)</td>
</tr>
<tr>
<td><strong>Rewards</strong> (employees who are passionate about technology)  →  (EO: proactive)</td>
<td><strong>Employee training</strong> (job skill training)  →  (MO: customer orientation)</td>
<td><strong>Employee training</strong> (employees who are passionate about technology)  →  (EO: proactive)</td>
<td><strong>Recruitment</strong> (employees who are passionate about technology)  →  (EO: proactive)</td>
</tr>
<tr>
<td><strong>Employee training</strong> (informal training)  →  (MCs: relationships with clients)</td>
<td><strong>Recruitment</strong> (ability to solve problems, confront issues, and find solutions)  →  (EO: proactive; Firm performance: customer retention)</td>
<td><strong>Rewards</strong> (employees who thrive on innovation and results, hard working employees)  →  (Firm performance: overall success)</td>
<td><strong>Recruitment</strong> (employees who are passionate and fit in)  →  (MCs: product development and market research capabilities)</td>
</tr>
</tbody>
</table>

Note. MCs means marketing capabilities

### Organizational Climate

Organizational culture and climate are terms that are often used interchangeably (Patterson et al., 2005) and their meaning is sometimes unclear in various contexts (Denison, 1996). Deshpande and Webster Jr. (1989) defined these constructs by outlining culture as a deeply rooted set of values and beliefs that provide norms for firm behavior. Ferris et al. (1998) described climate as a set of shared attitudes, values, and beliefs (among employees) that relate to how organizations operate. Relative to organizational culture, these climate characteristics are temporary and changeable. Owing to difficulties associated with developing and sustaining appropriate
behaviors, it is important for organizational cultures and climates to be complementary. For example, values are difficult to sustain when appropriate incentives do not exist (Day, 1994).

Table 6.15 demonstrates that CEOs in the present study believe in providing stimulating work climates/environments to encourage creative thinking and flexibility. Ensuring that employees are content is viewed as a prerequisite to success. To illustrate, one FGF founder in Tan and Smyrnios (2005b) claims to motivate staff by making a point to let them know whenever they have carried out a work-related task well, adding that it goes a long way to build a happy work environment. The present findings reveal the importance of open, supportive, relaxed, and fun organizational climates. For example, Deon exemplifies fun and supportiveness in MOR:

_Having fun is the fibre or thread that holds these things together. We always go out as an organization. Every month or two, we have a big dinner or big bash where everyone gets drunk on champagne or wine. It’s all part of it. We have a lot of fun together as a team. It’s quite morale strengthening when we can spend some time out of the office, get to know each other on a more personal level. If they had a problem, any dramas, or internal issues, they can just come up to us._

Open climates are also conducive for debates, discussion, and developmental processes as these activities facilitate creative solutions (Shalley & Perry-Smith, 2001). Open sharing of information and freedom to act can also be considered as a means of emphasizing opportunities for communication and dialog (Nicholls-Nixon, 2005).

### Table 6.15 Organizational climate/environment

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fun</td>
<td>Team approach</td>
<td>Happy</td>
<td>Team environment</td>
</tr>
<tr>
<td>Relaxed</td>
<td>Fair</td>
<td></td>
<td>Fashion, media, celebrity, hype</td>
</tr>
<tr>
<td>Open</td>
<td>Open office</td>
<td>Flexible</td>
<td>Fun</td>
</tr>
<tr>
<td>Office a place to hang out</td>
<td>Cliché dot-commy environment</td>
<td>Morale strengthening</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Supportive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Open</td>
</tr>
</tbody>
</table>

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Consequences of Organizational Climate

Given that FGFs in this study employ less than 50 employees, it is not surprising that the casual and open climates instilled by CEOs make it relatively easier for these firms to coordinate their activities (Table 6.16). These enterprises appear to be less departmentalized when compared to their larger counterparts. Casual, flexible, and open door organizational climates enhance the promotion of open mindedness and shared vision (LO). For example, the maintenance of open door policies permits employees to speak their minds and express innovative ideas. The present research also identifies links between organizational climate and product/service development capabilities, and firm performance (e.g., staff retention, profits).

Organizational climate and market orientation. Organizational climate is an important antecedent to MO (Slater & Narver, 1995). Strong connections and communication flows among different functional areas, and the absence of inter-functional conflict are characteristics of market-oriented firms (Narver & Slater, 1990). Employees who are supportive of each other are more likely to establish strong connections and communication flows among different functional areas, create supportive organizational climates, and demonstrate increase organizational commitment (Schuster et al., 1997). Although Slater and Narver (1995) suggested that organizational climate affects MO, these relationships were tested empirically only recently (Nwankwo et al., 2004; Wei & Morgan, 2004). Wei and Morgan (2004) concluded that managers (n=110) should support employees by enhancing HR systems that facilitate practices to boost positive employee feelings and manager supportiveness. Utilizing the Kohli and Jaworski (1993) measure of MO, relevant data were analyzed utilizing structural equation modeling (SEM) techniques. However, the findings of such analysis should be viewed with some caution as SEM is best suited for relatively large data sets (Kelloway, 1998).

Organizational climate and entrepreneurial orientation. The practices of Smart suggest an association between organizational climate and EO. Ben elaborates: We have drinks in the bar whenever you want. You can wear whatever you want, do whatever you want, as long as you are doing your job well. People like the fact that they can also relax and have a good time while they are doing great work. Belausteguigoitia (2002) examined relationships between EO and six organizational climate factors: supportive management, clear role expectations, safe self-expression, perception that one’s work significantly affects organizational processes and outcomes, belief that organizations appreciate and recognize one’s effort and contribution, and
challenging work that requires the use of creativity and a variety of skills. All climate factors were found to be associated positively with EO (autonomy, pro-activity, risk taking, innovation, & competitive aggressiveness) in a sample of Mexican family and non-family firms.

**Table 6.16 Consequences of organizational climate**

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Staff motivation</strong> (focus on staff motivation and morale); <strong>Recruitment</strong> (passionate, quality, on-the-edge employees)</td>
<td>Organizational climate/ environment (team approach, fair) (\rightarrow) (Firm performance: <strong>staff retention</strong>)</td>
<td>Organizational climate (casual) (\rightarrow) (MO: <strong>interfunctional coordination</strong>)</td>
</tr>
<tr>
<td></td>
<td>Organizational climate (relaxed) (\rightarrow) (EO: <strong>innovative/ creative</strong>)</td>
<td>Organizational climate (casual, flexible) (\rightarrow) (LO: <strong>shared vision</strong>)</td>
<td>Organizational climate (\rightarrow) (MCs: <strong>product development capabilities</strong>)</td>
</tr>
<tr>
<td></td>
<td>Organizational climate (open door) (\rightarrow) (LO: <strong>open mindedness</strong>)</td>
<td>Organizational climate (supportive) (\rightarrow) (Firm performance: <strong>overall success</strong>)</td>
<td>Organizational climate (flexible) (\rightarrow) (Firm performance: <strong>profits</strong>)</td>
</tr>
<tr>
<td></td>
<td>Organizational climate (relaxed) (\rightarrow) (MCs: <strong>product/service development capabilities</strong>)</td>
<td>Note. MCs means marketing capabilities</td>
<td></td>
</tr>
</tbody>
</table>

**Organizational Culture**

The present findings show that CEOs work towards instilling high performance, politics-free, and innovative cultures (Table 6.17). Personnel who operate in fast-growth environments are required to cope with high performance cultures, to quote Mark, the founder of Sitepoint: *The culture demands performance from individual team members while the staff is very supportive of each other.*

Besides, politic-free cultures have the potential to lessen concerns of being *stabbed in the back* by colleagues, allowing employees to concentrate solely on doing their job. Ben (Smart) explains further: *We have been very careful about making sure that the kinds of people we bring in understand we are not trying to create some kind of fiefdom, where everyone has their little political group. We don’t have those layers of management that can start to demoralize staff or get in the way of doing great work because you have power plays going on.* Depoliticizing might be a feature of FGFs and SMEs because of their size, but can become problematic as these enterprises grow.
Table 6.17 Organizational culture/values

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core values (Brave, Fresh, Inspired, True)</td>
<td>Honesty &amp; integrity</td>
<td>Defined by a flat management structure</td>
<td>N/A</td>
</tr>
<tr>
<td>High performance</td>
<td>Innovative recruitment for clients</td>
<td>Culture of sharing information</td>
<td></td>
</tr>
<tr>
<td>Politics free</td>
<td>High performance</td>
<td>Absence of internal politics</td>
<td></td>
</tr>
<tr>
<td>Youthful</td>
<td>Fair access to candidate employment</td>
<td>Sense of ownership</td>
<td></td>
</tr>
<tr>
<td>Challenging status quo</td>
<td></td>
<td>High performance</td>
<td></td>
</tr>
<tr>
<td>Energetic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adhocratic (innovative, creative, experimental)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Note. N/A means not applicable</td>
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**Consequences of Organizational Culture**

The findings of this study reveal that for the case of Smart, there appears to be a bi-directional relationship between organizational culture and recruitment (Table 6.18). For example, Smart’s employees are mostly young and enthusiastic, attracting similar types of people. *We don’t have a lot of aging professionals in this business who are trying to protect their own turf... We found that people will work for less money if they get to do better work and they get to work in a better agency culture* (Ben, co-founder of Smart).

Within this context, the HRM systems adopted provide important boundary conditions for organizational culture (Ferris et al., 1998). Inappropriate hiring of new personnel who do not fit into an existing culture can jeopardize a firm’s culture or team work (Ma & Karri, 2005). Work values can also affect job choice decisions of employees (Judge & Bretz, 1992). Companies that place importance on recruitment and competition for top talent are more likely to ensure that core values are publicized through their staffing practices, than those organizations that do not.

**Organizational culture and market orientation.** The findings of Study 2 suggest relationships between business orientation and organizational culture (Table 6.18). For Dixon, honesty and integrity, innovative recruitment for clients, and high performance values/cultures are integral parts driving their firm’s customer orientation. Hilary explains that Dixon’s core values revolve around being customer focused: *Honesty and integrity by respecting the rights of both our clients and candidates to make informed decisions...Dynamic partnerships by utilizing innovative
recruitment models and targeting opportunities for our clients, becoming an extension of their business.

A review of the literature indicates that MO is associated with a number of different types of cultures: collectivism (Yilmaz et al., 2005), adhocratic (Day, 1999), employee-oriented (Bansal et al., 2001), and pragmatic (Lee, Yoon, Kim, & Kang, 2006). For example, adhocratic cultures foster creativity, risk taking, and employee entrepreneurship, and incorporate business objectives such as growth, innovation, and development of organizational resources (Deshpande et al., 1993). Culture is a crucial factor in innovative processes (Mazzarol, 2003). Culture also determines organizations’ propensity to innovate, especially in the area of employee creativity (Drazin & Shoonhoven, 1996).

Organizational culture and organizational learning. Organizational learning cultures support the acquisition of information, distribution, shared learning, and the acquisition and application of new knowledge. Learning cultures also predict job satisfaction and motivation to transfer learning (one of the key concepts in human resource development literature).

Job satisfaction also tends to mediate relationships between learning cultures and employees’ turnover intention (Egan, Yang, & Bartlett, 2004). Ng and Liang (2005) demonstrated that the free flows of ideas, and a balance between advocacy and inquiry, is rarely observed in Singaporean firms. Interestingly, the Ng and Liang (2005) study showed contrasting cultures to those of Australian FGFs, within which employees are encouraged to voice their opinions and challenge the status quo.

Table 6.18 Consequences of organizational culture/values

<table>
<thead>
<tr>
<th>Smart Advertising</th>
<th>Dixon Appointments</th>
<th>Sitepoint</th>
<th>Mor Cosmetics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency culture (youthful, energetic)</td>
<td>Recruitment (passionate, quality, on-the-edge employee)</td>
<td>Organization values (honesty and integrity, innovative recruitment for clients, high performance)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(MO: customer orientation)</td>
<td>(Firm performance: overall success)</td>
<td></td>
</tr>
<tr>
<td>Agency culture (challenging the status quo; adhocratic)</td>
<td>(LO: open mindedness)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency culture (high performance)</td>
<td>(EO: innovative/creative)</td>
<td></td>
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Hunt and Morgan (1996) asserted that organizations learn as a direct result of competition. Thus, when a firm attains superior financial performance, a significant proportion of profits must be reinvested into resources, ultimately affecting positions of CA. For FGFs, financial resources are required to fuel growth via product/service proliferation and hiring compatible staff. The present model, in contrast to Day and Wensley (1988), proposes that information attained from firm success is not only used to aid future investments to maintain CA, but enhance firm reputation. Successful firms tend to attract highly talented employees because potential staff want to be associated with winning enterprises. Information generated and disseminated from the renewal process adds new knowledge to superior organizational resources, making the process nonrecursive (Table 6.19).

For example, Dixon’s consistent high performance continues to enhance its track record for success, attracting top employees in the recruitment industry. Smart reflected this point by stating: *Awards are considered a great sign to staff that we are doing well, doing things right, and they should be proud of their achievements for the business. It’s also a good sign to the industry as well that Smart is a company is doing well and that people should want to work for.*

In addition, an organization’s history/portfolio of work that is built by firms over time can increase sales velocity, attracting higher volumes of customers, leading to revenue growth. For example, the creative work that Smart produces is the best advertisement for the agency. *Clients take notice of that, and that’s what gets us on the pitch list.* Being named Agency of the Year or Agency Employer of the Year also helps Smart convey the message that the company is doing well.

<table>
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<tr>
<th>Table 6.19 Nonrecursive relationship between firm performance and HR practices</th>
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</thead>
<tbody>
<tr>
<td><strong>Smart Advertising</strong></td>
</tr>
<tr>
<td>Firm performance → Staff motivation and word-of-mouth recommendations</td>
</tr>
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</table>

In summary, the present cross-case analyses utilizing deductive approaches, demonstrates comparative elements characteristic of and unique to each FGF, particularly in relation to implementation of business orientation, marketing capabilities, and customer value, and their
evaluations of firm performance. Inter-relationships between these elements are also discussed in the light of relevant literature. Inductive analyses identified four antecedent variables: leadership, HR practices, and organizational climate and culture. These firm characteristics form the basis of a theoretical model of CA (see Figure 7.1) extending a hypothetical model tested (see Figure 2.1) by quantitative methods in Chapter 3. This model is also nonrecursive: firm performance sends a signal to potential employees and customers, impacting HR related issues such as staff motivation, rewards, and recruitment. The following section discusses the principal limitations associated with Study 2 and presents future research implications, concluding with a brief summary of this chapter.

**Limitations**

This investigation involves six main limitations, which are scrutinized below. First, although Study 2, from a case study perspective, provides an in-depth understanding of the sources of CA, and interrelationships between marketing capabilities, customer value, business orientation, and firm performance, further empirical verification is required. The inductive/qualitative approach adopted for this investigation is restricted to outlining theoretical propositions, without allowing for validation of developed concepts and interrelationships among variables inherent in a proposed model. Second, this study utilized one-on-one interview techniques. This procedure, while providing a wealth of data, is open and sensitive to pervasive influences of the present researcher’s personal biases (such as findings emanating from Study 1) and idiosyncracies (Johnson & Onwuegbuzie, 2004).

Third, participant selection was based on theoretical sampling techniques (Strauss & Corbin, 1998), limiting external validity (i.e., generalizability) only to Australian FGFs and not all SMEs in general. Fourth, Study 2 relies on the retrospective interpretation and memories of CEOs’ past personal experiences. An important assumption here is that CEOs can freely recall past incidents that are likely to reoccur in the future (Flint & Woodruff, 2001). This assumption is open to debate as memories might not be totally accurate. Fifth, CEOs have a tendency to highlight only positive aspects of their enterprises. It is not uncommon for CEOs and employees to present their company in the best light, consequently not providing a relatively true reflection of their enterprises and processes that occur within.
Finally, similar to Study 1, the cross-sectional nature of this study does not permit the present researcher to make causal inferences. For instance, this investigation does not reveal whether product/service development capabilities predict increased profitability nor that resources generated from growth facilitates development of product/service development. A longitudinal study would need to be employed to examine the specific nature of relationships as identified by this cross-case analysis.

