School of Marketing

EFFECTS OF MARKETING STRATEGY ON PERFORMANCE: A STUDY OF INDONESIAN ORGANIZATIONS

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ABSTRACT

This research provides empirical evidence on the implementation of the strategic marketing planning in the context of Indonesia, a newly industrialized country. Drawing from a contingency theory, the research posits that the credibility of marketing strategy depends on the external business environments and its formulation process. The credibility of marketing strategy and the strategy formulation process, in turn, determine the effectiveness of the implementation of the strategy in achieving the desired performance. The causal relationships amongst these variables were then analyzed by structural equation model using LISREL 8.30 program.

The primary data for this study were collected through structured interviews with the Marketing Managers of 219 Indonesian companies. The results of the study not only strengthen the notion of the influence of external business environments on the actions of organizations, such as the credibility of marketing strategy, but also confirm the belief of the importance of an innovative culture in implementing strategic marketing planning. The study also identifies that marketing managers play a pivotal role in the formulation and implementation of the strategy. Within the scope of the strategy formulation, marketing managers as boundary spanners of their companies provide the decision makers with current and up to date strategic issues, which in turn enhance the credibility of the formulated strategy. On the other hand, within the strategy implementation, the managers with their autonomy conduct evaluation and control of the marketing strategy, and adjust the strategy to any significant environmental changes to achieve the desired performance.

These findings not only support the view that it is inappropriate to separate the strategy formulation from its implementation aspects, but also corroborate the importance of the fit between marketing strategy and its external and internal environments to gain the desired performance. Finally, the use of Indonesian companies as the sample of this study and the consistencies of most of the results of the study with the existing findings reveal that the results are applicable in both industrialized and newly industrialized countries.

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Praise be to Allah, Lord of the Worlds
(The Holy Quran, 1: 1)

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CHAPTER I

INTRODUCTION

1. 1. The Role of Marketing Strategy within Organizations

Successful organizations are those that most efficiently correspond with their environments. The responsibility of this environmental contact typically lies within the domain of marketing and the development of appropriate marketing strategies. The area of marketing strategy has received considerable attention in the last two decades both in the marketing literature and in the business world. The reasons for this growing interest in this area are varied, but mostly due to the dramatic changes in the overall business environment (Baker, Hart, Black, and Abdel-Mohsen, 1986).

In conjunction with this phenomenon, there has been a movement towards thinking of marketing less as a function but more as a set of values and processes that all functions within organizations participate in implementing it. In such a condition, marketing becomes everyone's responsibility (Greyser, 1997). This is reflected in the strategic orientation of the organizations, which becomes more market oriented. Empirical studies indicate that the market orientation of the organizations enhances their financial performance and new product development (Cadogan and Diamontopoulos, 1995; Diamantopoulos and Hart, 1993; Enright, 2001; Jaworski and Kohli, 1993; Moorman, 1995; Narver and Slater, 1990).

Moreover, Hooley, Lynch, and Jobber (1992) provide further empirical evidence concerning the relationship between marketing strategy and corporate attitudes. They reveal that positive attitudes towards marketing's role in corporate affairs lead to superior performance. Marketing strategy has a central role in the business strategy dialogue (Slater and Olson, 2001). Top-managements should not consider decisions regarding marketing strategy independently of their business strategy, because marketing strategy is uniquely able to asses consumer needs and the potential of the organizations for gaining competitive advantage, which ultimately may guide the corporate or business mission (Wind and Robertson, 1983)

Marketing strategy provides a business with the overall direction in its various marketplaces. This is a broad area and it is probably the most difficult, but the most important, for the managers to get to grips with. One set of key issues is: mission analysis; market definition; market segmentation; competitive differentiation and positioning; and matching marketing assets with customer needs (Piercy, 1992). These are the most fundamental marketing questions, the ones where typically concrete structures for planning and decision are least apparent. The fact that these issues are difficult to work with in practice does not mean that they do not matter - quite the reverse is the case. This is almost inevitably the area where the managers have to start to develop any real movement towards market-led strategic change. However, to establish a complete and successful marketing strategy, the following conditions should exist in the organization (Leppard and McDonald, 1987: page 160):

- The chief executive has to understand the system and actively promote it.

- There has to exist the means of integration with other functional areas of business at general management level.
- There has to be found some mechanism to prevent marketing inertia from over-bureaucracy.
- Operational and strategic marketing planning have to be part of the same system.
- As size and diversity grow, so the degree of formalizing of the marketing planning system must also increase.

1. 2. The Studies in Marketing Strategy-Performance Relationship and their Limitations

While marketing strategy has a crucial role in attaining a successful performance in organizations, many studies have investigated this role either in the domestic or exporting companies. Profit impact of marketing strategy (PIMS) paradigm is a well-known study that examines marketing strategy and performance relationships (Buzzel and Gale, 1987). The study describes the relationship between company's strategy and tactics and its performance, as well as the influence of the external and internal environments (market/industry structure and competitive position) on those strategy, tactics, and performance. It reveals that the strategy determines the company's performance, while the strategy itself is shaped by market structure and competitive position of the company. Furthermore, past performance and strategy have formed the company's competitive position and market structure. The study also reveals that besides influencing the strategy, competitive position and market

structure have a direct impact on a company's performance. For example, it shows a significant and positive relationship between the market share, as one of competitive position indicators, and return on investment of the company. Conceptually, however, this model of study is only a compilation of many studies. The model, as a whole, has not been tested in any research. In addition, the authors tend to overlook the central role of marketing strategy implementation process in matching the competitive position and market structure of companies to gain better performance, presuming that a good strategy can result in superior performance by itself. Moreover, they employ only financial goals to measure the performance of companies. The companies may have other goals in addition to financial ones, and therefore, only using these goals will not represent the overall companies' performance.

Realizing the important role of marketing strategy in improving performance, Verhage and Waarts (1988) attempt to examine the applicability of previous findings, notably in U.S. and U.K., in Dutch companies. They investigate the relationship between marketing orientation and performance of the companies. However, the study is too simple to explore marketing strategy – performance relationship, and as admitted by the researchers, findings of the study have a limited generalization due to the survey instruments' bias.

Okoroafo and Russow (1993) conduct a similar study. They explore marketing strategy and performance relationship in Nigeria, one of the liberalized developing countries. The study includes the changes in business environment resulting from structural adjustment programs (SAP) determined by International Monetary Fund.

The results show that three variables -consumer orientation, increased reinvestment, and marketing efficiency are significantly related to the performance. While consumer orientation and increased reinvestment have a positive effect, marketing efficiency has a negative impact. Meanwhile, the other three factors -market control, foreign market expansion, and increased capital, positively affect the performance but not statistically significant. Like Verhage and Waarts' (1988) study, this study is too simple. It does not consider the influence of internal and external business environment on the formulated marketing strategy. The analysis is merely based on the managers' responses about their formulated marketing strategy after SAP and performance, and hence lacks of generalization of the findings.

In addition, Mckee, Varadarajan, and Pride (1989) endeavor to examine marketing strategy and performance from a different view. They investigate the interrelationship among market volatility, organization strategy types, marketing tactics, and organization performance. They classify the organization's strategy into four types, following the study of Miles and Snow's (1978): reactor, defender, analyzer, and prospector, and categorize the market volatility as high positive, mild positive, and negative volatility. They propose that the strategy types and performance relationship is moderated by market volatility. The study reveals that organization strategy types, in general, have significant relationships with marketing tactics. In other words, the strategy types influence the formulated marketing tactics. However, instead of moderating the strategy types and marketing tactics relationships, market volatility has a significant direct relationship to some marketing tactics. The strategy types do not lead to different performances, as there is no difference on performance amongst the four types of organization strategy. However,

while the study focuses on the role of strategy types and market volatility as predictors of organization performance, the findings show that the strategy types and market volatility factors do not influence the performance directly. Therefore, there should be other factors, which could possibly be the marketing tactics, that determine the performance.

Considering the limitations of the previous studies in export marketing, Cavusgil and Zou (1994) carry out a more comprehensive study on marketing strategy and performance relationship. They postulate that the performance of exporting companies is determined by their marketing strategy, while at the same time the internal and external factors of the companies determine the formulated marketing strategy. In other words, companies could gain better performance, if their marketing strategy matches the internal business factors to their external business environments. They uncover that some marketing strategies, such as product and distribution, significantly determine the successful performance of export ventures. They also reveal that almost all internal and external environmental factors influence almost all elements of marketing strategies as expected. However, as the studies mentioned before, this study also overlooks the important role of the processes of marketing strategy formulation and implementation in attaining a successful performance, as it does not include them in its conceptual framework.

In contrast to the above studies, John and Martin (1984) investigate the influence of some factors relating to the process of the strategy formulation, such as planning formalization and centralization of power, on the credibility and utilization of marketing strategy. They discover that while the formalization enhances the

credibility and utilization of marketing strategy, the centralization impairs them. Apart from their findings, they focus restrictedly on the relationship between the strategy formulation process and marketing strategy. They ignore aspects of the external environments, strategy implementation, and company's performance as an outcome of the strategy implementation.

A similar study is also conducted by Piercy and Morgan (1994). They include a more comprehensive set of factors of the strategy formulation process such as formalization and sophistication of marketing planning, planning thoroughness, and behavioral problems. Similar to John and Martin (1984), their focus is only limited to on the influence of the strategy formulation process on the credibility of marketing strategy. They overlook other aspects of marketing strategy – performance relationship. Moreover, Menon, Bharadwaj, Adidam, and Edison (1999) perform a more comprehensive study, specifically on marketing strategy making. They incorporate such factors related to marketing strategy making, its antecedents, and its consequences. They also include environmental factors as the controlled variables. In spite of its findings, their study still overlooks another important aspect of marketing strategy – performance relationship, that is the strategy implementation.

Based on the discussions so far, it appears that there are two different approaches in studies covering marketing strategy and performance relationship. In general, the first approach considers the influence of external business environment and some internal organizational factors on the marketing strategy and company's performance, but does not take the strategy formulation process into account. On the other hand, the second one explores the effect of the formulation process on the

marketing strategy, and assumes implicitly the influence of external business environments. Both approaches seem to overlook the important role of the strategy implementation in achieving the intended performance. A good strategy cannot instantly create a successful performance. It needs a good implementation to attain such performance. Thus marketing strategy implementation moderates strategy – performance relationship. The implementation of the strategy cannot be separated form its formulation process, especially in the industries where the environments are changing very rapidly. In such industries, the strategy formulation and implementation are carried out simultaneously to respond to the environmental changes, and to gain superior performance (Bonoma and Crittenden, 1988; Feurer and Chaharbaghi, 1995b).

The above evidence indicates that there is a gap in the studies of marketing strategy due to the weaknesses of their approach. The present study, therefore, attempts to fill this gap using an integrative approach, which puts the existing approaches together so that their weaknesses can be reduced. The study includes all aspects of marketing strategy - performance relationship such as the external business environments, the processes of marketing strategy formulation and implementation, the credibility or quality of the formulated marketing strategy, and performance. It uses a contingency theory to make it possible to explore the multivariate nature of the relationship (Kast and Rosenzweig, 1973). It emphasizes on the fit between marketing strategy and its environments to investigate the important role of marketing managers in achieving and maintaining the fit.

Considering that almost all of previous studies in marketing strategy are implemented in industrialized countries, the present study is carried out in Indonesia, a newly industrialized country. Since early 1970's, New Order Government of Indonesia has followed a liberal policy, and has broadly opened the economy to foreign investors to play an active role in manufacturing sectors. The government continuously updated the investment regulations to attract more foreign investments. Although Indonesia is currently experiencing a severe economic crisis, it is still more attractive than other Asian countries for foreign investors and the establishment of international joint ventures in the next few years. The Government's willingness to overcome the crisis by providing better business environments through economic reforms, the availability of several natural resources, and its large population with large domestic market and cheap labor are attracting factors for foreign investments.

1. 3. Research Question

The primary objectives of the present study is to further explore the existing concept of marketing strategy and performance relationship, specifically in the context of Indonesian companies. The fundamental question guiding this study is: *In term of marketing managers' perspective, what are the factors that influence the overall success of the formulated marketing strategy in realizing the intended performance?* Within this broad question, the following are more specific issues explored in this study:

- What are the salient characteristics of external business environment and the process of the strategy formulation that influence the formulated marketing

strategy? How do they influence the credibility or quality of the formulated strategy?

- Is there any specific condition that should exist within organizations to succeed the implementation of a strategic marketing planning?, and
- Presuming that the fit between the marketing strategy and its internal and external environments determines the attainment of superior performance, do the marketing managers play a pivotal role in achieving and maintaining the fit? If so, how do they play that crucial role?

1. 4. Study Overview

Based on an extensive literature review of in the fields of industrial organization, organization studies, organizational behavior, strategic management, and strategic marketing, the study identifies three general aspects influencing the marketing strategy and performance relationship: the external business environment, the process of the strategy formulation, and the process of the strategy implementation. This guides the study to develop a research model of factors and variable relationships considered being essential in the marketing strategy – performance relationship. The focus of this model is to investigate the influence of the external business environment and the process of the strategy formulation on the quality or credibility of the formulated marketing strategy, and to explore the impact of the formulated strategy and its formulation process on the implementation of the strategy, and the effect of the strategy implementation of the performance.

In addition, the model and research hypotheses are tested through a large scale, survey-based study, using Indonesian companies, which are specifically operating in Jakarta -the capital city of Indonesia as the sample of the study. The participants of the study are marketing managers or persons who are directly involved with and responsible for the marketing strategy of the companies. A questionnaire related to 54 Likert-type items are used as guidance in personal structured interviews. These items are proposed to measure twelve constructs. From 280 companies contacted, 219 of them agreed to participate in the study while the rest could not contribute to the study because the companies did not implement strategic marketing planning as required by the study, or their marketing managers were too busy. Finally, a structural equation modeling is used to analyze the data.

1. 5. Contributions

The current study contributes to marketing knowledge in several ways. Firstly, the study conceptually integrates the existing approaches in marketing strategy studies that are content and process, and hence eliminates some weaknesses of the approaches. Secondly, the use of this integrative approach not only enables the study to identify the crucial influences of factors related to the external business environments and the strategy formulation process on the formulated marketing strategy, but also makes it possible for the study to explore the interactive

relationship amongst factors related to the strategy formulation and implementation processes in achieving the higher performance.

Moreover, along with the established measurements, the study also develops some new ones, which are reliable and accurate in representing their underlying constructs. The results of structural equation modeling analyses reveal the potential replication of the measurements and structural models of the study for future research. Finally, the study provides new additional evidence concerning the implementation of strategic marketing planning in the Indonesian context, a newly industrialized country. This new evidence further supports and completes the previous findings of studies in marketing strategy, which notably have concentrated in the industrialized countries, and thus make it possible for further generalizations.

For the marketing practice, the study provides insights in several ways. Firstly, in general, the results of this study have implications for top-managements who are interested in generating a favorable environment that facilitates the success of the implementation of strategic marketing planning. The study further indicates that the consistent support from top-managements is very crucial in creating the commitment of marketing managers to the formulated strategy. At the same time, the study identifies the important role of marketing managers in both strategy formulation and implementation processes. However, to play such a crucial role, the managers must have enough skills and capabilities, especially for predicting and judging the environmental changes. In conclusion, the present study articulates and measures each dimension of the strategic marketing planning and their relative influence on the success of the planning implementation in generating superior performance.

1. 6. Organization

The remainder of this study is organized as follows. Chapter 2 reviews the existing marketing literature and other related fields. It starts with the discussion of contingency theory, the root of the studies in strategy in general, followed by the discussion of the concept of fit and empirical studies in strategy. This chapter also reviews the role of marketing managers and marketing concept within organizations, empirical studies in marketing strategy, and barriers in the implementation of marketing strategy. Based on this extensive literature review, the study develops a research model and hypotheses that are discussed in Chapter 3.

Chapter 4 describes the research methodology that covers the design of the study, data collection method, and the operationalization of measurements. Chapter 5 presents the analyses of data and hypotheses testing. Consistent with structural equation modeling, two steps analyses are performed: measurement and structural equation models. The results of the structural model analyses are then used to evaluate the hypotheses. Finally Chapter 6 concludes the study with a discussion on the research findings, its contributions, limitations and implications for future research.

CHAPTER II

LITERATURE REVIEW

2. 1. Introduction

A broad base of strategy research is reviewed in this chapter to explain the foundations for the present study as based in the existing literature. The chapter comprises seven sections, representing a review of strategy research undertaken in both management and marketing. The first three sections review empirical studies on strategy in management, starting with a discussion of the contingency theory as the root of strategy research. The second section reviews the concept of "fit", the central theme in contingency theory. This section discusses the dispute among scholars regarding the role of managers to fit their organization to the environment, and on weaknesses in the operationalisation of the concept. The third section reviews empirical studies on strategic fit. This includes discussions of strategy content studies that focus on the content of the strategy and its relationship with environmental factors and organizational performance, and of strategy process research, which emphasizes the formulation process of the strategy.

The fourth section goes on to describe the important roles of the marketing manager and marketing concept in the organizations. It discusses the role of marketing managers in fitting organization strategy to the environment, as they have a boundary-spanning role. It also discusses the development of a marketing concept within organizations. The Fifth section reviews empirical studies on marketing

strategy – performance relationship. The sixth section discusses the barriers to marketing strategy implementation, realising that not all organizations implement a marketing strategy as prescribed in the literature, even though they know its potential benefit. Finally, the last section summarizes some focal literatures and underlies their limitations.

2. 2. The Contingency Theory in Management

The contingency theory has been widely accepted in management discipline since the early 60s. The emergence of the theory was the result of criticisms of the classical theories that advocated "one best way" of organising and managing organizations. Contingency theorists proposed that there is no one best way to organise different organizations working in different industries and conditions. The appropriate management style and organizational structure depend on the environmental context of the organization concerned.

One of the most influential studies in the emergence of the contingency theory is the study of Burns and Stalker (1961). They investigated the relationship between internal management practices and the external environment factors of 20 industrial organizations in the United Kingdom to discover its affect on economic performance. They found two different management practices in use, which they classified as "Mechanistic" and "Organic" systems. The Mechanistic system was appropriate for organizations that operated under stable conditions. These organizations employed routine and well understood technology. Tasks and duties of employees were clearly defined by heads of departments. Communication within such organizations was

designed vertically, and its content tended to be instructions from superiors. The Organic system, on the other hand, was more suitable for organizations that worked under an unstable, changing environment. The system enabled the organizations concerned to adapt to environmental changes. It did not pay much attention to rules and procedures. To cope with the changes, the organizations used lateral communication, which resembled consultation rather than vertical command, and hence the span of supervisory control was much wider than in the mechanistic model. Burns and Stalker emphasized that each system is appropriate under its own specific conditions. Neither system was superior to the other under all situations.

Similar results are also found by Woodward (1965). She investigated the relationship between technology and organizational structure of successful organizations in South Essex, England. Based on the techniques of production and the complexity of the production system, she classified the organizations into three groups, these are small batch and unit production (e.g. the custom-tailoring industry), large batch and mass production (e.g. standard gasoline engines industry), and process and continuous production (e.g. chemicals industry). Woodward pointed out that successful organizations in different industries with different technologies were characterised by different organizational structures. For example, she discovered that successful organizations engaged in small batch and unit production had wider spans of supervisory control and fewer levels of hierarchy than did successful organizations with process and continuous production. This indicates that a bureaucratic-mechanistic system is appropriate for organizations operating in stable conditions such as the chemical industry, while the organic system is suitable for organizations working under dynamic conditions, such as the custom-tailoring industry.

This influence of environment on organizations was highlighted further by Chandler (1962). He conducted a comparative study of US firms, holding the simple premise that organizational structure followed, and was guided by, strategic decisions. From this study, he found that environmental changes, such as changes in population, income, and technology, provided new strategic choices for the firms. The choices included expansion in the production volume, geographic expansion (market diversification), and product diversification. A new strategy called for a new or modified structure to cultivate the opportunities effectively. Throughout his study, Chandler pointed out that different strategies and environments required different organizational structures. Centralised organization, for example, seemed to be only appropriate for firms operating in a relatively unchanging environment. However, when the environment changed rapidly, this structure did not enable the management to respond the environmental changes quickly, and hence could not facilitate effective realisation of the opportunities available. In such an environment, firms that employed a decentralised structure ended up with better performance.

Lawrence and Lorsch (1967) and Thompson (1967) further forged and refined the theoretical foundation of the contingency perspective. Lawrence and Lorsch (1967) studied the state of differentiation and integration in organizational systems in the plastic, food, and plastic container industries. These industries represented the high, medium, and low rate of growth, technology and market changes successively. They found that successful firms in each industry had a different degree of differentiation. The degree of differentiation in the plastic industry tended to be higher than in the food industry. The lowest degree of the differentiation was found in the plastic

container industry, since it had the most stable environment. The successful firms in the three industries also attained a higher degree of integration than the less successful ones. The study revealed that the more differentiated an organization, the more difficult is to achieve such integration. Furthermore, successful firms in each industry employed different modes of integration, consistent with their environments. The plastic container industry, for example, used hierarchy to resolve the conflict. In those industries operating under less stable conditions, however, conflicts were resolved well by appointing skilled personnel or project teams. This seminal work of Lawrence and Lorsch refined the contingency theory by demonstrating that different markets and technological environments require different kinds of organizations, and that subunits or functional departments within an organization might be managed in different ways, due to variations resulting from their sub-environments.

In addition, Thompson (1967) forged the foundation of the theory by integrating and expanding the previous studies. He categorised the two modalities considered by previous works as “closed system”, which sought uncertainty by only considering few variables controllable and correlated with goal attainment, and “open system”, which included uncertainty by acknowledging the interdependency of the organizations to their environments to survive. Using Parson's (1960) three distinct levels of organizational responsibility and control (technical, managerial, and institutional), he integrated the two systems to develop what he considered a newer tradition. He believed that a technical function should operate under certainty to achieve the desired outcomes by reducing the number of variables operating on it. The institutional level, on the other hand, dealt largely with environmental elements uncontrollable by the organizations. It was best served by open management to

acknowledge the influence of environmental factors and to face up to the inevitable resultant uncertainty. Thompson suggested that the managerial level should mediate these two extreme levels by resolving some irregularities coming from external environments, and pushing the technical core for modifications as environments changed. In his newer tradition, therefore, Thompson conceived of complex organizations as open systems faced with uncertainty that were, at the same time, subject to a rational criterion for certain needs. As did Lawrence and Lorsch (1967), he considered technology and environment as the major sources of uncertainty. He further argued that differences in those dimensions resulted in different structures, strategies, and decision processes.

Based on the above study and some others, Kast and Rosenzweig (1973) defined the contingency theory as a mid range theory between two extreme views, which state, on the one hand, that universal principles of organization and management exist or, on the other, that each organization is unique and each situation must be analysed separately. The theory views an organization as a system composed of sub-systems and delineated by identifiable boundaries from its external environment. It underlines the multivariate nature of organization and attempts to understand how organizations operate under varying conditions and specific circumstances. Kast and Rosenzweig further emphasized that ultimately the theory is directed toward suggesting organizational designs and managerial practices most appropriate for specific situations.

Since then, the contingency theory has become popular in management research. Galbraith (1973) asserted that this popularity could be attributed partly to the

assumptions that there was no one best way to manage an organization, and that any one way of organising is not equally effective under all conditions. Criticisms and suggestions from some writers, such as Miller (1981), Schoonhoven (1981), and Tosi and Slocum (1984) further enhanced the theory in terms of the conceptualisation of variables and the specificity in the relationships among them. In addition, the availability of statistical tools for multivariate analysis facilitated the proliferation of its application. The theory is not only used for research and theory building in the fields of organization theory, strategic management, and organizational behavior, but is also utilised in marketing (Zeithaml, Varadarajan, and Zeithaml, 1988). It enables researchers and managers to understand organizational needs and to provide the basis for detailed organizational analysis, which facilitates description of detailed patterns of organizational relations. Such analysis will generate possible solutions to the arising problems (Morgan, 1997).

2. 3. The Concept of Organization – Environment Fit

The central theme in most contingency studies is the fit between the organization and its environment to improve effectiveness. However, in early contingency studies the concept of fit was understood and discussed implicitly. They postulated the organization – environment relationship using phrases such as: congruent with, matched with, or contingent upon (Venkatraman and Prescott, 1990). Aldrich (1979) was one theorist who explicitly states and popularises this concept. He proposed that organizational forms must either fit their environmental niches or fail. Using Campbell's (1969) population ecology, rooted in the theory of biological evolution, he developed what he called “population ecology” or the natural selection model.

Through this model, he endeavoured to explain changes in organizational forms by focusing on the nature and distribution of resources in an organization's environment. He defined organizational forms as specific configurations of goals, boundaries, and activities, and classified distribution resources into six dimensions: capacity, homogeneity-heterogeneity, stability-instability, concentration-dispersion, domain consensus-dissensus and degree of turbulence. Various combinations of these dimensions and other constraints created environmental niches for organizations. Organizational forms were managed in order to exploit the environmental resources within a niche. Aldrich highlighted that the process of organizational change meant organizations were moving toward a better fit with the environment. He examined this movement (organizational change) under three stages: variation, selection, and retention. The general principle was that variation generates new material from which environmental selection was made, while retention mechanisms preserved the selected form.

Moreover, Aldrich (1979) pointed out the importance of environmental selection relative to intra-organizational factors as a critical difference between his model and the more traditional view. He acknowledged the possibility of exercising strategic choices, but he argued that at least three environmental conditions limit the decision-makers to realise the choices. First, organizations could not exploit many opportunities due to economic and legal barriers. Second, individual organizations did not have enough power to influence the environment. Third, the distortions of the decision-makers' perceptions of the environment limited the possible range of truly strategic choices. These limitations severely constrained the decision-makers' ability to change either their environmental niches or their organizational forms. Finally, he

concluded that the natural selection model was a general one, which may be applied to any situation where the three stages are present. When the three conditions were met, an evolution of better fit to the selective system became inevitable. He emphasized that a better fit did not mean that there is only one fit. Selection was a matter of relative superiority over other forms.

Unlike Aldrich (1979) who analysed the concept of fit at the macro/industry level and downplayed the manager's role in choosing strategies to attain organizational fit, Chakravarthy (1982) explored the concept at the micro level and believes that the latitude for experimentation available to managers determined the ability of organizations to achieve a fit. He argued that constant pressure on short-term performance could make the managers overlook strategic goals. In addition, the extent of financial risk allowable for managers could determine whether or not they can be proactive in anticipating the environmental changes. The greater the risk allowable for managers, the more proactive strategies could be explored, and vice versa. Chakravarthy (1982) also revealed that information-processing ability of organizations, and their material resources such as input material, finance and technology also determined the adaptive abilities of organizations. Organizations that had high adaptive abilities may prefer to take proactive strategies, while low-adaptive organizations were more likely to choose defensive strategies.

The above phenomena indicate the existence of disagreements among scholars with regard to organizational adaptation, which leads to two contradictory schools of thought: environmental determinism and strategic choice voluntarism. The determinism school believes that organizational life is determined by intractable

environmental constraints. It cannot easily adapt to different niches, since environmental factors such as macroeconomic, social and political forces overpower strategic management action in the long run. On the other hand, the voluntarism school considers the environment as the domain in which the managers define and enact their strategies. Astley and Van de Ven, (1983). Hrebiniak and Joyce (1985) deemed that the environment and managerial choice were not mutually exclusive. The two factors interacted with one another, and could be the independent variables in the process of fit. Combining these two factors in a diagram, Hrebiniak and Joyce (1985) identified four quadrants representing four possible conditions faced by organizations. The first quadrant denoted a condition with low strategic choice and high environment determinism, and was similar to the underlying assumptions of the determinism school. In this condition, managerial action was obviously limited and constrained by the environment. Organizations under such conditions must fit or were selected out by the environment: this included companies operating in perfectly and imperfectly competitive industries. The second quadrant was characterised by high levels of both strategic choice and environmental determinism. Under these conditions, many external forces affected and constrain decision-making; nevertheless, the organizations concerned benefit from the availability of choice. Large companies in highly regulated industries and multi-product or multi-divisional companies with little market and technological relatedness were typical examples of organizations in the second quadrant. In direct contrast to the first, the third quadrant represented conditions with high strategic choice and low environmental determinism. Like the school of strategic choice, organizations working under these conditions could deliberately define and enact policies and strategies, and otherwise influence their particular environmental domain. The lack of environmental

constraints made it easier for them to introduce innovations and engage in proactive behavior. Finally, the fourth quadrant stood for a low level in both strategic choice and environmental determinism. These conditions indicated that the organizations couldn't capitalise on even a benign and munificent environment, due to lack of innovation, proactive behavior, internal capabilities, or inappropriate competencies.

Hrebiniak and Joyce (1985) emphasized that the process of adaptation is dynamic. The position of an organization might shift as a result of strategic choices or external environmental changes. By organizational control over scarce resources, managers were still able to exercise their strategic choices, although the nature and impact of the actions would vary according to organization-environment context. This view supported the concept of fit proposed by Miles and Snow (1984): a concept based on the actual process of fit. Miles and Snow (1984) defined "fit" as a process or a state - a dynamic search that sought to align the organization with its environment and to arrange resources internally to support that alignment. They considered the basic alignment as strategy and termed the internal arrangement as organizational structure and management process. Their framework consisted of four main possibilities, which include minimal, tight, early, and fragile fits.

Based on a previous study of Snow and Hrebiniak, (1980), they concluded that organizations operating in a competitive environment called for minimal fit to survive. They found only organizations classified as Defenders, Prospectors, and Analyzers operated their strategy effectively, since they met the requirement of minimal fit, while organizations grouped as Reactors were generally ineffective, because their strategies were poorly articulated, unsuitable to the environment, or

misaligned with organizational structure and management systems. Unless these organizations were protected by government regulations, they have to adjust their behavior or fail.

In addition, unlike the minimal fit, which did not guarantee an excellent performance, organizations achieving tight fit could achieve outstanding performance. Referring to the works of Drucker (1969) and Peters and Waterman (1983) who studied many successful companies in the U.S., Miles and Snow (1984) concluded that excellent performances of these companies are the result of the achievement of tight fit both externally with the environment and internally among strategy, structure and management process. In these conditions the strategy, structure, and process were well understood by all members at all level of the organization. Every member from front office to top managers clearly comprehended their roles and responsibilities in the attainment of the ultimate goals of the organization.

However, the tight fit was not straightforward and easy to achieve. It involved complex and long processes. It was usually preceded by an early fit that was the discovery and articulation of a new organizational form. Miles and Snow (1984) asserted that not all inventions could provide organizations with competitive advantages over a considerable period of time. Some innovations, such as patenting a particular product or technology, novel product design, or developing new distribution channels could only offer organizations temporary competitive advantages, because sooner or later, competitors could imitate or improve upon the innovation, which made the advantages disappear. Success in inventing a new

organizational form, on the other hand, could enable an organization to hold the competitive advantage in the longer term. Competitors would have some difficulties, or at least will take a long time to copy the new form completely. Miles and Snow illustrated the success of General Motors, Sears Roebuck, and Hewlett-Packard in applying new forms of divisional organization structure as part of their diversification strategies. A new structure facilitated General Motors' steady improvement in its profit, even in the Depression and World War II, and such innovations had delivered sustained achievement to Sears Roebuck and Hewlett-Packard.

As any environment is dynamic and always changing, it is always possible for the degree of organization – environment fit to weaken. Miles and Snow (1984) emphasized that organizations must adjust their strategies, structures, or processes in response to environmental changes. However, some organizations might be unable or unwilling to adjust themselves to extreme environmental jolts. In such conditions, the deterioration of fit could actually lead to a misfit. Miles and Snow further stated that the external business environment was not the only the cause of declining fit, but an organizations' internal processes could instigate the decline. For example, the failure of managers to follow deliberate changes in strategies with appropriate structural and managerial adjustments could produce misfit. This could happen when the managers did not comprehend the strengths and limitations of alternate organizational forms. They might develop voluntary changes in internal structure and management process without considering their effects on strategy and market responsiveness in the long run. Similarly, managers who did not fully understand the alternate forms might regularly make minor changes to accommodate demands for which the systems were

not designed. However, as this happens over time, the changes might gradually unravel the entire system. These phenomena indicate that the organization's fit may be quite fragile in relation to changes in the external environment and to unintended internal unravelling.

In addition to the process of fit in regard to voluntarism-determinism, some scholars also criticised research on the concept of "fit" with regard to its lack of conceptualisation and its simple bivariate approaches. Basically the need for conceptual clarification in the early development stage of the concept was emphasized. Van de Ven (1979), for example, identified four different conceptual meanings of fit, which could alter the essence of Aldrich's (1979) concept of the relationship of organization and environment. Similarly, Schoonhoven (1981) argued the need to develop a more detailed specification of fit. In the absence of this kind of specificity, researchers tended to present different ideas of "fit" such as contingency, consistency, match, congruence, or alignment, which, in turn, result in to inconsistent outcomes and hampering of the theory building process (Drazin and Van de Ven, 1985; Fry and Smith, 1987). Moreover, as organizations faced many contingency factors, it was not possible to use simple bivariate approaches to analyse them and to make an accurate conceptualisation of fit. Organizations did not only try to fit their strategies to the environment, but also attempted to fit the strategies to their unique competencies. This indicated the multiple dimensionality of the concept of fit, which therefore needed more than simple bivariate approaches (Zajac, Kraatz, and Bresser, 2000).

To overcome the above handicap Venkatraman (1989) proposed six different concepts of fit. By reviewing research on strategic fit, he developed concepts of fit-based relationships in terms of the degree of specificity of functional form and the choice of anchoring specification. These included fit as moderation, mediation, matching, covariation, profile deviation, and as gestalt. The concepts not only described the relationship between two variables, but also portrayed the relationships among multiple variables. For example, fit as moderation or mediation considered only two variables, while fit as covariation, profile deviation and gestalt involved multiple variables. In addition, Venkatraman also offered possible analytical tools for each concept, to provide a link between the concepts and theory testing. Finally, he encouraged the use of multiple concepts of fit to gain more useful and powerful operationalisation, data collection and analysis, and interpretation of the results.

2. 4. Perspective on Strategy Research

Since the main tasks of managers are to develop and utilise a strategy that aligns the organization's capabilities with the opportunities and constraints present in its environment, and to arrange resources internally to support the alignment (Miles and Snow, 1984, 1994), the concept of fit becomes a central thrust in strategy research. However, apart from diverse conceptualisations of fit as mentioned in the previous section, the strategy research based on their focus can be classified into two distinct school of thoughts: strategy content and strategy process (Jemison, 1981; Rajagopalan and Spreitzer, 1997).

2. 4. 1. Strategy Content School

Research in strategy content specifically concentrates on what was decided (the content of the strategy) and focuses on the relationship between strategy and performance under different conditions/environments. In other words, strategy content studies place more emphasis on investigation of the external business environment as opposed to the internal one. Industrial organization studies contributed to the existence of this school of thought. Based on the Bain/Mason paradigm (Structure–Conduct–Performance), they investigated and promote how industries in which the organizations operate influence their strategic choices (Porter, 1981). For example, Hambrick (1983) focused on the influence of industry environment on strategic choice. He found organizations operating under stable environments tended to select a cost leadership strategy. However, if organizations work in unstable environments, they would select a differentiation strategy, as the dynamism of the environment limited their ability to utilise a cost leadership strategy. In addition, the environment determined the strategic orientation of an organization. Environmental factors such as complexity, dynamism, and hostility correlated negatively with a proactive strategic orientation, but they associated positively with a defensive one (Tan and Litschert, 1994).

Technological changes can make the environment become hostile and uncertain. Such changes can make the useable life of sophisticated machines shorter than anticipated, thus forcing organizations to undertake technological innovation to stay in the market. However, organizations use different strategies to cope with these changes. For example, Dvir, Segev, and Senhar (1993) classifed the strategies used in electronic and computer companies as Prospector, Analyzer, and Defender. Their

study indicated monitoring and adopting technological innovations in the "Analyzer" companies correlated positive, significant to short term performance, while in the "Defender" companies these technological activities associated positive, significant to both short and long term performance. Prospector companies, on the other hand, could only gain better long-term performance from monitoring and adopting technological innovations. The technological innovations related negatively, but not significantly, to short-term performance, indicating that the companies invest more aggressively in the innovations. However, market conditions where the organizations operate can also determine the strategic choice. Luo and Park (2001) revealed that organizations with "Analyzer" as the strategic orientation achieved better performance than organizations utilising "Prospector" or "Defender". They suggested that organizations operating in the emerging Chinese market should be innovative and adaptive but not too proactive and risk taking.

Moreover, the strategy of choice relates to the organizational structure. Grinyer, Yasai-Ardekani, and Al Bazzaz (1980) suggested that while strategy positively related to structure, environment correlates negatively with performance. As strategy reduced the uncertainty of contingencies, organizations tended to use bureaucratic uncertainty reduction, differentiation, or integration devices. On the other hand, they might employ organic uncertainty reduction, differentiation, or integration devices, when the strategy increased the uncertainty of contingencies (Miller, 1987). A better fit between strategy and structure promoted more effective coping with environmental turbulence, which in turn led to better performance (Adeyemi-Bello, 2000).

In conclusion, studies on strategy content indicate that to attain better performance, organizations must align their strategy to the environment [Venkatraman and Prescott 1990). Misfit between the strategy and structure in relation to their environment will lead to lower performance (Naman and Slevin, 1993). Broad scanning information on customers and competitors can help organizations to attain the right fit (Beal, 2000). However as mentioned earlier, the studies do not take into account the internal environment of the organizations. Table 1 below provides a summary of strategy content research in more detail. Whilst not including all relevant studies, it nevertheless presents a representative selection of known studies on strategy content.

Table 2. 1: Summary of Selected Empirical Studies on Strategy Content

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Grinyer, Yasai-Ardekani, & Al-Bazzaz (1980)	Senior manager of 48 companies in the UK. Data were collected through cross sectional survey and structured interview.	The degree of diversification (strategy), degree of divisionalisation (structure), company's size, technological change (environment), and ROI (performance).	Correlation Analysis	Significantly positive correlation between strategy and structure. Good match or fit between strategy and structure can reduce the environmental pressure. Environment correlates negatively and significantly with the performance. A better fit between strategy and structure promotes more effective coping with environmental turbulence which in turn leads to better performance.

Table 2. 1 Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Hambrick (1983)	164 capital good firms in the PIMS database.	Strategy (differentiation, cost leadership, and focus), performance (ROI).	Regression, and Cluster Analysis	Cost leadership strategy is found to be a fit only in disciplined capital goods manufacturers (DMs) operating under a stable environment. The strategy seems not to suit aggressive manufacturers of complex capital goods (Acs), since their dynamic environments limit these manufacturers' abilities to maximally utilise the strategy. In addition, differentiation strategy is not only suitable for the ACs but also for the DMs to attain high profit. However, while the ACs tend to emphasize product quality, affinity with users, technological protection, and product innovation to cope with environmental changes, the DMs focus on product quality and image. This study indicates that even though Porter's generic strategies can promote good performance, not all generic strategies can fit to a particular industry. The study also indicates that there are some variations within the broad context of generic strategy. The match between the strategy and its environment determines the performance of the manufacturer.
Prescott (1986)	1,638 business units in the PIMS data base	8 environment variables, 4 strategy variables, and ROI as performance variable.	Cluster and discriminant analysis, correlation, and regression analysis	Supporting the hypothesis, findings indicate that environment modifies the strength, not the form, of the strategy – performance relationship
Miller (1987)	161 Senior Managers on major US firms, and 110 Senior Manager in the Canadian and Australian firms. Questionnaires were used for collecting data.	Strategic variables (complex product innovation, marketing differentiation, breadth, and conservative cost control), structural variables (bureaucratic & organic in term of uncertainty reduction, differentiation, and integration), and environmental variables (dynamism, heterogeneity, and hostility)`	Correlation Analysis	Finds significant correlation between strategy and structure. Strategy reduces the uncertainty of contingencies so firms tend to use bureaucratic uncertainty reduction, differentiation, or integration devices. However, they may employ organic uncertainty reduction, differentiation, or integration devices when their strategies increase the uncertainty of contingencies. Strategy significantly correlates to its environment: firms operating in a dynamic environment usually utilise complex product innovation, breadth innovation, or marketing differentiation strategies, while firms facing a more stable environment tend to employ conservative cost control.

Table 2. 1 Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Venktraman & Prescott (1990)	1638 firms (Phase I) and 821 firms (Phase II). PIMS database was the source of data.	8 environmental variables, 17 strategy variables, and performance (ROI)	Ordinary Least Square, Cluster, Regression, and Correlation Analysis	Three steps of systematic analysis support the hypothesis that the alignment between strategies and their environments may significantly increase performance. Replication of the model, using different data, provides similar results, indicating further support for the previous findings.
Naman & Slevin (1993)	82 senior managers of manufacturing companies. Data were collected through mailed questionnaire	Environmental turbulence, entrepreneurial style, organization structure, mission strategy, and performance.	Regression, Correlation Analysis, and ANOVA	Misfit influences the performance negatively and significantly. Since the misfit measures the sum of the difference between desired and reported levels of entrepreneurship, organizational structure, and mission strategy, the authors suggest the use of these variables to determine the organization – environment fit.
Dvir, Segev, & Shenhar (1993)	76 managers of electronic and computer companies. Data collected through questionnaires and interview	Strategy (Prospector, Analyzer, and Defender), technological progress (monitoring, and adopting technological innovation), performance (short, and long term)	Correlation, *t*-test and Mann-Whitney test	Monitoring and adopting technological innovations in Analyzer companies, correlate positively and significantly to short term performance, while in Defender companies these technological activities are associated positively and significantly with both short and long term performance. Prospector companies, on the other hand, can only gain better long-term performance from their monitoring and adopting technological innovations. The technological innovations relate negatively but not significantly to short-term performance, indicating that the companies invest more aggressively in the innovations.
Tan & Litschert (1994)	97 managers of electronic firms in China. Questionnaires were used in collecting data.	Environment (complexity, dynamism, and hostility), strategic orientation (analysis, defensiveness, futurity, degrees of risk and proactivity), and performance	Canonical Correlation, Pearson-Correlation, and Multiple Regression Analysis	All environmental forces (complexity, dynamism, and hostility) influence the strategic orientation of electronic firms. While they correlate negatively with proactive strategic orientation, they associate positively with defensive strategic orientation. The match of a strategic orientation to its environment yields better performance both in terms of overall performance and profit.
Adeyemi-Bello (2000)	187 CEO of Banks in US. Mailed questionnaires were used to collect data.	Strategy, internal organizational structure, degree of competition, and ROA.	Correlation, and Moderated Regression Analysis	The degree of competition, dynamic strategy, and organic structure influence the banks' ROA. The fit between the degree of competition, strategy, and organizational structure influences the ROA positively and significantly.

Table 2. 1 Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Beal (2000)	101CEOs of small firms. Mailed questionnaires were used to collect data	Industry life cycle (introduction, growth, maturity, and decline), strategy (low cost, differentiation in innovation, marketing, quality, and in service), scanning frequency, scanning scope, and performance.	Factor Analysis and ANOVA	While the scope of scanning influences the alignment between strategy and environment, the frequency of scanning does not indicate any effect on the alignment. It seems that broad scanning information of customers and competitors facilitates the strategy – environment alignment for firms operating in both growth and mature industries.
Luo & Park (2001)	113 Deputy and General Manager of MNC subsidiaries in China. Data were collected through questionnaire	Environment (complexity, dynamism, and hostility), strategic orientation (Prospector, Analyzer, and Defender), and performance (ROA, sales growth, and competitive position)	Factor, Canonical, and Multiple Regression Analysis.	Environmental factors of the Chinese market affect the strategic orientation of MNC subsidiaries. Among the three strategic orientations, Analyzer has the strongest relationship with the environmental factors. This indicates that firms use Analyzer as a mechanism to fit the operations to their environments. Firms with Analyzer as the strategic orientation achieve better performance than did firms with Prospector or Defender. Conclusion: foreign firms should be innovative and adaptive but not too proactive and risk taking to operate in the emerging Chinese market.

2. 4. 2. Strategy Process School

In contrast with the strategy content, studies of the strategy process concentrate primarily on actions that lead to and support the strategy. These studies focus on the influence of environment, organization, and the decision process on organizational performance. However, Rajagopalan, Rasheed, and Datta, (1993) found that only limited studies existed that investigate the direct impact of environment on strategy decision-making. Most of the studies considered environmental influences only implicitly, as part of the context of the decision process.

Studies of strategy process focused more on top managers as organizational factors influencing the decision process, as they played an important role in determining the direction of organizations. Bourgeois III (1985), for example, indicated that the divergence of managers' perception of environmental uncertainty (PEU) from the true state of environmental volatility correlated negatively and significantly with economic performance, while managers' disagreements on the PEU and strategic goals had positive and significant correlations with the performance. He concluded that the variation in PEU and goals amongst managers could promote higher performance, so long as their perception of the environment matched with the true conditions. Supporting this finding, Priem (1994) uncovered a positive relationship between CEOs' judgement of the strategy-structure-environment alignment and the realised strategy-structure-environment fit of the organizations. Although, he did not find any support for CEO characteristics and the strategy decision process as determinant factors of the CEO judgement, he believed the judgement facilitates the attainment of better performance.

Functional experience of the managers may affect their strategic orientation. Managers with greater experience in marketing tend to have a greater willingness to take risks and greater tolerance for ambiguity. Such managers fit for the successful implementation of "Build" strategy, but not for the "Harvest" one (Gupta and Govindarajan, 1984). Beal and Yasai-Ardekani (2000) supported this fit between managers' experience and their competitive strategy. They found that innovation strategy might succeed when managers have greater experience in R & D, while greater experience in engineering might lead to successful implementation of quality differentiation strategy. Accounting experience, on the other hand, became a

prerequisite, combining with other requisite expertise to facilitate execution of hybrid strategies involving low cost leadership. In addition to functional experience, the personality of managers might influence their strategic choice (Miller and Toulous, 1986). Flexible managers tended to use niche strategy to market their products. They were much more reactive, risk taking and more intuitive in formulating their strategies. They used informal structure with some authority delegation in running the organizations. On contrary, managers needing achievement tended to use breadth market strategy. They emphasized analytical, proactive decision-making and a sophisticated, formal structure. Managers with an internal locus of control, on the other hand, preferred to employ product innovation strategy. They were more innovative, risk taking, proactive and futuristic. They emphasized specialisation and on long-term rather than short-term results (Miller, Kets De Vries, and Toulouse, 1982).

Moreover, the types of decision-making used determine the performance of organizations. Frederickson (1984) found that the broad-based components of strategic decision-making, such as situation diagnosis, alternative generation and evaluation and decision integration led to better performance for organizations that operated in a stable environment. Such a rational model of decision-making enable the manager to make selective decisions to exploit the available opportunities. However, this rational model was not appropriate for organizations working in an unstable environment. In a changing and dynamic environment, an incremental approach to decision-making was more likely to lead to superior performance, due to its speed in coping with environmental changes (Frederickson and Mitchell, 1984; Judge and Miller, 1991). To speed the decision-making, managers in a high-velocity

environment used experienced counsellors to assist in accelerating the development of alternatives and in reducing ambiguity, to engage in active conflict resolution to achieve consensus, and to integrate the strategic decisions with one another and with tactical plans (Eisenhardt, 1989).

In addition, acceleration of the strategy making process could also be achieved through delegation of authority to functional managers. This authority delegation could eliminate political behavior among the managers (Bourgeois III and Eisenhardt, 1988), since this behavior emerged when the power was centralised in the top managers (Eisenhardt and Bourgeois III, 1988). Authority delegation also encouraged middle managers' participation in decision-making and helped them to implement the strategy itself (Floyd and Wooldridge, 1994). Middle managers (MMs) had greater influence in low risk/return decisions than high ones, and in the implementation of strategic decisions than in their formulation. However, the longer the MMs had worked under their superior the greater their influence on strategic decisions (Schilit, 1987). Strengthening these findings, Floyd and Wooldridge (1992a) indicated that the nature of MMs' involvement, especially in championing alternatives, facilitating adaptability, and implementing deliberate strategy varied with strategy type. MMs in Prospector firms reported a greater level of championing activity than MMs in Defenders. They also carried on higher levels of facilitating and implementing activities than MMs in both Analyzers and Defenders. In general, implementing deliberate strategy was the highest level of activity and varies with the strategy type.

Moreover, boundary spanning MMs had higher levels of both upward and downward strategic influence than non-boundary spanning ones, and the different is greater for upward influence. Organizations gained higher performance levels when their MMs had more uniform levels of downward influence and more varied levels of upward influence (Floyd and Wooldridge 1997). However, the motivation of MMs to raise strategic issues with top management depended on the willingness of top management to listen, the supportiveness of the organizational culture, the level of competitive and economic pressures, and the level of organizational change. Fear of negative consequences, downsizing conditions, uncertainty (about the future in general, about the future of organization and the like), and conservativeness of organizational culture might cause the MMs to be reluctant in raising strategic issues (Dutton, Ashford, O'neill, Heyes, and Wierba 1997).

In conclusion, studies on the strategy process agree that internal structural fit helps organizations to attain superior performance (Powell, 1992). However most of the studies concentrate on strategy formulation processes and tend to ignore the implementation aspects of the strategy. The lack of the implementation research is due to the complexity of multiple issues involved in the implementation process, attributed to the rapid changes in the business environment and incompatibility between he leadership/managers skills and competence, organizational structure, and systems and processes in the organization. The most common assumption used by researchers is that strategy implementation will be straightforward (Noble, 1999). Table 2 provides a summary of empirical studies on the strategy process. It should be noted that the table does not include all the relevant studies, but includes a representative sample.

Table 2. 2: Summary of Selected Empirical Studies on Strategy Process

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Miller, Kets De Vries, & Toulouse (1982)	33 Chief Executives of Canadian firms. Data collected through structured interviews.	Executive's locus of control (internal & external), strategy (innovation, risk taking, pro-activity, and futurity), structure (scanning, technocratisation, and differentiation), and environment (dynamism and heterogeneity).	Correlation Analysis	All hypotheses strongly supported. The internal locus of control significantly correlates to strategy, structure, and environment, whilst internal control has strongest correlation with the strategy making behavior. Executives employing internal control more innovative, risk taking, proactive, and futuristic than those using external control. Partial correlation analysis indicates that relationship between internal control and environment is mediated by the strategy. To the degree that the strategy variables are controlled for, internal control ceases to have significant correlation with the environment. Similar analysis is also performed to investigate the nature of relationship between internal control and structure, by controlling the influence of the strategy: results indicate that internal control relates to the structure indirectly. Internal locus of control may affect the strategy, which in turn has an impact on the structure and environment.
Gupta & Govindaraja n (1984)	General Managers of 58 SBUs. Mail questionnaires are used for data collections.	SBU's strategy (Build, Hold, Harvest, and Divest), experience in marketing/sales, willingness to take risk, tolerance of ambiguity, effectiveness of the strategy implementation.	Multiple Regression	Greater experience in marketing/sales, greater willingness to take risks, and greater tolerance for ambiguity contribute to the effectiveness of strategy implementation in the case of Build strategy but impede in Harvest ones. Findings support the view of matching the manager's characteristics to either the strategic mission or stage of product life cycle.
Freder-ickson & Mitchell (1984)	109 CEOs of sawmills and planning firms. Structured interviewed were used to collect data	Comprehensiveness of strategic decision (situation diagnosis, alternative generation, alternative evaluation, and decision integration), performance (AROA, & % change in gross sales)	Partial Correlation Analysis	A comprehensive strategic decision process associates negatively and significantly with the average return on assets (AROA). A similar association exists between the comprehensiveness of the strategy and percentage change in gross sales, though this association is quite weak. Since participants of the study work in an unstable environment, the authors conclude that the incremental model of decision-making is more likely, in a changing and dynamic environment, to result in superior performance. Such environments are very complex, unpredictable, and prevent the high level of integration needed by the comprehensive approach. By employing the incremental model, managers can speed decision-making and work flexibly to cope with the changes.

Table 2. 2: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Frederick-son (1984)	152 CEOs of paint and coatings firms. Data were collected through structured interviews	Comprehensiveness of strategic decision (situation diagnosis, alternative generation, alternative evaluation, and decision integration), performance (AROA, & % change in gross sales)	Partial Correlation Analysis	Situation diagnosis, alternative means of generation and evaluation, decision integration, and overall comprehensive measures correlate positively and significantly with the average return on assets, but not with the change in sales. The authors conclude that rational model of decision-making is characterised by a comprehensive process, which is more suitable in a stable environment, since the firms studied operate in a stable environment. The managers must make selective decisions to exploit the limited opportunities.
Bourgeois III (1985)	99 CEOs and members of top management team. Interview, mailed questionnaire were used to collect data.	Environmental volatility (commercial and technological), perceived environmental uncertainty, strategic goals, and economic performance.	Correlation Analysis	The divergence of managers' perception of environmental uncertainty from the true state of environmental volatility correlates negatively and significantly with economic performance. On the other hand, managers' disagreements on both perceived environmental uncertainty (PEU) and strategic goals have positive and significant correlations with performance. In conclusion, variation in PEU and goals amongst managers can promote higher performance, so long as their perception of the environment matches with the true state of affairs.
Miller & Toulouse (1986)	97 CEOs of firms in Quebec. Interviews were used to collect data.	CEO personality (flexibility, need for achievement, and locus of control), strategy (innovation, marketing differentiation, and focus), strategy making (future/planning, analysis, proactiveness, and risk taking) structure (delegation, formalization, specialisation, technocrats and professional, liaison devices, and control), performance, size of firm, and environmental context	Partial Correlations and Regression Analysis	Flexible CEOs tend to use niche strategy to market their products. They are much more reactive, risk taking and more intuitive in formulating their strategies. They use informal structure, with some authority delegation in running the organization. Flexible CEOs working in small firms within a stable environment can realise superior performance. On contrary, CEOs who need achievement tend to use breadth market strategy. They emphasize analytical, proactive decision-making and a sophisticated, formal structure. This dimension of a CEO's personality is not associated with organizational performance. CEOs with internal locus of control on the other hand, prefer to employ a product innovation strategy that requires long term planning for the future of their products. They emphasize specialisation and long-term, rather than short-term, results.

Table 2. 2: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Schilit (1987)	60 middle-level managers (MLMs) from 57 organizations. Data were gathered through questionnaires and participants' records	Demographic (organizational size and sector, functional area, and number of years working for superior), riskiness/return strategic decisions (44 types), upward influence (nature, method, and outcome)	Descriptive, Correlation, and Stepwise Regression Analysis	MLMs have greater influence in low risk/return decisions than high ones, in the implementation of strategic decisions than their formulation process, and in private organizations than in public ones. In addition the longer the MLMs work for their superior the greater their influence on the strategic decisions. They may use rational or persuasive arguments to influence strategic decisions.
Bourgeois III & Eisenhardt (1988)	4 microcomputer companies. Data were gathered through semi-structured interviews with CEOs and top managers, questionnaires, and secondary sources.	Decentralisation of power, decision process (comprehensiveness, newness of alternatives), decision speed, and performance.	Descriptive and Qualitative Analysis	Effective executives in high-velocity environments employ comprehensive analysis, emphasising product innovation and speed of decision-making. They delegate authority to functional managers for strategic decision-making and reducing political behavior. Comprehensive analysis enhances the quality of initial decisions, and decentralisation of power supports quality further through adaptablity to environmental changes.
Eisenhardt & Bourgeois III (1988)	8 microcomputer companies. Data were gathered through semi-structured interviews with CEO and top manager, questionnaires, and secondary sources.	Centralisation of power, decision process (political behavior, conflict, stability of alliance), performance (CEO's ranking relative to other companies in industry, sales growth, and return on sales)	Descriptive and Qualitative Analysis	Politics emerge as the result of centralisation of power. In the absence of power centralisation, conflicts do not lead to the use of politics. Politics are managed through stable alliances, based on demographic characteristics, not on issue-specific agreements. The existence of high politics within top management results in poor performance, both in economic and decision-process outcomes.
Eisenhardt (1989)	8 microcomputer companies. Data were gathered through semi-structured interviews with CEO and top manager, questionnaires, and secondary sources.	Decision process (real-time information, multiple simultaneous alternatives, two-tier advice process, consensus, decision integration), decision speed, performance	Descriptive and Qualitative Analysis	To speed decision-making, top management teams in high velocity environments tend to use more information, to consider more simultaneous alternatives for comparison, to use experienced counsellors to expedite the development of alternatives to help reduce ambiguity, to engage in active conflict resolution to achieve consensus, and to integrate strategic decisions with one another and with tactical plans. Fast strategic decision-making results in better performance.

Table 2. 2: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Judge & Miller (1991)	86 CEOs and Top Managers in Biotechnology, Hospital, and Textile companies. Interviews were used to collect data.	Decision speed, decision importance, organizational size, number of alternatives, board experience, performance	Correlation Analysis	When a number of simultaneous alternatives are considered apart from the environmental context, decision speed increases: however, board experience tends to reduce the speed. Only biotechnology companies operating in a high-velocity environment enjoy the advantage of better performance as a result of speedy decision-making. The relationships amongst board experience, speed and performance tend to increase as environmental velocity increases, while the relationship between speed and the number of alternatives is unchanged in any environmental context.
Powell (1992)	113 CEOs of 544 firms listed in Dun's Million Dollar Directory and Standard and Poor's Register. Mail survey was used to collect data.	Structure (controls, formalization, standardisation, liaison devices, centralisation, automation, integration, and differentiation), formal planning (goal setting, scanning, analysis, and overall comprehensive), strategy content (production cost, differentiation, innovation, and market breadth), firm size, and performance.	Correlation Analysis	Organizational alignment, especially internal structural fit, size-planning, comprehensiveness and a CEO with an internal locus of control help firms to gain supernormal profits, and act as sources of competitive advantage. Further analysis shows that these organizational alignments are not generated by chance or luck, but are the result of administrative skill, thus alignment skills stand alongside industry and strategic positioning. The study suggests the importance of organizational factors, particularly the alignment of key variables, as additional sources of competitive advantage.
Floyd & Wooldridge (1992)	259 middle managers (MMs) Questionnaires were used in data collection	Strategic type (Prospectors, Analyzer, and Defender), manager involvement (facilitating, synthesizing, championing, and implementing).	Correlation, Factor Analysis, and MANOVA	MMs' involvement activities, especially championing alternatives, facilitating adaptability, and implementing deliberate strategies vary by strategy type. MMs in Prospector firms report a greater level of championing activity than MMs in Defenders. They also carry on higher levels of facilitating and implementing activities than MMs in both Analyzers and Defenders. Implementing deliberate strategy is the highest level of activity. However, MMs' involvement in implementing activity varies according to the type of strategy selected.

Table 2. 2: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Priem (1994)	CEOs and top managers of 33 manufacturing companies (multiple responses). Data were collected through mailed questionnaires	CEO judgment policies, strategy (cost leadership, innovative differentiation, and marketing differentiation), structure (formulation, decentralisation, specialisation, control, and liaison devices), strategy making (scanning, analysis, and planning process), CEO characteristics (age, education, tenure) and performance	ANOVA, MANOVA, Descriptive, Metric Conjoint, Correlation, Multiple Regression, and Cluster Analysis	The CEOs judgement in decision-making concerned with the strategy-structure-environment alignment is strongly related to the realised strategy-structure-environment fit of the firm. CEOs judgements following the prescriptions of contingency theory result in better performance. No support found for CEO characteristics and the strategy making process as determinant factors of CEO judgement. Even so, rationality in strategy-making, represented by scanning, analysis, and the planning process, helps CEOs to attain better performance.
Floyd and Wooldridge (1997)	259 middle managers from 25 firms. Data collected through mailed questionnaires.	Boundary spanning position, strategic influence activity, patterns in middle management strategic activity, performance, and control variables (tenure in position, size of organizations, and industry)	Multiple Regression and ANOVA	Findings indicate that boundary-spanning middle managers have higher levels of both upward and downward strategic influence than non-boundary spanning ones, and the difference is greater in regard to upward influence. Organizations attain higher performance when their middle managers have more uniform levels of downward influence and more varied levels of upward influence. There is no difference in the performance of organizations when they are classified on the basis of their size and industry.

Table 2. 2: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Dutton, Ashford,O'neill, Hayes, Wierba (1997)	Study I: 30 middle-level managers (MLMs) of Regional Telecommunication company in Midwest USA. Interviews were used to collect data. Study II: 118 middle-level managers (MLMs) of Regional Telecommunication company in Midwest USA. Mailed questionnaires were used to collect data.	Study I: Perceptions of favourable and unfavourable organizational environment for selling issues to top management. Study II: Perception of conditions and factors affect the image risk of selling issues, demographic (age, gender, and employment tenure)	Study I: Qualitative Analysis Study II: Factor Analysis and Paired *t*-Test	Study I: The motivation of MLMs to raise strategic issues with top management depends on the willingness of top management to listen, the supportiveness of the organization's culture, competitive and economic pressures and the level of organizational change. However, fear of negative consequences, downsizing conditions, uncertainty (about the future in general, about the future of organization and players, and the like), and conservativeness of organizational culture may cause the MLMs to be reluctant in raising strategic issues. Study II: Three factors perceived by MLMs to contribute to the risk of losing their image: the violation of normal procedures, political vulnerability and distant seller-target relationships. No relationship between demographic characteristics and the three factors above, except for age, which is significantly correlated with norm violation and political vulnerability.
Beal & Yasai-Ardekani (2000)	101 CEOs of small manufacturing companies. Data were collected through mailed questionnaires	Competitive strategies (low cost; innovation, marketing, quality, & service differentiations and hybrid), CEO functional experience (R & D, marketing, engineering, sales, and accounting), performance	Regression Analysis	The results reveal that a fit between CEOs' experience and their competitive strategy results superior performance. While innovation strategy may succeed as the CEO has greater experience in R & D, greater experience in engineering may lead to successful implementation of quality differentiation strategy. In addition, engineering rather than accounting and sales experiences may be required to implement low cost and service differentiation strategies effectively. Accounting experience becomes a prerequisite combining with other requisite expertise to execute hybrid strategy involving low cost leadership.