**Implications for Future Research**

Upon reflection, processes associated with findings emerging from Study 2 suggest a number of areas for further examination including validation studies and investigations that tap views of both customers and employees. Validation of theoretical relationships identified in this study would address: *Does this theory hold up?* (Flint & Woodruff, 2001, p. 335). Four further key research questions take a microscopic perspective, concentrating on interrelationships between and within elements comprising the final proposed model. These questions, elaborated below, would be best addressed using qualitative research procedures:

- **Research Question 1:** What leadership styles and characteristics are related to business orientation, marketing capabilities, and firm performance?
- **Research Question 2:** Which human resource practices are associated with business orientation, marketing capabilities, and firm performance?
- **Research Question 3:** What type of organizational climates are correlated with business orientation, marketing capabilities, and firm performance?
- **Research Question 4:** Which organizational cultures are associated with business orientation, marketing capabilities, and firm performance?

Six further implications emerge from Study 2: a model of CA for FGFs comprises specific elements of intangible resources, positional advantage, customer value, and firm performance; intangible resources such as leadership, HR practices/management, and organizational culture and climate are central to FGFs; for FGFs, leadership, HR practices/management, and organizational culture and climate are interrelated antecedents to business orientation; the practice of marketing in FGFs is unique, with a focus on product/service development and branding; In FGFs, customer value perceptions are more relevant than competitor centered
measures of CA; and FGFs utilize multi-dimensional measurements of firm performance. These implications, along with two key implications from Study 1 are discussed in detail in Chapter 7.

By way of summary, FGFs can be regarded as being highly market, learning, and entrepreneurially oriented. These enterprises focus on three major marketing capabilities: product/service development, marketing communications (e.g., branding), and relationship capabilities. CEOs stress the importance of offering quality and introducing new services/products regularly so that companies can remain ahead of their markets. Ideas, creativity, and innovation stem mainly from customers and employees. Marketing activities within FGFs are related to marketing in context (Carson & Gilmore, 2000). CEOs adopt a wide range of multi-dimensional firm performance procedures to assist them in remaining ahead of competitors. For FGFs, success is not only evaluated in relation to the bottom line but also in regard to the number of awards achieved, innovative ideas, volume of product reordering, and independent customer surveys. Employee-related measures such as staff retention/churn are also important considerations.

Study 2 reveals four interrelated qualities: Leadership/CEO characteristics, human resource practices, organizational culture, and organizational climate. These characteristics can be regarded as intangible resources associated with FGFs and appear to be significant antecedents to business orientation, marketing capabilities, customer value, and firm performance. Consistent with the literature (Day & Wensley, 1988; Hunt & Morgan, 1996), the process of competition is nonrecursive. The following chapter concludes this thesis, providing a summary of Studies 1 and 2 hypotheses and research questions. Unique contributions to marketing/entrepreneurship theory and practice are discussed.
Chapter 7

Conclusion

Chapter 7 draws together the key aspects of sources of competitive advantage (CA), and the associated role of business orientation, marketing capabilities, customer value, and firm performance in fast growth small-to-medium enterprises (SMEs) as reported in Studies 1 and 2. This chapter also reviews hypotheses and research questions outlined in this thesis, identifies unique contributions of this work, culminating in the development of a conceptual model which incorporates the integral elements to emerge from both studies.

The overall objective of this research is to integrate entrepreneurship, marketing, and strategic management research fundamentals relevant to CA in fast-growth firms (FGFs). Specifically, this dissertation develops and tests a conceptual model with the aim of providing an understanding of firm performance in Australian fast-growth SMEs. Market (MO), learning (LO), and entrepreneurial orientation (EO) are considered sources of CA, comprising an organization’s business orientation, enhancing marketing capabilities, and ultimately, firm performance.

Study 1, which utilizes a quantitative approach, tests the following four broad main hypotheses:

\[ H1: \text{Market orientation is related positively to marketing capabilities} \]
\[ H2: \text{Learning orientation is related positively to marketing capabilities} \]
\[ H3: \text{Entrepreneurial orientation is related positively to marketing capabilities} \]
\[ H4: \text{Marketing capabilities are related positively to firm performance} \]

Study 2 builds up on and addresses limitations and implications to emerge from Study 1. While the latter investigates the strength of association between variables (e.g., correlations), establishing relationships and causation, Study 2 addresses the \textit{What? Why?} of associated relationships. A concern arising from Study 1 is that a number of findings are inconsistent with those reported in the literature (e.g., Tzokas et al., 2001). For this and other pertinent reasons, Study 2 was undertaken to examine by means of qualitative research, to confirm, or otherwise, hypothesized relationships between variables as outlined in the tested model, allowing for the possibility of new theory to emerge.
Study 2 addresses five main research questions:

Research Question 1: What are the ways in which FGFs implement firm business orientation, marketing capabilities, customer value, and firm performance?

Research Question 2: For what reasons are only particular elements of MO, LO, EO and marketing capabilities evident in the present model?

Research Question 3: For what reasons is only one marketing capability dimension related to firm performance in fast-growth companies?

Research Question 4: Do fast growth companies take into consideration customer value?

Research Question 5: Is customer value an antecedent to firm performance?

Unique Contributions to Marketing/Entrepreneurship Theory and Practice

Findings of this dissertation are triangulated against existing literature to advance a conceptual model depicting FGF CA characteristics. It is envisaged that this model (Figure 7.1) will be useful to firms wishing to emulate operations of those companies striving to achieve accelerated growth. This research raises issues (e.g., interrelated intangible resources important for FGFs) for investigators interested in the marketing/entrepreneurship interface, besides serving as a practical guide for entrepreneurs. Eight major implications (six of which culminate from Study 2) emerge from this thesis and are discussed below:

i. A model of CA for FGFs comprises specific elements of intangible resources, positional advantage, customer value, and firm performance;

ii. Intangible resources such as leadership, human resource (HR) practices/management, and organizational culture and climate are central to FGFs;

iii. For FGFs, leadership, HR practices/management, and organizational culture and climate are interrelated antecedents to business orientation;

iv. The practice of marketing in FGFs is unique, with a focus on product/service development and branding;

v. In FGFs, customer value perceptions are more relevant than competitor centered measures of CA;

vi. FGFs utilize multi-dimensional measurements of firm performance;
vii. Definition of the MO construct should be revisited; and

viii. Qualitative methods should be considered as an adjacent approach to the measurement of market and LO.

A Model of CA for FGFs Comprises Specific Elements of Intangible Resources, Positional Advantage, Customer Value, and Firm Performance

Principally, through the application of a mixed methods approach, this thesis bridges a gap in extant research (e.g., Vorhies & Harker, 2000, Conant et al., 1990, Tzokas et al., 2001) by developing, testing, and extending a conceptual model of business orientation, marketing capabilities, and firm performance in the light of current available literature.

The present research identifies seven qualities: leadership, human resource practices, firm culture, climate, market, learning, and EOs as specific intangible resources that interact to form complex interrelationships and become sources of CA in FGFs. When taken together, these features form significant antecedents to marketing capabilities (such as product/service development and relationship capabilities), perceived customer value, and firm performance. Broadly speaking, little is known about interactions among these integrative elements. Yet, evidence derived from findings of Studies 1 and 2 shows that such interrelationships serve to provide positional advantages to organizations. Product/service development and relationship capabilities, in particular, appear to be key mediators between market, learning, EOs, customer value, and firm performance. A central message conveyed by this investigation is that superior customer value and the achievement of performance targets can be realized only when possession of business orientations is accompanied by product/service development and relationship capabilities. This dissertation also identifies direct links between LO and firm performance. Given the importance of product/service development and relationship capabilities for enhancing such performance, there is a need for management to emphasize human resource practices and instill organizational cultures and climates in order to aid in the advancement of market, learning, and entrepreneurial orientations. Moreover, the nonrecursive nature of the model suggests an organization’s work history/portfolio can act as a signal to potential employees and customers, enhancing staff motivation.
Figure 7.1 Composite model derived from quantitative and qualitative data analysis
Intangible Resources such as Leadership, Human Resource Practices/Management, and Organizational Culture and Climate are Central to Fast-growth Firms

Organizational elements, such as managerial capabilities, human capital, and perceived organizational reputation complement each other in their impact on organizational performance (Carmeli & Tishler, 2004a). Enterprise competitive position results from a complex combination of organizational elements. Rivkin (2000) suggested that the number of such elements and the degree of interaction among resources create complexities difficult for rivals to imitate. As discussed below, this research reveals that CEO leadership characteristics and human resource practices, along with the allocation of significant resources to develop employees and instilling appropriate cultures and work environments, are integral to FGF performance. These findings are consistent with an OECD (2005) report highlighting the importance of internal factors governing firms, notably organization of work, motivation and skills of workers, and organizational culture.

Leadership. The majority of CEOs have prior experience in closely related industries. An understanding of how the industry works and possession of necessary skills provides CEOs with an added advantage: information concerning establishing knowledge-based barriers to entry. These founders are often frustrated with working for large organizations because of bureaucratic and political aspects inherent in these types of corporations. These CEOs appear to hold the view that they are capable of working for themselves, providing better products/services compared to their former employers. Research (Van Praag & de Witt, 2001) indicates that prior industry experience of a founder can help to improve business performance. Thus, an appropriate future research question for consideration relates to the extent and the type of contribution previous industry knowledge makes to those embarking on their first business ventures.

CEOs in the present cohort appear to be facilitative, friendly, approachable, and democratic towards employees. In line with work in this area (Norrgren & Schaller, 1999), these leaders encourage their staff to achieve new heights, to think freely and to discuss their ideas openly. Facilitative behaviors have two underlying elements: consideration and participation. Consideration is the degree to which team leaders demonstrate concern and interest in the well-being of other team members. Participation is the extent to which team leaders invite members to be involved actively in decision making processes, encouraging flow of new ideas and collaboration amongst team members (Sarin & McDermott, 2003). Given these leadership characteristics, perhaps researchers could investigate leadership styles and types.
relevant to FGFs as these characteristics seem to be important qualities and antecedents to the varied business orientation adopted by these firms.

Ray (1993) suggested that there is no ideal personality type or marginal set of attributes that guarantee success of new ventures. However, CEOs in this study spend a considerable amount of time working, which can be attributed to their passion and love for their business. These entrepreneurs believe that people do not succeed because they want to make money but because they enjoy what they do. The present findings confirm that fast growth is highly unlikely to occur by chance, but is deliberately planned and actioned. All FGF owners who participated in the present thesis can be regarded as high achievers.

**Human resource practices.** The present findings are in accord with those of Dess, Lumpkin, and Eisner (2006) who postulated that organizations must recruit talented people with appropriate values and attitudes. Leaders of FGFs recognize that personnel are probably the most important asset for the success of their organization and an essential source of CA. However, hiring is the first of three vital processes in which all successful firms must engage in order to build and leverage their human capital (Dess et al., 2006). Enterprises are required be able to recruit, develop, and retain a wide group of employees who can collectively expand an entrepreneur’s concept of business (Boxall, 1998). Current findings indicate that entrepreneurs regard hiring processes as an essential tool for minimizing organizational politics. Leaders rely on human resource practices to help employees become passionate and excited about their work.

Firms are increasingly placing emphasis on general knowledge and experience, social skills, values, beliefs, and attitudes of their personnel. Present-day CEOs in rapidly growing organizations claim to hire the best personnel their industry can offer, they also stress that they would rather employ someone of sound character and who demonstrates firm culture fit rather than someone who is merely technically savvy in a particular field of work. Carbonara (1996, p. 73) exemplified this phenomenon: *the most common -- and fatal -- hiring mistake is to find someone with the right skills but the wrong mind-set and hire them on the theory, “We can change ’em”.* Thus, another area that warrants consideration is determining how CEOs evaluate potential staff whom they consider suitable for their firm’s culture.

Research (Marlow & Patton, 2002) shows that employees prefer to work for larger companies because of greater job security, and better terms and conditions of service. Consistent with the
previous consideration, future research should investigate how emerging FGFs are able to attract top employees as these organizations tend to be relatively unknown entities, often lacking a company identity, brand names, and legitimacy amongst customer and corporations. Firms pursuing innovative-based strategies choose HRM practices that promote learning, collaboration, experimentation, and risk taking (Hayton, 2003). As employees are attracted to work settings that are consistent with their values and fulfil their needs, it would be interesting to identify ways in which CEOs and potential employees identify mutual culture fit.

Dess et al. (2006) likened talented staff to *frogs in a wheelbarrow* (p. 135), with an ability to jump out at any time. As firms cannot force employees to remain with them, CEOs are prompted to retain staff by creating incentives. People who identify with and are more committed to core missions and values of organizations are less likely to resign, at the first opportunity, for equally or more attractive job offers elsewhere. Poor hiring impedes an enterprise’s effectiveness in the development and retention of existing personnel.

Perhaps somewhat surprisingly, FGFs tend to attract very capable and highly talented people because potential staff want to be associated with winning enterprises (Tan & Smyrnios, 2006b). Employee branding is a process by which employees internalize a desired brand image and are motivated to project an image to customers and other organizational stakeholders (Miles & Mangold, 2004). This process enables firms to consistently deliver a desired brand image to customers, and thereby establish a clear position in both customer and employee minds. Positioning relates to the ways in which buyers perceive products, services or enterprises. Employee branding and positioning seem to be connected when clients view employees as being closely associated with their firms’ offerings. Therefore, employee branding is central to effective positioning strategies, whenever a goal is to position an enterprise, a service, or a product that is augmented with a service component (Miles & Mangold, 2005).

It is not uncommon for FGF personnel to be given training to alleviate stresses associated with working in a highly efficient environment. There are various types of training (e.g., multi-skilled) that staff can undergo to attain company targets. Staff retention also increases when employees are rewarded generously (e.g., via profit sharing and bonuses). This thesis identified relationships between human resource practices and firm performance. Much needs to be done, however, to understand further human resources in entrepreneurial FGFs. Tansky and Heneman (2003) postulated that current databases are archival in nature and do not allow
direct testing of hypotheses and theory. It is essential that new data sets be created for fresh insights into the impact of human resources on firm performance. It appears that Barringer et al. (2005) has taken a first step to investigate this area of study.

**Organizational climate.** Leadership is regarded as an important contextual variable contributing to a firm’s culture and climate (Isaksen, Lauer, Ekvall, & Britz, 2001). Creating an entrepreneurial and team-oriented climate, with strong support and involvement from top management, facilitates firms intending to implement innovation (Cooper & Kleinschmidt, 1995). Wooldridge and Minsky (2002) wrote that organizational climate is synonymous to an employee answering the question -- What is it like to work here? FGF CEOs interviewed for this dissertation reveal that they establish work climates that encourage creative thinking and flexibility, are supportive and open, and emphasize opportunities for communication and dialog. Employees are allowed to make mistakes so that they can learn. They are also encouraged to work their way as long as the required end result is accomplished. Importantly, leaders ensure that their personnel enjoy their work.

The significance of organizational climate is based on a premise that when employees “feel good” about coming to work, they perform better. Conversely, when staff are disengaged, energy drops, quality suffers, communication is compromised, and “good” people leave the firm. These negative characteristics are costly -- both in terms of immediate financial loss and the longer range impact on a company’s reputation that comes with reduced quality and loss of customer/client relationships (Wojick & Freedman, 2006). An overall comprehension of an office environment permits leaders to understand the attitudes and values of their workers. With this insight, CEOs can make effective decisions about their own leadership and set strategic directions for improvement (Wojick & Freedman, 2006).

**Organizational culture.** This research shows that FGF employees experience high performance, politic-free and innovative cultures. Such cultures, together with relevant values, constitute signals that attract appropriate employees to serve in these organizations. For FGFs, work environments are shaped by flat management structures. Politic-free office cultures imply that employees have only one task at hand – which is to concentrate on doing their work well. This approach ultimately is about focusing on process or product/service innovation with customers occupying centre stage. To-date, researchers have not investigated the role that organizational culture plays in FGFs. This research suggests that this characteristic is a key intangible resource for such firms, and hence a factor that warrants
further examination. Moreover, George and Zahra (2002b) called for future studies to investigate links between organizational culture and entrepreneurship. The present findings highlight the important role played by sound human resource practices, and organizational climate and culture. These three factors are found to be direct determinants of product/service capabilities and firm performance. These relationships should be investigated further utilizing different samples (e.g., industry sectors) and contexts (e.g., regional, born global companies).