2. 5. The Roles of the Marketing Manager and Marketing Concept in Organizations

As mentioned earlier, organizations must fit with their environment or they fail (Aldrich, 1979). However, making the organization fit to its environment depends on the top managements' perception of the environment, as top management makes strategic decisions based not on the environment itself, but on their perceptions of environmental realities. The effectiveness of strategic decisions, therefore, is subject to the match of top managements' perceptions of environment and resources capabilities to their realities (Anderson and Paine, 1975; Glaister and Thwaites, 1993). To increase the match of these perceptions to their realities, top management should improve the quantity and quality of the environmental information (Provan, 1989). However, in a complex and dynamic organizational environment, the top management cannot detect, interpret, and handle the environmental changes by themselves (Walsh, 1995) as their information capacity and the time available do not enable them to do so. They must rely on their middle managers' support for all strategic information (Barlett and Goshal, 1994). The middle managers' inputs will expose top management to the strategic issues through the viewpoints of those closer to the actual operations of the organization.

Since middle managers can direct and influence top managements' strategic decision-making by presenting the strategic issues in appropriate ways, they have to compete with the other managers to attract the top managements' attention (Dutton and Ashford, 1993). However top management will not place equal value on the strategic issues provided by their middle managers. As asserted by Pfeffer and

Salancik (1978), those coalition participants who provide crucial resources would have more influence and control over the organization. In other words, some departments or sub organizations will be more influential than others, as they are seen as being critical to the success of the organization as a whole. For example, the increase of unionism in the 1930's enhanced the role and influence of industrial departments in large corporations.

From this perspective, a manager who is responsible for the marketing area would play a crucial role in providing strategic information to top management to satisfy long-term needs of customer coalition. In other words, a marketing manager can persuade top management to implement a marketing concept (Anderson, 1982). The marketing concept posits that the key to profitability is not current sales volume, but long term customer satisfaction. The only valid definition of business purpose is to create a satisfied customer, and in doing so, any business enterprise has two basic functions: marketing and innovation (Drucker, 1969). Top management is responsible for creating this environment, viewpoint, attitude, and aspiration. These expressions of marketing concept indicate that the executive must put the customer's interests at the top of the firm's priorities. Its product should be tailored and modified in respond to changing customer needs. Profit is not the objective, it is just the reward for creating satisfied customers (Levitt, 1960).

The marketing concept became popular in business in the 1960s. Evidence indicated that both large and medium manufacturing firms, to a large extent, adopt the marketing concept (Hise, 1965). There was an inclination that large firms were more fully committed to adopting and implementing marketing concepts than small and

medium ones. Similarly, consumer goods' firms tended to adopt and implement the marketing concept to a greater degree than industrial ones (McNamara, 1972). However significant variations in the response pattern among practitioners and academicians indicated that few firms were able to implement the marketing concept on a day-to-day basis. Ames (1970) reported that many firms' moves to become more marketing-oriented fell into the "trappings" of marketing rather than the substance. There was no fundamental shift in thinking and attitudes throughout the firm, and this was what was needed to ensure that everyone in every functional area placed paramount importance on being responsive to market needs. If there was no change in thinking and attitude, even most highly developed marketing operation could not produce any real result.

These inappropriate implementations of the marketing concept not only generated unintended results but also caused some criticism of the pertinence of the concept. Bell and Emory (1971) suggested that the businessman's operational interpretation of customer orientation had not approached the philosophical meaning of providing customer satisfaction. It appeared that customer orientation had meant little more than looking to the customer for guidance as to what can be sold for profit. This implied that customer knowledge was simply a means to persuade or even to manipulate the customer. The marketing concept was also blamed to the lack competitiveness of American businesses. The implementation of the concept had led American businesses to cut their R&D investment, resulting in the slow death of product innovation. The concept had diverted attention away from product and its manufacture to market research, advertising, selling, and promotion, to the suffering of product value (Bennett and Cooper, 1981).

The emergence of the corporate strategic planning concept further lessened the adoption of the marketing concept in organizations. The fundamental purposes of strategic planning were to maintain the competitive strength of the firm and to improve its internal efficiency, whereas the corporate objectives were mostly focussed on the achievement of certain returns on investment and market share (Ansoff, 1965). Webster (1988) considered that this concept viewed market opportunities in terms of the market's growth rate and the firm's ability to dominate its chosen market segments. In other words, it defined market as aggregations of competitors, not as customers.

In addition, Webster (1988) believed that the strategic planning concept not only shifted the management focus on to customers, but also removed the marketing role in strategic decision-making. This belief was based on Ansoff's classification of "marketing strategy" as an operation decision, not a strategic decision. In Ansoff's opinion, strategic decisions involved the selection of product-market mix, products to be offered, and markets to which the products were to be sold. He did not consider those decisions to be marketing decisions, because he defined marketing as a broad activity concerned with creating product acceptance, advertising, sales promotion, selling, distributing the product (including transportation and warehousing) contract administration, sales analysis, and very importantly servicing the product (Ansoff, 1965:p.93). This made the role of marketing set back to its traditional role that is just creating demand for the products. Therefore, it was not so surprising when Webster (1981) found that many qualified marketing executives preferred to move into a strategic planning position, than to stay in marketing one. He also discovered that

marketing people failed to think creatively to provide proper stimulation and guidance for R & D and product development. Marketing people did not like to take risks and were unable to approach problems in an innovative and entrepreneurial fashion. Webster (1981) believed that these problems arose because of pressure of short-term sale volume and financial results on marketing people.

Briggadike (1981) noticed this lack of strategic orientation of marketing in the early 80's. He asserted that marketing does have a rich basis for hypothesising about strategic situations and a growing body of techniques to explore these hypotheses. Most reported studies, however, involved ad hoc problem-oriented research, with little attempt to integrate and extend the relationship to other situations. He judged that many marketers were scientists in the solving problems at brand, or, occasionally, at product level, but not in the theory-building sense. Supporting this judgement, Wind and Robertson (1983) stated that marketing discipline was dominated by marketing management, which was fundamentally concerned with the design of marketing programs and did not focus on the mission of a firm nor on how to gain competitive or consumer advantage. They identified seven limitations within the marketing discipline that should be addressed and corrected. These included a fixation with the brand as the unit analysis, the interdisciplinary isolation of marketing, the failure to examine synergy in the design of the marketing program, marketing's short run orientation, the lack of rigorous competitive analysis, the lack of international orientation, and the lack of an integrated strategic framework. Similar concern was also voiced by Day (1992), who argued that marketers were too slow in addressing some of the important issues of the past decade, and tended to stay too long with outmoded characterisation of strategy processes and issues.

However, environmental changes in the 80s influenced the implementation of the corporate strategic planning concept. The resulting changes could lead to the future business environment being characterised by an unprecedented level of diversity, knowledge richness, and turbulence (Achrol, 1991). The main cause of these environmental changes was the rapid proliferation of technology. Manufacturing firms must modify their production systems and patterns with new technology. In some cases, the new technology shortened the product's market life cycle. Technological development has moved the world toward a borderless marketplace: in other words, it has created global competition. Finally, technology, especially new information technology, has made consumers better informed, more knowledgeable, and more sophisticated in their choice processes (Denison and McDonald, 1995; Webster, 1997). The concept of strategic planning could not cope with these environmental changes. The adoption of the concept has made firms become large, bureaucratic and hierarchical organizations, and hence unable to change quickly. To cope with environmental changes, many firms developed new organizational forms. These new organizations emphasized partnership between firms, multiple types of ownership and partnering within the organization, teamwork among members of the organization, and often place less emphasis on formal contracting and managerial reporting, evaluation, and control. In addition to providing flexibility and acceleration in responding the environmental changes, the purpose of the new forms of organization was to build long-term strategic alliances and customer relationships (Webster, 1992).

In addition, the discovery of the importance of product quality in determining profitability was another factor that makes the concept of corporate strategic planning become outmoded. It was found that the higher prices associated with higher product quality did not deter market penetration. Thus quality had positive effect on return on investment indirectly through its influence on market share (Phillips, Chang, and Buzzel, 1983). This discovery did not only force re-interpretation of PIMS data that emerged quality strategy model but also drove the emergence total quality management (TQM) that was concepts and tools for getting all employees focused on continues product or service improvement, in the eyes of customers (Schonberger, 1992).

The radical changes in business environment and the discovery of the strategic role of quality have led to a rediscovery of the marketing concept. As indicated by Webster (1988), many firms such as General Electric, GTE, 3 M, Hewlett-Packard and Ford have redesigned their marketing organizations. McKenna (1991) restated the importance of customer satisfaction and the marketing concept. He claimed that marketing was not a function, but a way of doing business. Meanwhile, Webster (1992, 1997) suggested re-definition of marketing's role in this new business environment. He believes that marketing obviously operates on three distinct levels of strategy: the corporate, the business or SBU and the functional or operating level. He also identified three dimensions of marketing - marketing as culture, marketing as strategy, and marketing as tactic. He further explained that though each marketing dimension was found in at each level of strategy, the emphasis accorded the separate dimensions of marketing varies with the level of strategy and the level within the hierarchy of the organization.

Day (1997) viewed the future role of marketing from a different standpoint. He contended that there could be changes in the role of marketing in the future. Marketing would become a functional fiefdom if there was no significant change in organizational structure and marketing was already a lead function. However, marketing would become a subordinate function if the organization successfully implemented a hybrid structure with a strong process orientation. In this situation, marketing was likely to occupy a subordinate role in sale support activities or as a participant in core process teams. However, if the organization successfully executed a hybrid structure and maintains a strong marketing orientation, marketing would hold a central guidance function.

Finally, in the current complex business environment, marketing people must be critical and creative in implementing their roles. As emphasized by McKenna (1991) the marketers must be the integrators, both internally, by synthesizing technological capability with market needs and externally, by bringing the customer into the company as a participant in the development and adaptation of goods and services. It is a fundamental shift in the role and purpose of marketing: from manipulation of the customer to genuine customer involvement; from telling and selling to communicating and sharing knowledge; from last-in-function to corporate-credibility champion. This points out that the marketers must advance their capability to promote their important role. They must not only be able to maximize their customers' satisfaction, but also give a better return on investment for their companies. Evidence indicated that when marketers increase their knowledge and skill related to the product, service delivery, and financial accountability, marketing

become a best function to manage the relationship between the organization and its consumer (Moorman and Rust, 1999). The main barrier of the marketing concept implementation was not because of non-acceptance of the concept by top management but rather because of poor image, complacency, poor integration, and lack of a secure knowledge base of marketers themselves (Denison and McDonald, 1995). However, customer orientation is too important to be left only to the marketing people. Delivering superior value to customers is the ultimate responsibility of every person in the organization. If this does not happen, the value of the firm is diminished. Marketing specialists are needed to keep the entire organization focused on the customer (Webster, 1997).

2. 6. Perspectives on Marketing Strategy Research

As mentioned in the previous section, marketing scholars utilise the contingency theory for theory building. Zeithaml et al. (1988) revealed the common use of the theory in the contexts of marketing organizations, strategic marketing, and marketing behavior. Formerly, scholars in strategic marketing used the theory to investigate environmental influences on marketing strategy. However, considering the important role of marketing strategy to achieve superior performance in the current turbulent business environment, marketing strategy researchers need to expand their research focus to encompass not only environmental impacts on the content of marketing strategy but also to take account of the influence of environment on the process of marketing strategy formulation and implementation. As with strategy research in general, therefore, studies of marketing strategy, based on their focus, can be

classified into content and process studies. The followings section discusses them in more detail.

2. 6. 1. Marketing Strategy Content Studies

Besides their contribution to the selection of appropriate product-market combinations (Jemison, 1980), marketing researchers also contributed work on the importance of product life cycle in strategy making. As indicated by Anderson and Zeithaml (1984), strategy should fit with the product life cycle to gain better performance. They found difference determinants of return on investment (ROI) in the growth and maturity stages of product life cycle. While marketing variables determined the ROI in the growth stage, industry variables influenced the ROI in the maturity stage. Product competition and efficiency variables affected the ROI in both stages, even though the effect iwass much higher in maturity than in the growth stage.

In addition, researchers also investigate environmental and organizational influences on the selection of marketing strategy. Burke (1984) revealed that market attractiveness and managers' reward systems were positively associated with build strategy, but entry barriers and synergy had a negative impact on it. This indicated that managers might choose a build strategy when the market is profitable, has good future prospects, and is easy to enter. This intention might be enhanced when the reward system for the managers emphasized short run organizational performance. Since implementing a build strategy might require many resources, it would lead to

low levels of organizational synergy. On the other hand, managers might select a hold or pull back strategy when they perceived that the market was not buoyant.

Lusch and Laczniak (1989) found that increases in resource constraints amplified competitive intensity. They also discovered that this increase in competitive intensity made organizations emphasize non-price marketing strategy, though it did not lead to a better performance. Lusch and Laczniak argued for an insignificant relationship between marketing strategy and performance, because a more intensive competition market forced most organizations to engage in intensive promotion and new product development, which suppressed short term performance.

McDaniel and Kolari (1987) investigated the relationship between strategy types and marketing strategy orientation. They found significant differences in marketing orientation between Defenders and Prospectors, as well as between Defenders and Analyzers. Prospectors and Analyzers employed more proactive marketing strategy than Defenders. They engaged more activities in new product development, promotion, and marketing research than Defenders. McKee, Varadarajan, and Pride (1989) found similar results. They revealed significant differences in marketing tactics among Reactors, Defenders, Analyzers and Prospectors. Organizations with more adaptive strategy types might focus more on marketing efforts. Prospectors, for example, tended to use more scanning and product development efforts than the other strategy types. However, there were no differences between Defenders and Analyzers. Significant differences only existed between Defenders and Prospectors (Rajaratman and Chonko, 1995). Defenders tended to organise their marketing department on more functional structure than Prospectors. Rajaratman and Chonko

(1995) also indicated centralization of power seems to exist in Reactors, but not in the others. Prospectors tended to develop a more specialized organization structure and seek greater market penetration and product development. They expended greater effort in marketing than Defenders, Analyzers and Reactors. In relation to marketing effort, Defenders spent more significantly than Reactors. Finally, they revealed that Reactors had lower performance, either in term of earning/sales growth rate or return on sales/ investment than the other three types of business strategy. There were no differences in performance among these three.

Furthermore, marketing researchers also investigated the importance of the role of marketing strategy in exporting organizations. Madsen (1989), for instance, discovered that export marketing strategy was the key success factor of export performance in term of export sales, growth, and profits, while market and organizational factors only influenced export sales. Madsen also indicated the existence of inter-correlation and association among variables, especially in regard to the characteristics of firms and their markets. This meat that even though those variables did not have any significant relationship with export performance, they still had an indirect influence on it. Strengthening Madsen's findings, Cavusgil and Zou's (1994) revealed that product adaptation, support to foreign distributors/subsidiaries, international competence and commitment enhanced the performance of export ventures. They also discovered that the internal and external organizational environments influenced export marketing strategy. The most critical determinant of strategy was the technological orientation of an industry. It significantly determined all variables of the marketing strategy. Export market competitiveness also affected the strategy variables, except for price competitiveness. This indicated that managers

did not use price as a weapon in coping with market pressure. In addition, organizational international competence and experience with the product determined product and promotion adaptation. Management commitment to the venture affected only the support given to distributors and subsidiaries. Finally, whereas product uniqueness determined product and promotion adaptations, the only effect of cultural specificity of product was on product adaptation.

To succeed in entering global markets, entrepreneurship became a key orientation, especially for small and medium organizations (Knight, 2000). Such organizations made some preparations before entering the international market. They performed such activities as international market research, commitment of appropriate resources, and the adaptation of product and marketing dimensions. In addition, organizations employing a marketing leadership strategy tended to respond to globalization by being sensitive to its imperatives, modifying marketing and other strategies as needed.

In conclusion, to gain superior performance organizations should fit their marketing strategy to the current market environment. Centralization of power impedes the ability of organizations to be more adaptive and leads to lower performance (Ozsomer and Prussia, 1999; Rajaratman and Chonko, 1995). To be sensitive to environmental changes, organizations should employ a decentralised marketing structure. This enables marketing managers to easily adapt to environmental changes, and to achieve strategy – environment fit. Table 3 below presents empirical evidence on marketing strategy content research.

Table 2. 3: Summary of Selected Empirical Studies on Marketing Strategy Content

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Anderson & Zeithaml (1984)	1,234 industrial manufacturing companies in PIMS data base	Product life cycle (growth, maturity, & decline), strategic variables (industry, product competition, R&D, product /investment, efficiency, vertical integration, and marketing variables), performance (ROI & relative market share)	ANOVA and Multiple Regression Analysis	Many strategy variables significantly correlate to superior performance. However there is significant difference in the determinants of ROI in the growth and maturity stages. C.f. significant influence of marketing variables and industry variables in growth and maturity stages respectively. Product competition and efficiency variables significantly affect the ROI in both stages but the effect is much higher in the maturity than in the growth stage. Therefore, the business strategy should fit with the stage of the product life cycle to attain superior performance.
Burke (1984)	86 marketing managers. Data were collected through questionnaires	Environment variables (market attractiveness, relative competitive strength, level of uncertainty, exit, and entry barriers) organizational variables (reward system, and synergy), marketing strategy (build, hold, and pull back)	MANOVA, ANCOVA, Multiple Discriminant Analysis	Environment and organizational factors influence managers in selecting their marketing strategy. Market attractiveness and reward for short run performance are positively associated with build strategy, but entry barriers and synergy have negative impact on it. This indicates managers may choose build strategy when market is profitable, has good future prospects, and is easy to enter. This intention may be enhanced when the reward system for the managers emphasizes short run organizational performance. Because build strategy may require many resources, it can lead to a low level of organizational synergy. Managers may select hold or pull back strategy when market is not buoyant
McDaniel & Kolari (1987)	279 marketing managers of US banks. Mailed questionnaires were used to collect data.	Marketing environment, strategy types (Prospector, Analyzer, and Defender), and marketing strategy	Cluster, Multiple Discriminat Analyses, MANOVA, ANOVA, and Duncan's Multiple Range Test.	Significant differences in marketing orientation between Defenders and Prospectors, as well as between Defenders and Analyzers. Prospectors and Analyzers employ more proactive marketing strategy than Defenders. They engage in more activities in new product development, promotion, and marketing research than Defenders. Conclusion: Defenders lack marketing orientation and rely more on their traditional products.

Table 2. 3: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Madsen (1989)	134 managers of Denmark industrial companies. Mailed questionnaires were used to collect data	Market and organizational characteristics, export marketing strategy, and export performance	ANOVA and Multiple Regression Analysis	Export marketing strategy is the key success factor of export performance in term of export sales, growth, and profits. The other two independent variables (firm/market) only influence export sales. Results also indicate that inter-correlation and association exist among variables, especially regarding firm and market characteristics. This means that even though those variables do not have any significant relationship with export performance, they still have indirect influence on it. Interaction analysis indicated this relationship. Of the overall variables, product strength is the most important explanatory variable followed by planning and control intensity, export experience, and export market attractiveness.
McKee, Varadarajan, and Pride (1989)	333 managers of US Bank companies. Data were collected through mailed questionnaires	Market environment/volatility, organization strategy type (reactor, Defender, Analyzer, and Prospector), marketing tactics, and performance.	ANOVA and Non-Parametric Test of Correlation Analysis	Significant differences in marketing tactics among Reactors, Defenders, Analyzers, and Prospectors. Organizations with more adaptive strategy types may put more effort into marketing Prospectors, for example, tend to use more scanning and product development efforts than the other strategy types. Market volatility has significant direct relation-ship to marketing tactics. It is not only significantly related to organization performance but also moderates strategy types - performance relationships. However only in mildly positive volatile markets is the role of market volatility significant as moderating variable: it is not significant in negative and highly positive volatile markets.
Lusch & Laczniak (1989)	103 executives of 500 fortune companies. Data were collected by mailed questionnaires.	Resource constraints, structural fluctuations, competitive intensity, marketing strategies (product, promotion, & distribution), performance.	Structural Equation Modeling (LISREL)	Association found between resource constraints and structural fluctuations. However, an increase in resource constraints amplifies competitive intensity, while an increase in structural fluctuations does not. Increase in competitive intensity makes the organizations emphasize non-price marketing strategy, though it does not lead to a better performance. Insignificant relationship between marketing strategy and performance is probably because a more intensive competition market forces most organizations to engage intensive promotion and new product development, suppressing short term performance.

Table 2. 3: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Cavusgil and Zou (1994)	202 marketing managers of US exporting companies. Data were collected through in depth interviews	Industry characteristics, market characteristics, organizational characteristics, product characteristics, export marketing strategy, and export performance	Exploratory, Confirmatory Factor, and Path Analyses	Product adaptation, support to foreign distributors/subsidiary, international competence, commitment to export venture enhance the performance of export ventures. Other export marketing strategies such as price competitiveness and promotion adaptation influence the performance insignificantly. Internal and external organizational environments influence export marketing variables. The most critical determinant of strategy is technological orientation of industry, which significantly determines all variables of the marketing strategy. Export market competitiveness also affects the strategy variables, except price competitiveness. This indicated that managers do not use price as a weapon in coping with the market pressure. In addition, organizational international competence and experience with the product determine product and promotion adaptation. Management commitment to the venture affects only support given to distributors/subsidiaries. Finally whereas product uniqueness determines product and promotion adaptations, cultural specificity of product only affects product adaptation significantly.
Rajaratnam & Chonko (1995)	410 marketing managers of service organizations. Data were collected through mailed questionnaires	Organization structure, marketing organization, growth strategy, strategic orientation, and performance	ANOVA and MANOVA	No difference between Defenders and Analyzers in organizing the marketing department. Significant differences only exist between Defenders and Prospectors: Defenders tend to organize their marketing departments on a more functional structure than do Prospectors. No difference among the four business strategy types in regard to formalization and market development. Centralization of power seems only to exist in Reactors. Prospectors tend to carry out more specialized organization structure, market penetration and product development, and to expend greater marketing effort than Defenders, Analyzers, and Reactors. In relation to marketing effort, Defenders spend more significantly than Reactors. Finally, the study reveals that Reactors have lower performance, either in term of earning/sales growth rate or return on sales/ investment than the other three types, amongst whom no differences can be detected.

Table 2. 3: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Ozsomer & Prussia (1999)	45 executives of MNCs in Turkey. Data were collected through interview in 1988 and 1994.	Target market similarities, standardized marketing strategy, marketing structure (the degree of centralization of decision-making), and performance.	Structural Equation Modeling	The contingency model of target market similarities (TMS), standardized marketing strategy (SMS), marketing structure (CS), and performance relationship is significant for both periods of time (1988 and 1994). TMS influences SMS positively. A similar affect exists between SMS and CS. However, CS has a negative effect on performance. Marketing structure is the dominant factor in determining organizational performance. The negative influence of structure on the performance indicates the need of decentralization of marketing decision to gain better performance. The decentralized structure enables managers to adapt the marketing strategy to local environment, and to implement the strategy flexibly. Marketing strategy affects performance indirectly through the structure. Contemporaneous effect analysis reveals that marketing strategy is consistently responsive to the current market environment, since the SMS 1994 is only influenced by TMS 1994, not by TMS 1988 and SMS 1988. The researchers conclude that to gain superior performance MNCs should align their marketing strategy to the current local market environment and decentralize marketing decision-making to their subsidiary managers to facilitate adaptation to environmental changes.

Table 2. 3: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Knight (2000)	216 CEOs of small and medium enterprises (SMEs). Data were collected through mailed questionnaires.	Globalization, entrepreneurial orientation, marketing strategy (product specialization, marketing, and quality leadership), technology acquisition, globalization response, internationalization preparation, and performance	Factor, Correlation, and Multiple Regression Analyses.	Entrepreneurial orientation correlates to all of the marketing strategies: product specialization, marketing, and quality leadership, especially for SMEs working in high globalization environment. In addition, new technological acquisition associates with these strategies, while globalization response only correlates to marketing leadership strategy. Finally globalization response and internationalization preparation influence SMEs' performance. There is no relationship between new technological acquisition and performance. Conclusion: entrepreneurship becomes a key orientation among SMEs working in a global environment. To achieve better performance, they prepare for entry to the international market by performing such activities as international market research, committing appropriate resources and the adaptation of product and marketing dimensions. In addition, SMEs employing a marketing leadership strategy tend to respond to globalization by being sensitive to its imperatives and modifying marketing and other strategies as needed.

2. 6. 2. Marketing Strategy Process Studies

As is the case with strategy process research in general, studies on the marketing strategy process focused mainly on the formulation and implementation stages. The studies investigate the influence of environmental, organizational and decision-making processes on organizational performance. Phillips, Davies, and Mountinho (2001), for example, indicated that organizations employing strategic marketing planning with product orientation attained more effective and efficient performance levels. This strategic planning was characterised by manager participation, planning

thoroughness, formalization and sophistication, with an emphasis on new product development. Stratis and Powers (2001) revealed similar findings, and discovered that strategic marketing planning determined financial performance, but planning modes and environmental scanning individually did not influence performance. All of the strategic marketing processes in combination affected financial performance significantly. However, under conditions of strategic uncertainty, only strategic marketing planning and environmental scanning had any effect on the performance.

Formalization of marketing planning improved the credibility and utilization of a marketing plan (John and Martin, 1984). John and Martin suggested that formalization indicated organizational commitment to certain activities. The formalization of strategic marketing planning also indicated involvement of top management in the planning process, and a cooperative organizational climate (Chae and Hill, 1997). It might generate both competitive and organizational benefits. Chae and Hill revealed that planning formality improved the effectiveness of new product launches, cost reduction efforts, and helped organizations to enhance product quality and market share performance. The formalization of planning efforts might also create organizational benefits, as it enhanced understanding of priorities as well as managerial motivation to attain better overall coordination, implementation, and control of an organization's activities. In addition, planning formalization might reduce interdepartmental conflict (Morgan and Piercy 1998). It facilitated cross-functional integration and consensus commitment (Menon, Bharadwaj, Adidam, and Edison 1999), generating better coordination of decisions throughout the organization. Claycomb, Germain, and Droge (2000) also found positive correlation between planning formalization and marketing specialization, indicating

organizations employing strategic marketing formalization had more specialists who direct their efforts to a narrow set of marketing activities. Finally, in combination with comprehensive and formal market planning positively affected the performance of organizations operating in both stable and unstable environments (Lysonski and Pecotich 1992). The formalized comprehensive marketing planning was likely to result in superior performance because it usually anticipated the unexpected and lays contingency plans accordingly.

In contrast to formalization, centralization of strategic marketing planning impeded the credibility and utilization of the marketing plan (John and Martin 1984). In some cases, centralization might improve resource commitment and marketing assets and capabilities (Menon et al., 1999; Vorhies, 1999). However, it tended to generate interdepartmental conflicts. The conflicts might not only reduce the quality of marketing strategy formulation and implementation (Menon, Bharadwaj, and Howell, 1996), but also lowered financial and market performance (Morgan and Piercy, 1998). Interdepartmental conflicts might also arise from failure to provide the kinds of supports needed by other departments, unclear goals, objectives, and functional responsibilities. Organizations might vary in their approaches to conflict resolution. As mentioned earlier, organizations might use planning formalization to eliminate conflict. They might employ such mechanisms as avoidance, conciliation, participatory processes and hierarchy (Ruekert and Walker, 1987). Other approaches could include mechanisms such as multifunctional training, cross-functional teamwork, a variety of compensation strategies, formalization, social orientation, and spatial proximity (Maltz and Kohli, 2000).

Besides interdepartmental conflicts, behavioral problems might arise during the planning process. Piercy and Morgan (1990) identified the existence of four different behavioral problems that can occur. These included planning recalcitrance, fear of uncertainty, political interest in planning, and planning avoidance. Most of these problems correlated significantly with the perceived organizational context, especially customer philosophy and strategic orientation. This indicated that higher behavioral planning problems emerged when organizations were perceived to have paid little attention to customer needs and to the requirements of different market segments, and had been ineffective in developing and implementing acceptable marketing strategies. The customer philosophy and strategic orientation related significantly and positively to the credibility and utilization of a marketing plan. In the second study, Piercy and Morgan (1994) discovered that only planning recalcitrance influenced the credibility of marketing plan negatively. The others affected the credibility only indirectly, through their connection with planning recalcitrance. On the other hand, they found that thoroughness in planning and the incorporation of appropriate plan components improved a marketing plan's credibility. In turn, sophisticated analytical techniques and market analyses enhanced planning thoroughness and the plan's components.

Moreover, the support of top management might improve the effectiveness of the marketing planning process (Greenley and Bayus, 1994). Top management's actions and attitudes in coping with environmental turbulence influenced the quality of marketing interactions. Senior managers with high tolerance of ambiguity, internal locus of control and greater risk-taking propensity tended to adapt their marketing strategy to environmental changes (Pitt and Kannemeyer, 2000). They might possess

good leadership qualities, needed for the effectiveness of any planning process, especially in a turbulent environment. As indicated by Morgan and Piercy (1998), senior management leadership had a positive effect on connectedness and communication frequency, and affects the level of conflict negatively. They presumed that the management's leadership determined the organization's performance by facilitating employee empowerment and improving interdepartmental coordination and cooperation.

Marketing managers had an important role to play in successful marketing strategy implementation. Noble and Mokwa (1999) discovered that the role performance of marketing managers determined the success of marketing strategy implementation. Such performance was influenced by managers' commitment, not only to marketing strategy, but also to their career roles. However, there was no relationship between organizational commitment and performance. The degree of role autonomy and involvement did not affect the commitment of managers. When marketing managers perceived their roles to be significant to the success of marketing strategy implementation, their commitment would increase. They would commit to a strategy when they perceived that it fit with the broader strategic direction of the organization. This commitment would increase when managers perceive the strategy to have potentially significant consequences for their organizations, and they received cross-functional support. However senior management's support and the scope of the marketing strategy did not determine the managers' commitment to it.

In conclusion, as with studies of the strategy process in general, most studies of marketing strategy process, except that of Noble and Mokwa (1999), concentrated on

strategy formulation processes. They paid little attention to marketing strategy implementation, although Sashittal and Tankersley (1997) revealed that the formulation-implementation interface was highly responsive to market changes and to changes in each other. Marketing managers improvised their market strategies and implementation to fit day-to-day market changes and to achieve their marketing objectives. However, to perform responsively in the formulation-implementation interface, authority delegation or managers' autonomy was a prerequisite. Table 4 below consolidates the findings of empirical studies of marketing strategy content research.

Table 2. 4: Summary of Selected Empirical Studies on Marketing Strategy Process

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
John & Martin (1984)	292 marketing personnel. Mailed questionnaires were used to collect data	Formalization, centralization, structural differences (job diversities, specialization, and spatial dispersion), credibility, and utilization of marketing plan	Correlation, Multiple Regression Analyses, and Structural Equation Modeling	Results show that formalization of marketing planning improves the credibility and utilization of the marketing plan. The higher the rules and procedures for performing the planning the higher the credibility and the usage rate of the plan. The researchers suggest the formalization indicates a organization commitment to certain activities. Centralization, on the other hand, impedes the credibility and utilization of the marketing plan. Finally, in bivariate analysis, higher marketing job specialization increases credibility and utilization rates, but these relationships turn out to be insignificant when formalization is included in multivariate analysis. While spatial dispersion only influences the credibility negatively, job diversity has no significant effect on either credibility or utilization.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Ruekert & Walker (1987)	95 marketing personnel and 21 R&D personnel. Data were collected through mailed questionnaires	Business strategy (Prospector, Analyzer, & Defender), structure (formalization), conflict resolution (avoidance, conciliation, participatory, hierarchical), outcome (level of conflict, & perceived effectiveness of interdepartmental relationship)	Two ways ANOVA, Chi-Square, and Correlation Analyses	Findings indicate that failure to provide the kinds of supports needed by departments, the degree of market response, and unclear goals, objectives, and functional responsibilities are the sources of the conflict. Marketing personnel in Prospector organizations experience more conflict with R&D personnel than those in Analyzer and Defender ones. All of the organizations (Prospector, Analyzer, and Defender) employ similar levels of formalization in managing departmental relationships. In addition, organizations vary in their ways of dealing with conflict resolution. Prospectors tend to use hierarchical and avoidance mechanisms, while Analyzers are inclined to utilise participatory methods to resolve conflicts. Like Prospectors, Defenders are apt to employ hierarchical mechanism for resolving conflicts. Finally, the study discovers that personnel in Prospector organizations have less favourable attitudes to conflict resolution, favouring a greater reliance on non-hierarchical mechanisms. They also perceive the relationship between marketing and R&D to be less effective than personnel in Analyzers and Defenders. Further analysis reveals that the level of formalization is significantly and positively related to the perceived effectiveness of interdepartmental relationships, but significantly and negatively to the level of conflict between the two departments. In addition the use of participatory mechanisms, especially in Prospectors and Analyzers, is negatively associated with the level of conflict and positively correlated with the perceived effectiveness of relationships. Meanwhile, the use of hierarchical mechanisms relates positively to levels of conflict but negatively to perceived effectiveness.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Piercy & Morgan (1990)	144 marketing managers of UK companies. Data were collected through mailed questionnaires	Perceived organizational context (customer philosophy, marketing organization and information effectiveness, strategic orientation), behavioral planning problems, and marketing plan credibility and utilization	Correlation Analysis	The study identifies the existence of four different behavioral problems in the marketing planning process. These include planning recalcitrance, fear of uncertainty, political interest in planning, and planning avoidance. Most of these problems correlate significantly with the perceived organizational context, especially customer philosophy and strategic orientation. This indicates that higher behavioral planning problems emerge when organizations are perceived to give little attention to customer needs and different market segment requirements, and ineffective in developing and implementing acceptable marketing strategies. Customer philosophy and strategic orientation relate significantly and positively to the marketing plan's credibility and utilization. Finally, results reveal that behavioral problems are associated negatively with the plan's credibility and utilization, but their relationships are not statistically significant.
Lysonski & Pecotich (1992)	522 CEOs of New Zealand companies. Data were collected through mailed questionnaires	Environmental stability, formalization, comprehensiveness, and performance	Multiple Regression Analyses	Findings reveal formalization and comprehensiveness of marketing planning positively affect the performance of organizations operating in both stable and unstable environments. Of the resulting discrepancies with the previous study, the researchers argue that apart from any environmental conditions, formalized and comprehensive marketing planning is likely to result in superior performance because it may provide contingency plans and anticipate the unexpected.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Greenley & Bayus (1994)	175 marketing managers of US companies and 106 of UK companies. Data were collected through mailed questionnaires	Analytical techniques, analytical systems, organization information inputs, senior management participation, and the effectiveness of marketing planning decision-making	Cluster and Discriminant Analyses	The study categorises four different marketing planning processes among US and UK organizations. Most of the organizations could be classified as unsophisticated marketing planning decision makers that tend to ignore planning techniques and organization information inputs, and use standard computer software in the planning process. Organizations within the second-biggest group may be seen as information seekers, likely to use many information inputs in developing planning but only use judgment, PLC analysis, and standard computer software in planning analysis. The third group consist of "gut feeler" organizations that use limited information inputs and make wide use of judgment in the planning process. Only a small number of organizations can be described as sophisticated decision makers in their strategic marketing planning processes. These organizations tend to use most analytical techniques and several information inputs, but they consider computer software not to be important. However, apart from their differences in marketing planning process, all organizations consider senior management participation to be important for the effectiveness of the planning process. Likewise, there are no differences in the perceived level of effectiveness of marketing planning processes among the groups. The researchers argue that managers, especially the unsophisticated decision makers and "gut feelers", may not realise the use of a formalized planning process could improve their effectiveness.
Piercy & Morgan (1994)	220 managers of medium and large companies in UK. Mailed questionnaires were employed to collect data	Formalization and sophistication of marketing planning (analytical techniques, market analysis, and plan components), planning thoroughness, behavioral planning problems, and marketing plan credibility	Factor and Path Analyses	The study identifies the existence of five different behavioral problems in the marketing planning process: these are planning recalcitrance, politics and myopia, alienation and uncertainty, planning avoidance, and squirm factors. From the five behavioral planning problems, only planning recalcitrance negatively influences the credibility of a marketing plan. The others affect credibility indirectly, through planning recalcitrance. Likewise, findings reveal planning thoroughness and plan components improve the marketing plan's credibility, while more sophisticated analytical techniques and market analyses carried out in marketing planning enhance the plan components and planning thoroughness.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Menon, Bharadwaj, & Howell (1996)	236 marketing managers. Data were collected through mailed questionnaires	Centralization, formalization, team spirit, interdepartmental connectedness, communication barriers, functional conflict, dysfunctional conflict, the quality of marketing strategy, and market performance	Structural Equation Modeling	Consistent with the previous study, findings here reveal dysfunctional conflict (unhealthy behavior within organizations) negatively influences the quality of marketing strategy formulation and implementation, while functional (constructive) conflict enhances the quality of the strategy. High quality strategy formulation and implementation leads to superior market performance. The study also uncovers some causes of the conflicts. Power centralization and the existence of communication barriers may enhance dysfunctional conflict, but it may be eliminated by formalized structure. Functional conflict, on the other hand, may be increased by team spirit and departmental interconnectedness.
Sashittal & Tankersley (1997)	40 marketing managers of small and midsized industrial firms. Data were collected through in depth interviews.	The processes of market planning and implementation	Qualitative Analysis	Findings reveal that market planning and implementation are interrelated. The planning-implementation interface is highly responsive to market changes and to changes in each other. Marketing managers improvise their market plans and implementation to fit day-to-day market changes and to achieve their marketing objectives. The study identifies three major tactics used to manage the planning-implementation interface, depending on the extent of environmental changes. Organizations working with low-level market changes employ communication between planners and implementers to ensure that their market plans are based on the latest market information. However when environmental changes are high, organizations tend to upgrade the involvement of planners-implementers or to fuse their functions. The first tactic promotes (a) achievable marketing plans, given time and resource constraints faced by the implementers, (b) flexibility and realism in the planning-implementation processes, and (c) commitment toward achieving marketing objectives. Meanwhile, organizations employing the fusion-of-function tactic will, in addition to the three benefits above, gain a high degree of sensitivity in the planning-implementation function by speeding the response to changes in customer needs. The researchers conclude that authority delegation or managers' autonomy is a prerequisite to the attainment of a highly responsive planning-implementation interface.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Chae & Hill (1997)	90 CEOs of industrial and consumer companies. Mailed questionnaires were used to collect data	Planning formality, CEO involvement, organizational climate, environmental complexity & uncertainty, perceived organizational and competitive benefit	One Way ANOVA	Findings indicate that top management involvement in the planning process and a cooperative organizational climate increase the formality of strategic marketing planning. There is no significant influence from organizational structure, environmental complexity and uncertainty on planning formality. Likewise there is no difference in planning formality between industrial and consumer organizations. However, formality may generate both competitive and organizational benefits. Results reveal that planning formality can improve the effectiveness of new product launches and cost reduction efforts, whilst facilitating improved product quality and market share performance. In addition, formality of planning efforts may create organizational benefits as it enhances understanding of priorities, managerial motivation to attain better overall coordination, implementation, and control of the organization's activities.
Vorhies (1998)	85 marketing managers of good and service companies in US. Data were collected through mailed questionnaires	Environmental turbulence, business strategy, organizational structure, task routinization, market information processing capability, marketing capabilities, and organizational effectiveness	Structural equation modeling	Findings indicate that only environmental turbulence and task routinization do not significantly influence marketing capabilities. Business strategy has the strongest effect on the marketing capabilities, indicating organizations with a higher level of strategy development have better developed capabilities. In addition, marketing information processing capability enhances marketing capabilities. As proper marketing actions need accurate information, it could be predicted that organizations with high information processing capability will have the best marketing capabilities. Organizational structure, as well as business strategy, increases marketing capabilities. This indicates more centralized decision-making and more formal rules and procedures encourage the development of marketing capabilities. Finally, organizations with high marketing capabilities may achieve superior performance.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Morgan & Piercy (1998)	298 general managers, 351 marketing managers, and 398 quality managers	Senior management leadership, strategy process (formalization, thoroughness, alignment, participation), control system congruence, environment (market and technological turbulence), interdepartmental interaction (connectedness, communication frequency, conflict) and performance	Standardized and Moderated Multiple Regression Analyses	The study discovers that senior management leadership has a positive effect on connectedness and communication frequency, but affects the level of conflict negatively. The researchers presume that the management leadership determines the organization performance by facilitating employee empowerment, and improving interdepartmental coordination and cooperation. The influence of strategy process on interdepartmental dynamics varies. Planning formalization may reduce interdepartmental conflict. While the planning alignment and functional participation improve connectedness between marketing and quality departments, planning thoroughness enhances communication frequency between departments. Congruence between the quality control system and quality strategy may also increase communication frequency. In addition, findings also indicate various effects of interdepartmental dynamics on performance. This connectedness may raise the perceived quality, whereas the communication frequency could improve market performance. On the other hand, lower conflict between marketing and quality departments may lead to better financial and market performance. There is no moderating effect of market and technological turbulences on the relationship between interdepartmental dynamics and performance.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Menon, Bharadwaj, Adidam, & Edison (1999)	212 managers of Fortune 1000 companies. Data were collected through mailed questionnaires.	Antecedents (centralization, formalization, & innovative culture), marketing strategy making (situation analysis, comprehensiveness, emphasis on marketing assets and capabilities, cross-functional integration, communication quality, strategy consensus commitment, strategy resource commitment), control (environmental turbulence), and outcomes (creativity of strategy, organizational learning, and market performance)	Correlation, Regression, Exploratory, and Confirmatory Factor Analyses	Findings indicate that innovative culture influences all marketing strategy components, whereas centralization and formalization only affect some of them. Centralization enhances the emphasis on marketing assets and capabilities and resource commitment. Formalization, on the other hand, facilitates cross-functional integration and consensus commitment. In addition, there are some variations in the effects of marketing strategy-making components on outcomes. While comprehensiveness, cross-functional integration, and communication quality increase the creativity of strategy, emphasis on marketing assets and capabilities impedes it. The creativity of strategy, in combination with situational analysis, consensus commitment and resource commitment improve organizational learning. Creativity also has a mediating role in the relationship between some marketing strategy components and organizational learning. It mediates the effect of cross-functional integration and communication quality and comprehensiveness and emphasis on marketing assets and capabilities on organizational learning. Finally, comprehensiveness, emphasis on marketing assets and capabilities, and resource commitment may improve market performance, but situational analysis hinders it. Further analysis indicates the negative influence of situational analysis on market performance only exists in conditions of low environmental turbulence.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Noble & Mokwa (1999)	486 marketing managers in Finance and Goods Corporation. Mailed questionnaires were used to collect data.	Strategy factors (fit with vision, importance, scope, championing, senior management support, and buy-in), role factors (involvement, autonomy, and significance), dimensions of commitment (organizational, strategy, and role commitments), role performance, and implementation success	Structural Equation Modeling	The study discovers that the role performance of marketing managers determines the success of marketing strategy implementation. Role performance itself is influenced by the managers' commitment to the marketing strategy, and to their career roles. However, there is no relationship between organizational commitment and role performance. When marketing managers perceive their roles to be significant to the success of marketing strategy implementation, their role commitment will increase. The degree of role autonomy and involvement do not affect the role commitment of the managers. In addition, the managers will commit to the strategy when they perceive the strategy fits with the broader strategic direction of the organization. This commitment will also increase when the managers perceive the strategy to have potentially significant consequences for their organizations and have cross-functional support. Finally, the support of senior management and the scope of marketing strategy do not determine a manager's commitment to a strategy.
Claycomb, Germain, & Droge (2000)	200 managers of industrial companies. Mailed questionnaires were used to collect data.	Strategic marketing formalization, organizational configuration, organizational structure, customer-driven exchange, and context, and performance (market & financial)	Correlation Analysis	Findings indicate strategic marketing formalization leads to better performance. This formalization does not relate to the configuration of a marketing organization: however, it provides for better co-ordination of decisions throughout the organization. It also correlates positively to marketing specialization, indicating that organizations employing strategic marketing formalization have more specialists, who direct their efforts towards a narrow set of marketing activities. These organizations utilise internal measurements and competitive benchmarking as means of formal performance measurement and evaluation. Finally, the formalization of strategic marketing planning does not determine the relationship between the organizations and their customers.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Pitt & Kannemeyer (2000)	70 managers of black-owned companies in South Africa. Data were collected through interview and self-administered questionnaires	Personality traits (tolerance of ambiguity, locus of control, and risk taking propensity), and the degree of marketing strategy adaptation.	Descriptive and Correlation Analyses	A significant relationship was found between personality traits of managers and adaptation of marketing strategy. Higher intolerance of ambiguity correlates negatively to marketing strategy adaptation. In other words, managers who tolerate ambiguity are more flexible in implementing their marketing strategy than intolerant ones. In addition, managers with an internal locus of control and greater risk-taking propensity tend to adapt their marketing strategy to environmental changes.
Maltz & Kohli (2000)	774 of manufacturing, R&D, and finance managers. Data were collected through mailed questionnaires	Integrating mechanisms (multifunctional training, cross-functional team, compensation variety, formalization, social orientation, & spatial proximity), internal volatility, functional interface, and manifest inter-functional conflict	Ordinary Least Squares Regression Analysis	The study finds that only cross-functional teamwork is likely to reduce manifest inter-functional conflict effectively. Inter-functional conflict may result from high internal volatility. This volatility moderates the relationship between cross-functional teams. compensation variety, and inter-functional conflict. In other words, when volatility is high, manifest inter-functional conflict may be reduced by using cross-functional teams or by lowering compensation variety. Further analysis reveals that the integrating mechanisms are differentially effective in eliminating marketing's conflict with manufacturing, R&D, finance departments. In general cross-functional teams seem to be effective in reducing conflict in all interfaces. Compensation variety and formalization, on the other hand, appear to be useful in reducing marketing's conflict with R&D, but not the conflict with manufacturing or finance departments.
Phillips, Davies, & Mountinho (2001)	100 hotel managers in UK. Data were collected by mailed questionnaires	Planning process (participation, thoroughness, formalization, & sophistication), communication with head office, perceived competition, new product development, marketing culture, low price culture, and performance (efficiency, effectiveness, & adaptability)	Factor, and Neural Network Analyses	The study indicates that organizations employing strategic marketing planning with product orientation gain better performance especially for efficiency and effective performance. This strategic planning is characterised by manager participation, planning thoroughness, formalization, sophistication, and emphasizing new product development. However, planning affects adaptability negatively, indicating that formally structured strategic marketing planning may impede innovation, creativity, and the success of new product development.

Table 2. 4: Continued

Authors	Subject/Research Method	Variables studied	Analytical Tools	Key Findings
Stratis & Powers (2001)	73 bank managers	Strategic marketing process (strategic marketing planning, multiple planning modes, & environmental scanning), strategic uncertainty, and performance	Multiple Regression Analysis	Findings reveal that strategic marketing planning determines financial performance, while planning modes and environmental scanning individually do not influence performance. All strategic marketing processes in combination affect financial performance significantly. However, due to its small β coefficient, excluding the multiple planning mode from the equation increases the significance value of *F*. Finally under strategic uncertainty, only strategic marketing planning and environmental scanning have effects on the performance.

2. 7. Barriers to the Implementation of Marketing Strategy

As discussed in the previous section, organizations that engage in strategic marketing planning might achieve better performance than those that did not, especially in a highly competitive and changing environment. Implementing strategic marketing planning is a multidimensional activity, which includes information inputs and analyses, planning frameworks and techniques and managerial behavior, amongst other things. Some of the evidence also indicates that implementation of strategic planning is not as straightforward as prescribed in the literature. Verhage and Waarts (1988), for instance, pointed out that only 38% of Dutch organizations describe themselves as marketing-oriented companies. These organizations made annual and long-range marketing plans, and have better performance than those that do not. Similarly, McColl-Kennedy, Janet, You, and Keil (1990) reported that while most Australian companies recognized the need for formal planning, not all use it. Due to the low overall awareness and usage of planning tools, McColl-Kennedy et al.

supposed that managers might make decisions intuitively, rather than take time to discuss and plan formally. Meanwhile, Greenley and Bayus (1994) discovered that only small numbers of the UK and US companies they studied could be described as sophisticated marketing planning decision-makers who used marketing strategy as prescribed by the literature. Most organizations appeared to be unsophisticated marketing planning decision-makers that tended to ignore planning techniques and organization information inputs, and used standard computer software in the planning process, whereas the others are classified as information seekers and "gut feeler" organizations.

Many works reported failures in implementing strategic marketing planning (Cepedes and Piercy, 1996; Harris, 1996). In general, McDonald (1996) identified two common barriers: cultural, a lack of belief in marketing planning, and cognitive, a lack of knowledge and skill.

2. 7. 1. Cultural Dimension

Quite often, when an organization introduces strategic changes to improve its performance, it fails to achieve the desired result. This does not necessarily mean that the changes are theoretically wrong or bad, rather that the changes do not fit in with employees' expectations and beliefs. As a result, the employees are not motivated and may even sabotage the implementation of the changes (Anonymous, 1980). Harris (1996) indicated that even managers might fail to initiate strategic marketing planning when it does not match with organizational "mind set" or culture.

Leppard and McDonald (1991) asserted that an organization is not simply a conglomeration of people and resources. It embodied a set of values and assumptions, which generated organizational culture and climate. Organizational culture could be the major strength of an organization when it fit the strategies. However it could also be the main weakness when it prevented organizations from meeting competitive threats or from adapting to environmental changes. This indicated that to smooth the process of strategic changes, managers should first understand the peculiar ways the organization practises or find out the reasons - which might be perfectly good ones - why employees acted in the way they did. In other words, understanding the organizational culture provided the managers an unfolding context of inertia**,** and facilitated the execution of the changes (Martin, 1993). This perspective is based on the premise that organizational changes cannot happen unless people or members of the organization change (Schneider, Brief, and Guzzo, 1996). Strategic changes are only effective when they are associated with changes in the psychology of employees. To change organizational culture is always a challenging and difficult task for the managers.

Deshpande and Webster (1989) distinguished between organizational culture and climate. They defined the organization culture as the pattern of shared values and beliefs that helped individuals understand organizational functioning and thus provided them with the norms for behavior in the organization, while organizational climate related to an organization's members' perceptions about the extent to which the organization was currently fulfilling their expectations. The climate of an organization is inferred by its members. Such inferences are based on the policies, practices, procedures, and routines that they are subject to, as well as o the kinds of

behaviors that are expected, rewarded, and supported (Schneider et al., 1996). Organizational culture and climate are interrelated. Schneider et al. (1996) believed that culture resided at a deeper level of psychology than did climate, as culture was concerned with the embedded values and beliefs of its members. In other words, climate was more tangible than culture. Schneider et al. (1996) proposed that culture could be changed through a focus of climate. Altering everyday policies, practices, procedures, routines, and reward systems could impact on those values and beliefs of organization members that constituted the culture. A T & T demonstrated these changes when attempting to sell specialized services. The changing mission could not be realized simply by sending the employee to school, or by hiring new staff. The change was successfully implemented only as it was backed up by modifying organizational structure and building new roles, new incentive systems, and new reward and punishment structures into operations (Anonymous, 1980).

Moreover, Leppard and McDonald (1991) believed that a strategic marketing planning process embodied a set of values and assumptions. It was not merely a sequential step of actions. Organizations that successfully implemented a planning process run on democratic principles, promoted openness and commitment to the organization, and had a collaborative climate and a true concern for providing customer satisfactions. This indicates that to gain a sustainable competitive advantage and to cope with environmental changes, the implementation of the marketing planning must be backed up by an innovative culture and climate. The term “innovative culture and climate” refers to the extent to which organizations emphasize inventiveness, openness to new ideas, and quick response decision-making (Menon and Varadarajan, 1992). Top managers of organizations trying to

implement marketing planning, therefore, should create the culture and climate needed for the planning process. Without such conditions, strategic marketing planning is never likely to come to fruition.

2. 7. 2. Cognitive Dimension

Another barrier to marketing strategy implementation may possibly arise from managers' lack of knowledge about marketing strategy. Marketing managers often interpret marketing strategy as having to do with the financial budget or sales forecasting. Consequently many so-called marketing strategies have little or no strategic content (Piercy, 1992). This may be the result of managers' confusion between marketing function and marketing concept, and between marketing strategy and marketing tactics (McDonald, 1992b). Marketing concept is a philosophical approach to managing an organization, rather than a series of functional activities. Moreover marketing strategy differs from marketing tactics. Marketing strategy focuses more on the quest for long term competitive advantage and consumer advantage in the context of the organization's mission and corporate goals., while marketing tactics concentrate more on the design of marketing mix ingredients and requirements for operating marketing programs (Jain, 1997; Wind and Robertson, 1983).

Lack of marketing skill also inhibits marketing strategy implementation. In order to analyse their business environments, marketing managers can use a variety of analytical techniques, such as Ansoff matrix, market segmentation, product life cycle analysis, portfolio management, strengths weaknesses opportunities and threats (SWOT) analysis, and profit impact of marketing strategy (PIMS) analysis. Research

indicates that these techniques can help managers to develop strategic marketing planning. Utilisation of suitable techniques can reduce any inclination a manager might have towards an irrational economic approach or unstructured judgmental processes that may be inconsistent with profit maximization, and hence can improve the plan credibility (Piercy and Morgan, 1994)

However, evidence showed that a gap existed between theory and practice. As mentioned earlier, Greenley and Bayus (1994) discovered that only a small number of US and UK companies could be described as sophisticated marketing planning decision-makers. Except for this small group, few companies seemed to use the decision-making techniques advocated in the prescriptive literature. Similarly Reid and Hinkley, (1989) found that most of their respondents tended to ignore the analytical technique. They did not even know the names when questioned about their familiarity with such techniques as Ansoff matrix, PIMS, Experience curve, and the like. This lack of utilization of appropriate marketing techniques might cause the failure of a marketing strategy to realise its intended results.

Problems of understanding may be the main cause of failure to use available marketing tools. Such problems could be related to the complexity of the tools themselves or their application. Portfolio planning models, for example, are inhibited by difficulties in measurement of market growth rates and relative market shares. Wind, Mahajan, and Swire (1983) identified four different definitions of market growth and market shares. Market growth could be defined as real market growth, market growth, forecast real market growth, or forecast real short and long-term market growth. Meanwhile market share could be described as a company's share of

the served market, the company's share versus big three competitors, a company's share versus that of the largest competitor, or share index. The classification of any business into a specific portfolio position such as "dog" or "star" is very sensitive to the selection of the measurement definition. Consequently, as demonstrated by Wind et al. (1983) different matrix methods were likely to generate different recommendations for the same situation.

Managers also have similar problem when applying product life cycle (PLC) analysis. Defining the product class (market) to which the product belongs is also fraught with difficulties. Its definition is a key point in PLC analysis. McDonald (1992a) claimed that it would be pointless for the manager to draw a PLC of his/her product without drawing a life cycle of its product class. McDonald (1992a) further suggested that both academicians and practicing managers must understand not only the analytical techniques themselves but also the nature of interrelationship among them. This suggestion arose for two reasons. Firstly, misunderstanding of the techniques led to their being misused. Secondly, there was no one technique on its own that could solve the complexity of marketing problems. McDonald believed that some inputs could be used in some models/techniques and outputs of one model could be used as inputs to others. This integration of some models would of course raise another dimension of complexity. However, the availability of computer-based expert systems could overcome human weaknesses in dealing with complexity. McDonald and Wilson (1999b) and Chan and Dandurand (1998) indicated that use of an expert system could improve managerial decisions and organizational performance. They believed that this system did not exclude the manager's judgment and intuition, which were still very important as personal inputs and control elements

in decision-making. They emphasize, however, that the manager's judgment needed to be continually augmented, refined and updated with current conditions.

2. 8. Summary of Focal Literature and Its Gaps

Contingency theory is a very popular approach for research in the fields of organization theory, strategic management, organizational behavior, and marketing (Zeithaml et al., 1988). The theory enables researchers and managers to provide the basis for organizational analyses, which generate possible solutions to the arising problems. The fit between organization and its environment is the central theme of contingency studies (Venkatraman and Prescott, 1990).

However, there was a dispute among scholars about the influence of environment on organizations, particularly concerning matters related to the strategic role of managers in their efforts to adapt their organizations to the environment (Astley and Van de Ven, 1983). Some scholars believed that environments determined the organizational life and constrain the managers to exercise their strategic choices (Aldrich, 1979). Whereas others believed that managers might still have the capacity to exercise their power and enact their strategic choices to handle the organization in line with its environments (Chakravarthy, 1982).

In an effort to resolve the dispute, Hrebiniak and Joyce (1985) claimed that the environment and the managerial choice were not mutually exclusive. The two factors interact one another and could function as independent variables in the process of fit.

Because of this, managers might face four different situations in their organizations. They might confront themselves with a combination of low strategic choices and high environmental determinism, a situation, which is similar to the underlying assumption of the determinism school. They might face a combination of high strategic choices and low environmental determinism, a situation reflecting the voluntarism's assumption. They might also have to deal with a mixture of high strategic choices and high environmental determinism, or a blend of low strategic choices and low environmental determinism. These different possibilities reflected that organizational adaptation was a dynamic process, a process that was supported by Miles and Snow (1994) who defined "fit" as a dynamic search that sought to align the organization with its environment and to organize resources internally to support the alignment.

Apart from the above dispute and its solution, the concept of fit also becomes the central trust in strategy research because the main task of the managers is to develop and utilize a strategy to fit their organization to its environment. Basically, both studies on strategy in general and studies on marketing strategy can be classified into two different schools: content and process (Jemison, 1981; Rajagopalan and Spreitzer, 1997). Studies in strategy content put emphasis on the exploration of external environment's influence upon the strategic choices, organization's structure, and performance. This is understandable because most of these studies emerged from industrial organization studies, which promoted how industries influence the strategic choices of the organizations (Porter, 1981).

Studies in strategy content indicated that environment factors such as stability of industry (Hambrick, 1983), technological changes (Dvir, et al., 1993), complexity, dynamism, and hostility (Lou and Park, 2001; Tan and Litschert, 1994) determined the strategy selected by the organizations. Studies in marketing strategy content also revealed similar results. Burke (1984) and Cavusgil and Zou (1994), for instance, identified that market attractiveness influenced marketing managers in setting up their marketing strategies. While technological changes in the industry determined all elements of marketing strategy, competitive intensity influences almost all of marketing strategies, except the pricing one (Cavusgil and Zou, 1994; Lusch and Laczniak, 1989). This indicates that the organizations do not use the price as a competitive tool but emphasize more on non-price marketing strategies to cope with the competitive pressures. In addition, to deal with a turbulence environment, the organizations should employ decentralized structure to enable the marketing managers to adapt any environmental changes easier (Ozsomer and Prusia, 1999; Rajaratman and Chonko, 1995). In general, content studies underline that to gain superior performance, the organizations must fit the strategies to their environment (Venkatraman and Prescott, 1990). Misfit between the strategy and organization structure to their environment might lead to inferior performance (Naman and Slevin, 1993).

In contrast to the strategy content, studies on strategy process concentrate on the strategy or marketing strategy decision process. Most of the studies consider environmental influences implicitly, as part of the context of the decision process (Rajagopalan et al., 1993). This might be due to the fact that administrative behavior studies, which primarily focused on the decision processes of the strategy being

formulated and implemented, contributed more to the existence of this school of thought (Jemison, 1981). Several studies on strategy process indicated that speed of decision making was a crucial determinant to gain better performance, especially for organizations working under unstable environment (Eisenhardt, 1989; Frederickson and Mitchell, 1984; Judge and Miller, 1991). Decision making process might be accelerated through authority delegation to the functional manager. This authority delegation could eliminate political behavior among middle managers (Bourgeois III and Eisenhardt, 1988). At the same time, it might also encourage them to participate in the strategy making, which in turn might facilitate them to implement the strategy (Floyd and Wooldridge, 1994).

In addition, studies on marketing strategy process revealed similar findings. John and Martin (1984) demonstrated that formalization of strategic marketing planning might increase the credibility and utilization of the marketing strategy. This formalization might reflect the participation of top management in the planning process and cooperative organizational climate (Chae and Hill, 1997). It might also eliminate interdepartmental conflicts (Morgan and Piercy, 1998), and facilitate better coordination of decisions throughout the organization (Menon et al., 1999). Finally, the formalization of strategic marketing planning might likely attain superior performance (Lysonski and Pecotich, 1992), provided that it could anticipate the unexpected and lay contingency plans accordingly. On the contrary, centralization of strategic marketing planning could hamper the credibility and utilization of marketing strategy (John and Martin, 1984). It tended to create interdepartmental conflicts, which not only lessened the quality of marketing strategy formulation and

implementation (Menon et al., 1996) but also decreased the performance of the organization (Morgan and Piercy, 1998).

Furthermore, Noble and Mokwa (1999) identified that commitment of marketing managers to the marketing strategy determined the success of marketing strategy implementation. This commitment could increase when the managers perceive their roles to be significant for the success of strategy implementation, and when they perceived that the marketing strategy fits to the broader strategic direction of the organization. In conclusion, studies on strategy and marketing strategy process highlighted that the internal structural fit might facilitate organizations to attain superior performance. However, most of these studies concentrated more on the process of strategy formulation. They tended to overlook the process of strategy implementation, assuming that the implementation could be straightforward (Noble, 1999). Meanwhile, Sashittal and Tarkersley (1997) demonstrated that formulation and implementation of the strategy interacted each other to cope with the environmental changes. They also pointed out that marketing managers must improvise their marketing strategies and implementation to fit day-to-day market changes, and to attain their marketing objectives.