**For Fast-Growth Firms, Leadership, Human Resource Practices/Management, and Organizational Culture and Climate are Interrelated Antecedents to Business Orientation**

This thesis reveals that enterprises enhance their business orientation by adopting four key qualities (leadership, human resource practices, and organizational culture and climate) discussed above. To instil market, learning, and entrepreneurial-oriented behavior, CEOs/leaders need to develop suitable organizational climates and cultures, and recruit staff well-suited for customer-service related work and who are prepared to question constructively the assumptions, thinking, and direction of their firm. A view that employees are imperative for achieving customer orientation is evident within the context of internal marketing (Keller, Lynch, Ellinger, Ozment, & Calantone, 2006) and internal market orientation (Gounaris, 2006).

Although investigators (e.g., Hunt & Morgan, 1995) outline the importance of firm business orientation as potential sources of CA, there seems to be limited research on the antecedents of these organizational characteristics. Research on antecedents of MO has been undertaken in relation to top management, interdepartmental factors, organizational systems (Jaworski & Kohli, 1993; Kirca, Jayachandran, & Bearden, 2005; Pulendran et al., 2000), leadership (Harris & Ogbonna, 2001a; Zhou et al., 2005), human resource management (HRM) (Conduit & Mavondo, 2001; Harris & Ogbonna, 2001b; Webster Jr., 1988), organizational culture and climate (Kasper, 2002; Wei & Morgan, 2004; Zhou et al., 2005), capabilities (Day, 1994), and strategies (Narver & Slater, 1991). MO is linked to participative, supportive, achievement-oriented, transformational, and charismatic leadership. Styles that initiate structure are relevant to customer orientation.

HRM practices that drive a firm’s MO include customer focused training, rewarding specific behaviors, internal marketing, and empowering employees to help customers. HR and procedural and relational tactics are necessary for customer orientation. It is possible that organizational cultures that promote information exchange, openness, and supportive
environments might also promote MO. It is therefore not surprising to observe that concurrent relationships between these variables have not been tested empirically. Thus, HR factors are notable ways in which leaders can harness organizational practices to influence firm MO. The prevailing literature examining MO antecedents are based predominately on large organizations (e.g., Pulendran et al., 2000) and draw upon quantitative research methodology (Strong & Harris, 2004).

There appears, however, to be limited research on this subject concentrating on leadership, HR, organizational culture and climate as antecedents of MO in SMEs and/or FGFs. Given the relevance of this focus, it is suggested that MO drivers should also be examined with respect to firm type (e.g., SMEs) and across industries, utilizing different methodologies (e.g., qualitative procedures). Extant research on this topic focuses on specific leadership styles/types that contribute towards MO. It is possible that alternative methodologies such as those employing qualitative procedures might reveal disparate findings. A review of the relevant literature indicates that most research is either anecdotal (Carrillat et al., 2004; Day, 2002; Foley & Fahy, 2004) or empirical, utilizing samples of large firms (Zhou et al., 2005). Firms operate differently, in accord with their age (e.g., young vs. mature), lifecycle (e.g., emerging vs. established), size (e.g., small vs. medium vs. large), industry type (e.g., manufacturing vs. service), or country of origin (e.g., developed vs. developing).

Similarly, studies (Farrell, 1999) researching LO antecedents place significant stress on relationships between organizational factors, structures, top management, leadership styles, culture, and HRM. Unfortunately, most of these investigations are organizational learning antecedents, and are anecdotal (Weick, 2002), confined to large organizations (Harvey & Denton, 1999), or utilize quantitative approaches (Montes et al., 2005). Similar to findings emanating from the MO literature, transformational leadership characteristics are evident in CEOs that lead to learning-oriented organizations (Coad & Berry, 1998). Staff in such enterprises are exposed to different experiences vis-à-vis training, and rewarded in terms of knowledge attained, and are inclined to command higher salaries than their counterparts. Environments that enhance learning tend to promote staff satisfaction (Egan et al., 2004).

Entrepreneurship literature (Entrialgo et al., 2000; Lumpkin & Erdogan, 1999) has, so far, examined EO mainly in relation to management/small business owner characteristics. More recently, Sciascia et al. (2006) found that environmental dynamism, environmental heterogeneity, organizational informalization, employees reward on the basis of the value
added to the company, access to resources, and CEO education are significant predictors of EO. Surprisingly, leadership styles and organizational cultures associated with EO have not been a focus of attention. Thus, one can conclude that there seems to be a dearth of literature exploring drivers of EO, another avenue for future research. Researchers might also consider developing scales that measure antecedent constructs to allow for comparative studies of companies from different industries and across geographical borders. Results from such undertakings, especially those that relate to business orientation, could provide support for the development of theory and practice of market, learning, and EO in global settings.

**The Practice of Marketing in Fast-growth Firms is Unique, with a Focus on Product/Service Development and Branding**

Given that FGFs are primarily service companies operating in B2B markets, it is not surprising that the marketing capabilities they emphasize are different from those of manufacturing firms (e.g., Vorhies et al., 2005). These fast-growth enterprises particularly emphasize product/service development, a key driver of firm performance. Moreover, anecdotal reports indicate that service marketing differs from consumer goods marketing in terms of practical implementation (Coviello et al., 2002). Inseparability, intangibility, heterogeneity, and perishability are four characteristics to differentiate products and services (Parasuraman, Berry, & Zeithaml, 1983). Far more research is needed in the area of FGF marketing. Companies within this group can be further classified into industry type, growth rates, age of the firm, and company life-cycle, forming additional avenues of research.

Clearly, marketing in FGFs is an important area of entrepreneurship. An improved understanding of marketing in emerging firms could sharpen the descriptive powers of entrepreneurship theory, and advance researchers’ abilities to influence the success of new ventures (Gruber, 2004). As noted earlier, the present thesis highlights two important marketing-related factors essential for FGFs: product/service development capabilities and branding (marketing communication capabilities). The significance of product/service development capabilities is evident both in Studies 1 and 2. Investigators could examine, in-depth, the types and ways in which product/service development support fast growth.

The present thesis reveals the significance of brand building for relatively unknown FGFs. Establishing and sustaining a good reputation is a key task in founding and growing an organization (Reuber & Fischer, in press). These enterprises place considerable value in maintaining a strong reputation, constantly building trust and credibility (Hills & Hultman,
High performing SMEs implement brand management practices to a greater extent compared to their lower performing counterparts (Napoli & Ewing, 2005). Branding literature often adopts large business perspectives that are not applicable to SMEs, as these enterprises are constrained by limited resources and budgets (Abimbola, 2001). To illustrate, specific skills crucial to building and maintaining brand value include market segmentation and analysis, positioning through the creative use of advertising and other media, and maintaining sound channel relationships for large businesses (Slater, Olson, & Reddy, 1997). Thus, the entrepreneurship/marketing field would benefit from grounded studies of branding in FGFs and/or SMEs, possibly in the form of multiple case studies.

In Fast-growth Firms, Customer Value Perceptions are more Relevant than Competitor Centered Measures of Competitive Advantage

Competitor centred measures of CA are considered not as important as customer-value based perceptions. FGFs pay little attention to matching or surpassing their rivals; rather, they seek to make competitors irrelevant (Kim & Mauborgne, 1997). It is for this and related reasons that FGF CEOs place currency on customer value. This finding is consistent with the customer value based theory of the firm. Woodruff (1997) identified that one of the most difficult barriers to overcome is embedded in organizational culture, particularly that associated with existing employee performance measurement and reward systems. These difficulties are reflected in the objections that are sometimes raised by managers when asked to engage in more customer value learning (e.g., I already know what my customers want, I don't have time for all that research). FGF entrepreneurs, however, seem to possess a contrasting attitude, stressing the importance of understanding customers.

Customer needs can change in ways that are hard to predict. However, these changes are possibly easier for fast growth SMEs to accommodate because of their relatively small size. For example, in large firms, it takes time for marketing initiatives such as advertising and new product/service introductions to be altered. In contrast, FGFs are known for being nimble, possessing an ability to react to market changes in a very short period of time. Within these firms, there is little or no complex bureaucracy or formalization that employees have to go through to implement rapid change.

As stressed throughout this thesis, FGFs are not competitor oriented. They are customer centric, regularly receiving feedback from clients and taking their requests and complaints seriously into consideration. Their CEOs place high value on customer opinions. FGFs seem to have an uncanny ability to remain ahead, preventing competitors from sneaking into their
markets. As a cliché, it might sound that these organizations possess a commitment to customer centricity for at least some period of time (Shah et al., 2006), retaining customers by developing new products which continue to serve current customers as they change what they value.

Customer value is relevant to FGFs because they have overcome organizational culture, and procedural and learning barriers (Woodruff, 1997). The service-centred model by Vargo and Lusch (2004) described an active customer who interacted with personnel. This implies a need to develop close and trusting relationships to increase customer perceived value. Such relationships are fostered by MO (McNaughton et al., 2002).

The topic of customer perceived value has become a focus of research among marketing and strategy researchers (Srivastava et al., 2000). This characteristic is regarded as a prerequisite to retaining customers and achieving superior organizational performance (Fahy et al., 2000). Despite this interest, there appears to be an absence of research that focuses on customer-perceived value constructs. CEOs seem to believe that they are aware of their customers’ values because of feedback received from repeated purchases or complaints. Such beliefs are open to serious debate, as they might not be a true reflection of what customers actually value. Clearly, firms need to gain information from their customers, particularly in terms of why they purchase goods and services from these enterprises rather than competitors. For this reason, sounder operationalization of this construct for measurement purposes from the perspectives of CEOs, employees, and clients is called for.

The implementation of a customer value understanding of new products/services is a process requiring dedicated attention, training, and resources (Flint, 2002). Perhaps FGFs are ahead of their competitors because they possess a customer value mindset. Notwithstanding, competitors are quite capable of offering new services, triggering customers to re-evaluate services of current suppliers. FGFs ensure that they are proactive in retaining customers through the development of sound relationships with customers. FGF CEOs are in a strong position to take advantage of shared resources especially in areas of quality and process improvement (Flint, Woodruff, & Gardial, 1997). Future research could aim to develop, test, and apply measures to assess customers value perceptions, the dimensions of which might focus on satisfaction with value delivery and exploring value delivery problems within market segments (Flint et al., 1997).
**Fast-growth Firms Utilize Multi-Dimensional Measurements of Firm Performance**

Business researchers seem to measure firm performance utilizing financial metrics or customer based valuations (Stone & Banks, 1997). Usually, these tools incorporate subjective views of CEOs or managers and do not necessarily reflect the goals of their firms. In some areas of academic research there appears to be a tendency to offer simplistic views of firm performance.

Relative performance measures might not be relevant to FGFs, as their CEOs do not compare themselves with competitors. These organizations evaluate themselves against pre-established firm objectives, comparing outcomes to expectations. For example, one of the main performance measures used by CEOs to interpret HR related issues is their record of staff turnover/employee retention rates. In addition, non-financial issues such as customer retention rates, employee satisfaction, number and quality of innovations, and awards won are frequently taken into account. This thesis employs and identifies a number of pertinent measures of firm performance for FGFs.

**Definition of the Market Orientation Construct Should Be Revisited**

The present results support Deshpande and Farley’s (1998, p. 226) definition of MO which focuses on (potential and current) customer related activities rather than non-customer related behaviors (e.g., collecting intelligence on competitors). These investigators view MO to be synonymous with customer orientation. However, one can argue that there are problems associated with equating MO with customer orientation. Moreover, a MO focus that includes only customers and competitors, without the incorporation of the entire market would be regarded as incomplete. In the present thesis, fast-growth CEOs highlight the significance of other market factors such as suppliers. Similarly, Matsuno, Mentzer, and Rentz (2005) found that managers perceive markets to include customers, competitors, macroeconomic elements, suppliers, social and cultural trends, and regulatory environments. Consequently, Matsuno et al. (2005) included these market elements in their extended MO scale.

**Qualitative Methods Should Be Considered an Adjunct Approach to the Measurement of Market and Learning Orientation**

An examination of scales used to measure MO reveals that customer focus addresses primarily issues of whether respondents believe that they understand customers’ current or try to anticipate their future needs. Self administered MO questionnaires might inaccurately assess firm customer orientation, and therefore, contribute to measurement error.
Consideration should be accorded to the application of triangulated to obtain customer and supplier evaluations such as those recommended by Harris (2002).

Besides, MO measurement scales do not detect how enterprises who claim to be market oriented gauge what customers’ value nor attempt to predict what buyers might value in the future. Flint (2002) was sceptical that companies, despite having high MO scores, actually possessed deep customer knowledge, and whether formal organizational processes existed to capture this depth of information on a regular basis. Being truly market-oriented means attaining a level of customer understanding beyond what academics are measuring. Researchers could further explore, with greater intensity, exactly how CEOs develop customer understanding simply because a more sophisticated level of this asset will in turn help to furnish greater insights into organizations per se.

Similar issues arise in the case of LO measurement. LO scales focus on management’s perception of the importance of learning (commitment to learning), and whether there is an emphasis on sharing firm vision and employees are able to question current assumptions (open mindedness). Investigators might want to also include employee perceptions of how learning is acquired by their respective firms.

In conclusion, this thesis contributes to strategic management, marketing, and entrepreneurship literature by developing and subsequently testing a conceptual framework of CA, incorporating dimensions of business orientation, marketing capabilities, customer value, and firm performance. The present research supports studies (Fahy, 2000; Miles & Darroch, 2006) maintaining that CA can be understood in the light of perceived customer value. Customer value seems to potentiate the impact of superior skills and capabilities.

It is essential to comprehend drivers of business orientation for the expressed purposes of enhancing firm performance. Investments in leadership, HRM, and organizational culture and climate are vital for fast-growth. However, understanding drivers of firm performance will continue to remain unclear until researchers utilize standardized measurement constructs to systematically investigate this phenomenon. The present thesis goes some way to contributing not only to this end, but also towards the development of a theoretical conceptualization of CA which maps the interrelationships between drivers (leadership, HRM, organizational culture and climate) of business orientation (MO, LO, EO), marketing capabilities, customer value, and firm performance. It is suggested that this model makes a unique contribution to
this area, and enhances our understanding of these relationships and key elements contained with these dimensions, particularly in the context of FGFs. However, the proof of the pudding lies in the replication and generalizability of this proposed conceptual model.
References


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Appendix 3.1 The 2003 Fast 100 Survey

My name is Caroline Tan Swee Lin and I am doing research under the supervision of Professor Kosmas Smyrnios in the School of Marketing, towards a PhD in Marketing at RMIT University.

Aim of the research
The aim of this survey is to investigate the extent to which a firm’s competitive advantage influences firm performance. Respondents will be required to answer questions based on their experience/knowledge. The present study will lead to a refined understanding of drivers of competitive advantage and firm performance.

Participants Approach
Respondents are owners/marketing managers/CEOs who have applied to participate in the BRW Fast 100 in 2003. Complete confidentiality is assured, as responses will be analyzed as an aggregate. While respondents are encouraged to respond, participation is voluntary and you are not under any obligation to complete questions that may seem too personal or intrusive. The data will also be kept securely for a period of five years in the School of Marketing. All information collected is strictly confidential and can only be accessed by my supervisor and I. You will also be able to access the information at any time during the five-year period.

Report Offered
It is important that each question is carefully read. It will take approximately 60 minutes to complete all questions. If you have any queries regarding this project please contact my supervisor, Professor Kosmas Smyrnios, Phone: 03 9925 1633, Email: Kosmas.Smyrnios@rmit.edu.au, or the chair of the RMIT Business Human Research Ethics Committee, Professor Robert Brooks, Phone: 03 9925 5594, Email: robert.brooks@rmit.edu.au. A free copy of the report detailing the results of the survey will be available upon request.

THANK YOU FOR YOUR PARTICIPATION AND CO-OPERATION
Prescribed Consent Form For Persons Participating In Research Projects Involving Interviews, Questionnaires or Disclosure of Personal Information

FACULTY OF
DEPARTMENT OF
Business
Marketing

Name of participant:

Project Title:

Name of investigator: Caroline Tan Swee Lin Phone: 0415663506

1. I have received a statement explaining the interview/questionnaire involved in this project.

2. I consent to participate in the above project, the particulars of which - including details of the interviews or questionnaires - have been explained to me.