Consistent with the important role of middle managers, especially the boundary spanning managers, in current complex and dynamic business environment (Barlett and Goshal, 1994; Dutton et al., 1997; Floyd and Wooldridge 1992a, 1994, 1997; Schilit, 1987), marketing managers as the boundary spanners might provide top management with strategic issues regarding customers and competitors. These managers might also persuade the top management to implement marketing concept,

which posits long term customer satisfaction, not current sales volume, as the key factor to profitability of organization (Anderson, 1982; Drucker, 1969; Levitt, 1960). Marketing managers, therefore, must be critical and creative in implementing their roles. Most importantly, they must be the integrators between organization and its customers (McKenna, 1991).

However, implementing marketing concept or strategic marketing planning was not an easy task. McDonald (1996) identified two common barriers in the implementation of marketing planning. These included cultural and cognitive barriers. The marketing planning was not simply a sequential step of actions. It represented a set of values and assumptions. To execute the planning process successfully, an organization must promote managers empowerment, encourage openness and commitment to the organization, and advocate a collaborative climate and a true concern for providing customer satisfaction (Leppard and McDonald, 1991). Similarly, marketing managers must have good marketing skills and capabilities to analyze business environment. The use of appropriate marketing techniques, such as PIMS, SWOT analysis, PLC analysis, market segmentation, could minimize marketing managers to use unstructured judgmental process that may be inconsistent with profit maximization (Piercy and Morgan, 1994). Without the existence of these two conditions, the strategic marketing planning might not likely attain the intended results.

So far the discussion has revealed that studies on strategy research, specifically on marketing, concentrate in two different aspects. Content school emphasizes their investigation on the fit of the organization to its external environment, whereas

process school places more attention on internal fit of the organization to achieve superior performance. However, most studies representing both schools focus on strategy formulation. They incline to ignore strategy implementation, assuming that it is a simple aspect. Meanwhile, empirical findings indicated that most of the strategy failures were caused by ill implementation or behavioral problems in the organizations (Heyer and Lee, 1992; Perlitz, 1993). Bonoma (1984) even stated that inappropriate strategies but excellent implementation would end up with better results than excellent strategies but poor execution (discussed in more detail in the next chapter).

Considering that organizations should attain both external and internal fit to achieve superior performance, at the same time, the processes of strategy formulation and implementation are not separable activities; there is a need for an integrative approach that incorporates both schools of thought. An integrative approach enables researchers not only to analyse the environmental factors that influence the content of the organization's strategy but also to investigate the process, in which the strategy is formulated and implemented to attain superior performance (Jemison, 1981; Paine, 1979; White and Hammermesh, 1981). The emergence of this approach is based on the idea that the formulation and implementation processes influence the content of a strategy; meanwhile, the processes themselves are determined by previous strategic decisions (Jemison, 1981).

The current study uses an integrative approach for following reasons:

- It can eliminate the weaknesses of the content and process approaches in theory building and testing when they are applied individually (Blair and Boal, 1991).

- It provides a more comprehensive framework (Jemison, 1981).
- It enables the researcher to investigate issues related to strategy content, strategy formulation and implementation processes, and to explore how these factors may influence performance (Varadarajan and Jayachandran, 1999).

With all the above considerations, therefore, this study investigates how external environment and internal organization conditions may affect the formulated marketing strategy. It also explores the important role of marketing managers in the processes of marketing strategy formulation and implementation to gain superior performance. While the above discussion presents only a general concept to approach this study, the more detailed conceptual framework will be discussed in the next chapter, Chapter III.

CHAPTER III

CONCEPTUAL MODEL AND HYPOTHESES

3. 1. Introduction

An empirical study needs to be underpinned by theories so that the hypotheses can be generated and a rationale can be given for interpreting and summarizing the research results. Based on the review of the literature in Chapter II, this chapter describes the development of the conceptual model and the hypotheses that guide the rest of the study. The current study employs contingency theory to analyze marketing strategy – performance relationship. The theory views an organization as a system composed sub-systems and delineated by identifiable boundaries from its external environment (Kast and Rosenberg). It enables the researcher to investigate the multivariate nature of marketing strategy-performance relationship. In addition, following the dynamic concept of fit proposed by Miles and Snow (1984), the study considers that marketing managers have a crucial role in adapting the organization to its environment. In this case, marketing strategy can be a strategic mean for marketing managers to fit the organizations to the environment.

This study uses an integrative approach, with a consideration that the success of marketing strategy to realize the desired performance does not only depend on the excellence of the formulated strategy but also relies on such other factors as external and internal environments, and the implementation process. As indicated in last part of Chapter II, this approach enables the study not only to investigate the influences of

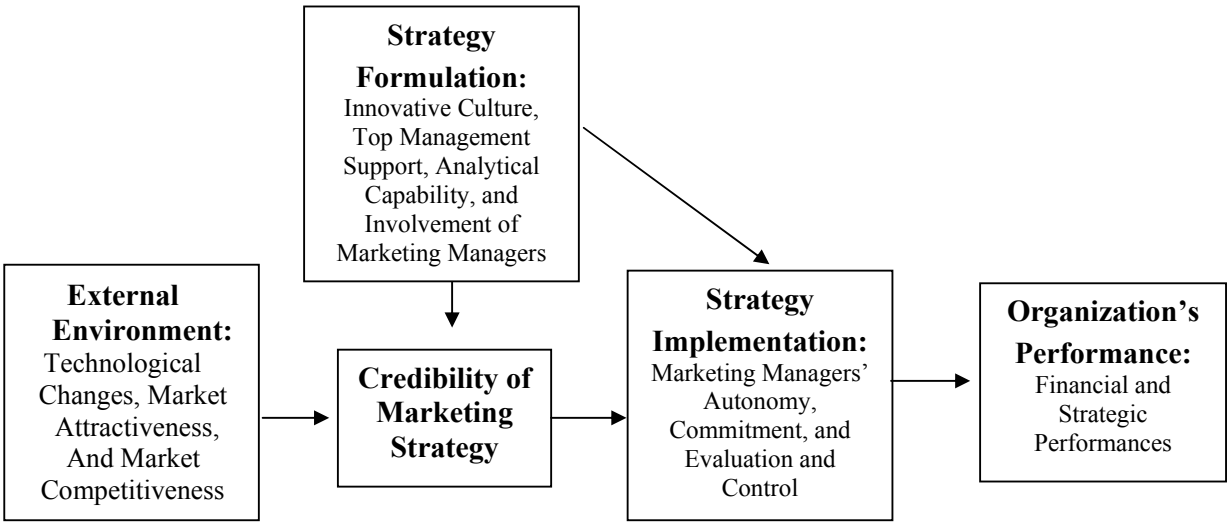
external and internal conditions on the formulated marketing strategy and on the performance, but also to explore both the processes of the marketing strategy formulation and execution to attain the desired performance.

The next section discusses the framework of the study to provide a general picture of the marketing strategy – performance relationship and its determining factors. The following section discusses the development of the hypotheses. The final section presents the research model and describes the relationships among its variables supporting the hypotheses.

3. 2. General Framework of the Study

Drawing from a contingency theory reviewed in Chapter II, the general framework of the current study is presented in Figure 1. The framework posits that the credibility of marketing strategy depends on the external business environments, and its formulation process. The credibility of marketing strategy and the strategy formulation, in turn, determine the effectiveness of the marketing strategy implementation. Finally, the strategy implementation affects the organizational performance. To facilitate understanding, each of the variables presented in the framework is defined below.

Figure 3. 1. The General Framework of the Study



External Environments are the surrounding conditions in which decisions are made and actions taken. These include external business environments such as market attractiveness, technological changes, and market competitiveness.

Credibility of marketing strategy refers to the quality of marketing strategy. It also indicates the realism, accuracy, specificity, consistency, completeness, and validity of the marketing strategy. This study defines the marketing strategy as strategic decisions made by the organization in relation to the means to achieve the marketing objectives. The marketing strategy itself generally concerns the four major elements of marketing mix.

Strategy formulation refers to the process of developing the marketing strategy. It is a multidimensional process, which involves the internal organization conditions such

as innovative culture, top management support on the formulation process, the analytical dimensions such as analytical competence of marketing managers, and behavioral aspects like marketing managers' involvement in the strategy making. The result of this formulation process is an ownership or commitment of the managers to the formulated strategy.

Strategy implementation refers to the actions initiated by the organization to realize the formulated marketing strategy. These include interpretations of the strategy, resource allocations, control and evaluation, and reformulation of the strategy. Control and evaluation are the main activities in the strategy implementation to ensure the alignment of the strategy with its internal and external environments. In addition, the autonomy of the marketing managers is another important aspect of strategy implementation in accelerating decision-making to cope with any environmental changes.

Performance refers to the functioning of the organization as a result of the implementation of the marketing strategy. Typically, the results are measured by economic terms, such as sales and profit. However, many studies use a strategic dimension as an additional parameter of an organization's performance. The reason is that an organization is usually established with both economic objectives such as profits, sales, cost, and strategic ones like market expansion, customer satisfaction, and product quality improvement. The current study uses these two parameters to measure the performance of an organization.

3. 3. Research Hypotheses

3. 3. 1. External Business Environment

An organization is embedded to its macro and industry environment such as government regulations, monetary policy, suppliers, competitors, and consumers (Porac and Rosa, 1996). These external environments determine the actions of the organization to achieve competitive advantage. In general, Dess and Beard (1984) classify the environment into three dimensions as follows:

- Environmental Munificence dimension refers to the capacity of the environment to provide organizations with sustained growth, which may include the availability of resources and market demand for organizations' outputs.
- Environmental dynamism refers to the stability-instability and turbulence of the environment that could consist of unpredictability of consumers and competitors, rate of change in the market trends, and industry innovations.
- Environmental complexity refers to the homogeneity-heterogeneity and concentration-dispersion of the environment that may include different production requirement of different market segment, and degree of competition.

The influence of environments on internal organizations has long been recognized in both industrial organization and organization studies (White and Hamermesh, 1981). Industrial organizations scholars believe that industry structures determine the strategy selection of organizations (Porter, 1981). Similarly, an early research in organization studies demonstrate that variety in the environments especially changes in the market and technologies are reflected in the organization forms (Burn and

Stalker, 1961). Organizations operating in changing environments tend to use an organic form characterized by ambiguous roles, decentralization, and lateral communication. While organizations in stable environments tend to employ a mechanistic form with centralization, and well-defined chain of commands and communication. Porter (1991) believes that the environments as well as organization's own capabilities are subject to change. He suggests further that it is the task of organization strategy to maintain the fit between organization and its environment.

Prescott (1986) finds that the environments modify the strength, not the form, of the strategy – performance relationship. They influence the strategic orientation or type of organizations (McDaniel and Kolari, 1987: Miller, 1987) and the marketing tactics (McKee et al., 1989). Tan and Litschert (1994), for instance, demonstrate that MNC managers in China tend to prefer defensive strategies than proactive and risky ones to adapt to the environmental dynamism and complexity. However, the organizations should remain innovative and adaptive to the dynamic of environments so that they could cultivate the emerging opportunities while at the same time adjust the risks in the rising market such China (Lou and Park, 2001).

3. 3. 1. 1. Technological Changes

Hage (1988) asserts that the growth in knowledge is the main cause of the environmental changes. He defines knowledge as "the ideas, theories or models, the tools and the machines, the methods and procedures associated with the tools and

techniques, and finally the skill and know-how associated with a specific product group or sector or society" (page 8). He indicates that the explosion of new knowledge does not only generate of new products but also leads to the discovery of new production methods that may enhance significantly the flexibility, cost efficiency, and product quality. For example, the invention and development of computer and microprocessor lead to the development of computer assisted design (CAD) and computer assisted manufacturing (CAM), and the use of robots in some manufacturing organizations. These technological changes increase the complexity and dynamism of environments. Capon and Glazer (1987: page 3) demonstrate these increasing complexity and dynamism of environments that result from the technological changes in more detail, as below:

- Changing product life cycles (PLC)
    - Shorter the PLC if technology is shared by many competitors
    - Longer the PLC if technology reduces costs and result in market expansion
    - Increase riskiness of high volume/low cost market strategies
    - Need for increased coordination between R&D and marketing
- Changing of definition of market segments
    - Less segment stability
    - Increased segment fragmentation
    - Focus on target marketing
    - Importance of market sensitivity and understanding consumer needs
- Changing definition of industries/new sources of competition
    - Shift in traditional product market boundaries
    - Increased importance of competitive intelligence
    - Fight over which competitor's rules govern industry
    - Need for corporate definition of mission both sufficiently broad/general and focused/specific
- Changing employee relation/organizational restructuring
    - Increased emphasis on decentralized decision-making
    - Expanded levels of employee participation at all levels

    - Elimination of layers of management/barriers to direct flow of communication
    - Focus on what employee “know”, not what they “do”

- Changing government relations

    - Deregulation (often after period of regulation following introduction of new technology)

- Changing globalization of market

    - Emergence of global village resulting in both expanded markets and new sources of competition
    - Choice between global market share and differential targeting of segments
    - Implications for national industrial policy

Technology is commonly defined as the process of converting input into output, through the use of knowledge, tools, techniques, and actions (Rousseau, 1979). This definition is beyond the production function since it also includes the soft technologies –one of characteristics of modern industry (Dvir et al., 1993). To detect the influence of the technological changes on the organization strategy, Roy and Dugal (1999) investigate two different groups of organizations working under different technological environments. They describe a stable technological environment as a long-lived technology, which remains unchanged for the duration of the product life cycle. On the other hand, when one or more basic technology substitutions take place, the technological environment is described as turbulent. They report that organizations operating in a turbulent technological environment tend to involve more in licensing activities than organizations working in a stable environment. This indicates that by licensing their innovated technology, the organizations may try to reduce the environmental dynamism by capitalizing and making profit before the technology is replaced by the new one. Moreover, Dugal and Roy (1996) also find two different product strategies when managers perceive

the technological environment differently. They discover the managers, in a growth stage of their product life cycle, tend to employ process improvement strategy such as improving the efficiency of distribution, manufacturing, or operation, when they perceive the technological environment is stable. While, when the managers believe the environment is turbulence, they may use product improvement strategy as improving packaging as well as product design, features, and functions.

The phenomena above reveal that technological changes increase the dynamism and complexity of environment, which in turn raise the complexity of strategy developed by organizations. Since the current study considers marketing strategy in terms of its credibility or its quality, which depends on accuracy and completeness of data input being processed, and on assumptions validities, the technological changes may lessen the accuracy and completeness of data, and the assumptions validities used in formulating the strategy. We, therefore, hypothesize that:

H_1: The higher technological change of industry is, the lower the credibility of the formulated marketing strategy will be.

3. 3. 1. 2. Market Attractiveness

All business strategies must be justified by the availability of a viable market. When there is no viable market, even the best strategy will fail. Thus, the marketing strategy formulation of organizations should be realistically matched with the target market. Market attractiveness is the most important determinant of the market

growth rate in the long run. It may provide a measure of the market potential to contribute to the overall organization objectives (Finn, 1987). However, an organization may not be able to exploit all of the potential demands available in the market. It depends on the market position or competitive position of the organization. By considering the market attractiveness and competitive position simultaneously, there are four optional markets available for the organization (Piercy, 1997: page171):

- Core business –areas where the market offers the potential for the organization to achieve its goals and which fits its capabilities and competence, and where the organization can take a strong market position
- Peripheral business –where the market is less attractive to the organization (there is no growth, competition is tough, margins are low, and so on), but the organization can take a strong position.
- Illusion business –where the markets are highly attractive and offer everything, but the organization can do or take a weak position. These markets are illusion, because they look great, but the organization can never get pay-off.
- Dead-end business –where the market is not attractive, and the organization can only take a weak position.

The above classification seems crude, but it may provide marketing managers with the realities (Piercy, 1997).

The market growth or attractiveness may be the result of product differentiation (Hambrick and Lei, 1985) and product innovation (Tushman and Anderson, 1986). Methe (1992) demonstrates that product enhancement grows the demand of the

product, because the enhancement drives the diversification of the product use. Even, the growing market may attract new organizations to enter into the market, but the existing and the new organizations may still grow. In addition, a growing demand may generate the market attractiveness. An increase in the number of population and changes in demography such as age distribution, income may lead to the growth of demand (Farley, 1997). Similarly, Hage (1988) indicates that a knowledge explosion may grow the product demands. This explosion encourages people to enter into a higher level of education to get better jobs. The education level and jobs may in turn shape and lead to new life styles, which eventually could create the needs of diversity of products and services.

Moreover, Buzzel and Gale (1987) indicate that growing markets can be characterized by high gross margin, high marketing costs, rising productivity, increased investment to keep pace with growth, low or negative cash flow, and high levels of buyer spending. They also find that profits in fast growing markets are higher than in declining ones. Supporting this finding, Chandler and Hanks (1994) reveal that market attractiveness affect the organizational performance positively, and drive the organization to grow faster. It may also guide Marketing managers in determining their marketing strategies (Burke, 1984).

The above discussion shows that market attractiveness relates to environmental munificent. An increase in the market attractiveness as a result of the growing market or demand leads to an increase in the environmental munificent. Such environment may facilitate the development of marketing strategy with more accurate and

complete data, and more valid assumptions. Hence, it may affect the credibility of marketing strategy positively.

Assuming that the organization still has the capabilities and competence to avoid the selection of an illusion market, we hypothesize that:

H_2: The higher market attractiveness is, the higher the credibility of the formulated marketing strategy will be

3. 3. 1. 3. Market Competitiveness

The key aspect of organization's environment is the industry or industries in which it competes. Porter (1980) defines an industry as a group of organizations producing products or services that close substitutes for each other. He clarifies that in general, industry competition and profitability are determined by five competitive forces jointly, i.e. entry, threat of substitution, bargaining power of buyers, bargaining power of supplier, and rivalry among current competitors. However, he emphasizes that different forces take on prominence in shaping competition in each industry. Because of this, marketing managers should be able to identify the strongest competitive force (s) to develop a precise marketing strategy.

For example, in high-technology industry, technological changes may become the competitive force that magnifies industry competition. The changes can shorten a product life cycle, or reduce the cost of the product (Capon and Glazer, 1987). In the

computer industry, for instance, organizations must be ready to cope with technological changes, because new products, which are more sophisticated, could be launched at any time. Each organization strives to improve its product. This indicates that the technological changes make the competition in the industry become more intensive (Shanklin and Ryans, 1984). In such technology-based industry, patents of the products may become ineffective to protect the new technologies, because the patents -as a tool of protecting the new technologies- may only be effective in the chemical and pharmaceutical industries but not in others (Bettis and Hitt, 1995).

In such current information technology era with decreasing entry barriers and blurring industry boundaries, rivalry among organizations may become another competitive force that amplifies the market competition (Bettis and Hitt, 1995). Many organizations compete against each other not only in a particular market but also in many markets called as multimarket or multipoint competition. Karnani and Wernerferlt (1985) define the multipoint competition as a situation where organizations compete against each other simultaneously in more than one market. In such a competition, the organizations may become interdependent. That is the result of actions instigated by an organization that is more reliant on the action and reactions of its rivals (Jayachandran, Gimeno, and Varadarajan, 1999). For instance, Gimeno (1999) demonstrates that both the leader and challengers may decrease their intensity of their competitive behaviour if the leader in the focal-market can lower the challengers' motivation to attack through multimarket deterrence.

The intensity of market competition can determine the marketing strategy of an organization. Organizations operating in highly competitive markets, for example,

may place more emphasis on market oriented activities and behavior, or on cost control system, to gain better competitive positions (Pelham and Wilson, 1996). Non-price marketing strategy is more prevalent in such markets (Lusch and Laczniak, 1989). Similarly, Cavusgil and Zou (1994) demonstrate that the intense competitive pressure in the export market may dictate the adaptations of product and promotion strategies to gain a competitive superiority.

In conclusion, apart from the competitive forces, an intensive competition may increase the complexity of business environment. Managers working under such an environment could face greater uncertainty and need greater information processing requirements than managers working in a simple environment (Dess and Beard, 1983). Like the effects of technological changes, therefore, intensive market competitiveness could negatively influence the credibility of marketing strategy. This is so because managers have difficulties in providing the strategy formulation with accurate and complete data, and valid assumptions.

We hypothesize that:

H_3: The higher market competition is, the lower the credibility of the formulated marketing strategy will be.

3. 3. 2. The Process of the Marketing Strategy Formulation

No matter how appealing the opportunities, the attractiveness of the industry/market environment available for an organization, it will be an illusion if the organization

does not have adequate skills and resources to capture it. The organization's strengths may make it particularly capable of seizing the opportunity; likewise, the organization's weaknesses may make it pursue other opportunities. Superior skills and resources, taken together, represent the organization's ability to do better than its competitors. The skills and resources are a source of organization's competitive advantage (Day and Wensley, 1988), which determines the selection of strategy implemented. However, the selection or formulation process of marketing strategy involves several different types of dimensions. The process is not merely a matter of applying sophisticated technical analysis and writing a formal plan. The reality that empirical studies of marketing strategy and planning are limited indicates that its practice is not straightforward as the prescriptive literature suggests. Following Piercy and Morgan's (1990) recommendation, the current study considers three dimensions involved in the marketing strategy formulation. The first dimension, the organizational dimension, covers innovative organizational culture and top management support. The second dimension, the analytical dimension includes the analytical competence of marketing managers to analyze business environments. The third dimension, the behavioral dimension comprises specifically marketing managers' involvement in strategy making.

3. 3. 2. 1. Innovative Culture

As discussed in the previous chapter, organizational culture may become either the major strength or the main weakness of the strategy implementation, depending on the fit of the culture to its environment. Gordon (1985) finds that organizations working in dynamic industries are characterized by cultural values that enhance

adaptability, while organizations operating in stable industries are characterized by values that promote stability. Similarly, Wallace (1983) asserts that a bureaucratic culture which is more power and control oriented is appropriate for organizations with a large market share in a stable market, whereas an innovative culture which promotes creativity and innovativeness is suitable for organizations operating in a competitive market. A bureaucratic organization working under a dynamic industry may not be possible to attain better performance because its culture is not conducive to the handling of the complexities and uncertainty of the industry (Zammuto and O'Connor, 1992). In other words, to face the current unpredictable and turbulence business environment, organizations should develop and utilize an innovative culture to accomplish superior performance.

Innovative culture refers to the existence of organizational atmosphere, which promotes innovative behavior, creativity, and willingness to take chances (Menon and Varadarajan, 1992). Wallace (1983) claims that the innovative culture is exciting and dynamic. She describes the innovative culture as risk taking, result oriented, creative, pressurized, stimulating, challenging, enterprising, and driving. As mentioned in the previous chapter, Deshpande and Webster (1989) define the organization culture as the pattern of shared values and beliefs that help individuals understand organizational functioning, and hence, providing them with knowledge of the norms for behavior in the organization. The organizational culture, therefore, defines, supports, and sets the boundaries of an organization's ability to function. Consistent with this definition and the emphasis on the process of strategic decision-making, this study conceptualizes innovative culture as a set of values and beliefs that influence an organization's view in managing innovation and change.

An innovative culture may become a strong predictor of organizational growth due to its adaptability and involvement traits (Denison and Mishra, 1995). The adaptability trait promotes norms and beliefs to interact positively with environmental changes, and to incorporate them into the current strategy of the organization. This trait facilitates the organization with the capacity to prioritize its customer satisfaction and to be open to new ideas. Such conditions encourage middle managers to raise strategic issues to their superiors (Dutton et al., 1997). Without high involvement of middle managers in strategic decision-making, the organization is very difficult, if not impossible, to be responsive to the environmental changes. Because their position as boundary spanning role could bridge the gap between the top management's expectations and the reality (Nonaka, 1988). Denison and Mishra (1995) further state that high involvement fosters a strong sense of psychological ownership and commitment to the organization and its goals.

In addition, flexibility-oriented values that attempt to decentralized decision-making are inherent in the innovative culture. Problems are resolved at the point at which they occur (Tata, 2000; Zammuto and O'Connor, 1992). In the changing business environments, top managements cannot detect and respond to the weekly or even to the day-to-day operational changes. Such environments compel the top management to delegate their strategic decision-making and responsibilities to middle managers who are closer to the business reality. They, therefore, should empower their middle managers by allowing them to fix problems at their own level instead of leaving the problems to their superiors and waiting for top-down judgment (Barlett and Ghoshal, 1995). In this way, speed decision-making in response to any environmental

changes will be facilitated and political behavior among the managers will be minimized (Bourgois III and Eisenhardt, 1988).

The above empirical studies lead us to hypothesize that:

H_{4a}: The higher innovative culture is, the higher the involvement of marketing managers in the process of marketing strategy formulation will be, and

H_{4b}: The higher innovative culture is, the higher the autonomy of marketing managers in strategic decision-making will be.

3. 3. 2. 2. Top Management Support

In addition to the organizational culture, top management support is another critical factor in the process of strategy decision-making. Top management support refers to the extent to which marketing managers positively perceive that top management supports and values the marketing strategy formulation and implementation. Due to the dynamic nature of strategy formulation process, marketing managers call for top management involvement and support. This is natural because the process could evolve over a lengthy period of time. Moreover, it may involve a complex network of communication such as among members of the planning group, between the planning group and internal and external staff, and between the planning group and higher levels of management (Stasch and Lanktree, 1980).

Greenley and Bayus (1994) note that apart from differences in the marketing planning styles, top management involvement is a significant factor in determining

the effectiveness of the planning processes. The involvement may demonstrate the willingness of the top management to discuss "key issues" of the strategy that could guide marketing managers in developing the strategy (Piercy and Morgan, 1990). It could also drive the formality of the marketing planning (Chae and Hill, 1997). Even though in some cases the planning formality possibly will impede the innovation and creativity (Phillips et al., 2001), it may facilitate the interdepartmental communication and coordination and eliminate interdepartmental conflicts (Morgan and Piercy, 1998).

In this case, Beamish, Craig, and McLellan (1993) find that there is strong evidence linking top management commitment to the exporting success. As top managers are committed to the export venture, they will carefully plan and allocate sufficient managerial and financial resources to the venture. Similar conclusions are also noted by Cavusgil and Zou (1994), who find that top management commitment is the most crucial determinant of marketing strategy. This management support clearly relates to the extent of involvement in the planning, managerial and resource commitments. It reduces uncertainty, and hence facilitates the formulation and execution of marketing strategy. John and Martin (1984) demonstrate that the planning formality indicates the organization commitment to the planning, which in turn could enhance the credibility of the marketing plans. Supporting this finding, Piercy and Morgan (1994), who term the top management support as "the planning thoroughness", find that the planning thoroughness influences the credibility of the marketing plans positively and significantly.

Finally, marketing managers who perceives clear supports from their superiors will expect that they will get the necessary resources during the strategy formulation and implementation processes. This resource commitment of top management in combination with appropriate reward system may create commitment of marketing managers to the formulated strategy (Floyd and Wooldridge, 1992b). Marketing managers may also perceive the top management support and endorsement on the formulated strategy as the reward of their hard work. Such supports may generate commitment or "ownership" of marketing managers to the formulated strategy as well (Noble and Mokwa, 1999).

In conclusion, the top management support does not only provide clear direction of the organizational objectives but also facilitates the consistency of the formulated marketing strategy and the other organizational and functional strategies. The support also indicates the willingness of top management to provide necessitated resources that enable the strategy making to access current market information and to generate a complete strategy. Therefore, the top management support may have positive effects on the credibility of the formulated marketing strategy, especially in terms of its consistency, accuracy, completeness, and validity. It can also generate the commitment of marketing managers to the formulated strategy.

We hypothesize that:

H_{5a}: The higher top management support is, the higher the credibility of the formulated marketing strategy will be, and

H_{5b}: The higher top management support is, the higher the commitment of marketing managers to the formulated marketing strategy will be.

3. 3. 2. 3. Analytical Competence of Marketing Managers

The analytical dimension of the marketing strategy formulation is the most popular among other dimensions, as business environments become more complex, fast changing, and more unpredictable. It comprises the techniques to scrutinize problems and opportunities and to recognize the solutions and strategies. Many analytical techniques or marketing tools can be used by marketing managers to analyze their business environments. These include Ansoff matrix, market segmentation, product life cycle analysis, portfolio management, strengths weaknesses opportunities and threats (SWOT) analysis, and profit impact of marketing strategy (PIMS) analysis. Piercy and Morgan (1994) pointed out that the utilization of these tools can reduce the inclination of managers to use an irrational economic approach or unstructured judgmental process that may be inconsistent with profit maximization, and hence can improve the strategy credibility.

Empirical evidence has demonstrated, however, that most of marketing managers tend to ignore the use of these tools when developing marketing strategy (Greenley and Bayus, 1994; McColl-Kennedy et al., 1990; Reid and Hinkley, 1989). It is quite possible that problems of understanding marketing tools have resulted in the lack usage of the tools. As discussed in Section 2.7.2 page 81, the marketing managers' lack of analytical skills and marketing knowledge is one of the barriers of marketing strategy implementation within organizations. Denison and McDonald (1995) even

believe that the lack of marketing skills and knowledge inhabits marketing managers to promote the adoption of marketing concept in the organizations.

Anderson (1982) has stated that in strategic planning marketing managers must identify the optimal long-term position that will assure customer satisfaction and support at both corporate and divisional levels, because as the boundary spanners, the managers are able to identify the opportunities and threats in the business environments (Day, 1992; Hut et al., 1988). However, such a pivotal role will not be realized unless marketing managers have adequate analytical competence. Chan and Dandurand (1998) have stated that analytical techniques or marketing tools help the managers to scrutinize the business environments, to make strategic and tactical decisions, and to communicate with their superior and other functional managers. Marketing managers can, then, frame the information they have as strategic issues and direct their superior attention to those issues (Dutton and Ashford, 1993).

The above discussion indicates that analytical competence is very important for marketing managers to enable them to perform their crucial role in the strategic marketing planning. The competence also determines the extent of marketing managers' autonomy. In this case Barlett and Ghoshal (1995) have indicated that top management in large and successful companies gradually delegate more authorities and responsibilities to the middle managers when the managers have better and appropriate capability to perform their tasks.

We hypothesize that:

H_{6a}: The higher analytical competence of marketing managers is, the higher their involvement in the process of marketing strategy formulation will be, and

H_{6b}: The higher analytical competence of marketing managers is, the higher their autonomy in the strategic decision making will be.

3. 3. 2. 4. Involvement of Marketing Managers

The behavioral set of dimension is at an individual level. This ranges from the individual perceptions of managers about the nature of the whole formulation process and particular part of it, to the participation that is both allowed by the organization and achievable by the individual. The outcome of behavioral issues will result in a certain level of commitment by individual and a certain feeling of ownership of the finalized strategies (Piercy, 1992).

Lyles and Lenz (1982) explore the human side of the planning process and find 14 most critical behavioral problems faced by line and staff members when managing strategic planning process. They categorize these problems into resistance to change, cognitive strain, and role stress. They believe that these behavioral problems can reduce the effectiveness of a well designed planning system. Similarly, Piercy and Morgan (1990) identify the existence and significance of a variety of behavioral problems in marketing strategy formulation. These behavioral planning problems negatively and significantly correlate with the measures of organizational supportiveness, especially to customer philosophy and strategic orientation. These

problems may also reduce the credibility of the formulated marketing strategy (Piercy and Morgan, 1994).

Basically, the behavioral problems arise from the middle managers' uncertainties or low understanding concerning the planning objectives and desired roles expected by top management (Lyles and Lenz, 1982). They may also result from the managers' disagreement to the formulated strategies, which leads to low or negative commitment (Guth and MacMilan, 1986). These uncertainties and disagreement of the managers may be due to the lack communication and participation of the managers in the strategy making process. This implies that top management should initiate a regular dialogue with the middle managers and encourage them to get involved actively in the planning process to eliminate the behavioral problems. Maintaining discussions between top management and middle managers will generate shared understanding among them. The discussions will help top management clarify the organizational strategic priorities to the middle managers, make them aware of one another's priorities, and even challenge the status quo (Floyd and Wooldridge, 1992b).

Marketing managers' involvement refers to the extent to which the managers involve and participate in the formulation and development of a marketing strategy. The importance of middle or operational managers involvement in the strategy formulation processes has long been recognized (Floyd and Wooldridge, 1992b; Wooldridge and Floyd, 1990). This managers' involvement could sharpen or change the strategy developed by top management (Nonaka, 1988). As the position of marketing managers is close to the customers and other stakeholders, it enables them

to detect and judge the inclusion of the potential strategic issues into the organization's strategic agenda (Hutt, Reingen, and Ronchetto, Jr. 1988).

In addition, the involvement of marketing managers may also make the strategy become fully integrated into planning and budgeting and into day-to-day decision-making (Tregoe and Tobia, 1990). The lack of managers' involvement might not lead to overt resistance but create a void that might weaken the sustenance of the organization's competitiveness (Thakur, 1998). Involving the managers in strategy making could provide them a clear direction and understanding of organization's objectives and priorities, which in turn create their commitment to the formulated strategy (Ghoshal and Barlett, 1995; Wooldrigde and Floyd, 1990).

However, to enable the marketing managers to get effectively involved in the strategy making, they must have adequate marketing knowledge and skills. These marketing abilities could facilitate them to raise strategic issues in the strategy making process (Dutton et al., 1997). Day and Wensley (1988) assert that managers' skills are the source of organization's competitive advantage that could influence the strategy selection. Moreover, as boundary spanners, the marketing managers may have the power to (a) provide or conceal the issues, (b) frame an issue in a particular fashion, (c) direct top management's attention to certain issues by mobilizing appropriate resources, and (d) link actions and ideas between the technical and institutional levels in the organization (Dutton and Ashford, 1993). This power combined with adequate marketing skills enables the managers to make an upward influence by championing strategic alternatives or synthesizing information. They may also make a downward influence by facilitating adaptability or implementing

the deliberate strategy (Floyd and Wooldridge, 1994, 1992a). Evidence demonstrates that middle managers who have a boundary spanning role have higher levels of both upward and downward strategic influences than non-boundary spanning ones (Floyd and Wooldridge, 1997).

Finally Morgan, McGuinness, and Thrope (2000) find that the marketing managers' involvement in the business strategy formation enhances the organization performance. They suggest that through the involvement and their role as the boundary spanners, the marketing managers may facilitate the process of strategy formation by (pp: 353-354):

- Encouraging a comprehensive approach focused on market-place reality, emphasizing the marketing and capabilities of the organizations,
- Stimulating cross-functional integration even in the expense of politicking,
- Improving communication quality throughout the organization by developing the internal marketing strategies,
- Developing strategic consensus and commitment by centring the selected business strategy and its antecedent processes on the premises of market-based management,
- Tempering decision-making with a view on competitive dynamics and long-term thinking,
- Engendering pro-active thinking and first-mover innovativeness, and
- Testing the business strategy for realism by ensuring appropriate levels of resources and commitment to drive the program through successful implementation

The above evidence reveals that marketing managers' involvement in the strategy making process affects the formulated strategy positively, because the managers can provide the strategy making process with current market information, and all elements of marketing strategy that make the formulated marketing strategy realistic, accurate, specified, complete, and valid. The involvement also creates the commitment of the managers to the formulated strategy, we, therefore hypothesize as follows:

H_{7a}: The higher involvement of marketing managers in the process of marketing strategy formulation is, the higher the credibility of the formulated marketing strategy will be, and

H_{7b}: The higher involvement of marketing managers in the process of marketing strategy formulation is, the higher the commitment of managers to the formulated strategy will be.

3. 3. 3. Marketing Strategy

Practitioners and academicians have long been aware that the adoption of a complete strategic marketing planning system could lead to a superior performance than those without (McDonald, 1996). However, the implementation of the system seems not to be straightforward. Empirical findings demonstrate that only few organizations implement the system as prescribed in the literature (Greenley and Bayus, 1994; Verhage and Waarts, 1988). Most of organizations even use intuitive and informal planning to operate their business (McColl-Kennedy et al., 1990).

One of the reasons of this lack of marketing strategy utilization may probably be the result of a lack understanding among managers about marketing strategy itself. Many managers still confuse about marketing terminology (McDonald, 1992b). They mix up between the marketing concept and the marketing function. They cannot, for example, differentiate between the marketing and sales, the marketing and advertising, and the marketing and product management. Meanwhile, McDonald (1999a: page 4) defines that marketing is:

> "a process for understanding markets, for quantifying the present and the future value required by the different groups of customers within these markets, for communicating this to all other functions with responsibility for delivering this value, and for measuring the value actually delivered".

The above definition indicates that marketing is an attitude of mind rather than a series of functional activities. Sales or advertising is just one aspect of communication with the customers. Sales, for instance, is just one part of marketing in which the transaction is actually finalized. It is the culmination of the marketing process. Its success could only be realized if the other elements of marketing mix have been properly managed.

In addition, many managers mix up marketing tactics with marketing strategies. Only few of marketing managers understand the significance of a strategic marketing plan as opposed to a tactical marketing plan. Most of the managers prefer to sell their products in the easiest way that is to sell them to those customers who offer least line of resistance. They just develop short term, tactical marketing plans and then extrapolate them. They pay little attention on the strategic issues. They spend most of their time on operational or tactical issues. Consequently, many so-called marketing

strategies are no more than financial budget or forecasts (McDonald, 1992b; Piercy, 1992).

As a strategy, strategic marketing decisions should deal with the following issues (McDonald, 1996, pp: 5-6):

- The long-term direction of the organization, as opposed to day-to-day management issues.
- Defining the scope of the organization's activities in terms of what it will and will not do.
- Matching the activities of the organization to the environment in which it operates, so that it optimizes opportunities and minimizes threats.
- Matching the organization's activities to its resources capacity, be it finance, manpower, technology or skill levels.

As such marketing strategy has a high degree to overlap with the corporate strategy. Thus, in the practical setting there seems to be difficult to distinguish between marketing strategy and corporate strategy. However, since the long term health of organizations is determined by the success of their competitive activities, then the planning process should start with a consideration the competitive position of organizations. Therefore, marketing strategy can be viewed as an integral part of and perspective for corporate strategy (Wind and Robertson, 1983). One way to distinguish between the two is to recognize that corporate strategy concerns "domain selection" (i.e., the portfolio of business in which the corporation will compete) and marketing strategy is concerned with "domain navigation" (i.e., how will each

business in the portfolio compete in its selected markets) (Zinkhan and Pereira, 1994).

The above consideration demonstrates that marketing strategy is more than budgeting or forecasting. It is a means by which an organization responds to the interplay of internal and external forces to accomplish its objectives. More specifically, Walker, Boyd, and Larreche (1992) define marketing strategy as

> "The effective allocation and coordination of marketing resources to accomplish the organization's objectives within a specific product market. As such, marketing strategy decisions involve specifying the target-market segment(s) to be pursued and the product line to be offered. Further, firms seek competitive advantage and synergy, planning a well-integrated program of marketing elements (the 4 P's) tailored to the needs and wants of customers in the target segments".

Recently, McDonald (1999a: page 50) gives similar but much simpler definition as follows:

> "the means by which marketing objectives will be achieved and are generally concerned with the four major elements of the marketing mix"

Considering the various definitions of marketing strategy (Morris and Pitt, 1994) and in accordance with the two definitions above, marketing strategy in the current study is defined as general statements that guide the theme and track of an organization in selecting the market target, and planning and executing its marketing mix. It contains general statements that direct marketing managers in determining the market target,

planning and performing the marketing actions. However, this simple definition does not mean that formulating the marketing strategy is an easy task. Many marketing strategy cannot provide a clear direction for the marketing managers to generate a focused marketing program for attaining organizational objectives (Bonoma, 1984). Similarly Giles (1991: pp: 76-77) reveal the following reasons as the cause of the strategy implementation failure:

- Some so called strategies are not more than a mixture of budgets and management wish lists.
- The strategy itself is not implementable, because it suffers from extremes of broad generality and over-complication. This is because of unmatched perception of the planners about the market reality, especially, when the strategy is formulated away from the interface with customers and competitors.
- The strategy is not owned by the implementers. Poor internal communication generally takes the blame. Yet proper ownership is rarely achieved without the implementation playing some part in choosing their own direction.

It seems such failure is caused by the low quality or credibility of marketing strategy. In this case, John and Martin (1984) believe that the credibility of marketing strategy can be assessed through the following dimensions:

- *Realistic* that is the extent to which the marketing strategy is rational in terms of practicality, fitness to the market conditions and the actual management practice.
- *Accuracy* that is the extent to which the marketing strategy is based on good data input.

- *Specificity* that is the extent to which the marketing strategy is specified in sufficient detail.
- *Consistency* that is the extent to which the marketing strategy fits with the other organizational and functional objectives.
- *Completeness* that is the extent to which the marketing strategy include the critical market elements.
- *Validity* that is the extent to which the marketing strategy is based on valid assumptions.

Consistent with the above criteria, the current study defines credible marketing strategy as a strategy that is realistic, accurate, specified, consistent, complete, and valid. Previous sections demonstrate that technological changes and intensive market competition negatively affect the credibility of the formulated marketing strategy. However, the presence of high top management support, involvement of marketing managers in the strategy making, and availability of market attractiveness can minimize those negative effects, and lead to the generation of a credible strategy. Since a credible marketing strategy is implementable, it could become a clear guidance for marketing actions, and hence could facilitate marketing managers to execute it.

Considering that evaluation and control is the heart of the strategy implementation, which will be discussed in more detail in section 3.4.3 of this chapter, we, therefore, hypothesize that:

H_8: The higher credible marketing strategy is, the higher the effectiveness of its evaluation and control will be.

3. 3. 4. The Process of Marketing Strategy Implementation

A good marketing strategy does not always come up with successful performance. It depends on how marketing people translate the strategy into action. In other words, realizing the marketing strategy into successful performance is influenced by how well the strategies are implemented by marketing managers. As stated by Vasconcellos e Sa (1990) that a well formulated, but badly implemented strategy, will be effective (do the right things), but not efficient (do things right). While correct implementation of a badly formulated strategy will be efficient, but not effective. Organizations need both effectiveness and efficiency to optimize their performance.

This fact is supported by Bonoma's (1984) finding, which indicates that poor implementation tends to disguise both the appropriateness and the inappropriateness of the strategy. In this case, he suggests that when managers are uncertain about poor marketing performance, they should look to marketing practices before making any strategic adjustments. Similarly, Heyer and Lee (1992) also point out some problems in strategy implementation. These include uneven or inadequate management skills, a poor comprehension of roles, insufficient coordination across departmental boundaries, unclear lines of accountability, ineffective monitoring, and a general of lack employee commitment. They also uncover that the current performance

measurement and pay system rewards actually encourage counterproductive or narrowly focused behavior of employees.

An extensive literature review (Cespedes and Piercy, 1996) reveals that the main cause of the problems in marketing strategy implementation is the view of conventional approach that marketing strategy development and implementation are distinct and sequential activities. They conclude that this dichotomy is fraught with following dangers (pp: 137-138):

- It ignores (or often underestimates) the interaction between the process of marketing strategy formulation and organization's unique implementation capabilities and constraints.
- It reduces the ability of an organization to establish a marketing strategy, which draws on its real core competencies, i.e. what it is best at in a particular market or industry.
- Its risks divorcing the plan produced from the changing realities of the inner working of the organization.
- It encourages the establishment of "professional planners and the consequent "uncoupling" of strategy from operating plans.
- It may rely too heavily on the rational-analytical belief that strategies are direct, and are chosen by management, rather than being emergent and growing from experiences and preferences of the organization members.
- It assumes that strategies are problematic and execution is not, which is the reverse of much managerial experience -knowing what to do is relatively easy compared to actually doing it.

- It takes no account of the need for effective strategies to span internal boundaries between functional and organizational interest group.
- It underestimates the significance of the political and negotiating infrastructure within the organization, and its impact on the process of gaining the commitment of organizational members at all levels.
- It largely ignores the potential for middle management "counter-implementation" efforts.
- It generates increasing opportunity costs for firms, as "time-based" strategies place a premium on a firm's ability to implement plans more quickly than in previous stages of competition.
- Similarly, the formulation - implementation dichotomy can prevent a firm from realizing important first-mover or pioneer advantages as product life cycles become shorter.
- Finally, it has been suggested that the inherent advantage of any given marketing strategy itself is now subject to a shorter "window of opportunity", as global competition, rapid diffusion of technology, and information systems make imitation of successful strategies easier and quicker.

In conclusion, this strategy formulation – implementation dichotomy will not lead the implementation to the intended results, due to the inconsistent ways of the strategy implementation with the strategy formulation (Heyer and Lee, 1992) and its inability to adjust to fast-changing conditions, especially in highly dynamic environment (Feurer and Chaharbaghi, 1995a). The separate discussions on marketing strategy formulation and implementation in the current study, however,

are just for the sake of convenience. This does not mean to support the above dichotomy.

3. 3. 4. 1. Autonomy of Marketing managers

A dynamic approach to the strategy implementation requires a favorable internal environment that provides a high degree of stability while at the same time offering a high degree of flexibility to respond any changes quickly (Feurer and Chaharbaghi, 1995a). The formulated strategies, as a guidance or direction for middle or operational managers, usually tend to be abstractly worded. If the strategy is too abstract, it will make some difficulties for the managers or even lead to a wrong direction due to incorrect interpretation. On the contrary, if the strategy is too detail, it will eliminate managers' creativity, and reduce their flexibility to implement it. Therefore, top management must be careful not to try to make the strategies too explicit so that there is enough room of freedom for managers to adapt the strategy to environmental changes (Barlett and Ghosal, 1995).

In implementing a strategy, the operational managers have to find the right balance between direction and creativity (Feurer, Chaharbaghi, and Wargin, 1995; Piest and Ritsema, 1993). In other words, the managers call for top-management's commitment in terms of clear direction and authority delegation to implement the strategy. Managers need certain autonomy for interpreting the formulated strategy correctly, and making any revision to adapt environmental changes, because consumer needs and market dynamics change continually (Sashittal and Tankersley 1997). Without adequate autonomy, the managers may simply waste critical managerial resources or fail to respond competitor's incursions (Carpenter and

Golden, 1997). The managers must improvise their marketing plans and implementation actions to absorb the changes before being late.

In relation to the implementation of marketing strategy, however, the authority delegation must be accompanied with adequate marketing knowledge and skills of marketing managers. Sashittal and Tankersley (1997) point out that the ability of marketing managers to improvise and to take adaptive actions helps them distinguish whether the strategy implementation process is effective. Poor marketing abilities will not only lead to poor strategy execution but also result in poor image of marketing which in turn impeding the adoption of marketing concept within the organization (Denison and McDonald, 1995).

We hypothesize that:

H_9: The higher autonomy of marketing managers is, the higher the effectiveness of the evaluation and control of the strategy will be.

3. 3. 4. 2. Commitment of Marketing Managers

The commitment of a marketing manager refers to the willingness of the manager to exert greater effort to implement the formulated marketing strategy. This commitment is another crucial element in the implementation of a marketing strategy. In reality, it is too often that top management formulates the strategy and leaves its implementation to the functional levels until a crisis emerges (Bonoma,

1984). In such a situation, it is not uncommon if the functional managers fail to execute the strategy.

Piercy (1992) asserts that the strategy commitment may be the outcome of the strategy formulation process. It embodies understanding and agreement of the manager on the strategy. Understanding and agreement upon the strategy could promote and speed up the success of the strategy implementation because they generate a clear direction of the strategy and create a commitment to it (Dooley, Fryxell, and Judge, 2000).

The following empirical findings demonstrate that the manager's commitment on the strategy may increase the success of the strategy implementation. Priem, Harrison, and Muir (1995), for instance, find that a group decision consensus promotes the commitment of the group to implement the decision. Similarly, Rapert, Linch, and Suter (1996) reveal that the managers' commitment on the formulated strategy enhances the functional performance, which in turn improves the organizational performance.

However, managers with high levels of organizational commitment may still remain uncommitted to a particular course of action. The low commitment may result in a passive compliance, or even worse, an "upward" intervention. Uncommitted managers may consider implementation as a low priority, create implementation obstacles, or even sabotage the strategy. The lack of commitment may also lead to information distortion and promotion alternative strategies (Guth and MacMillan, 1986). This makes managers' commitment become a crucial role for the

effectiveness of strategy implementation. As claimed by Piercy (1992) that the most important and productive thing to focus on strategic marketing planning is not the techniques and the formal methods, but the commitment and ownership of the strategy, because the real rewards do not come from the sophistication of the formulated strategy. The rewards derive from getting the strategy act together and getting people excited and motivated to do the things that matter to customers in the marketplace.

Considering that the commitment of marketing managers to the formulated strategy embodies their understanding of and agreement with the strategy, the commitment could facilitate them in evaluating and controlling the strategy, especially its alignment to the current internal and external environments to achieve the desired performance. We, therefore, hypothesize that:

H_{10}: The higher commitment of marketing managers to the formulated marketing strategy is, the higher the effectiveness of the evaluation and control of the strategy implementation will be.

3. 3. 4. 3. Evaluation and Control

The formulated marketing strategy could not guide the implementation action throughout the year. The time lag between the strategy formulation and its implementation may result in some invalid assumptions of the strategy content. This could make marketing managers improvise the strategy before being implemented

(Sashittal and Jassawala, 2001). In some cases, the premises of the formulated strategy fail to reflect the actual market conditions. They sometimes overestimate the organization's resources and capabilities, and underestimate the competitors' reactions (Sashittal and Tankersley, 1997). During the strategy implementation, the marketing managers face continuous changes in the market and consumer preferences. As mentioned in the previous section, they must do some improvisations and adaptations to make the strategy remain in line with its environment. To do so, the managers must perform a continuous evaluation and control both in the strategy and the environment.

The evaluation and control has various aspects. Piest and Ritsema (1993) classify control into internal and external controls. Internal control relates to the evaluation of activities that take place within an organization. The internal control is a manager's means to see the extent to which the formulated strategies have been implemented. It also enables the managers to see whether the organization has engaged in other activities, which are not part of the formulated strategy. Through internal control, functional managers can also evaluate whether their strategies are in alignment with other functional and organizational strategies. This strategy alignment will smooth the strategy implementation in attaining intended performance (Feurer and Chaharbaghi, 1995b).

On the other hand, external control relates to the evaluation of external environment. Every strategy is based on a number of key assumptions as a starting point of its formulation. It is assumed that certain things will happen in certain ways. Unfortunately, business environment is so uncertain. External control is concerned

with the validation of these assumptions. Due to the unpredictability of the environment, managers should not only predict the environmental changes, but also monitor the key assumptions of the environment continuously. This enables them to control any deviations before they take place (Tadepalli, 1992). Continuous monitoring also allows the managers to respond to the environmental changes quickly and evaluate their impact on the desired performance accordingly.

From the above phenomena one can say that the evaluation is the heart of strategy implementation. At this stage marketing managers must ensure that the formulated strategy fits to its internal and external environments to gain the desired performance. Therefore we hypothesize that:

H_{11a}: The higher the effectiveness of evaluation and control of the formulated marketing strategy is, the higher the achievement of financial performance will be, and

H_{11b}: The higher the effectiveness of evaluation and control of the formulated marketing strategy is, the higher the achievement of strategic performance will be.

3. 3. 5. Organization Performance

Performance measurements have historically been developed as a means of monitoring and maintaining organizational control to ensure the attainment of organizational goals and objectives (Ghalayani and Noble, 1996). These measurements may not only facilitate the strategy formulation process in deciding

the standards and targets of the strategic directions, but could also assist the implementation process. Managers may use the performance measurements to communicate the formulated strategy to the organizational members, to motivate and influence them to realize the targets. More importantly, the performance measurements could facilitate the manager in evaluating, controlling, and improving the formulated strategy (Kald and Nilsson, 2000).

Venkatraman and Ramanujam (1986) classify the performance measurement into three domains as follows:

- Domain of financial performance, which is the narrowest concept of business performance. It uses simple outcome-based financial parameters such as sales growth, profitability -return on investment, return on assets, return on equity-, and earning per share.
- Domain of financial and non-financial (operational) performance, which is a broader conceptualization of business performance. It includes emphasis on the operational performance in addition to the financial one. This approach may focus on the key operational success that could lead to financial performance.
- Domain of organizational effectiveness, which covers the multiple and conflicting nature of organizational goals and the influence of multiple constituencies or stakeholders.

Venkatraman and Ramanujam (1986) assert that most of strategy studies employ the first two domains in measuring the organizational performance, while the use of the third domain is still in a considerable debate. However, even though the financial performance measurement is widely used, it embodies some limitations (Ghalayani

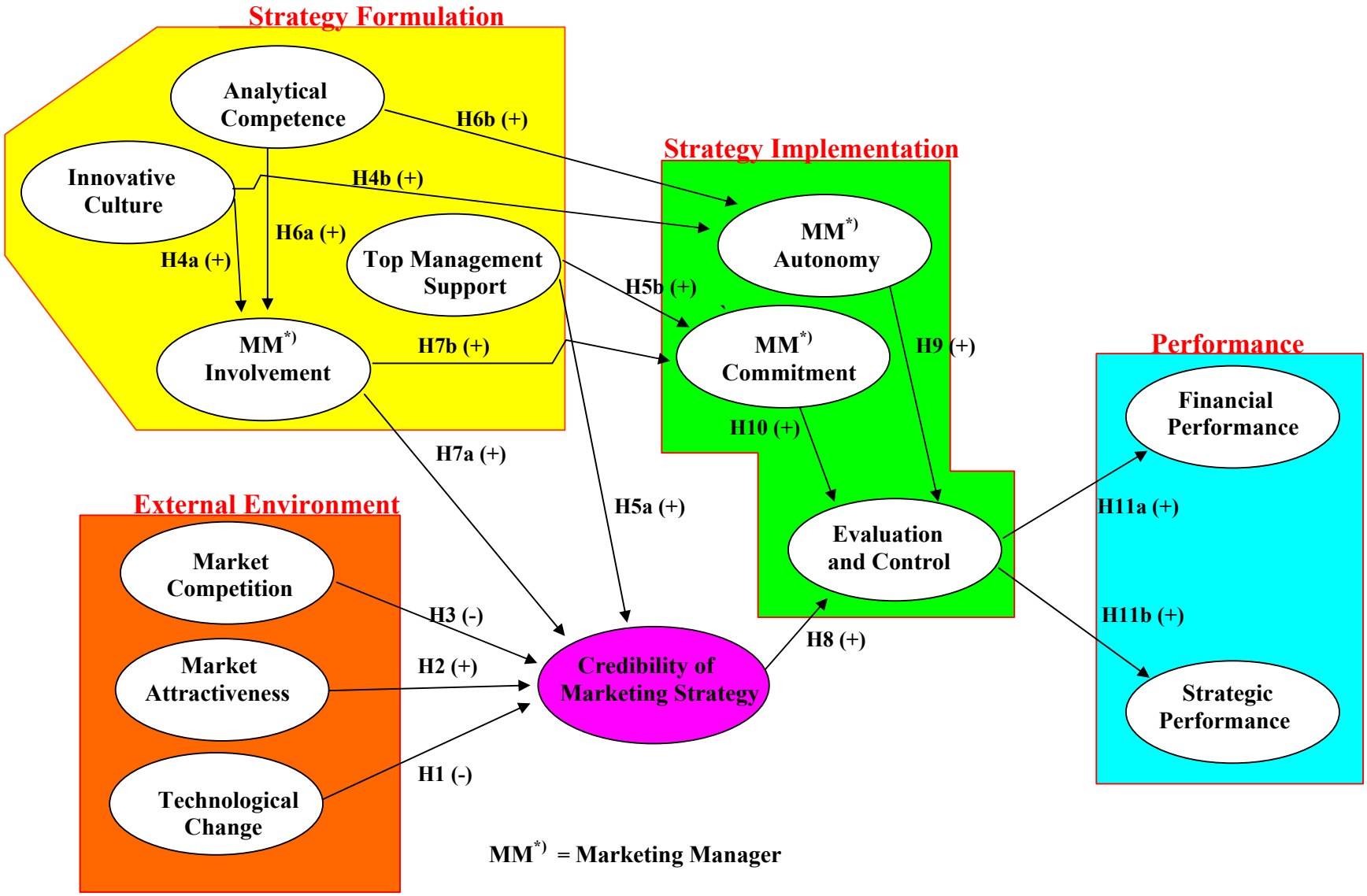
and Nobel, 1996). Kald and Nilsson (2000) point out that the financial indicators represent the past performance, focus excessively on the short run results, and overemphasize on the financial aspects of the organization. Only focusing on the financial indicators could give misleading signals regarding continuous improvement and innovation (Kaplan and Norton, 1992). These indicators may also mask the means by which the performance was achieved, and may lead to dysfunctional behavior, as the managers may seek to manipulate the indicators to their own interest (Keasey, Moon, and Duxbury, 2000).

Moreover, an organization is usually established to attain some objectives that can be economic and strategic dimensions. As pointed out by Sashittal and Tankersley (1997) that the marketing managers describe both marketing goals such as sales growth, revenues, and profits as well as psychological objectives such as ensuring employee and customer satisfaction, job security and a sound working environment as valued outcomes of the marketing implementation. Based on the above discussions, the current study utilizes both economic and strategic dimensions to measure the organization performance. Therefore, in agreement with Cavusgil and Zou (1994) the performance is defined as the extent to which an organization's objectives, both economic and strategic, are achieved through planning and execution of marketing strategy.

3. 4. The Research Model

All of the hypotheses discussed in the previous section and the relationships among variables supporting the hypotheses are summarized in the research model of the current study. The research model is presented in Figure 3.2 in the following page. To analyze the model, a structural equation modeling is performed using LISREL Version 8.30. Chapter V will discuss the detail of the analysis.

Figure 3. 2. Research Model of the Study



CHAPTER IV

RESEARCH METHODOLOGY

4. 1. Introduction

This chapter presents the methodology used in the current study, specifically in relation to the research design and the data collection process. Firstly, the reasons for selection of strategic business unit as the unit of analysis for the study is discussed. The next section includes a discussion on the sampling design and describes the process of the determination of sampling frame and the sample respondents used in the study. The chapter then presents a discussion on questionnaire design. This section portrays the development of the questionnaire employed in the study. The method of data collection is followed in the next section. It discusses the reasons of the use of personal structured interviews as the data collection mode. Likewise, it also describes the process of the data collection itself. Finally, the measurement of variables section provides the discussion item scales used in the current study.

4. 2. The Unit of Analysis

As the current study investigates marketing strategy-performance relationship and its affecting factors, the study uses strategic business unit of organization as the unit of analysis. In this business unit, marketing strategy is developed for a single industry or product-market. In the case, if an organization has more than one strategic business units, this study considered them as separate entities. The selection of strategic business unit as the unit of analysis is based on the following reasons. Firstly, most multinational companies in Indonesia, where the data collection of this study was carried out, have more than one business unit; this is consistent with Rumelt's (1974) findings in which 95 % of 500 American companies also have more than one business unit. Secondly, it is believed that an organization cannot achieve a success at the corporate level until it finds a way to achieve a success at the business level (Hofer, 1975). Thirdly, empirical findings discussed in previous chapters indicate that there is a strong relationship between environments and strategy selection and performance. This leads to the need of unit analysis that corresponds with the available distinct industries. In this case, a strategic business unit of an organization meets the important test of being aligned with discrete industries (White and Hamermesh, 1981). Strategic business unit provides researchers with a small and less complex set of variables needed for developing a theory of business strategy (Hofer, 1975).

Finally, in line with its objectives, the respondents of the current study are marketing managers or persons who are directly involved with and responsible for marketing strategy of business units. The researcher determines that the target population of the

study is any business unit that has already implemented strategic marketing planning in the last five years. Therefore, any business unit, which does not implement strategic marketing planning or has just implemented the planning in the last four years or less, is excluded from the sampling frame. To meet this requirement, one of the eight members of the data collection team conducted a preliminary investigation to ascertain whether a business unit has already implemented strategic marketing planning in the last five years or not. This investigation enabled the team to determine whether a business unit is the target sample of this study or not.

4. 3. Sampling Design

The target population of this study includes companies operating in Indonesia. Based on the 1996 Annual Report of Indonesia Central Bureau of Statistics, it was found that most big companies have representative offices in Jakarta. This led the researcher decide to concentrate the data collection in Jakarta. Based on the report of the 1996 Economic Census conducted by the Central Bureau of Statistics Jakarta, companies in Jakarta can be classified into three major industries: (1) manufacturing, (2) trading, accommodation and restaurant, and (3) service.

Manufacturing industry comprises mining, agriculture, electricity, gas, water, construction, and manufacturing companies. Trading, accommodation, and restaurant industry include wholesalers, retailing companies, hotel, and restaurant. Service industry consists of financial institutions, insurance companies, transport services, communication services, real estate, and other service companies. As indicated in the Census, a total of 563,432 businesses operate in Jakarta. This total is further

categorized based on the number of full time employees working in the business. Table 4. 1 below provides the detail of this information.

Table 4. 1. Total Companies Operating in Jakarta: Based on the Type of Industry and the Full Time Employees

Type of Industry	Full Time Employees Employed				Total
	< 5	**5 – 19**	**20 – 99**	**>100**	
Manufacturing	21,866	19,298	4,930	1,017	47,111
Trading, Accommodation, and Restaurant	290,946	29,482	3,478	378	324,284
Service	167,003	19,393	5,020	621	192,037
Total	479,815	68,173	13,428	2,016	563,432

Source: Economic Census – Central Bureau of Statistics Jakarta, 1996

Since the present study requires a sample of companies that have implemented strategic marketing planning in the last five years, the researcher decided to select only companies listed in the Census that employ more than twenty full time employees as the sampling frame of the population. This decision was taken with the assumption that companies having less than twenty full time employees may not have implemented the strategic marketing planning. Based on this criterion, the total number of companies used as the sampling frame is 15,444. The proportion of these companies based on their industry is used as the basis for data collection in this study to gain the representativeness of the population, which in turn make it possible the generalization of the findings (Sekaran, 2000). Table 4.2 illustrates the detail of this proportion.