3. I authorise the investigator or his or her assistant to interview me or administer a questionnaire.

4. I acknowledge that:
   (a) Having read Plain Language Statement, I agree to the general purpose, methods and demands of the study.
   (b) I have been informed that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied.
   (c) The project is for the purpose of research and/or teaching. It may not be of direct benefit to me.
   (d) The privacy of the personal information I provide will be safeguarded and only disclosed where I have consented to the disclosure or as required by law.
   (e) The security of the research data is assured during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be provided to ______________________(researcher to specify). Any information which will identify me will not be used.

Participant’s Consent

Name: ________________________________ Date: __________________

(Participant)

Name: ________________________________ Date: __________________

(Witness to signature)

Where participant is under 18 years of age:

I consent to the participation of ________________________________ in the above project.

Signature: (1) __________________________ (2) __________________________ Date: __________________

(Signatures of parents or guardians)

Name: ________________________________ Date: __________________

(Witness to signature)

Participants should be given a photocopy of this consent form after it has been signed.

Any complaints about your participation in this project may be directed to the Secretary, RMIT Human Research Ethics Committee, University Secretariat, RMIT, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 1745. Details of the complaints procedure are available from the above address.
There are fifteen (15) parts to this questionnaire, which should take about 20 minutes to complete. Please answer ALL questions by circling the appropriate number or noting those points that BEST describe your situation.

**Part One: Background on Business, Ownership and Management of Business**

1. Company Name: ____________________________________________

2. Name and position of Founder/CEO (i.e., person who completed the questionnaire): ____________________________________________

3. Contact telephone number: ________________________________

4. In which year was the enterprise established? 19______

5. Are you the original founder or co-founder of your business? 
   Yes 1  No 2
   (a) If YES, why did you start the business? (Please circle ONE only)
   Wealth creation 1  Independence 2  Buying yourself a job 3  Could do the job better than your former boss 4  Saw a niche 5  Challenge 6  Lack of career opportunities in previous employment 7  Other (please specify) ____________________________ 8
   (b) Did you start your business at home? Yes 1  No 2
   (c) With how much finance? 
   AUD$20,001-$200,000 3  AUD$5,001-$20,000 2  AUD$1 million and above 5  AUD$20,001-$200,000 3
   (d) Where did you get the finance? 
   Family/Friends 1  Banks 3  Equity 2  Others 4
   6. Have you had a tax audit? Yes 1  No 2

7. Which ONE industry best describes your operation? 
   Agriculture, forestry, fishing 1  Information Tech 9  Mining 2  Communications 10  Manufacturing 3  Finance & Insurance 11  Construction 4  Property & Bus Services 12  Wholesale Trade 5  Education 13  Retail Trade 6  Health & Com Services 14  Accommodation, cafe, rest’ant 7 Cultural & recreational 15  Transport and storage 8  Personal and Other Services 16

8. What is the legal structure of your business? 
   Private Company 1  Sole Trader 4  Partnership 2  Public Company 5  Family Trust 3  Other 6

9. How many equivalent full time employees do you have? Employees

10. How do you plan to reward your employees this year? 
   Share employee plan 1  Bonuses/Financial reward 2  Non-cash bonuses/reward 3  Other (Please specify) 4

11. Do you plan to hire more staff this financial year? 
   Yes 1  No 2  
   If yes, how many? __________ staff

12. What is ONE way you increased the productivity of your employees this financial year?

13. Did you offer maternity leave? Yes 1  No 2
   (a) If yes, what are the conditions (e.g., how long)?
   (b) Should the government introduce compulsory maternity leave benefits? Yes 1  No 2

14. How many locations does the business have? 
   (a) In Australia? Locations 3  (b) Overseas? Locations 4

15. If you have locations overseas, are you planning to increase the number? Yes 1  No 2

16. Do you view your enterprise as a family-controlled business? 
   Yes 1  No 2

17. Have you been involved in a previous business which: 
   (Please circle ONE only)
   Was sold 1  Was wound down 4  No longer operates 2  Other 5  Was split up 3

18. The CEO is: Male 1  Female 2

19. What is the highest academic qualification of the CEO? 
   Less than HSC (year 12) 1  MBA 4  HSC (year 12) 2  PhD or Doctorate 5  Tertiary 3  Other 6

**Part Two: Concerns for the Future of the Business**

10 11 12 13 14 15 16 17 18 19

12. Which description best describes your ambition? (Please circle ONE only)? 
   (a) A global player 1  (b) Dominate the domestic market 2  (c) Dominate a niche 3  (d) Other (please specify) 4

2. The main objective of your business is (Please circle ONE only) 
   (a) to accumulate wealth 1  (b) to increase shareholders dividends 2  (c) to pass it on to the next generation 3  (d) to increase profitability 4  (e) to increase the value of the business 5  (f) to provide for a lifestyle 6  (g) to provide flexibility in running one’s own affairs 7  (h) to be a market leader in the industry 8  (i) to fulfill customer needs 9  (j) other 10
### Part Three: Planning the Growth of your Business

1. **My main objective for the current business is to** *(Circle ONE only):*
   - Slow the growth 1
   - Grow moderately 2
   - Grow substantially 3

2. **What is your plan for the business?** *(Please tick ONE only):*
   - (a) To keep growing 1
   - (b) List on the stock exchange 2
   - (c) Sell the business in the next three years 3
   - (d) Sell the business after three years 4
   - (e) Succeed the business 5
   - (f) Other (please specify) 6

   If (a), what are your personal reasons for wanting to continue growing?

3. **To what extent are you satisfied with the:**

<table>
<thead>
<tr>
<th></th>
<th>Totally Dissatisfied</th>
<th>Extremely Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Current size of your business</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
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</table>

4. **If you are dissatisfied with the size, is it because it is:**
   - Too small 1
   - Too large 2
   - Unstable due to fluctuations 3

5. **If you are dissatisfied with growth, is it because it is:**
   - Too slow 1
   - Too fast 2
   - Uncontrollable/Unpredictable 3

6. **To what extent:**

<table>
<thead>
<tr>
<th>(a) Do you wish to become a major player in your industry?</th>
</tr>
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<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(b) Would you consider relinquishing part of the ownership of the business to secure funding for growth?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>(c) Are you interested in the provision of additional capital to grow your business?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
</tr>
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</table>

<table>
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<tr>
<th>(d) Did your business simply evolve?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
</tr>
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</table>

7. **Please indicate how you plan to achieve GROWTH in your company this year (e.g., increasing profit margins, better business practices, use of the internet, exporting):**

8. **Please indicate how you did it last year**

9. **What ONE better-business-practice did you introduce this year?**

10. **Fast growth is often painful – what have you done to minimize the pain?**

11. **How do you intend to manage your business when growth decreases?**

12. **Does your company have formal strategic (long-term) plans?** *(Yes 1 No 2)*

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>Extremely Important</th>
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</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
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</tbody>
</table>

13. **How important is the development of strategic business and financial plans.** *(Yes 1 No 2)*

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<th></th>
<th>1 2 3 4 5 6 7</th>
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</table>

14. **Do you have a risk management strategy in place?** *(Yes 1 No 2)*

15. **For how many years do you plan ahead?** *(________ years)*

16. **What is the % of annual revenue generated from exporting goods and services (e.g., 10%)?** *(________ %)*

17. **This is an increase on the previous 2 years?** *(Yes 1 No 2)*

18. **We plan to export more over the next two years:** *(Yes 1 No 2)*

19. **If you export, have you developed any new strategies/markets this year to assist growth?** *(Yes 1 No 2)*

20. **If yes, please explain.**

---

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21. To what extent have you felt the impact of globalisation on your business?

<table>
<thead>
<tr>
<th>Extent</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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</table>

22. Please state ONE major way in which globalization has impacted on your business this year?

23. Do you have international or local alliance partners?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>
| (a) If yes, ______ percent (%) of revenue comes from these alliances
|                  |     |    |
| (b) What are the benefits of these alliances?

24. Will you outsource more this year?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>
| If yes, what?

Part Four: Corporate Governance

<table>
<thead>
<tr>
<th></th>
<th>Not at all</th>
<th>Important</th>
<th>Extremely Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. How important is corporate governance becoming to your company?</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. What new measure of corporate governance have you instituted this year?</td>
<td></td>
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<td></td>
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</table>

Part Five: Market Orientation

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. We have a strong commitment to our customers</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>2. We look for ways to create value in our products</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>3. We closely monitor and assess our level of commitment in serving customers' needs</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>4. Our business objectives are driven by customer satisfaction</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>5. We frequently measure customer satisfaction</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>6. We pay close attention to after-sales service</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>7. In our organisation, our sales people share information about competitor information</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>8. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>9. Customers are targeted when we have an opportunity for competitive advantage</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>10. Top managers usually discuss competitor's strategies</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>11. Information on customers, marketing</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
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</tbody>
</table>

success, marketing failures is communicated across functions

12. All of our business functions (e.g., marketing/sales, R&D, finance/accounting, etc.) are integrated in serving the needs of our target markets

13. Our managers understand how employees can contribute to the value of customers

14. We share resources with other business units

15. We encourage customer comments – even complaints – because they help us do a better job

Part Six: Learning Orientation

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Managers basically agree that our business unit’s ability to learn is our key competitive advantage</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>2. The basic values of this business unit include learning as key to improvement</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>3. The sense around here is that employee learning is an investment, not an expense</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>4. Learning in my organisation is seen as a key commodity necessary to guarantee organisational survival</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>5. Our culture is one that does not make employee learning a top priority</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>6. The collective wisdom of this enterprise is that once we quit learning, we endanger our future</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>7. There is a well-expressed concept of who we are and where we are going as an organisation</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>8. There is total agreement on our business unit vision across all levels, functions and divisions</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>9. All employees are committed to the goals of this business unit</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>10. Employees view themselves as partners in charting direction of the business unit</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>11. Top leadership believes in sharing its vision for the business unit with the lower levels</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>12. We do not have well-defined vision for the entire business unit</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>13. We are not afraid to reflect critically on the shared assumptions we have about the way we do business</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
Part Seven: Entrepreneurial Orientation

| 1. Our firm has marketed many new lines of products or services | Strongly Disagree | Strongly Agree |
| 2. Many new lines of products/services have been marketed in the past five years | 1 2 3 4 5 6 7 |
| 3. Changes in product/service lines have been mostly minor in nature | 1 2 3 4 5 6 7 |
| 4. In dealing with competitors, my firm typically responds to actions which competitors initiate | 1 2 3 4 5 6 7 |
| 5. In dealing with competitors, my firm typically initiates actions which competitors then respond to | 1 2 3 4 5 6 7 |
| 6. In dealing with competitors, my firm is very often the first to introduce new products, administrative techniques etc. | 1 2 3 4 5 6 7 |
| 7. Top managers in my firm have a strong proclivity for high-risk projects (with chances of very high returns) | 1 2 3 4 5 6 7 |
| 8. Owing to the nature of the environment, it is best to explore it gradually via timid, incremental behaviour | 1 2 3 4 5 6 7 |
| 9. When confronted with decision making situations involving uncertainty, we adopt a cautious “wait-and-see” posture | 1 2 3 4 5 6 7 |
| 10. When confronted with decision making situations involving uncertainty, we adopt bold, aggressive posture | 1 2 3 4 5 6 7 |

11. My firm typically adopts a very competitive “undo-the-competitors” posture
12. My firm is very aggressive and intensely competitive

13. How often do you reinvent the business? _______ months
14. What is your ONE BEST TIP for how to reinvent the business?

Part Eight: Marketing Capabilities

| 1. Our market research ability helps us find more new customers than do our competitors | Strongly Disagree | Strongly Agree |
| 2. Market research skills help us develop effective marketing programs | 1 2 3 4 5 6 7 |
| 3. We use our marketing research information more effectively than our competition uses their marketing research information | 1 2 3 4 5 6 7 |
| 4. Our market research expertise helps us develop better marketing programs than our competition | 1 2 3 4 5 6 7 |
| 5. Pricing has a major impact on marketing program success | 1 2 3 4 5 6 7 |
| 6. Pricing is important | 1 2 3 4 5 6 7 |
| 7. Our pricing approach is more effective than our competition’s | 1 2 3 4 5 6 7 |
| 8. We know competitors’ prices better than we know ours | 1 2 3 4 5 6 7 |
| 9. Our prices are more competitive than our competition’s prices | 1 2 3 4 5 6 7 |
| 10. We do a better job of developing new products/services than our competition | 1 2 3 4 5 6 7 |
| 11. Our product/service development often falls short of its goals | 1 2 3 4 5 6 7 |
| 12. Our product/service development gives us an edge in the market | 1 2 3 4 5 6 7 |
| 13. Our product/service development efforts are more responsive to customer needs than those of our competition | 1 2 3 4 5 6 7 |
| 14. We have better relationships with distributors than our competitors | 1 2 3 4 5 6 7 |
| 15. Our distribution system is more efficient than our competitors | 1 2 3 4 5 6 7 |
| 16. We work more closely with distributors and retailers than do our competitors | 1 2 3 4 5 6 7 |
17. Our distribution programs are vital for marketing program success  1 2 3 4 5 6 7
18. Advertising is a vital component of our promotional program  1 2 3 4 5 6 7
19. Our sales promotions (coupons, free samples etc.) are more effective than those of our competitors  1 2 3 4 5 6 7
20. Our advertising programs are more effective than those of our competitors  1 2 3 4 5 6 7
21. Our abilities to segment and target market help us compete  1 2 3 4 5 6 7
22. We manage our marketing programs better than our competitors  1 2 3 4 5 6 7
23. Our marketing management skills give us a competitive edge  1 2 3 4 5 6 7
24. Our ability to coordinate various departments and groups in this business helps us to respond to market conditions faster than our competitors  1 2 3 4 5 6 7
25. We have a better image compared to our competitors  1 2 3 4 5 6 7
26. Our products/services are highly differentiated  1 2 3 4 5 6 7
27. We are more aware of our marketing weakness than our competitors  1 2 3 4 5 6 7
28. Where do you price yourself in the market?  
   Bottom-end 1 Middle 2 Top-end 3

Part Nine: Performance Outcomes

1. Please evaluate the performance of your business over the previous THREE years relative to your major competitors

<table>
<thead>
<tr>
<th></th>
<th>Much worse than competitors</th>
<th>Much better than competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Business unit profitability</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(b) Return on Investment (ROI)</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(c) Return on Equity (ROE)</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(d) Customer satisfaction</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(e) Delivering value to your customers</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(f) Overall marketing effectiveness</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(g) Number of successful New products</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

2. Over the previous THREE years, what is the AVERAGE:

(a) Return on investment (ROI)? \[\text{%}\]  
(b) Return on assets (ROA)? \[\text{%}\]  
(c) Net profit before interest and tax \[\text{%}\]

3. Will you improve profit margins this financial year?  
   Yes 1 No 2
   If yes, how? ___________________________________________

Part Ten: Customer Value

1. In relation to your products/services, to what extent do your customer’s value:

<table>
<thead>
<tr>
<th></th>
<th>Not at All</th>
<th>To a large Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) On time delivery</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(b) Complaint handling</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(c) Clear points of contact</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(d) Minimal interaction</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(e) Highly personalized services</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(f) Friendliness/relationship with staff</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(g) Lowest possible prices</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(h) Highly differentiated products or services</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(i) Highest quality products</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(j) Advanced technology</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(k) Alliances with others in industry</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(l) Convenient location</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(m) Stylish looking office</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(n) Brand reputation/identity</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(o) Other</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

2. If Not at All, do you plan to use any of these facilities during the next 2 years?  
   Yes 1 No 2

3. Does your firm outsource IT functions in the following areas?:  
   (a) Day-to-day support Yes 1 No 2  
   (b) Software development Yes 1 No 2

4. To what extent do you use eCommerce?  
   (a) B2B (i.e., business-to-business) 1 2 3 4 5 6 7  
   (b) B2C (i.e., business-to-consumer) 1 2 3 4 5 6 7

5. How many equivalent full time (2 P/T = 1 F/T) staff have experience with eCommerce? \[\text{_____Staff}\]

6. If your business does not use eCommerce, do you plan to do so within the next two years?  
   Yes 1 No 2

7. How important to your business is:

<table>
<thead>
<tr>
<th></th>
<th>Not at all Important</th>
<th>Extremely Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) eCommerce via the internet</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(b) Exploiting your investment in IT</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(c) Future investments in IT</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

8. Does your business have an:  
   (a) IT manager(s) Yes 1 No 2  
   (b) IT competent Board member(s) Yes 1 No 2

9. Are you using wireless communication technology in the development of your business?  
   No 1 Yes 2

Part Eleven: Use of Information Technology

1. To what extent does your enterprise make optimal use of the:

<table>
<thead>
<tr>
<th></th>
<th>Not at All</th>
<th>To a large Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Internet</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(b) Information technology needs/opportunities</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

2. If Not at All, do you plan to use any of these facilities during the next 2 years?  
   Yes 1 No 2

3. Does your firm outsource IT functions in the following areas?:  
   (a) Day-to-day support Yes 1 No 2  
   (b) Software development Yes 1 No 2

4. To what extent do you use eCommerce?  
   (a) B2B (i.e., business-to-business) 1 2 3 4 5 6 7  
   (b) B2C (i.e., business-to-consumer) 1 2 3 4 5 6 7

5. How many equivalent full time (2 P/T = 1 F/T) staff have experience with eCommerce? \[\text{_____Staff}\]

6. If your business does not use eCommerce, do you plan to do so within the next two years?  
   Yes 1 No 2

7. How important to your business is:

<table>
<thead>
<tr>
<th></th>
<th>Not at all Important</th>
<th>Extremely Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) eCommerce via the internet</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(b) Exploiting your investment in IT</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>(c) Future investments in IT</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

8. Does your business have an:  
   (a) IT manager(s) Yes 1 No 2  
   (b) IT competent Board member(s) Yes 1 No 2

9. Are you using wireless communication technology in the development of your business?  
   No 1 Yes 2
1. How important is R & D to the success of your firm? 

<table>
<thead>
<tr>
<th>Not at all Important</th>
<th>Extremely Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

2. How important is investment in quality equipment? 

<table>
<thead>
<tr>
<th>Not at all Important</th>
<th>Extremely Important</th>
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<tbody>
<tr>
<td>1</td>
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<td>3</td>
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<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
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</tbody>
</table>

3. Approximately how much do you currently invest in R&D per annum as a % of turnover? 

<table>
<thead>
<tr>
<th>%</th>
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<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
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<tr>
<td>6</td>
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<tr>
<td>7</td>
</tr>
</tbody>
</table>

Part Thirteen: Competitive Advantage

1. To what extent does your firm possess a clear advantage over your competitors regarding

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

(a) Product/service

(b) Technology

(c) Research and development

2. Access to and use of outside advisors is

<table>
<thead>
<tr>
<th>Not at all Important</th>
<th>Extremely Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
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<tr>
<td>3</td>
<td>4</td>
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<tr>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

3. How important is intellectual property (IP) for your business?

<table>
<thead>
<tr>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
</tbody>
</table>

4. Is your IP protected? Yes 1 No 2

5. Do you undertake external comparisons against?

(a) Local industry leaders 1
(b) World class firms 2
(c) Main competitor 3
(d) Industry norm 4
(e) Other (Please specify) 5

If yes, how?

Part Fourteen: Attitudinal

<table>
<thead>
<tr>
<th>Question</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. It is sometimes hard for me to go on with my work if I am not encouraged</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>13. I sometimes feel resentful when I don’t get my way</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>14. No matter who I’m talking to, I’m always a good listener</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>15. There have been occasions when I took advantage of someone</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>16. I’m always willing to admit it when I make a mistake</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>17. I sometimes try to get even rather than forgive and forget</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>18. I am always courteous, even to people who are disagreeable</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>19. I have never been irked when people expressed ideas very different from my own</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>20. There have been times when I was quite jealous of the good fortune of others</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>21. I am sometimes irritated by people who ask favours of me</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>22. I have never deliberately said something that hurt someone’s feelings</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>23. What is it about your character that makes you successful?</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

24. When something goes wrong, what do you say to yourself?

<table>
<thead>
<tr>
<th>Question</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>25. I am very passionate about my work</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>26. I have wanted to become an entrepreneur all my life</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>27. A major part of my life revolves around my passion (work)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>28. I cannot stand a moment of solitude</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>29. I spend more quality time with family/friends than with the business</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>30. I am single-minded on making this business successful</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>31. I tend to surround myself with people who have similar ideas/opinions/visions</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>32. I rarely develop networks with the new people I meet</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>33. I prevent my life from becoming habitual or routine</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>34. I thrive on change (avoid routine)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>35. I rarely have time for issues outside my work</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>36. I often think retrospectively and ask, What if I had done something differently?</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>37. I define my intelligence differently to others</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>38. I view myself as self-made</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>39. I have an ability to bounce back from adversity</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

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### Part Fifteen: Background of Owner(s)

1. **Age of Owner:**
   - < 25 years: 1
   - 25-30 years: 2
   - 31-40 years: 3
   - 41-50 years: 4
   - 51-60 years: 5
   - 61+ years: 6

2. **Gender of Owner:**
   - Male: 1
   - Female: 2

3. **Place of birth of Owner:**
   - Australia: 1
   - New Zealand: 2
   - Europe: 3
   - Asia: 4
   - USA: 5
   - Other: 7

4. **What is the first language of your family?**
   - English: 1
   - Other: 2

5. **Highest educational level of Owner**
   - Primary education: 1
   - Secondary education: 2
   - Tertiary education: 3
   - Certificate/Diploma: 4

6. **Marital Status**
   - Single: 1
   - Widow(er): 3
   - Separated/Divorced: 5
   - Other: 6
   - Married: 4
   - De Facto: 2

7. **Do you read BRW?**
   - Not at all: 1
   - Sometimes: 2
   - Regularly: 3

8. **What would you like to see more of in BRW?**

---

*Many thanks for taking the time to complete this questionnaire. The results will be announced in the Fast 100 issue, cover date in late October 2003.*
Appendix 4.1 Case Study Interview Protocol
The interview protocol comprised the following four sections (Yin, 1994, p. 64):

1. An overview of the case study project (objectives, issues, topics being investigated)

Objective: Factors for success in FGFs:

- Business orientation
- Marketing capabilities
- Firm performance
- Customer value
- Other important variables?

2. Field procedures (credentials and access to sites, sources of information)

- Interview CEO or marketing managers
- View company websites
- Check media write-ups on companies

3. Case study questions (specific questions that the investigator kept in mind during data collection)

- Please see Appendix 4.2 for specific questions

Opening

- Introduction of interviewer and participant
- Overview of purpose of study
- Permission to use company name in case studies
- Permission to audiotape

Demographic data

- Participants’ background
- Organizational structure and history
- Industry background

Initial prompts

Please tell me about your customers/competitors

Additional unplanned/floating prompts

- How?
- Describe?
- Can you explain in more detail?
- Please give me an example

4. A guide for case study report (outline, format for the narrative)

- Company background (industry)
- Discuss case study in order of occurrence
## Appendix 4.2 Semi-structured In-depth Interview Guide

<table>
<thead>
<tr>
<th>Interview Guide</th>
<th>Question Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEO information</strong></td>
<td>a</td>
</tr>
<tr>
<td>Can you please tell me about yourself?</td>
<td>a</td>
</tr>
<tr>
<td>Before this business, what did you do?</td>
<td>a</td>
</tr>
<tr>
<td>Why did you leave your last job?</td>
<td>a</td>
</tr>
<tr>
<td>Why did you decide to start this company?</td>
<td>a</td>
</tr>
<tr>
<td>What made you want to enter the XYZ line/market?</td>
<td>a</td>
</tr>
<tr>
<td>When you first started business, was it difficult to enter the market?</td>
<td>a</td>
</tr>
<tr>
<td>Did you feel there was a gap in the market?</td>
<td>a</td>
</tr>
<tr>
<td>What exactly do you do?</td>
<td>a</td>
</tr>
<tr>
<td>How many hours do you usually spend at work?</td>
<td>a</td>
</tr>
<tr>
<td>Do you think without you, your business will be able to function?</td>
<td>a</td>
</tr>
<tr>
<td>Where do you get your inspiration from?</td>
<td>a</td>
</tr>
</tbody>
</table>

| **Background of Business**                                   | a               |
| Could you tell me the background about your business?       | a               |
| What would you say your vision for this company is?        | a               |
| How do you come up with ideas about products/services?     | a               |
| What are your plans for the business? Are you a market leader in your industry? How? | a |
| What is the structure of the organization?                 | a               |
| How did you deal with September 11? Did it affect your business? | a               |
| What are your business objectives driven by?               | a               |
| How did you manage sustain such high growth in the past 4 years? | a               |
| Do you have offices nationwide? Worldwide?                 | a               |

| **Market Orientation**                                       | a               |
| **Customer information/orientation**                        | a               |
| Please tell me who are your customers                        | a               |
| Would you say your customers are mostly small businesses? End-customers? | a |
| How do you get to know your customers for the first time?   | Narver & Slater (1990) |
| How do you look for ways to create value in your products/services? | Narver & Slater (1990) |
| Would you say that you have a strong commitment to your customers? How? | Narver & Slater (1990) |
| Would you say that your business objectives are driven by customer satisfaction? How? | Narver & Slater (1990) |
| Do you measure customer satisfaction?                        | Narver & Slater (1990) |
| What kind of questions do you ask your customers in these questionnaires? | a |
| Would you say you closely monitor and assess your level of commitment in serving customer needs? How? | Narver & Slater (1990) |
| Do you provide after sales service? How?                    | Narver & Slater (1990) |
| Do you encourage customer complaints? If yes, how?           | Deng & Dart (1994) |

Note. *Adapted/developed by the present investigator*
<table>
<thead>
<tr>
<th>Interview Guide</th>
<th>Question Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Competitor information/orientation</strong></td>
<td></td>
</tr>
<tr>
<td>Who are your competitors?</td>
<td>a</td>
</tr>
<tr>
<td>How do your competitors operate?</td>
<td>a</td>
</tr>
<tr>
<td>Are your competitors of the same size?</td>
<td>a</td>
</tr>
<tr>
<td>Do you view any of your competitors as a threat to you?</td>
<td>a</td>
</tr>
<tr>
<td>Would you say your sales people share information about your competitors?</td>
<td>Narver &amp; Slater (1990)</td>
</tr>
<tr>
<td>If a major competitor were to launch an intensive campaign targeted at your customers, would you respond immediately?</td>
<td>Narver &amp; Slater (1990)</td>
</tr>
<tr>
<td>Do top managers usually discuss competitor’s strategies?</td>
<td>Narver &amp; Slater (1990)</td>
</tr>
<tr>
<td>Are customers targeted when you have an opportunity for competitive advantage?</td>
<td>Narver &amp; Slater (1990)</td>
</tr>
<tr>
<td><strong>Interfunctional coordination</strong></td>
<td></td>
</tr>
<tr>
<td>Would you say that information on your marketing success, failures, is communicated across all levels functions and divisions? How?</td>
<td>All interfunctional items are based on Narver &amp; Slater (1990)</td>
</tr>
<tr>
<td>Do your managers understand how your employees can contribute to the value of your customers? How?</td>
<td>Narver &amp; Slater (1990)</td>
</tr>
<tr>
<td>Would you say that all your business functions are integrated in serving the needs of your target market? How?</td>
<td>Narver &amp; Slater (1990)</td>
</tr>
<tr>
<td>Do different departments share resources? How?</td>
<td>Narver &amp; Slater (1990)</td>
</tr>
<tr>
<td><strong>Learning Orientation</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Commitment to learning</strong></td>
<td>a</td>
</tr>
<tr>
<td>How do you view learning in this organization?</td>
<td>a</td>
</tr>
<tr>
<td>How important is learning to your organization?</td>
<td>a</td>
</tr>
<tr>
<td>Would you see learning in your organization as a commodity necessary to guarantee survival? How?</td>
<td>Sinkula et al. (1997)</td>
</tr>
<tr>
<td>Do your staff constantly reflect on their experiences and learn from mistakes? How?</td>
<td>a</td>
</tr>
<tr>
<td>Do you benchmark yourself? Against companies from different industries? Your competitors? Suppliers? How?</td>
<td>a</td>
</tr>
<tr>
<td><strong>Shared vision</strong></td>
<td></td>
</tr>
<tr>
<td>Would you say there is a well-expressed concept of who you are and where you are going as an organization? How?</td>
<td>All shared vision questions are based on Sinkula et al. (1997)</td>
</tr>
<tr>
<td>Does top leadership believe in sharing its vision with the business with lower levels? How?</td>
<td>Sinkula et al. (1997)</td>
</tr>
<tr>
<td>Would you say that all employees know what your vision is? How?</td>
<td>Sinkula et al. (1997)</td>
</tr>
<tr>
<td>Would you say there is total agreement with your business vision across all levels, functions and divisions? How?</td>
<td>Sinkula et al. (1997)</td>
</tr>
<tr>
<td>Are there any shared assumptions that you have had about the way you do business? Please give an example.</td>
<td>Sinkula et al. (1997)</td>
</tr>
</tbody>
</table>

Note. *Adapted/developed by the present investigator*
<table>
<thead>
<tr>
<th>Interview Guide</th>
<th>Question Source</th>
</tr>
</thead>
</table>
| **Open mindedness**  
Would you say that there is a high value placed on open mindedness in this organization? How?  
Are original ideas highly valued in this organization? How?  
How do you encourage your employees to think outside the box?  
How do you encourage your employees to be constantly thinking and innovative etc?  
Would you say that you have made any assumptions in the market? Do you continually challenge those assumptions? How?  
Would you say managers in this business do not want their view of the world to be questioned? Please explain.  
Would you say that there is an emphasis on constant innovation? How? | All open mindedness questions are based on Sinkula et al. (1997) |
| **Entrepreneurial Orientation**  
**Innovation**  
Would you say your firm has marketed many new lines in the past few years? Please give some examples.  
How often do you update your products?  
Have you had any changes in your product lines?  
How do you manage to stay so innovative?  
Would you say that changes in your product lines are major/minor in nature? Please give examples. | Lumpkin & Dess (2001)  
a  
a  
Lumpkin & Dess (2001) |
| **Proactiveness**  
How would you say that you are a proactive company?  
Would you say your firm is often the very first to introduce new products, or new ways of doing things?  
Do you think that in dealing with your competitors, your competitor typically responds to actions with competitors initiate you initiate? Or is your firm the initiator? | Lumpkin & Dess (2001)  
a  
Lumpkin & Dess (2001) |
| **Risk taking**  
When you encounter a decision making situation involving uncertainty, how would you react?  
Owing to the nature of the environment, how do you explore it?  
Do you do it by timid or incremental behavior? Is your firm considered bold?  
What kind of bold decisions have you made before?  
Would you say that top managers in your firm have a strong proclivity for high risk projects, with chances of high returns? | Lumpkin & Dess (2001)  
Lumpkin & Dess (2001)  
a  
Lumpkin & Dess (2001) |
| **Competitive aggressiveness**  
Would you say that you are a competitively aggressive company?  
Do you have a very competitive undo-the-competitor posture? | Lumpkin & Dess (2001) |