Table 4.2 The Proportion of Companies Operating in Jakarta and Employing More than 20 Full Time Employees

Type of Industry	Frequency	Percentage
Manufacturing	5,947	38.51
Trading, Accommodation, and Restaurant	3,856	24.97
Service	5,641	36.52
Total	15,444	100.00

Source: Economic Census – Central Bureau of Statistics Jakarta, 1996

Ideally, leading companies in each industry become the target sample of the study, because such companies are presumed to have implemented the strategic marketing planning successfully. However, the economic crisis that has shaken Indonesia since 1998 has made it difficult for the researcher to identify the leading companies. Many companies that were leading in certain industry suddenly stumbled soon after the crisis began. Even some of them stopped operating completely. Because of this, companies that could maintain their operations after the crisis are presumed to be the leading companies. In other words, those companies have won the battle to fight the radical environmental changes as the result of the economic crisis.

With all the above consideration, the researcher randomly took one hundred companies for each group of industry as the sample of the study. Since the Report of the Economic Census does not provide the address and telephone number of the listed companies, the data collection team used the Jakarta Business Directory 1997/1998 published by Regional Chambers of Commerce and Industry Jakarta to contact the target respondents.

4. 4. Questionnaire Design

Research survey is only as good as the questions it asks. Questionnaire design, therefore, is one of the most critical stages in the research process (Zikmund, 2000). Good questionnaire design should focus upon three areas: the wording of the questions, the principle of measurements, the general appearance of the questionnaire (Sekaran, 2000).

1. The wording principles of the questions.

   These principles relate to biases resulting from respondents' responses and the questionnaire itself. Consistent with these principles, the following factors were considered during the development of the questionnaire used in this study:

   - The questionnaire used simple language to approximate the understanding level of the respondents.
   - Closed questions with alternative answers were chosen as they help the respondents to make a quick answer.
   - The purpose of each question was scrutinized to minimize unnecessary questions.
   - The length of the questions was kept as shortly as possible.
   - Ambiguous, double barreled, leading, and loaded questions were also considered to minimize confusion and bias of responses.

2. The principle of measurement.

   These principles are concerned with reliability and validity of data to be analyzed. Considering that the development of the questionnaire was based on principles of suggested above, combined with the use multi item scales, the

questionnaire used in this study could increase reliability and validity of the collected data (Pedhazur and Schmelkin, 1993).

3. General appearance of the questionnaire

   An attractive and neat questionnaire with appropriate instruction, and a well-arrayed set of questions and response alternatives will facilitate the respondents in understanding and answering the questions. However, the general appearance of the questionnaire is not an important aspect in this study, because the study employed structured interview for the data collection.

Before administration of the pre-test, the questionnaire was translated into Indonesian language to facilitate any respondents who could not speak any English. To do this, first a fluent bilingual speaker of Indonesian and English translated the English version of the questionnaire into Indonesian. Then a lecturer of the Indonesian Language at the University of Western Australia translated the Indonesian version back into English without prior notice of the English version. Some changes were made to resolve the inconsistencies between the two versions.

Finally, the pre test of the questionnaire was conducted before data collection. Fifteen marketing managers, who were not included in this study, were involved in this activity. The pre test questionnaire uncovered unanticipated mistakes such as awkward expression, leading questions and the like, and provided the trained interviewers with real experiences, which were very useful in the actual data collection. Likewise, the pre test also eliminated unexpected problems in data processing and analysis as the data obtained from this activity could be coded, tabulated, and analyzed (Zikmund, 2000). Some wording revisions were made after

the pre test of the questionnaire. The complete set of the questionnaire is presented in Appendix A.

4. 5. The Method of the Data Collection

This study used personal structured interviews as the data collection mode. Personal interviews are extensively used in the strategy studies (Dutton et al., 1997; Dvir et al., 1993; Frederickson, 1984; Frederickson and Mitchell, 1984; Grinyer et al., 1980; Judge and Miller, 1991; Miller et al., 1982; and Miller and Toulous, 1986) and marketing strategy studies (Cavusgil and Zou, 1994; Ozamer and Prussia, 1999; and Sahittal and Tankersley, 1997). The main advantage of this method is that the researcher can easily adapt the questions as necessary, clarify doubt, and ensure that the responses are properly understood by repeating or rephrasing the questions (Sekaran, 2000). Another reason to use personal interview for the collection of data is that during the time the fieldwork was being conducted, Indonesia was undergoing severe economic crisis. This consequently affected the activities of marketing managers, which might have reduced the response rate of mailed questionnaires., and not adequate as the statistical tool used to analyze the research model requires substantial amount of data.

To collect the data, the researcher employed two assistants, both of whom worked in a consulting company, to coordinate and supervise the process of the data collection. In addition, the researcher also recruited six undergraduate students, one of them was responsible to contact the target respondents and make appointments for the interview while the rest were assigned as the interviewers.

To eliminate the bias coming out of the interviewer, the respondents, or the situation during the interview process, the researcher conducted a one-day training for the interviewers. During the training, the researcher explained in detail the purpose of the study. This is meant to inform the interviewers that all aspects contained in the questionnaire and the interview process should be directed toward achieving the objective of the study. In addition, they were trained how to start and close an interview. In this case, the researcher emphasized the importance of establishing rapport and trust, and motivating the respondents to answer the questions honestly. In this regard, the interviewers should try to eliminate the respondents' hesitation to answer the questions by stressing that the information provided for this study would not harm their positions, and that the result of the study will be presented to their organization in aggregate forms. Therefore, a proper and thorough training does not only provide guideline to interviewers but also facilitates the acquisition of high quality data (Sekaran, 2000).

In addition to the one-day training, the interviewers were asked to interview managers of fifteen companies to gain experience. This interviews were not included in the actual data collection data of the study. The purpose of this activity is to provide them with a real experience of how the interview should be conducted. At the same time, the researcher used this activity to carry out the pre-test of the questionnaire. To ensure the performance of the interviewers and the questionnaire, the researcher accompanied the interviewers while conducting the practice interviews. This activity provided some feedbacks that could be used to improve the performance of the interviewers and the quality of the questionnaire.

Finally, the data collection was carried out based on the schedule prepared by one of the team members called "hunter". During this data collection, "hunter" recorded that out of the randomly chosen 300 samples of companies, 67 of them did not implement the strategic marketing planning as required by the study and 14 others refused to participate in the study after being contacted. Despite these two factors, the team finally succeeded to obtain 219 respondents, which exceeds the minimum sample size (that is 200) for the use of structural equation model analysis used in the study (Byrne, 1998). This indicates that the refusal rate is only six percent out of the total respondents. Consistent with Zikmund (1999), this low refusal rate demonstrates that the non-response bias of the study is not significant.

4. 6. The Measurement of Variables

This section describes the operationalization of the constructs of the research model proposed in this study. As indicated in Figure 3.2 (p.120), the model of the study comprises twelve constructs. Zikmund (2000) suggests that these constructs must be operational so as to enable the researcher to measure them. To do so, the abstract notions of the constructs must be reduced into observable behavior or characteristics (Sekaran, 2000). Operational definitions, therefore, provide meaning to the constructs and tangible way to measure them.

In addition, each of the twelve constructs in this study uses multi items measures and a five-point Likert scale. The constructs were adapted from various relevant

literatures. The following discussion presents the definition and item measures of the constructs.

Technological Change

This construct refers to the extent of technological changes in industry that had occurred in the last five years. In this case, technology is defined as the process of converting input into output, through the use of knowledge, tools, techniques, and actions. Three items adapted from Cavusgil and Zou (1994) and Dugal and Roy (1996) are utilized to measure the construct. These include:

- The extent of technological orientation of industry is very high
- Competitors have made substantial technological changes in production methods in the past five years
- Competitors have made substantial technological changes in their product(s) in the past five years

Market Attractiveness

Adapted from Cavusgil and Zou (1994), this construct measures the potential for the market to contribute to the organizational objectives. Three items are used to measure this construct. These include:

- The potential market demand for our product(s) is (are) extensive
- Customers have good perceptions of our product(s)
- The brand name of our product(s) is (are) very familiar in the market

Market Competition

This construct refers to the extent of competition in the market. Three following items adapted from Cavusgil and Zou (994) are used to assess this construct:

- The intensity of market competition is very high
- Many new entrants have come into the market in the past five years
- Price competition in our industry is very high

Innovative Culture

Innovative culture is as a set of values and beliefs that influence an organization's view in managing innovation and change. It refers to the existence of organizational atmosphere, which promotes innovative behavior, creativity, and willingness to take chances. This construct is derived from the study of Menon and Varadarajan (1992) and Wallace (1983). Three items measure the construct. These include:

- Our organizational structure enables us to carry out participatory management
- Our organizational climate and culture encourage our staff to generate innovative ideas
- Our organization is very responsive to environmental changes

Top Management Support

Top management support refers to the perception of marketing managers that top management supports and values the marketing strategy formulation and

implementation. The following Piercy and Morgan's (1994) five items are adopted with some modification to measure this construct:

- Our organization uses external sources (e.g. consultants, agencies) for new ideas
- Our organization provides adequate time for developing the strategic marketing plans
- Our organization uses a number of motivational factors to encourage good planning
- Our organization uses a number of motivational factors to encourage good operational performance
- Our organization provides adequate resources for developing the strategic marketing plans

Analytical Competence of Marketing Manager

The analytical competence refers to the capability of marketing managers to analytical techniques or marketing tools to analyze their business environments. Nine marketing tools adopted from McColl-Kennedy et al. (1990) and Piercy and Morgan (1994) are employed to measure this construct. These are:

- Experience curve analysis
- Profit impact of marketing strategy (PIMS) analysis
- Computer based modeling
- Product/Market life cycle analysis
- Financial ratio analysis
- Portfolio analysis

- Strengths, weaknesses, opportunities, and threats (SWOT) analysis
- Contingency or "What if…" analysis
- Business forecasting

Involvement of Marketing Manager

Four items adapted from Wooldridge and Floyd (1990) are used to measure this construct. The construct refers to the extent to which the managers involve and participate in the process of marketing strategy development. The scale items are as follows:

- Generating strategic marketing options
- Evaluating strategic marketing options
- Developing details about strategic marketing options
- Taking the necessary actions to put changes into place

Credibility of Marketing Strategy

A credible marketing strategy is defined as a strategy that is realistic, accurate, specified, consistent, complete, and valid. This contract refers to the perception of marketing manager on the quality of the content of marketing strategy, especially in terms of its realism, accuracy, specificity, completeness, and validity. Thirteen items are derived from Cavusgil and Zou (1994), McDonald (1999a) and Piercy and Morgan (1994) to assess this construct that include:

- We believe that our pricing strategy is realistic and accurate
- We provide a lot of discounts (such as cash, sale, or trade discounts) for our customers
- The sale price of our product(s) is (are) very competitive
- We believe that our product strategy is realistic and accurate
- We provide a lot of funds for research and development
- We make every effort to improve the quality of our product(s)
- We continuously make attempts to develop new product(s)
- We believe that our promotion strategy is realistic and accurate
- We provide a lot of funds for the promotion of our product(s)
- We provide an extensive after sale service to customers
- We believe that our distribution strategy is realistic and accurate
- We always develop a good relationship with our distributors
- We provide a lot of promotional support to our distributors

Autonomy of Marketing Manager

The autonomy refers to the extent to which marketing managers authorize to take necessary actions in adapting to any environmental changes. This construct is derived from the study of Denison and McDonald (1995), and Sashittal and Tankersley (1997). Three items are used to measure the construct. These include:

- We have the autonomy to adjust our marketing strategies and programs
- Our marketing personnel have appropriate and adequate marketing skills
- We upgrade the skills of our marketing personnel regularly, through training, workshops, or seminars

Commitment of Marketing Manager

The commitment of a marketing manager refers to the willingness of the manager to exert greater effort to implement the formulated marketing strategy. Five items adapted from Rapert et al. (1996) are used to measure this construct. These include:

- People in this department believe that the marketing strategy priorities are similar to the organization
- People in this department would accept almost any type of job assignment in order to keep working toward the strategic priority
- People in this department strongly believe that this strategic priority will go a long way in aiding this company's performance
- The marketing strategy inspires the best in the way of job performance in this department
- People in this department are glad that this company chose this marketing strategy over others it has considered

Evaluation and Control

This construct refers to the extent to which marketing manager evaluates and controls his or her marketing strategy and its internal and external environments to ascertain the fit between the two. The construct is derived from the study of Piest and Ritsema (1993), Sashittal and Tankersley (1997), and Tadepalli, (1992). Four items are used to measure this construct. These include:

- We always monitor our business environment
- We carry out routine evaluation and control of our marketing strategies and programs to ascertain their alignment with the business environment
- We adjust our marketing strategies and programs to cope with environmental changes
- We establish appropriate communication to minimize intra and inter-functional conflict (e.g. intra and inter-personal, communication flow in SBU, data flow)

Organization's Performance

The organization's performance is defined as the extent to which an organization's objectives are achieved through planning and execution of marketing strategy. This refers to strategic and financial performances of organization. These two constructs of performances are adapted from Cavusgil and Zou (1994). Seven items are used to measure the strategic performance, as follows:

- Increase the awareness of the product/company
- Respond to competitive pressures
- Improve market share position of the company
- Increase the profitability of the company
- Expand strategically into new markets
- Just respond to inquiries from markets
- Others (please specify) _____

In addition, the following three items are employed to assess the financial performance.

- Return on investment
- Profit margin
- Market share

CHAPTER V

DATA ANALYSIS AND TESTING HYPOTHESES

5. 1. Overview of the Strategy Analyses

The current study uses Structural Equation Modeling (SEM) to analyze the proposed research model developed in Chapter III. SEM is a statistical methodology that takes a confirmatory (i.e. hypothesis testing) approach to multivariate analysis of structural theory bearing on some phenomena (Byrne, 1998). It can overcome many problems resulting from conventional analytical techniques such as multiple and multivariate regression, recursive path analysis, non-recursive econometric modeling, analysis of variance, and factor analysis (Holmes-Smith, 2001). It specifically can be used to (Holmes-Smith, 2001: page 4):

- estimate relationships amongst dependent (or outcome) variables,
- estimate relationships amongst latent constructs underlying observed variables
- estimate the nature of measurement error associated with the observed variables,
- allow unequal weightings for multiple indicators of a latent construct,
- estimate reliability and construct validity of measurements,
- perform new tests of fit for systems of equations, and
- estimate higher-order factor analyses where no observed indicators of the higher-order factors are available.

In addition, SEM typically consists of two models: the measurement model and the structural equation model (Schumaker and Lomax, 1996). The measurement model specifies how the hypothetical constructs are measured in terms of the observed variables and describes the measurement properties (i.e. reliability and validity). On the other hand, the structural equation model defines the patterns of relationship amongst the constructs and describes the amount of unexplained variance.

The current study uses LISREL 8.30 and employs one-congeneric measurement models proposed by Holmes-Smith and Row (1994) to analyze the research model. This is because the observed variables of the study are ordinal in nature. Such variables must be analyzed based on polychoric or polyserial correlation matrix using weighted least squares estimate procedures that, in turn, requires asymptotic covariance matrix. This procedure must be taken not only to eliminate biased estimates (Joreskog and Sorbom, 1996a), but also to overcome non-normal data (Holmes-Smith and Rowe, 1994). However, these matrices, especially asymptotic covariance matrix calls for a large sample of data. Joreskog and Sorbom (1996b) reveal that the minimum sample size required for this matrix is equal to $k(k - 1) : 2$, where k is the number of observed variables. Since the current study involves forty-six observed variables, the minimum sample size should be 1035, deriving from $46(46 - 1) : 2$, to enable the researcher to use the asymptotic covariance matrix.

However, the sample size of the study is only 219, which is much lower than the minimum sample size required for developing the asymptotic covariance matrix. To overcome this problem, the researcher uses one-congeneric measurement. It is a means of data reduction to obtain a manageable number of composite variables,

which in turn can be used in the subsequent analysis of a structural equation model. Holmes-Smith and Rowe (1994) further advise that the observed variables used in the analysis must be reliable and accurate in representing the underlying constructs; otherwise, the resulting composite scales lack validity.

In line with the work of Holmes-Smith and Rowe (1994), this study takes the following steps in analyzing the research model. Firstly, the researcher performs confirmatory factor analyses for the measurement models or constructs. At this stage, its reliability and validity of each construct are evaluated. Secondly, the researcher reduces the number of observed variables of each construct into one composite variable. By converting the observed variables of each construct into a composite variable, the need of large sample size can be reduced to a manageable number. Finally, by using those new composite variables, structural equation model analysis is performed to test the research model and hypotheses.

5. 2. Sample Company Demoghraphic Charateristics

The current study involved 219 Indonesian companies that operate in manufacturing industry (39.7 %), trading, accomodation and restaurant industry (25.1%), and service industry (35.2%). In relation to the industry, this proportion of sample of this study is closed to the proportion of its population (see Table 4.2, page 141) and hence enables the researcher to generalize the results of the study. 65.3% of the companies involved in this study had an annual sales volume ranging from 1 to 50

billions Rupiahs, 7.8% generated an annual sales volume between 51 and 100 billions Rupiah, while the rest made more than 100 billions Rupiah of annual sales.

From the total sample companies of this study, only 29.2% exported some of their products, while the others more concentrated in the domistic markets. In terms of the consumer that they served, 58% of these companies produced consumer products, while the other 42% produced industrial products. In addition, the companies involved in the study had at least 27 full time employees, and one third of them employed more than 200 full time staff.

Finally, as menitoned in Chapter IV, the respondents of this study is marketing managers or person who are directly involved with and responsible for marketing strategy of business units. With regard to their poisitions within the companies, from 219 respondents of the study, 12 of them are Chief of Marketing Officers, 131 respondents are Marketing Managers, while the rest are classified as other such as Sales Managers, Product Managers, General Managers, Promotion Managers, Merchandising Managers, and Brand Managers.

The detail of the demograhic characteristics of the sample companies of this study is provided in Appendix B.

5. 3. The Analyses of Measurement Model

The primary interest at this stage of analysis is to evaluate the strength of the regression paths from constructs to their observed variables. In other words, this

analysis concerns with the extent to which the observed variables are generated by the underlying latent constructs. Since the observed variables of the constructs of the current study were determined before hand, a series of confirmatory factor analyses are performed to measure the link between each construct and its observed variables.

As mentioned earlier, these analyses are based on polychoric correlation matrix and asymptotic covariance matrix. Since this study involves thirteen constructs, thirteen pairs of matrices were developed. A problem was encountered only when developing the matrices for the Strategic Performance (STRAPER) construct. The result indicates that item6 (STRAPER6) and item7 (STRAPER7) have too many missing values. These include 20.5% and 75.3% for STRAPER6 and STRAPER7 respectively. This construct derives from seven questions, which are related to the achievement of seven strategic objectives set by top management during the last five years. This makes it possible for a respondent not to answer one or more of the questions because their top management did not set these strategic objectives. Considering that STAPER6 and STRAPER7 have too many missing values, they are excluded from the analyses of the study. The details of the correlation matrices of each construct of the measurement model are shown in Appendix C.

In addition to the matrix development and consistent with Byrne (1998), the current study carries out the following four steps in evaluating the fit of the measurement model: the assessment of the parameter estimates, the assessments of goodness of fit of the model, the respecification of the model, the assessment of the reliability and validity of the constructs.

5. 3. 1. The Assessments of Parameter Estimates

The initial step in assessing the fit of individual parameters in a model is to determine the feasibility of their estimates values. The assessment focuses on whether the parameter estimates are in their admissible range or not. These include scrutiny of the positive-definite of the correlation matrix and the values of the correlation and variance. Non-positive definite correlation matrix, correlation > 1, and negative variance are clear indicators of whether the model is wrong or the input matrix lacks sufficient information. If such problems exist in the analyses, they should be fixed to provide a proper interpretation of the results. Non-positive definite correlation matrix, for example, may rise from a linear dependency or collinearity of one variable to another. To fix this problem, Wothke (1993) suggests that variable(s) recognized as redundant(s) should be removed from the analysis. Meanwhile, to resolve any negative variances, Hair, Anderson, Tatham, and Black (1998) recommend that those measurement errors should be set on a small positive value. Fortunately, the researcher did not find any of those problems when performing the confirmatory factor analysis for each construct.

The second and final assessment of the parameter estimates is to evaluate their statistical significances and reliabilities. In this case, the evaluation focuses on the *t* values of the parameters, which represent the parameter estimates divided by their standard errors, and square multiple correlation (R^2) of the observe variables. Holmes-Smith (2001) reveals that based on a level of $\alpha = 0.05$, parameters, which have *t* values ≥ 1.96 are considered to be significant. Non-significant parameters, where their *t* values < 1.96, therefore, should be removed from the model. Similarly, Holmes-Smith (2001) also asserts that an observed variable is reliable when its R^2

exceeds 0.50, which is roughly equivalent to a standardized loading of 0.70. Considering that the use of one congeneric measurement models requires a reliable observed variable in representing the underlying construct, the researcher removed any observed variables that their R^2 are lower than 0.50 or their standardized loading are lower than 0.70.

Based on the above criteria, seventeen observed variables excluded for further analyses while the other forty-six are maintained in the study. Table 5.1. below shows the detail of these variables and their underlying constructs. In addition, all of the forty-six observed variables used in the study are statistically significant and reliable in representing their underlying constructs. Their standardized loadings and *t* values range from 0.70 to 0.96 and from 7.16 to 28.90 respectively. In term of R^2, only STRAPER2 has value of 0.48, which is slightly below the acceptable level of 0.50. However, providing its value is close to the acceptable level, meaning the discrepancy is so small, and its standardized loading is 0.70, the researcher considers the STRATPER2 is still reliable to measure its construct (Strategic Performance) and hence remains included in the analysis. These evaluations indicate that the links between the observed (measurement) variables and their underlying constructs are very strong and reliable. Table 5.2. below details the standardized loadings, standard errors, *t* values, and R^2.

Table 5. 1. Name and Number Variables and Their Underlying Constructs Excluded and Used in the Study

Name of Constructs	Name of Variables		Number of Variables	
	Excluded from the Study	Used in the Study	Excluded	Used
Technological Change (TCHANG)	-	TCHANG1, TCHANG2, & TCHANG3	-	3
Market Attractiveness (MATT)	-	MATT1, MATT2, & MATT3	-	3
Market Competition (MCOMP)	-	MCOMP1, MCOMP2, & MCOMP3	-	3
Innovative Culture (CULT)	-	CULT1, CULT2, & CULT3	-	3
Top Management Support (TMS)	TMS1 and TMS2	TMS3, TMS4, & TMS5	2	3
Analytical Competence (ANCOM)	ANCOM1, ANCOM2, and ANCOM3	ANCOM4, ANCOM5, ANCOM6, ANCOM7, ANCOM8, & ANCOM9	3	6
Marketing Manager's Involvement (INVOLV)	INVOLV4	INVOLV1, INVOLV2, & INVOLV3	1	3
Marketing Manager's Commitment (COMMI)	COMMI3 and COMMI5	COMMI1, COMMI2, & COMMI4	2	3
Marketing Manager's Autonomy (AUTO)	-	AUTO1, AUTO2, & AUTO3	-	3
Marketing Strategy (MAKSTRA)	PRICSTRA3, PRODSTRA2, PRODSTRA3, PRODSTRA4, PROMSTRA1, and DISTSTRA3	PRICSTRA1, PRICSTRA2, PRODSTRA1, PROMSTRA2, PROMSTRA3, DISTSTRA1, & DISTSTRA2	6	7
Evaluation and Control (EVCON)	EVCON4	EVCON1, EVCON2, & EVCON3	1	3
Strategic Performance (STRAPER)	STRAPER4 and STRAPER5	STRAPER1, STRAPER2, & STRAPER3	2	3
Financial Performance (FINPER)	-	FINPER1, FINPER2, & FINPER3	-	3
		Total	17	46

Table 5. 2. The Factor Loadings, *t* values, and Errors of the Measurement Parameters

Items	Standardized Loadings	Standard Error of Estimates	*t*-values	R^2
Technological Change (TCHANG):				
TCHANG1	.82	.04	18.89	.67
TCHANG2	.85	.03	24.91	.72
TCHANG3	.84	.03	28.90	.70
Market Attractiveness (MATT):				
MATT1	.81	.11	7.16	.66
MATT2	.93	.04	24.09	.86
MATT3	.91	.04	23.27	.83
Market Competition (MCOMP):				
MCOMP1	.85	.05	15.75	.73
MCOMP2	.85	.06	15.09	.72
MCOMP3	.87	.05	16.04	.77
Innovative Culture (CULT):				
CULT1	.84	.07	12.14	.71
CULT2	.84	.05	16.24	.71
CULT3	.71	.07	10.25	.50
Top Management Support (TMS):				
TMS3	.92	.07	13.38	.85
TMS4	.95	.07	13.33	.89
TMS5	.77	.10	7.99	.59
Analytical Competence (ANCOM):				
ANCOM4	.73	.05	14.96	.53
ANCOM5	.81	.04	21.21	.66
ANCOM6	.73	.05	14.13	.53
ANCOM7	.75	.06	12.44	.57
ANCOM8	.71	.06	11.58	.51
ANCOM9	.71	.07	9.82	.50

Table 5. 2. Continued

Items	Standardized Loadings	Standard Error of Estimates	*t*-values	R^2
Manager Involvement (INVOLV):				
INVOLV1	.91	.06	15.76	.82
INVOLV2	.88	.04	20.23	.77
INVOLV3	.85	.07	12.61	.72
Manager Commitment (COMMI):				
COMMI1	.78	.05	17.12	.60
COMMI2	.80	.05	16.55	.64
COMMI4	.72	.06	12.72	.52
Manager Autonomy (AUTO):				
AUTO1	.81	.05	16.04	.65
AUTO2	.86	.05	15.74	.74
AUTO3	.82	.05	15.79	.68
Marketing Strategy (MAKSTRA):				
PRICSTRA1	.78	.05	15.87	.60
PRICSTRA2	.78	.05	15.26	.61
PRODSTRA1	.78	.05	14.32	.61
PROMSTRA2	.72	.05	13.37	.52
PROMSTRA3	.71	.05	14.24	.51
DISTSTRA1	.77	.05	14.64	.60
DISTSTRA2	.72	.06	11.52	.52
Evaluation & Control (EVCON):				
EVCON1	.89	.04	22.19	.79
EVCON2	.96	.04	26.60	.92
EVCON3	.85	.06	14.65	.72

fits the data in the sense that the model can reproduce the population matrix (Kelloway, 1998). However, Joreskog and Sorbom (1996a) point out that a large χ^2 value is a common finding. They propose that it may be more appropriate to use χ^2 as a goodness of fit (or badness of fit) measure, instead of test statistic, that is large χ^2 indicates a bad fit model while small χ^2 represents a good fit one. In this case, the degree of freedom can serve as a standard to assess whether the χ^2 is large or small. Adjusting the χ^2 with its degree of freedom is termed as normed χ^2 measure. Normed χ^2 is the ratio of the χ^2 divided by the degree of freedom. A good fit model must demonstrate normed χ^2 greater than 1.00 but less than 2.00. However, the ratio between 2.00 and 3.00 indicates reasonable fit whereas the ratio less than 1.00 represents overfit (Holmes-Smith, 2001).

Nevertheless, the χ^2 test is very sensitive to the sample size differences. As a sample size increases, the χ^2 test tends to be significant. On the other hand, when the sample size is small, the test inclines to be insignificant. With a sample size between 100 and 200, the use of this test can be appropriate, but the significance of the test becomes less reliable for sample sizes outside this range (Hair et al., 1998). This indicates that the χ^2 test should be used in combination with other measures of fit.

The Root Mean Square Error of Approximation (RMSEA)

RMSEA is based on the analysis of residuals, with smaller values indicating a better fit to the data. This measure endeavors to remedy for the tendency of χ^2 test to reject any model with a large sample. Recently, it has been recognized as one of the most informative criteria in covariance structure modeling (Byrne, 1998). RMSEA is the discrepancy per degree of freedom, which is measured in terms of the population, not only in the sample used for estimation (Hair, et al., 1998). Error approximation is relevant to the question, “How well would the model, with

unknown, but optimally chosen, parameters values fit the population covariance matrix if it were available?" and it does not depend on sample size (Browne and Cudeck, 1993). RMSEA, therefore, measures the error discrepancy per degree of freedom, which make it sensitive to the number of estimated parameters in the model.

Based on the existing relevant literatures, Byrne (1998) summarizes the acceptable level of a model based on this measure as follows: values of RMSEA less than 0.05 indicate a good fit; values ranging from 0.05 to 0.08 represent a reasonable error of approximation; values between 0.08 and .10 point to a mediocre fit; and those greater than 0.10 indicate a poor fit.

The Goodness of Fit Index (GFI) and Adjusted Goodness of Fit Index (AGFI)

The GFI is based on a ratio of the sum of the squared discrepancies between the observed and reproduced matrices to the observed variance. Unlike the GFI, the AGFI takes into account the number of degree of freedom; hence it addresses the parsimony's issue by penalizing the insertion of additional parameters. The GFI and AGFI are absolute indices, because they compare the hypothesized model with no model at all (Byrne, 1998). Their values range from zero to one, with values exceeding 0.90 indicating a good fit model (Joreskog and Sorbom, 1996a).

The Comparative Fit Index (CFI)

In contrast to the GFI and AGFI, the CFI is based on the comparison of the hypothesized model against some standard, typically an independent or null model. The CFI is one of incremental indices that measures how much better the fitted model is compared with the independent or the null model; hence it provides a measure of complete covariance in the data. Its value ranges from

zero to one. Good fit models should have CFI greater than 0.95, although values greater than 0.90 indicate a reasonable fit (Holmes-Smith, 2001).

In addition to CFI, LISREL output reports the other incremental indices such as the Normed Fit Index (NFI) and the Non-Normed Fit Index (NNFI). However, (Bentler, 1990) suggests that the CFI should be the index of choice. This is because, unlike the CFI, the NFI does not take sample size into account and this, in turn, leads to a tendency to underestimate fit in small sample. On the other hand, although the NNFI takes the complexity of the model into account in comparing the hypothesized model with the independent model, it is not normed measure. This causes its value to extend beyond the range of zero to one, and, therefore, makes it difficult to interpret.

Based on the above criteria, all of the constructs in the current study, except "analytical competence and "credibility of marketing strategy" constructs, have a perfect goodness of fit. The results of their initial model reveal that their χ^2 values are zero with probabilities equal to one. Their RMSEA values are also zero. This indicates that the models are well fitting. Meanwhile, the initial model of "analytical competence" construct generates the following values of goodness of fit: $\chi^2 = 11.32$ with probability = 0.25; Normed $\chi^2 = 1.26$; RMSEA = 0.03; GFI = 0.99; AGFI = 0.98; and CFI = 0.99. These values are above of their minimum acceptable level, indicating this construct is a good fitting model; even it is not a perfect one.