Note. *Adapted/developed by the present investigator*
<table>
<thead>
<tr>
<th>Interview Guide</th>
<th>Question Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing Capabilities</strong></td>
<td></td>
</tr>
<tr>
<td>How important is marketing to</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>your firm?</td>
<td></td>
</tr>
<tr>
<td>Do you do any marketing?</td>
<td>a</td>
</tr>
<tr>
<td>What kind of marketing do you do?</td>
<td>a</td>
</tr>
<tr>
<td><strong>Marketing/market research</strong></td>
<td></td>
</tr>
<tr>
<td>Do you do any marketing research</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>what kind of marketing research</td>
<td></td>
</tr>
<tr>
<td>do you undertake?</td>
<td></td>
</tr>
<tr>
<td>Would you say that your market</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>research ability helps you find</td>
<td></td>
</tr>
<tr>
<td>more customers?</td>
<td></td>
</tr>
<tr>
<td>Would you say your market</td>
<td></td>
</tr>
<tr>
<td>research skills help you develop</td>
<td></td>
</tr>
<tr>
<td>more effective marketing</td>
<td></td>
</tr>
<tr>
<td>programs?</td>
<td></td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
<td></td>
</tr>
<tr>
<td>ow do you price yourself in the</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>market?</td>
<td>a</td>
</tr>
<tr>
<td>How do you decide your prices?</td>
<td>a</td>
</tr>
<tr>
<td>Do you think that pricing has a</td>
<td>All product related</td>
</tr>
<tr>
<td>major impact on your success?</td>
<td>questions are based on</td>
</tr>
<tr>
<td></td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td></td>
</tr>
<tr>
<td>Would you say you do a better</td>
<td>All product related</td>
</tr>
<tr>
<td>job in developing new services</td>
<td>questions are based on</td>
</tr>
<tr>
<td>than your competition? How?</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>Would you say that your service</td>
<td></td>
</tr>
<tr>
<td>development efforts are more</td>
<td></td>
</tr>
<tr>
<td>responsive to customer needs?</td>
<td></td>
</tr>
<tr>
<td>How?</td>
<td></td>
</tr>
<tr>
<td>Do you think your service/product</td>
<td></td>
</tr>
<tr>
<td>development falls short of its</td>
<td></td>
</tr>
<tr>
<td>goals?</td>
<td></td>
</tr>
<tr>
<td>Would you say that your products</td>
<td></td>
</tr>
<tr>
<td>are highly differentiated and</td>
<td></td>
</tr>
<tr>
<td>more responsive to customer needs</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Relationships/Distribution</strong></td>
<td></td>
</tr>
<tr>
<td>Who do you form relationships</td>
<td>a</td>
</tr>
<tr>
<td>with?</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>Do you think your relationships</td>
<td></td>
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<tr>
<td>with customers, distributors,</td>
<td></td>
</tr>
<tr>
<td>stakeholders etc. are better</td>
<td></td>
</tr>
<tr>
<td>than your competitors?</td>
<td></td>
</tr>
<tr>
<td>How do you maintain relationships</td>
<td>a</td>
</tr>
<tr>
<td>with your customers?</td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Marketing management</strong></td>
<td></td>
</tr>
<tr>
<td>How are your marketing management</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>skills? Would you say your</td>
<td></td>
</tr>
<tr>
<td>marketing management skills give</td>
<td></td>
</tr>
<tr>
<td>you a competitive edge?</td>
<td></td>
</tr>
<tr>
<td>Would you say that you coordinating</td>
<td></td>
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<tr>
<td>various departments and groups</td>
<td></td>
</tr>
<tr>
<td>helps you to respond better to</td>
<td></td>
</tr>
<tr>
<td>market conditions?</td>
<td></td>
</tr>
<tr>
<td>Do you have any marketing</td>
<td></td>
</tr>
<tr>
<td>weakness?</td>
<td></td>
</tr>
<tr>
<td>Do you segment and target the</td>
<td></td>
</tr>
<tr>
<td>market?</td>
<td></td>
</tr>
<tr>
<td>Do you engage in marketing</td>
<td></td>
</tr>
<tr>
<td>planning? Business strategic</td>
<td></td>
</tr>
<tr>
<td>planning?</td>
<td></td>
</tr>
</tbody>
</table>

Note. *Adapted/developed by the present investigator*
<table>
<thead>
<tr>
<th>Interview Guide</th>
<th>Question Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing communications</strong></td>
<td></td>
</tr>
<tr>
<td>Do you advertise?</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>Would you say that advertising is a vital component of your promotional program?</td>
<td>a</td>
</tr>
<tr>
<td>What kind of promotional activities does your company engage in?</td>
<td>a</td>
</tr>
<tr>
<td>How would you say your image is like?</td>
<td>Conant et al. (1990)</td>
</tr>
<tr>
<td>Would you say you have a better image compared to your competitors?</td>
<td>a</td>
</tr>
<tr>
<td>How much of word-of-mouth an influence?</td>
<td></td>
</tr>
<tr>
<td><strong>Firm performance</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Financial performance</strong></td>
<td></td>
</tr>
<tr>
<td>How has your profitability been over the last 3 years?</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>ROI?</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td><strong>Market performance</strong></td>
<td></td>
</tr>
<tr>
<td>How successful have the new additions to your products been?</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>Do you think your customers are satisfied with what your services/products?</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>Why do you think that you are such a successful business?</td>
<td>a</td>
</tr>
<tr>
<td><strong>Emergent themes from initial interviews which were used subsequently</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Customer value</strong></td>
<td></td>
</tr>
<tr>
<td>How would you say you are different from your competitors? Why would a client choose you?</td>
<td>Vorhies et al. (1999)</td>
</tr>
<tr>
<td>What do you think your customers value?</td>
<td>All customer value, human resources, organizational culture and climate related questions were developed by the present investigator</td>
</tr>
<tr>
<td>Do you measure customer value?</td>
<td></td>
</tr>
<tr>
<td><strong>Human resources</strong></td>
<td></td>
</tr>
<tr>
<td>Please tell me about your human resource practices</td>
<td></td>
</tr>
<tr>
<td>Do your staff undergo training?</td>
<td></td>
</tr>
<tr>
<td>What kind of qualifications do your staff possess?</td>
<td></td>
</tr>
<tr>
<td>Do you tell your employees about their progress?</td>
<td></td>
</tr>
<tr>
<td>What is the current staff turnover rate?</td>
<td></td>
</tr>
<tr>
<td><strong>Culture/climate</strong></td>
<td></td>
</tr>
<tr>
<td>Is there a specific culture/climate in the organization?</td>
<td></td>
</tr>
<tr>
<td>Do you have problems with staff being selfish with their information?</td>
<td></td>
</tr>
</tbody>
</table>

Note. *Adapted/developed by the present investigator
Appendix 4.3 Letter of Introduction

Dear (name),

Congratulations on making the BRW Fast 100! I am one of the co-researchers working with Professor Kosmas Smyrnios and currently, I am undertaking a PhD in the School of Marketing at RMIT University.

Part of my study involves interviewing a number of CEOs of SMEs. I was wondering whether you would provide me with an opportunity to talk with you about the issue of competitive advantage and firm performance, the topic of my PhD thesis.

I would appreciate greatly this opportunity. I will contact you further, either by telephone or email, to see if we can arrange a suitable time to meet.

Kind Regards,

Carol

Kosmas Smyrnios PhD MAPS
Professor & Director of Research
School of Marketing
RMIT University
Australia
Telephone: +61 3 9925 1633
## Appendix 4.4 Plain Language Statement

### Aim of the research

My name is Caroline Tan Swee Lin and I am doing research towards a PhD under the direction of Professor Smyrnios in the School of Marketing at RMIT University.

The aim of this interview is to investigate the extent to which a firm’s competitive advantage influences firm performance. Participants are requested to answer all questions based on their experience/knowledge. The study seeks to develop a deeper understanding of the drivers of firm performance.

Participation is voluntary and you are not under any obligation to answer questions that may seem too personal or intrusive. Data will be kept securely for a period of five years in the School of Marketing. You will also be able to access your information at any time during the five-year period.

This in-depth interview will take approximately 2-3 hours to complete. If you have any queries regarding this project please contact my supervisor, Professor Kosmas Smyrnios, Phone: 03 9925 1633, Email: kosmas.smyrnios@rmit.edu.au, or the chair of the RMIT Business Human Research Ethics Committee, Professor Robert Brooks, Phone: 03 9925 5593, Email: Robert.brooks@rmit.edu.au A free copy of the report detailing your organization will be available upon request.

- Yes, I would like a copy of the report
  
  Name: __________________________ Postal Address: ________________________________
  
  Contact Number: ___________ Email Address: ________________________________

- No, I do not want a copy of the report

THANK YOU FOR YOUR PARTICIPATION
Appendix 4.5 Consent Form

Prescribed Consent Form for Persons Participating in Research Projects Involving Interviews, Questionnaires or Disclosure of Personal Information

Faculty of Business
School of Marketing
Name of participant: [Participant's Name]
Project Title: Sources of Competitive Advantage for Emerging Fast Growth Small-To-Medium Enterprises: The Role of Business Orientation, Marketing Capabilities, Customer Value, and Firm Performance
Name of Investigator: Caroline Tan Swee Lin
Phone: 0415663506 (Mobile); (03)99251692 (Office)

1. I have received a statement explaining the interview/questionnaire involved in this project.
2. I consent to participate in the above project, the particulars of which – including details of the interviews or questionnaires – have been explained to me.
3. I authorise the investigator to interview me.
4. I acknowledge that:
   (a) Having read the Plain Language Statement, I agree to the general purpose, methods and demands of the study.
   (b) I have been informed that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied.
   (c) The project is for the purpose of research and/or teaching. It may not be of direct benefit to me.
   (d) The confidentiality of the information I provide will be safeguarded. However, should information of a confidential nature need to be disclosed for moral, clinical or legal reasons, I will be given an opportunity to negotiate the terms of this disclosure.
   (e) The security of the research data is assured during and after completion of the study.

Participant’s Consent

Name: ____________________________ Date: ______________

(Received) (Participant)

Name: ____________________________ Date: ______________

(Witness to signature)

Any complaints about your participation in this project may be directed to the Chair, RMIT Business Human Research Ethics Committee, RMIT Business, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 5594, the fax number is (03) 9925 5595 or email address is rdu@bf.rmit.edu.au
Appendix 4.6 Causal Network Verification

Company ___________________________         Name ___________________________

Your reactions to the materials you’ve read can be of much help in validating them. You can provide me with more confidence in my conclusions, and show me where my explanations are partial or mistaken, and need to be revised for more accuracy.

1. Looking at the case study:
   a) What errors of fact do you see?
   b) What differences in interpretation do you have?

2. Now, looking at the causal network:
   a) Generally speaking, how accurate do you consider the network to be? Please say a little about why you think so.
   b) Are there any important elements missing? Please list and/or draw them on the chart. Give each one a new number, larger than the present list of numbers.
   c) Looking at the specific boxes, are any of them unimportant, trivial, of little effect? Cross them off, list their numbers, and explain briefly why they are of little value, from your point of view.
   d) Still looking at specific boxes, have I made mistakes in the ratings given (high, low)? If so, please write your corrections on the network, note numbers, and give reasons for revised ratings.
   e) Looking at the arrows between the boxes, do you think they are accurate? Are they faithful to the events at your company? If not, please cross off arrows or draw new arrows. Please explain your revisions in arrows briefly.
   f) Is the discussion of outcomes at the end of the causal network description accurate from your point of view? What revisions would you suggest to make it more accurate?
   g) If you would like to draw a revised causal network that would show your explanations of why things happened as they did, please feel free to do so here. Yours might have fewer, more, or different boxes.

3. Any other concluding comments or suggestions:

Many thanks for your help.
Appendix 4.7 The 2004 Fast 100 Survey

My name is Caroline Tan Swee Lin and I am doing research under the supervision of Professor Kosmas Smyrnios in the School of Marketing, towards a PhD in Marketing at RMIT University.

Aim of the research
The aim of this survey is to investigate the extent to which a firm’s competitive advantage influences firm performance. Respondents will be required to answer questions based on their experience/knowledge. The present study will lead to a refined understanding of drivers of competitive advantage and firm performance.

Participants Approach
Respondents are owners/marketing managers/CEOs who have applied to participate in the BRW Fast 100 in 2004. Complete confidentiality is assured, as responses will be analyzed as an aggregate. While respondents are encouraged to respond, participation is voluntary and you are not under any obligation to complete questions that may seem too personal or intrusive. The data will also be kept securely for a period of five years in the School of Marketing. All information collected is strictly confidential and can only be accessed by my supervisor and I. You will also be able to access the information at any time during the five-year period.

Report Offered
It is important that each question is carefully read. It will take approximately 60 minutes to complete all questions. If you have any queries regarding this project please contact my supervisor, Professor Kosmas Smyrnios, Phone: 03 9925 1633, Email: Kosmas.Smyrnios@rmit.edu.au, or the chair of the RMIT Business Human Research Ethics Committee, Professor Robert Brooks, Phone: 03 9925 5594, Email: robert.brooks@rmit.edu.au. A free copy of the report detailing the results of the survey will be available upon request.

THANK YOU FOR YOUR PARTICIPATION AND CO-OPERATION
Prescribed Consent Form For Persons Participating In Research Projects Involving Interviews, Questionnaires or Disclosure of Personal Information

FACULTY OF Business
DEPARTMENT OF Marketing

Name of participant: 

Project Title: 

Name of investigator: Caroline Tan Swee Lin Phone: 0415663506

1. I have received a statement explaining the interview/questionnaire involved in this project.

2. I consent to participate in the above project, the particulars of which - including details of the interviews or questionnaires - have been explained to me.

3. I authorise the investigator or his or her assistant to interview me or administer a questionnaire.

4. I acknowledge that:

   (f) Having read Plain Language Statement, I agree to the general purpose, methods and demands of the study.

   (g) I have been informed that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied.

   (h) The project is for the purpose of research and/or teaching. It may not be of direct benefit to me.

   (i) The privacy of the personal information I provide will be safeguarded and only disclosed where I have consented to the disclosure or as required by law.

   (j) The security of the research data is assured during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be provided to ___________(researcher to specify). Any information which will identify me will not be used.

Participant’s Consent

Name: ___________________________ Date: ___________________________

(Participant)

Name: ___________________________ Date: ___________________________

(Witness to signature)

Where participant is under 18 years of age:

I consent to the participation of ___________________________ in the above project.

Signature: (1) ___________________________ (2) ___________________________ Date: ___________________________

(Signatures of parents or guardians)

Name: ___________________________ Date: ___________________________

(Witness to signature)

Participants should be given a photocopy of this consent form after it has been signed.

Any complaints about your participation in this project may be directed to the Secretary, RMIT Human Research Ethics Committee, University Secretariat, RMIT, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 1745. Details of the complaints procedure are available from the above address.
Congratulations on being included in the BRW Fast 100 list. We know you are very busy, but please take the time to fill in this questionnaire, as BRW would like to draw some information from this survey to use in the magazine. We will publish the results in October. If you run out of room, write the number of the question on the back of a sheet and continue. The more you write the better.

Thank you in anticipation.

Kosmas Smyrnios
Professor and Director of Research

Amanda Gome
Section Editor
Emerging Companies
BRW.

PLEASE COMPLETE AND RETURN THIS QUESTIONNAIRE TO:

Professor Kosmas X. Smyrnios
School of Marketing
RMIT Business
RMIT University
PO Box 2476V
Melbourne VIC 3000

Or fax to (03) 9654 7486

No later than

MONDAY, 23rd AUGUST 2004

THANK YOU
Part 1: Background on Business, Ownership and Management of Business

1. Company Name (Please print carefully):
   
2. Name and position of Founder/CEO (i.e., person who completed the questionnaire):
   
3. Contact telephone number:
   
4. In which year was the enterprise established? ______
   
5. Are you the original founder or co-founder of your business?
   Yes 1 No 2
   
(a) If YES, why did you start the business? (Please circle ONE only)
   Wealth creation 1
   Independence 2
   Buying yourself a job 3
   Could do the job better than your former boss 4
   Saw a niche 5
   Challenge 6
   Lack of career opportunities in previous employment 7
   Other (please specify) 8
   
6. How many owners Owners
   
   7. Age of Owner(s) please circle for all:
   < 25 years 1 41-50 years 4
   25-30 years 2 51-60 years 5
   31-40 years 3 61 + years 6
   
8. Gender of Owner please circle for all:
   Male 1 Female 2
   
9. Highest educational level of Owner please circle for all:
   Primary education 1 Certificate/Diploma 3
   Secondary education 2 Tertiary education 4
   
10. Marital Status please circle for all:
    Single 1 Widow(er) 3 Separated/Divorced 5
    De Facto 2 Married 4 Other 6
   
11. Is the CEO also the owner? Yes 1 No 2
   
12. The CEO is:
    Male 1 Female 2
   
13. What is the highest academic qualification of the CEO?
    Less than HSC (year 12) 1 MBA 4
    HSC (year 12) 2 PhD or Doctorate 5
    Tertiary 3 Other 6
   
Part 2: START-UP

1. Did you start your business at home? Yes 1 No 2
   
2. With how much finance?
    Less than AUD$5,000 1 AUD$5,001 - $999,999 4
    AUD$5,001 - $20,000 2 AUD$1 million and above 5
    AUD$20,001-$200,000 3
   
3. Where did you get the finance?
   Family/Friends 1 Banks 3
   Equity 2 Other 4
   
4. I started a business because
   (a) Personal internal reasons (challenge) 1
   (b) Family balance reasons 2
   (c) Financial reasons 3
   (d) Negative external reasons 4
   (e) Saw an opportunity 5
   (f) Wanted to make more money 6
   
5. My initial goal in starting a business was…
   
6. I have achieved that Yes 1 No 2
   
7. I started a business related to my former job?
   Yes 1 No 2
   
8. How many years did it take to draw a proper salary (i.e. more than $80,000)
   (a) Less than a year 1
   (b) 1-3 years 2
   (c) 3-5 years 3
   (d) 5 + years 4
   (e) been drawing less than $80,000 5
   
9. If (e), I have been drawing less than $80,000 for
    Less than a year 1
    1-3 years 2
    3-5 years 3
    5 + years 4
   
10. If I could start the business again what is one thing you would do differently/better?
   
11. Have you had a tax audit? Yes 1 No 2
   
12. If YES, how long ago? _______ years
   
13. Which ONE industry best describes your operation?
    Agriculture, forestry, fishing 1 Information Tech 9
    Mining 2 Communications 10
    Manufacturing 3 Finance & Insurance 11
    Construction 4 Property & Bus Service 12
    Wholesale Trade 5 Education 13
    Retail Trade 6 Health & Com Service 14
    Accommodation, cafe, rest’rant 7 Cultural & recreational 15
    Transport and storage 8 Personal & Other Service 16
   
Part 3: Home Business

1. We started the business from home Yes 1 No 2
   
2. We stayed in the home business for years
   
3. When we left the home office we had employees
   
4. It was a good idea to start the business from home Yes 1 No 2
   
5. The BEST TIP for starting a business from home
   
Part 4: Labor and Workforce

1. How many equivalent FT employees do you have? employees
   
2. What % of employees is?
   (a) Full time ________ %
   (b) Part time ________ %
Part 5: Getting The Best People

1. Have you found recruiting good staff more difficult in the last two years? Yes 1 No 2
   If so, why?

2. What was the most successful way you have recruited new staff?

3. When hiring do you use recruitment specialists? Yes 1 No 2

4. When hiring do you use psychological testing? Yes 1 No 2

5. What is the most important quality you look for in new recruits?

6. What is the main way you retain good staff?

7. What is the biggest mistake you have made with staff in past 12 months?

8. If a staff member is under performing what is your best tip?

---

Part 6: Motivating Staff

1. How do you plan to reward your employees this year?
   - Share employee plan 1
   - Bonuses/financial reward 2
   - Non-cash bonuses/reward 3
   - Maternity leave 4
   - Other (Please specify) 5

2. What is ONE way you motivate your staff?

---

Part 7: Growth Challenges

1. How many locations does the business have?
   - In Australia? ________ Locations
   - Overseas? ________ Locations

2. If you have locations overseas, are you planning to increase the number? Yes 1 No 2

3. Do you view your enterprise as a family-controlled business? Yes 1 No 2

4. Which description best describes your ambition (Please circle ONE only)?
   - A global player 1
   - Dominate the domestic market 2
   - Dominate a local niche 3
   - Dominate a global niche 4
   - Other (please specify) 5

5. The main objective of your business is (Please circle ONE only)
   - to accumulate wealth 1
   - to increase shareholders dividends 2
   - to pass it on to the next generation 3
   - to increase profitability 4
   - to provide for a lifestyle 5
   - to provide flexibility and freedom of running one's affairs 6
   - to be a market leader in the industry 7
   - to fulfill customer needs 8
   - other 9

6. Have you made these mistakes in the past three years?
   - Underestimating the disruption of new technology 1
   - Outgrowing office space too soon? 2
   - Too slow to adapt new technology 3
   - Not getting rid of non performing staff quickly enough 4
   - Allowing clients too long to pay 5
   - Losing focus on the main goal. 6
   - Missing new business opportunities 7
   - Not growing fast enough 8

7. What is your biggest gripe this year (e.g., late payments, banks, government, and insurance)?

8. What did you do to correct it?

9. What is your biggest gripe this year (e.g., late payments, banks, government, and insurance)?

10. Compared with 2 years ago, running a business is:
    - Easier 1 Harder 2

---
11. Why?

_______________________________________________

_______________________________________________

12. What has been the funniest thing that has happened to you as a business owner in the past year?

_______________________________________________

_______________________________________________

13. What is the one biggest risk the company faces?

_______________________________________________

14. How often do you change your growth strategy?

_______________________________________________

_______________________________________________

_______________________________________________

15. What is the main way you grew your business:
   Exporting 1
   Acquisitions 2
   New products/services 3
   Use of the internet 4
   Geographical expansion 5
   Better service 6
   More aggressive sales service 7
   Better business practices 8
   Increasing profit margins 9
   Other (Please specify) 10

16. This year, what do you see as the new trends in business?

_______________________________________________

Part 8: Funding Growth

1. What has been the primary source of funding/capital used to grow your business?
   (a) bank loan 1
   (b) venture capital 2
   (c) family/friends 3
   (d) reinvested profits from the business 4
   (e) public markets 5
   (f) overseas 6
   (g) other state… 7

2. What other types of capital have you used to grow the business? (list as above)
   (a) bank loan 1
   (b) venture capital 2
   (c) family/friends 3
   (d) reinvested profits from the business 4
   (e) public markets 5
   (f) overseas 6
   (g) other state… 7

3. How many rounds of capital have you taken: (includes angel funding, venture capital funding, private investor funding)

   ____________________________________________

4. How much capital have you raised?
   Primary means _________________________________
   other means _________________________________

5. What proportion of your business is owned by private equity investors: _______%

6. How difficult did you find it to raise capital to start your business
   very easy 1 2 3 4 5
   a real battle

7. How difficult did you find it to raise capital to grow your business
   very easy 1 2 3 4 5
   a real battle

Part 9: Business Partners (i.e. shareholders)

1. Did you start the business with another partner?
   Yes 1 No 2

2. Have you ever been forced to get rid of a non-performing partner?
   Yes 1 No 2

3. Is part of the reason for your business success a successful partner?
   Yes 1 No 2

4. When choosing a business partner what is one piece of advice to give to other start-ups?

   ____________________________________________

Part 10: Revenue Growth and Sustainability/Profitability

1. What is your net profit margin (approx)? (% of sales revenue ____________

2. Has your company always been profitable? Yes 1 No 2

3. Have you ever traded profit margin for revenue growth?

   Yes 1 No 2

   If so, why?
   (a) build scale to reduce unit costs
   (b) establish my company in a new market
   (c) build market share at the expense of a competitor
   (d) keep a big customer from switching suppliers
   (e) other__________________________

4. How long do you think you can sustain your current growth rate?
   (a) 0-1 year
   (b) 1-2 years
   (c) 2-3 years
   (d) 3-4 years
   (e) 4-5 years
   (f) 5+ years

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5. What is your one tip for growing profitably?

Part 11: Planning the Growth of your Business

1. What is your plan for the business? (Please tick ONE only)
   (a) To keep growing
   (b) List on the stock exchange
   (c) Sell the business in the next three years
   (d) Sell the business after three years
   (e) Succeed the business
   (f) Other (please specify)
   If (a), what are your personal reasons for wanting to continue growing?

2. Have you ever decreased growth in order to move forward? 
   Yes 1    No 2

3. Have you been involved in a previous business, that Failed 1  Was Sold 2

Part 12: Exporting

1. What is the % of annual revenue generated from exporting goods and services (e.g., 10%)?   _____%

2. This is an increase on the previous 2 years? 
   Yes 1    No 2

3. This is a decrease on the previous 2 years? 
   Yes 1    No 2

4. We plan to export more over the next two years:
   Yes 1    No 2

5. If you export, have you developed any new strategies/markets this year to assist growth? 
   Yes 1    No 2

6. If yes, please explain. 

7. Do you have international partners? Yes 1  No 2
   (a) If yes, ______ percent (%) of revenue comes from these partners
   (b) What are the benefits of these partnerships?

8. Do you have local partners? Yes 1  No 2
   (a) If yes, ______ percent (%) of revenue comes from these partnerships
   (b) What are the benefits of these partnerships?

9. Have you developed any alliances? Yes 1  No 2

10. Have these alliances helped you to achieve your goals? Yes 1  No 2

Part 13: Going Global

1. To what extent have you felt the impact of globalisation on your business? 
   Not at All 1  To a large Extent 2

2. Please state ONE major way in which globalization has impacted on your business this year?

3. Are you seeing more foreign participants in your industry?  
   Yes 1  No 2

4. Are they having a negative effect on your business?  
   Yes 1  No 2

5. If yes, what are you doing about it?

6. Is your industry undergoing consolidation (mergers and acquisition that reduce the number of direct competitors)?  
   Yes 1  No 2

7. If you are in a consolidating industry, please answer:
   (a) In the main market in which your company competes, what is your approximate market share?   ________%
   (b) What is the approximate market share of the market leader?   ________%
   (c) How many companies do you compete against directly?  
      None (we are truly unsubstitutable) 1     2-5 2     6-10 3     11-20 4     20+ 5
      (d) Has this number increased in the past two years?  
         Yes 1  No 2
      (e) Has this number decreased in the past two years?  
         Yes 1  No 2

8. Does size or a dominant market share give an advantage in your market? Yes 1  No 2
   If yes,
   (a) Substantial advantage in pricing power and opportunities for growth 1
   (b) Some slight advantages but nothing that can’t be compensated for in other areas 2
   (c) No advantage 3
   (d) Smaller is actually better (Please explain) 4

9. Are you participating, or planning to participate in 2004-05, in the industry consolidation? Yes 1  No 2
   9a If yes
   As a buyer 1
   As a seller 2
   In an equal merger or alliance 3

10. In response to the consolidation we are:
    (a) Cutting prices 1
    (b) Improving service 2
    (c) Diversifying product range 3
    (d) Other what________________________4

11. We devised a brilliant strategy for growth in a consolidating industry Yes 1  No 2

12. Competing with big business
    (a) Has a bigger company ever pressured you to behave in a certain way or change elements of the way you do business?  
       Yes 1  No 2
    (b) What did you do?  
       We did what we were told 1
       We refused to deal with the bigger company 2
       We negotiated a position satisfactory to both parties 3
       We used the law to fight back (e.g. ACCC, Trade Practices Act) 4
       Other (Please specify)  

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13. Do you believe your company’s size allows you to do business better than your bigger competitors?
   Yes 1  No 2

   13a If so, why?
   More flexible 1
   More personalized services 2
   Niche marketing 3
   Other ______________ 4

Part 14: Acquisitions

1. Have you done any acquisitions?
   Yes 1  No 2

2. Have they achieved their goals?
   Yes 1  No 2

2a If not why not
   (a) Lack of cultural fit
   (b) Unforeseen problems
   (c) Other... state __________

Part 15: Supply Chain Efficiency and Outsourcing

1. Will you outsource more this year? Yes 1  No 2

   If yes, what?

2. Do you plan to reduce the number of suppliers you deal with in the next 12 months? Yes 1  No 2

3. Do you plan to increase your number of suppliers? Yes 1  No 2

4. Are your customers dealing with fewer suppliers in the last 12 months? Yes 1  No 2

5. What strategies do you use to cut your inventory and holding costs?
   (a) Just-in-time methods 1
   (b) Advanced planning systems 2
   (c) Partnerships with suppliers and customers
   (c) to manage inventory along the supply chain 4
   (d) Outsourcing of inventory management 5
   (e) Other (Please specify) ______________ 6

6. Have your customers (particularly large businesses) asked you to change the way you interact with them in terms of logistics, planning or inventory management? Yes 1  No 2

   Explain ________________________________

Part 16: Governance and Corporate Social Responsibility

Not at all Important  Extremely Important

1. How important is corporate governance becoming to your company?
   1  2  3  4  5  6  7

2. What new measure of corporate governance have you instituted this year?

3. How many independent board members does your company have?

4. How many directors on the company’s board?

5. Does your company measure performance on a “triple bottom line” basis or some other form of social measures?
   Yes 1  No 2

6. What effect does this have on the business?
   (a) Adds to costs, but it will be better in the long run for the community/environment, which in turn will be better for us
   (b) Helps us win new business (we use it partly as a marketing tool)
   (c) Helps us retain staff
   (d) No significant effect

7. Does your company engage in your local community?
   (a) Sponsorship of local clubs/events
   (b) Pro-bono community work
   (c) Traineeships/work experience for unemployed locals
   (d) Facilitation and support of community engagement by your employees
   (e) Other (Please specify) ______________________________________________________

Part 17: Entrepreneurial Orientation

   (a) Helps us retain staff
   (b) Helps us win new business (we use it partly as a marketing tool)
   (c) Helps us retain staff
   (d) No significant effect

   1. Many new lines of products/services has been marketed in the past five years
   2. In dealing with competitors, my firm typically initiates actions which competitors then respond to
   3. In dealing with competitors, my firm is very often the first to introduce new products, administrative techniques etc.
   4. Top managers in my firm have a strong proclivity for high-risk projects (with chances of very high returns)
   5. My firm is very aggressive and intensely competitive

6. What is your ONE BEST TIP to remain entrepreneurial?

Part 18: Marketing

   1. Our market research ability help us find more new customers than do our competitors
   2. Our pricing approach is more effective than our competitor’s
   3. Our product/service development gives us an edge in the market
   4. We have better relationships with distributors than do our competitors
   5. Our distribution system is more efficient than our competitors
   6. Our sales promotions (coupons, free samples etc.) are more effective than those of our competition
   7. Our advertising programs are more effective than those of our competitors

   1  2  3  4  5  6  7

   Strongly Disagree Strongly Agree
8. Our marketing management skills give us a competitive edge 1 2 3 4 5 6 7
9. We have a better image compared to our competitors 1 2 3 4 5 6 7
10. Our products/services are highly differentiated 1 2 3 4 5 6 7
11. Where do you price yourself in the market? Bottom-end 1 Middle 2 Top-end 3
12. Over the previous 2 years, has your pricing: Decreased 1 Remained the Same 2 Increased 3

Part 19: Performance Outcomes
1. Please evaluate the performance of your business over the previous THREE years relative to your major competitors

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<th>Much worse than competitors</th>
<th>Much better than competitors</th>
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<tbody>
<tr>
<td>(a) Business unit profitability</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>(b) Return on Investment (ROI)</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>(c) Return on Equity (ROE)</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>(d) Customer satisfaction</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>(e) Delivering value to your customers</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>(f) Overall marketing effectiveness</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
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<tr>
<td>(g) Number of successful new products</td>
<td>1 2 3 4 5 6 7</td>
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</table>

2. Over the previous THREE years, what is the AVERAGE:
(a) Return on investment (ROI)?
(b) Return on assets (ROA)?
(c) Net profit before interest and tax

3. Will you improve profit margins this financial year? Yes 1 No 2

If yes, how?

Part 20: Customer Service - How Do The Fast 100 Give Good Service
1. How do you get your employees to think about customers when they are product oriented?

2. Have you created new products for a specific customer segment? Yes 1 No 2
3. Have you personalised service to customers? Yes 1 No 2
4. How important is anticipating customers needs to your business' growth? 1 2 3 4 5 6 7
5. What is ONE main way you anticipate customers' future needs?

6. How much time do you spend with your customers per day?

7. How do you measure customer satisfaction?

Part 21: Use of Information Technology
19. To what extent does your enterprise make optimal use of the:

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<th>Not at All Extent</th>
<th>To a large Extent</th>
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<tbody>
<tr>
<td>(a) Internet (no missing)</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>(b) Information technology needs/opportunities</td>
<td>1 2 3 4 5 6 7</td>
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20. If Not at All, do you plan to use any of these facilities during the next 2 years Yes 1 No 2

21. Does your firm outsource IT functions in the following areas:
(a) Day-to-day support Yes 1 No 2
(b) Software development Yes 1 No 2

22. To what extent does your business use eCommerce

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<th>Not at All Extent</th>
<th>To a large Extent</th>
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</thead>
<tbody>
<tr>
<td>(a) B2B (i.e., business-to-business)</td>
<td>1 2 3 4 5 6 7</td>
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<tr>
<td>(b) B2C (i.e., business-to-consumer)</td>
<td>1 2 3 4 5 6 7</td>
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</table>

23. How many equivalent full time (2 P/T = 1 F/T) staff have experience with eCommerce Yes 1 No 2

24. If your business does not use eCommerce, do you plan to do so within the next two years Yes 1 No 2

25. How important to your business is:

<table>
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<th>Not at all Important</th>
<th>Extremely Important</th>
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<tbody>
<tr>
<td>(a) eCommerce via the internet</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
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<tr>
<td>(b) Exploiting your investment in IT</td>
<td>1 2 3 4 5 6 7</td>
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</tbody>
</table>

26. Does your business have an:
(a) IT manager(s) Yes 1 No 2
(b) IT competent Board member(s) Yes 1 No 2

27. Are you using wireless communication technology in the development of your business? Yes 1 No 2
28. Are you using broadband Internet? Yes 1 No 2
29. Is your IT business strategy properly addressing your company's growth aspirations? Yes 1 No 2
30. We are making money from the internet: Yes 1 No 2

If yes, how?

31. What is your current investment in IT as a % of turnover per annum?

32. We have used the internet for new purposes this year? Yes 1 No 2

If YES, what
33. Does your company(s) have a website?
   Yes 1   No 2

   If YES, how long have you had the site?
34. Does your company buy supplies over the Internet?
   Yes 1   No 2

   If YES, what % of total supplies
   (a) Does your company pay online for supplies
       Yes 1   No 2
   (b) Does your company sell products/services over the
       internet? Yes 1 No 2

   If YES, what % of products/services is sold this way?
   (a) Does your company receive payments online?
       Yes 1   No 2

   If YES, what % of products/services is sold this way?
35. Does your company sell products/services over the
   internet? Yes 1 No 2

   If YES, what % of products/services is sold this way?
   (a) Does your company receive payments online?
       Yes 1   No 2

   If YES, what % of products/services is sold this way?
36. We are using an application service provider
   Yes 1   No 2

Part 22: Coaching/Mentoring

1. Have you engaged the services of a coach in the
   previous 3 years? Yes 1 No 2
2. Will you engage a coach in the coming year?
   Yes 1 No 2

3. As a result of coaching I am now able to:
   Totally Agree
   (a) Make better decisions
   (b) Have ideas/options to deal with issues
   (c) Achieve your objectives
   (d) Have greater self-awareness
   (e) Understand your strengths/weaknesses
   (f) Know your development needs

   Totally Disagree
   Not at all

Part 23: Innovation

1. How important is R & D to the success of your firm?
   Not at all Important
   Extremely Important
   1 2 3 4 5 6 7

2. How important is investment in quality equipment?
   Yes 1 No 2

3. What percentage of revenue was spent on R&D in
   2003/04?

4. What percentage of revenue will you spend on R&D in
   2005?

5. How important is intellectual property (IP) for your
   business?
   Not at all Important
   Extremely Important
   1 2 3 4 5 6 7

6. Is your IP protected? Yes 1 No 2

7. Do you undertake external comparisons against:
   (a) Local industry leaders
   (b) World class firms
   (c) Main competitor
   (d) Industry norm
   (e) Other (please specify)

   If yes, how?

8. Would you grow without innovation?
   Yes 1 No 2

9. Are you a highly innovative company?
   Yes 1 No 2

9a If yes:
   (a) Product innovation – takes existing products in
      established markets to new levels
   (b) Process innovation – makes processes for
      established products or services in established
      markets more efficient or effective
   (c) Experimental innovation – makes small
      modifications which improves the customers’
      experience of established products or processes
   (d) Restructures industry relationships when there is
      an opportunity such as a disruption through
      deregulation or privatization
   (e) Business Model innovation – Reframes a value
      proposition to customers or changes the
      company’s established role in the value chain or
      both. (Think of Gillette’s move from razors to
      razor blade or Apple’s expansion into consumer
      retailing).
   (f) Disruptive innovation – Unique first mover -
      the product is truly original and creates huge
      wealth
   (g) Others (Pls. specify)

20. Do you try and say neck and neck with competitors by
    using innovation? Yes 1 No 2

11. Do you try and stay ahead of competitors with
    innovation? Yes 1 No 2

12. Is your innovation so strong the competition is
    irrelevant? Yes 1 No 2

13. What is the hardest part about being an innovative
    company?

When innovating what is one question you ask yourself or
employees in order to generate ideas? (For example: What
can we offer that the industry has never offered before?)

14. Do you outsource R&D?
   Yes 1 No 2

15. Do you do R&D in-house?
   Yes 1 No 2

16. Do you work on innovation with any public research
    organisation? Yes 1 No 2

17a If yes which one?

17b If not, would you like to?

We have made patent applications in the last three years
We have trade mark applications in the last three years
We have design applications in the last three years
Other (please specify)

17. Do you benchmark your own performance?
   Yes 1 No 2

   If so, how?

Part 24: Leadership Matters

For this Section, please rate the following list of QUALITIES in
terms of how CHARACTERISTIC they are of your behavior.

1. I am an exciting public speaker?
   Non-Characteristic 1 2 3 4 5 6 7 Very Characteristic

2. I am a skilful performer when presenting to a group?
   Non-Characteristic 1 2 3 4 5 6 7 Very Characteristic

3. I readily recognize constraints in the physical
   environment (technological limitations, lack of
   resources, etc.) that may stand in the way of
   achieving growth objectives?
   Non-Characteristic 1 2 3 4 5 6 7 Very Characteristic

4. I readily recognize barriers/forces within the Business
   that may block or hinder achievement of other
   members’ goals?

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<table>
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<tr>
<th>Non-Characteristic</th>
<th>1</th>
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<td>5. I engage in unconventional behavior to achieve my business goals?</td>
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<td>If so, please specify:</td>
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<td>6. I use non-traditional means to achieve my business goals?</td>
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<td>7. In pursuing my business objectives, I engage in activities involving considerable self-sacrifice?</td>
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<td>8. I take high personal risk for the sake of my business?</td>
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<td>9. My greatest self-sacrifice:</td>
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<td>10. I show sensitivity for the needs and feelings of other members in my business?</td>
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<td>Very Characteristic</td>
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<td>11. I often express personal concern for the needs and feelings of other members of my business?</td>
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<td>6</td>
<td>7</td>
<td>Very Characteristic</td>
</tr>
<tr>
<td>12. I try to maintain the status quo or the normal way of doing things?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>Very Characteristic</td>
</tr>
<tr>
<td>13. I advocate following non-risky well-established courses of action to achieve my business goals?</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>Very Characteristic</td>
</tr>
<tr>
<td>14. Do you have a mentor? yes 1 no 2</td>
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<td>15. Does this assist you lead? yes 1 no 2</td>
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<tr>
<td>16. What is your greatest strength as a leader?</td>
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<td>17. What is your greatest weakness as a leader?</td>
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<td>18. In leading a growth company what is the most important lesson you have learned?</td>
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<td>19. As a leader what is the one big strategic question you return to?</td>
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<td>20. What is the most aggressive, competitive thing you have done in business?</td>
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<td>21. What do you tell yourself when you have to do something you dislike?</td>
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<td>22. What is one thing as a leader that drags you down?</td>
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<td>23. What in life do you fear?</td>
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<td>24. What do you say or use to motivate yourself when the going gets tough?</td>
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<td>25. What gives you the most satisfaction about running your own business?</td>
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<tr>
<td>26. Best tip to find new business</td>
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<td>27. Best inducement when hiring new staff</td>
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<td>28. Toys: What is your favourite “material” reward for the hard work?</td>
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<tr>
<td>29. How do you reward yourself emotionally for the hard work?</td>
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<td>30. How do you get new ideas?</td>
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<td>31. Who gets your coffee at the office?</td>
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<td>32. What was your first job and at what age?</td>
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<td>33. How much time do you spend working in the business as opposed to working on the business?</td>
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<td>In the business</td>
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<tr>
<td>On the business</td>
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<tr>
<td>34. Approximately how much of your time (business owner/CEO) is spent on the following activities? (a) Selling and customer service (b) Product design, development, manufacture (c) Strategic and tactical planning (d) Tax and accounting (e) People management (hiring, firing, mentoring, training) (f) Government-imposed regulatory red-tape (g) Raising capital/investor relations (h) Other (if &gt;20%, please specify______) TOTAL 100%</td>
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</table>

Part 25: Life Work Balance

1. Have any of your relationships failed due to overwork? yes 1 no 2
2. Does your spouse/partner work in the business with you? yes 1 no 2
3. How many hours a week do you work?                        |                       |                       |                       |                       |                       |
4. Are you obsessive about the business? yes 1 no 2
5. Are you a workaholic? yes 1 no 2
6. If yes is this a problem? yes 1 no 2
7. What are you doing about it?                        |                       |                       |                       |                       |                       |
8. What is the biggest cause of stress day to day?                        |                       |                       |                       |                       |                       |
9. How do you stay healthy?                        |                       |                       |                       |                       |                       |
10. How many emails do you get a day?                        |                       |                       |                       |                       |                       |
11. How many phone calls do you get a day?                        |                       |                       |                       |                       |                       |
12. How many problems do you deal with a day?                        |                       |                       |                       |                       |                       |

365
Part 26: Topical Issues
1. Is Labour better for your business?
   Yes 1 No 2
2. Is the Coalition better for your business?
   Yes 1 No 2
3. Are you seeing signs of a slow down?
   Yes 1 No 2
4. If so, what
   __________________________________________
   __________________________________________
5. Are you preparing for a slow down?
   Yes 1 No 2

Part 27: BRW
1. Do you read BRW?
   Not at all  Sometimes  Regularly
2. What would you like to see more of in BRW?
   __________________________________________
   __________________________________________

Many thanks for taking the time to complete this questionnaire. The results will be announced in the Fast 100 issue, cover date in mid October 2004.
### Appendix 4.8 Start List of Provisional Codes

<table>
<thead>
<tr>
<th>Market orientation (MO) properties</th>
<th>Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>CusO:</td>
<td>Objectives</td>
<td>CusO-OB</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction</td>
<td>CusO-CS</td>
</tr>
<tr>
<td></td>
<td>After sales service</td>
<td>CusO-ASS</td>
</tr>
<tr>
<td></td>
<td>Encourage customer complaints</td>
<td>CusO-COM</td>
</tr>
<tr>
<td>CompO:</td>
<td>Share information</td>
<td>CompO-SH</td>
</tr>
<tr>
<td></td>
<td>Respond immediately to competitors</td>
<td>CompO-R</td>
</tr>
<tr>
<td>Int:</td>
<td>Functions integrated</td>
<td>Int-INTER</td>
</tr>
<tr>
<td></td>
<td>Managers understand value to customers</td>
<td>Int-CV</td>
</tr>
<tr>
<td></td>
<td>Share resources with other departments</td>
<td>Int-SH</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Learning orientation (LO) properties</th>
<th>Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>ComL:</td>
<td>Learning is key to competitive advantage</td>
<td>ComL-CA</td>
</tr>
<tr>
<td></td>
<td>Values and culture for employee learning</td>
<td>ComL-VAL</td>
</tr>
<tr>
<td>Sha:</td>
<td>Well-expressed concept in direction</td>
<td>Sha-DIR</td>
</tr>
<tr>
<td></td>
<td>Agreement on vision</td>
<td>Sha-AGREE</td>
</tr>
<tr>
<td></td>
<td>Employees view themselves as partners</td>
<td>Sha-PART</td>
</tr>
<tr>
<td>OpenM:</td>
<td>Reflect critically on assumptions</td>
<td>OpenM-REFL</td>
</tr>
<tr>
<td></td>
<td>Think outside the box</td>
<td>OpenM-THINK</td>
</tr>
<tr>
<td></td>
<td>Emphasis on innovation</td>
<td>OpenM-INNO</td>
</tr>
<tr>
<td></td>
<td>Feedback given to employees</td>
<td>OpenM-FEED</td>
</tr>
<tr>
<td></td>
<td>Stakeholders encouraged to voice opinions</td>
<td>OpenM-VOICE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Entrepreneurial orientation (EO) properties</th>
<th>Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN:</td>
<td>Marketed many new lines</td>
<td>IN-NEW</td>
</tr>
<tr>
<td></td>
<td>New lines in the last 5 years</td>
<td>IN-5YRS</td>
</tr>
<tr>
<td></td>
<td>Major changes to lines</td>
<td>IN-CHANGE</td>
</tr>
<tr>
<td>PR:</td>
<td>Initiates actions</td>
<td>PR-ACT</td>
</tr>
<tr>
<td></td>
<td>First to introduce products</td>
<td>PR-FIRST</td>
</tr>
<tr>
<td>RI:</td>
<td>High risk projects</td>
<td>RI-HIGH</td>
</tr>
<tr>
<td></td>
<td>Wait-and-see posture</td>
<td>RI-WNS</td>
</tr>
<tr>
<td>CompA:</td>
<td>Undo-the-competitors</td>
<td>CompA-UNDO</td>
</tr>
<tr>
<td></td>
<td>Aggressive and competitive</td>
<td>CompA-AGGR</td>
</tr>
<tr>
<td>Marketing capabilities (MCs) properties</td>
<td>Description</td>
<td>Code</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-------------</td>
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</tr>
<tr>
<td>MktR:</td>
<td>Market research find new customers</td>
<td>MktR-FIND</td>
</tr>
<tr>
<td></td>
<td>Market research develop marketing prog.</td>
<td>MktR-PROG</td>
</tr>
<tr>
<td></td>
<td>Use information better than competition</td>
<td>MktR-CA</td>
</tr>
<tr>
<td>PRI:</td>
<td>Pricing importance for success</td>
<td>PRI-IMPT</td>
</tr>
<tr>
<td></td>
<td>Pricing more effective than competition</td>
<td>PRI-CA</td>
</tr>
<tr>
<td></td>
<td>Knows competitors pricing</td>
<td>PRI-KNOW</td>
</tr>
<tr>
<td>PROD:</td>
<td>Better at developing new product/service</td>
<td>PROD-CA</td>
</tr>
<tr>
<td></td>
<td>Products more responsive to customers</td>
<td>PROD-CUS</td>
</tr>
<tr>
<td>RSHIP:</td>
<td>Relationships with distributors better</td>
<td>RSHIP-CA</td>
</tr>
<tr>
<td></td>
<td>Distribution system is better</td>
<td>RSHIP-DISTCA</td>
</tr>
<tr>
<td></td>
<td>Work closely with distributors and retailers</td>
<td>RSHIP-DISRCA</td>
</tr>
<tr>
<td>MktC:</td>
<td>Advertising – vital component</td>
<td>MktC-AD</td>
</tr>
<tr>
<td></td>
<td>Sales promotion more effective</td>
<td>MktC-PROMOCA</td>
</tr>
<tr>
<td>MktM:</td>
<td>Ability to segment and target</td>
<td>MktM-STP</td>
</tr>
<tr>
<td></td>
<td>Marketing management edge</td>
<td>MktM-CA</td>
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<tr>
<td></td>
<td>Respond to conditions faster</td>
<td>MktM-RESP</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firm performance (FP) properties</th>
<th>Description</th>
<th>Code</th>
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<tbody>
<tr>
<td>FPF:</td>
<td>Profitability</td>
<td>FPF:PR</td>
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<td>Return on investment</td>
<td>FPF:ROI</td>
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<tr>
<td></td>
<td>Return on equity</td>
<td>FPF:ROE</td>
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<tr>
<td>FPM:</td>
<td>Customer satisfaction</td>
<td>FPM:CS</td>
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<td></td>
<td>Value to customers</td>
<td>FPM:CV</td>
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<td></td>
<td>Marketing effectiveness</td>
<td>FPM:MKT</td>
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<tr>
<td></td>
<td>New successful products</td>
<td>FPM:PROD</td>
</tr>
</tbody>
</table>