On the other hand, the results of the initial model of "credibility of marketing strategy" construct show that the model is misfit, indicating the need of respecification to improve the fit. The following discussion describes the process of the respecification of this construct.

5. 3. 3. The Respecification of the Model

A model is correctly specified when it reproduces the sample covariance matrix well. Such a model can be described as a true model (Schumacher and Lomax, 1996). The hypothesized model is misspecified when it is not consistent with the true model and reproduces the covariance matrix poorly. In relation with the misspecified model LISREL provides a guidance termed as modification indices (MIs) to evaluate the potential source of the model misspecification. The MIs are measures associated with the fixed and constrained parameters of the model. Each fixed and constraint parameter modification index (MI) represents a measure of predicted decreases in the χ^2 if a single parameter is estimated in a revised model (Joreskog and Sorbom, 1996). An MI value greater than 3.84 suggests that the χ^2 would be significantly reduced when the corresponding parameter is estimated. In addition to MI, LISREL also provides values of an expected change for each MI. These values are reported in a separate matrix following the MI values. The values represent the predicted estimated change, either in positive or negative direction, for each fixed parameter in the model. However, although MI can facilitate the researcher to improve the fit of the model, its use is only recommended only when relaxing a parameter makes sense from a substantive point of view, empirical rationale, or both (Joreskog and Sorbom, 1996). Moreover, one should consider whether or not the respecified model leads to an over-fitted model. An over-fitted model may arise from the inclusion of some parameters that: (a) are fragile in the sense representing weak effects that are not likely replicable, (b) lead to a significant inflation of standard errors, and (c) influence primary parameters in the model, albeit their own substantive meaningfulness is somewhat equivocal (Byrne, 1998: page 125).

As mentioned in the previous section, only one construct, that is "credibility of marketing strategy", out of the thirteen constructs involved in the study, needs to be respecified. The

LISREL output of the initial model of this construct shows that the values of the GFI, AGFI, and CFI are 0.98, 0.96 and 0.96 respectively. All of these indicate a good fit model. On the contrary, its χ^2, Normed χ^2, and RMSEA values, which are 52.61, 3.76 and 0.11, indicate that the model is misfit. LISREL identifies that the largest MI lies in the theta delta (TD) matrix and represents a correlated error between items 1 (PRICSTRA1) and 2 (PRICSTRA2). The value of MI is 23.61 and the value of the expected change is 0.31. Compared with other values in the TD matrix, this MI is very high, and clearly calls for respecification. The following two tables detail the values of MIs and their expected change respectively.

Table 5.3a. The Modification Indices for THETA-DELTA

	PRICSTRA1	PRICSTRA2	PRODSTRA1	PROMSTRA2	PROMSTRA3	DISTSTRA1	DISTSTRA2
PRICSTRA1	- -						
PRICSTRA2	**23.62**	- -					
PRODSTRA1	1.65	9.09	- -				
PROMSTRA2	2.81	0.22	6.18	- -			
PROMSTRA3	0.00	0.22	1.03	4.99	- -		
DISTSTRA1	8.36	4.05	0.15	1.00	1.44	- -	
DISTSTRA2	0.03	6.09	4.78	0.89	1.50	16.04	- -

Table 5. 3b. The Expected Change for THETA-DELTA

	PRICSTRA1	PRICSTRA2	PRODSTRA1	PROMSTRA2	PROMSTRA3	DISTSTRA1	DISTSTRA2
PRICSTRA1	- -						
PRICSTRA2	**0.31**	- -					
PRODSTRA1	0.06	-0.13	- -				
PROMSTRA2	-0.08	0.02	0.16	- -			
PROMSTRA3	0.00	-0.02	-0.05	0.13	- -		
DISTSTRA1	-0.09	0.08	-0.01	-0.04	0.06	- -	
DISTSTRA2	0.01	-0.10	0.10	-0.05	-0.06	0.28	- -

Providing that the sign of the expected change value is positive, it is plausible to respecify the model by relaxing the two items to correlate. This respecification of the model does not only

decrease the values of χ^2, Normed χ^2, and RMSEA to be 28.67, 2.21, and 0.7 but also increases the values of GFI, AGFI, and CFI to be 0.99,0.98, and 0.98 correspondingly.

Nevertheless, as indicated in table 5.4.a and table 5.4.b, the MI still indicates that there are some large and significant errors. The highest error is between elements 6 (DISTSTRA1) and 7 (DISTSTA2). Its value is 9.21 with the expected change of 0.25.

Table 5. 4. a. The Modification Indices for THETA-DELTA

	PRICSTRA1	PRICSTRA2	PRODSTRA1	PROMSTRA2	PROMSTRA3	DISTSTRA1	DISTSTRA2
PRICSTRA1	- -						
PRICSTRA2	- -	- -					
PRODSTRA1	3.81	1.72	- -				
PROMSTRA2	0.30	0.40	3.82	- -			
PROMSTRA3	0.00	0.19	4.46	5.81	- -		
DISTSTRA1	0.98	3.98	1.68	1.92	0.05	- -	
DISTSTRA2	0.01	2.84	2.68	1.96	0.19	**9.21**	- -

Table 5. 4. b. The Expected Change for THETA-DELTA

	PRICSTRA1	PRICSTRA2	PRODSTRA1	PROMSTRA2	PROMSTRA3	DISTSTRA1	DISTSTRA2
PRICSTRA1	- -						
PRICSTRA2	- -	- -					
PRODSTRA1	0.09	-0.06	- -				
PROMSTRA2	-0.03	0.03	0.13	- -			
PROMSTRA3	0.00	0.02	-0.11	0.15	- -		
DISTSTRA1	-0.03	0.08	-0.05	-0.06	0.01	- -	
DISTSTRA2	0.00	-0.07	0.07	-0.07	-0.02	**0.25**	- -

Based on the above MI, the researcher performs the second model respecification. This respecification further improves the fit of the model. Its goodness of fit statistics are as follows: the χ^2 = 19.47; Normed χ^2 = 1.62; RMSEA = 0.05; GFI = 0.99; AGFI = 0.98; and CFI = 0.99. Meanwhile the values of MIs and their expected changes are presented in the following tables.

Table 5. 5 a. The Modification Indices for THETA-DELTA

	PRICSTRA1	PRICSTRA2	PRODSTRA1	PROMSTRA2	PROMSTRA3	DISTSTRA1	DISTSTRA2
PRICSTRA1	- -						
PRICSTRA2	- -	- -					
PRODSTRA1	2.71	2.33	- -				
PROMSTRA2	0.44	0.54	2.58	- -			
PROMSTRA3	0.05	0.00	**7.50**	4.39	- -		
DISTSTRA1	0.65	2.68	0.02	2.21	1.17	- -	
DISTSTRA2	0.05	0.86	1.94	1.24	0.14	- -	- -

Table 5. 5. b. The Expected Change for THETA-DELTA

	PRICSTRA1	PRICSTRA2	PRODSTRA1	PROMSTRA2	PROMSTRA3	DISTSTRA1	DISTSTRA2
PRICSTRA1	- -						
PRICSTRA2	- -	- -					
PRODSTRA1	0.08	-0.07	- -				
PROMSTRA2	-0.03	0.03	0.11	- -			
PROMSTRA3	-0.01	0.00	**-0.14**	0.13	- -		
DISTSTRA1	-0.03	0.07	0.00	-0.06	0.06	- -	
DISTSTRA2	0.01	-0.04	0.06	-0.05	0.02	- -	- -

MI shows that a significant cross loading still exists in the model, that is between elements 3 (PRODSTRA1) and 5 (PROMSTRA3). Its MI value is 7.50 with an expected change of – 0.14. However, the researcher believes that there is no need to respecify the model further. The negative sign of the expected change indicates that the respecification makes little sense. Moreover, the goodness of fit statistics as mentioned above demonstrates a good fit model. A further respecification can only lead to an overfit model.

5. 3. 4. The Reliability and Validity of the Constructs

Reliability and validity are separate but closely related (Holmes-Smith, 2001). While reliability can be defined as the extent to which a set of two or more indicators share in their measurement of a construct, validity relates to the ability of an indicator to measure accurately the construct of the study (Hair et al., 1998). It is important to note that reliability does not guarantee validity, and vice versa (Hair et al., 1998; Holmes-Smith, 2001). This means that an indicator may be consistent (reliable) but not accurate (valid), or otherwise, it may be accurate but not consistent.

In the structural equation modeling, there are some test statistics that can be used to measure the construct reliability. These include squared multiple correlations (R^2) of each indicator, composite reliability, and variance extracted. LISREL output supplies the R^2 of each indicator. Holmes-Smith (2001) reveals that as a general rule, constructs are reliable when R^2 of their indicators exceeds 0.50; their composite reliabilities are greater than 0.70; and their variance extracted are greater than 0.50. The composite reliability and variance extracted can be calculated using Fornell and Larker's (1981) formulas as follows:

$$\text{Composite Reliability} = \frac{(\Sigma\lambda_i)^2}{(\Sigma\lambda_i)^2 + \Sigma\varepsilon_i}$$

$$\text{Variance Extracted} = \frac{\Sigma\lambda_i^2}{\Sigma\lambda_i^2 + \Sigma\varepsilon_i}$$

where λ_i = the standardized loading of each indicator (observed variable)

ε_i = the error variance associated with each indicator

Based on the above formulas, the reliabilities of the constructs used in the current study can be described in the following table.

Table 5. 6. The Reliabilities of the Final Measurement Model

Variable Name	λ_i	ε_i	Composite Reliability	Variance Extracted
Technological Change (TCHANG):			.87	.70
TCHANG1	.82	.33		
TCHANG2	.85	.28		
TCHANG3	.84	.30		
Market Attractiveness (MATT):			.92	.78
MATT1	.81	.34		
MATT2	.93	.14		
MATT3	.91	.17		
Market Competition (MCOMP):			.89	.74
MCOMP1	.85	.27		
MCOMP2	.85	.28		
MCOMP3	.87	.23		
Innovative Culture (CULT):			.84	.64
CULT1	.84	.29		
CULT2	.84	.29		
CULT3	.71	.50		
Top Management Support (TMS):			.91	.78
TMS3	.92	.15		
TMS4	.95	.11		
TMS5	.77	.41		
Analytical Competence (ANCOM):			.88	.55
ANCOM4	.73	.47		
ANCOM5	.81	.34		
ANCOM6	.73	.47		
ANCOM7	.75	.43		
ANCOM8	.71	.49		
ANCOM9	.71	.50		

Table 5. 6. Continued.

Variable Name	λ_i	ε_i	Composite Reliability	Variance Extracted
Manager Involvement (INVOLV):			.91	.77
INVOLV1	.91	.18		
INVOLV2	.88	.23		
INVOLV3	.85	.28		
Manager Commitment (COMMI):			.81	.63
COMMI1	.78	.40		
COMMI2	.80	.36		
COMMI4	.72	.48		
Manager Autonomy (AUTO):			.87	.69
AUTO1	.81	.35		
AUTO2	.86	.26		
AUTO3	.82	.32		
Marketing Strategy (MAKSTRA):			.89	.53
PRICSTRA1	.78	.40		
PRICSTRA2	.78	.39		
PRODSTRA1	.78	.39		
PROMSTRA2	.72	.48		
PROMSTRA3	.71	.49		
DISTSTRA1	.77	.40		
DISTSTRA2	.72	.48		
Covariance PRICSTRA2, PRICSTRA1		.25		
Covariance DISTSTRA2, DISTSTRA1		.23		
Evaluation & Control (EVCON):			.92	.81
EVCON1	.89	.21		
EVCON2	.96	.08		
EVCON3	.85	.28		
Strategic Performance (STRAPER):			.79	.55
STRAPER1	80	.37		
STRAPER2	.70	.52		
STRAPER3	.73	.47		

Table 5. 6. Continued.

Variable Name	λ_i	ε_i	Composite Reliability	Variance Extracted
Financial Performance (FINPER):			.88	.70
FINPER1	.77	.40		
FNPER2	.89	.20		
FINPER3	.80	.36		

The table above demonstrates that the composite reliabilities of the thirteen constructs used in the current study range from 0.79 ("strategic performance" construct) to 0.92 ("market attractiveness" and "evaluation and control" constructs). These values are above their minimum acceptable value that is 0.70. Likewise, the values of variance extracted of the constructs exceed their minimum requirement. The values vary from 0.53 ("credibility of marketing strategy" construct) to 0.81 ("evaluation and control" construct), while the minimum value for a reliable construct is 0.50. In addition, as discussed in the section 5.2.1, all of the forty-six observed variables are reliable in representing their underlying constructs. Their R^2 values, except STRAPER2, meet the minimum acceptable level that is 0.50. Considering that the R^2 value of STRAPER2 is 0.48, which is close to the minimum requirement and its standardized loading is 0.70, it can still be considered to be reliable. In conclusion, based on the three tests statistics above the forty-six observed variables and the thirteen constructs of the current study are reliable.

In addition to the construct reliability, Anderson and Gerbing (1988) reveal that structural equation modeling can also be used to assess the construct validity by estimating the convergent and discriminant validity of the construct. The convergent validity is achieved when the structural relationship between observed variable and latent construct is significantly different from zero. In this case, the *t* value of the parameter estimates can be used to assess its statistical significance.

Parameters which have *t* values greater than 1.96 can be considered to be significant, based on the level of $\alpha = 0.05$. Discriminant validity, on the other hand, measures the extent to which the constructs in a model are different. A large correlation between two constructs reflects a lack of discriminant validity. Based on Fornell and Larcker's (1981) approach for assessing the discriminant validity, Holmes-Smith (2001) reveals that the average variance of two constructs must exceed the square of their correlation to satisfy this test.

As discussed in Section 5.2.1 and indicated in Table 5.2, all of the forty-six observed variables involved in the current study have significance relationships with their corresponding latent constructs because their *t* values lie between 7.16 and 28.90, which are much greater than 1.96 (the minimum requirement value). This indicates that those observed variables are convergent in representing their underlying construct. Moreover, following Holmes-Smith recommendation, the researcher has calculated the average variance extracted and the square correlation of paired constructs to perform the discriminant validity test. The results of this calculation are presented in table 5.7 below. The results demonstrate that the average variances extracted of each pair of constructs are much greater than their square correlations, indicating that each construct is differ from each other.

Table 5. 7. Average Variance Extracted and Square of Correlations between Constructs

	TCHANG	MATT	MCOMP	CULT	TMS	ANCOM	INVOLV	COMMI	AUTO	MAKSTRA	EVCON	STRAPER	FINPER
TCHANG		0.740	0.720	0.670	0.740	0.625	0.735	0.665	0.755	0.695	0.615	0.625	0.700
MATT	0.002		0.760	0.710	0.780	0.665	0.775	0.705	0.795	0.735	0.655	0.665	0.740
MCOMP	0.142	0.000		0.690	0.760	0.645	0.755	0.685	0.775	0.715	0.635	0.645	0.720
CULT	0.071	0.064	0.052		0.710	0.595	0.705	0.635	0.725	0.665	0.585	0.595	0.670
TMS	0.010	0.030	0.013	0.052		0.665	0.775	0.705	0.795	0.735	0.655	0.665	0.740
ANCOM	0.006	0.008	0.007	0.035	0.026		0.660	0.590	0.680	0.620	0.540	0.550	0.625
INVOLV	0.013	0.026	0.000	0.137	0.018	0.060		0.700	0.790	0.730	0.650	0.660	0.735
COMMI	0.026	0.036	0.032	0.202	0.062	0.034	0.062		0.720	0.660	0.580	0.590	0.665
AUTO	0.044	0.036	0.058	0.294	0.057	0.044	0.087	0.178		0.750	0.670	0.680	0.755
MAKSTRA	0.089	0.205	0.111	0.163	0.130	0.052	0.082	0.153	0.161		0.610	0.620	0.695
EVCON	0.069	0.053	0.040	0.178	0.033	0.042	0.027	0.106	0.158	0.195		0.540	0.615
STRAPER	0.016	0.058	0.0586	0.094	0.067	0.016	0.031	0.082	0.130	0.149	0.194		0.625
FINPER	0.004	0.026	0.031	0.018	0.012	0.039	0.005	0.005	0.024	0.050	0.195	0.053	

5. 3. 5. Conclusion

The above analysis indicates that from 65 observed variables initially developed in the current study, 19 of them are excluded for further analysis. Two of those excluded variables are removed from the analysis because their missing values are so large. These variables are STRAPER6 and STRAPER7. Meanwhile the other seventeen variables are excluded from the models because the values of their R^2 are below the minimum acceptable level. Therefore, only forty-six variables are included in the rest of the analysis. Table 5.1 provides the detail of the variables that are included and excluded in the current study.

The forty-six observed variables represent thirteen latent constructs. Eleven constructs can be classified as perfect models. Their χ^2 and RMSEA values are zero. One construct is categorized as a good model that is "analytical competence" with goodness of fit statistics of its initial model are as follows: χ^2 = 11.32; Normed χ^2 = 1.26; RMSEA = 0.03; GFI = 0.99; AGFI = 0.98; and CFI = 0.99. Only one construct that is "credibility of marketing strategy" indicates a misfit in its initial model. However, after performing twice model respecifications, the construct becomes a good fit model. Its goodness of fit statistics are as follows: χ^2 = 19.47; Normed χ^2 = 1.62; RMSEA = 0.05; GFI = 0.99; AGFI = 0.98; and CFI = 0.99.

Finally, R^2, composite reliability, and variance extracted of the forty-six observed variables of the study exceed their minimum acceptable levels. Likewise, these variables and their underlying constructs satisfy the requirement of convergent and

discriminant validity tests. Therefore, the researcher concludes that these observed variables are reliable and accurate in measuring their underlying constructs.

5. 4. The Analyses of Structural Equation Model

Holmes-Smith and Row (1994) recommend three steps to perform the one congeneric measurement models for the analysis of structural equation model. The first step is to reduce the observed variables of each construct into a composite variable. This can be calculated using the following formula:

$$\xi = \Sigma\omega_i \, x_i$$

where, ξ_j = estimated composite score

ω_i = factor score regression

x_i = observed variables

The second step is to calculate the composite scale reliability. In this case, Werts, Rock, Linn, and Joreskoq (1978) reveal that the composite scale reliability is maximized if the vector of weight is the vector score regression. They develop a formula to calculate the reliability as follows:

$$r_m = \frac{(\Sigma\omega_i \, \lambda_i)^2}{(\Sigma\omega_i \, \lambda_i)^2 + \Sigma\theta_i \, \omega_i^{\,2}}$$

where, r_m = maximized composite scale reliability; λ_i = factor loadings

ω_i = factor score regression; θ_i = error variance

The final step is to develop a structural equation model to examine the relationships amongst constructs. Holmes-Smith and Row (1994) assert that if the matrix to be analyzed is a matrix of correlations amongst composite variables, then the variances of the composite variables is equal to one and the parameters λ and θ simplify to:

$$\lambda = \sqrt{r_m} \text{ and } \theta = 1 - r_m$$

These two parameters (λ and θ) can be used as fixed parameters in the measurement part of the structural equation model.

5. 4. 1. The Development of the Composite Scales

Providing that the items' reliabilities and the constructs' validities of this study are very good, it is plausible to perform the fitting congeneric measurement as recommended by Holmes-Smith and Row (1994). The researcher, firstly, develop a new data file for the composite scores of the twelve constructs used in this study. The way to calculate the composite score can be described as follows. For example, the factor score regressions of "technological change" (TCHANG), based on the LISREL output, are 0.32, 0.38, and 0.35 respectively; and the factor score regressions of "market attractiveness" (MATT) are 0.17, 0.47, and 0.39. Based on these factor scores, the researcher calculates the composite score of the two constructs as follows:

Composite score of TCHANG = .32*TCHANG1+.38*TCAHNG2+.35*TCHANG3

Composite score of MATT = .17*MATT1+.47*MATT2+.39*MATT3

Similar procedures are applied to the rest of the constructs to calculate their composite scores. Through this step, the observed variables of the study are reduced from forty-six to thirteen composite observed variables. This enables the researcher to develop the asymptotic covariance matrix, since the minimum sample size required is 78, that is 13(13-1):2. The detail of the correlation matrices used in the structural equation model analyses can be seen at Appendix D.

In addition, based on the existing coefficients of factor loadings, error variances, and factor regressions, the researcher calculates the coefficients of the maximized composite scale reliabilities, factor loadings (λ), and error variances (θ). The coefficients of the factor loadings and error variances are, in turn, used as fixed parameter estimates in the measurement part of the structural equation model. The results of these calculations are presented in table 5.8 in more detail.

Table 5. 8. Parameter Estimates and Factor Score Regressions of the Observed Variables and the Maximized Reliabilities and Parameter Estimates of the Composite Variables

Variable Name	Observed Variables			Composite Variables		
	Factor Loadings (λ_i)	Error Variances (θ_i)	Factor Score Regressions	Maximized Reliability (r_m)	Factor Loadings ($\sqrt{r_m}$)	Error Variances ($\theta=1-r_m$)
Technological Change (TCHANG):				.875	.935	.125
TCHANG1	.82	.33	.32			
TCHANG2	.85	.28	.38			
TCHANG3	.84	.30	.35			
Market Attractiveness (MATT):				.941	.970	.059
MATT1	.81	.34	.17			
MATT2	.93	.14	.47			
MATT3	.91	.17	.39			
Market Competition (MCOMP):				.895	.946	.105
MCOMP1	.85	.27	.33			
MCOMP2	.85	.28	.32			
MCOMP3	.87	.23	.39			
Innovative Culture (CULT):				.855	.925	.145
CULT1	.84	.29	.42			
CULT2	.84	.29	.43			
CULT3	.71	.50	.20			

Table 5. 8 Continued

Variable Name	Observed Variables			Composite Variables		
	Factor Loadings (λ_i)	Error Variances (θ_i)	Factor Score Regressions	Maximized Reliability (r_m)	Factor Loadings ($\sqrt{r_m}$)	Error Variances (θ=1-r_m)
Top Management Support (TMS):				.939	.971	.061
TMS3	.92	.15	.37			
TMS4	.95	.11	.54			
TMS5	.77	.41	.11			
Analytical Competence (ANCOM):				.883	.940	.167
ANCOM4	.73	.47	.18			
ANCOM5	.81	.34	.28			
ANCOM6	.73	.47	.18			
ANCOM7	.75	.43	.20			
ANCOM8	.71	.49	.17			
ANCOM9	.71	.50	.17			
Manager Involvement (INVOLV):				.913	.956	.087
INVOLV1	.91	.18	.43			
INVOLV2	.88	.23	.34			
INVOLV3	.85	.28	.26			

Table 5. 8 Continued

Variable Name	Factor Loadings (λ_i)	Error Variances (θ_i)	Factor Score Regressions	Composite Scale		
				Maximized Reliability (r_m)	Factor Loadings ($\sqrt{r_m}$)	Error Variances (θ=1-r_m)
Manager Commitment (COMMI):				.814	.902	.186
COMMI1	.78	.40	.36			
COMMI2	.80	.36	.41			
COMMI4	.72	.48	.28			
Manager Autonomy (AUTO):				.872	.934	.128
AUTO1	.81	.35	.30			
AUTO2	.86	.26	.42			
AUTO3	.82	.32	.33			
Marketing Strategy (MAKSTRA):				.898	.948	.102
PRICSTRA1	.78	.40	.14			
PRICSTRA2	.78	.39	.15			
PRODSTRA1	.78	.39	.24			
PROMSTRA2	.72	.48	.18			
PROMSTRA3	.71	.49	.17			
DISTSTRA1	.77	.40	.18			
DISTSTRA2	.72	.48	.10			

Table 5. 8 Continued

Variable Name	Factor Loadings (λ_i)	Error Variances (θ_i)	Factor Score Regressions	Composite Scale		
				Maximized Reliability (r_m)	Factor Loadings ($\sqrt{r_m}$)	Error Variances (θ=1-r_m)
Evaluation & Control (EVCON):				.947	.973	..063
EVCON1	.89	.21	.21			
EVCON2	.96	.08	.65			
EVCON3	.85	.28	.16			
Strategic Performance (STRAPER):				.792	.890	.208
STRAPER1	.80	.37	.45			
STRAPER2	.70	.52	.28			
STRAPER3	.73	.47	.32			
Financial Performance (FINPER):				.879	.937	.121
FINPER1	.77	.40	.23			
FNPER2	.89	.20	.54			
FINPER3	.80	.36	.27			

5. 4. 2. The Assessment of the Goodness of Fit of the Initial Structural Equation Model

Once the composite observed variables and their parameter estimates have been calculated, it is possible to carry out the structural equation model to analyze the causal relationships amongst the composite constructs. The initial structural equation model is based on the Research Model shown in Chapter III - Figure 3.2. Since the current study only uses a single sample, Expected Cross Validation Index (ECVI) is needed as an additional goodness of fit criterion. ECVI is a means to evaluate, in a single sample, the likelihood that the model cross-validates across similar sample size from the same population (Browne and Cudeck, 1989). It specifically measures the extent to which the fitted covariance matrix in the analyzed sample fits to the expected covariance matrix obtained from similar sample size. This test does not provide fix range of values as an acceptable level, because ECVI coefficients can take on any value. However, the model having an ECVI value lower than the value of ECVI for saturated model demonstrates the greatest potential for replication (Byrne, 1998).

The first run of the hypothesized model provides a reasonably accurate representation of data. The statistical values are in the range of their acceptable levels. For example, its χ^2 value is 87.00. However, the Normed χ^2 is 1.85 indicating that the χ^2 value is small when related to its degree of freedom. The values of GFI, AGFI, and CFI are 0.98, 0.96, and 0.96 respectively, which are above their acceptable levels. Meanwhile, EVCI coefficient is 0.80, which is lower than the

coefficient of ECVI for saturated model that is 0.83. This indicates that the hypothesized model is potential for replication.

In addition to the statistical values above, the results of this initial structural model demonstrates that from sixteen paths hypothesized, fourteen of them are at least significant at α level of .05, while the other two (COMMI → EVCON and TMS → COMMI) are not significant. Table 5.9 below exhibits the validity and significant level of each hypothesized path.

Table 5. 9. The Validity and Significant Level of the Causal Relationship for the Initial Model

Relationship between two Constructs	Factor Loading (λ)		*t*-value	Significant Level
	Beta (β)	Gamma (γ)		
EVCON → FINPER	0.64	--	11.17	< .001
EVCON → STRAPER	0.71	--	12.45	< .001
COMMI → EVCON	0.07	--	0.85	> .20
AUTO → EVCON	0.28	--	3.91	< .001
MAKSTRA → EVCON	0.50	--	5.83	< .001
INVOLV → COMMI	0.73	--	10.87	< .001
INVOLV → MAKSTRA	0.48	--	6.45	< .001
CULT → AUTO	--	0.66	9.88	< .001
CULT → INVOLV	--	0.66	10.03	< .001
TMS → COMMI	--	0.07	1.08	> .20
TMS → MAKSTRA	--	0.17	2.77	< .01
ANCOM → AUTO	--	0.17	2.00	< .05
ANCOM → INVOLV	--	0.32	4.26	< .001
TCHANG → MAKSTRA	--	- 0.14	- 2.09	< .05
MATT → MAKSTRA	--	0.32	4.89	< .001
MCOMP → MAKSTRA	--	- 0.22	- 3.06	< .01

5. 4. 3. The Respecification of the Model

Like the measurement model analysis, the LISREL outputs also provide modification indices (MIs) to evaluate the potential source of misspecification of the structural model. Considering the analysis of structural equation model involves causal relationship only amongst latent constructs, the researcher concentrates only on the MIs that are related to the Beta and Gamma matrices in respecifying the model. As mentioned in the previous section, a modification index (MI) value greater than 3.84 suggests that χ^2 would be significantly reduced when the corresponding parameter is estimated.

In addition, as in the measurement model analysis, the researcher uses the MIs to respecify the structural model with some considerations in mind. Firstly, the additional path must make sense in terms of its theoretical perspective or its empirical evidence, or both. Secondly, the additional path does not lead to an overfitted model. Byrne (1998, page 125) reveals that an over-fitted model may arise from the inclusion of some parameters that: (a) are fragile in the sense of representing weak effects that are not likely replicable, (b) lead to a significant inflation of standard errors, and (c) influence primary parameters in the model, albeit their own substantive meaningfulness is somewhat equivocal. Tables 5.10.a, 5.10.b, 5.11.a and 5.11.b below provide the detail of the MIs and their expected change related to the Beta and Gamma.

Table 5. 10. a. The Modification Indices for BETA of the Initial Model

	FINPER	STRAPER	EVCON	MAKSTRA	COMMI	AUTO	INVOLV
FINPER	- -	2.70	- -	0.05	4.20	0.19	1.54
STRAPER	2.70	- -	- -	**10.84**	5.14	2.67	**11.19**
EVCON	0.21	**18.76**	- -	- -	- -	- -	0.59
MAKSTRA	1.80	**6.26**	2.82	- -	0.04	0.07	- -
COMMI	2.56	1.05	1.75	2.38	- -	3.11	- -
AUTO	0.10	0.01	0.21	1.63	1.67	- -	1.29
INVOLV	8.97	0.59	0.27	0.20	**11.94**	1.29	- -

Table 5. 10. b. The Expected Change for BETA of the Initial Model

	FINPER	STRAPER	EVCON	MAKSTRA	COMMI	AUTO	INVOLV
FINPER	- -	-0.18	- -	0.02	-0.15	-0.04	-0.12
STRAPER	-0.16	- -	- -	**0.45**	0.20	0.16	**0.43**
EVCON	0.06	**-0.85**	- -	- -	- -	- -	0.14
MAKSTRA	-0.10	**-0.19**	-0.22	- -	0.02	0.02	- -
COMMI	-0.14	0.12	0.24	0.22	- -	0.17	- -
AUTO	-0.02	-0.01	0.07	0.14	0.11	- -	0.28
INVOLV	-0.21	0.06	-0.06	-0.05	**-0.52**	0.11	- -

Table 5.11.a. The Modification Indices for GAMMA of the Initial Model

	ANCOM	CULT	TMS	MATT	TCHANG	MCOMP
FINPER	0.79	0.10	0.36	1.20	0.01	2.45
STRAPER	0.48	**8.95**	**6.62**	2.09	0.83	**6.99**
EVCON	0.90	0.24	0.35	0.01	0.67	0.20
MAKSTRA	0.83	0.11	- -	- -	- -	- -
COMMI	0.00	**6.56**	- -	**6.90**	0.26	0.01
AUTO	- -	- -	0.54	0.35	0.21	**5.20**
INVOLV	- -	- -	1.35	5.12	1.11	**5.15**

Table 5.11.b. The Expected Change for GAMMA of the Initial Model

	ANCOM	CULT	TMS	MATT	TCHANG	MCOMP
FINPER	0.08	-0.03	0.04	0.08	-0.01	-0.10
STRAPER	0.06	**0.33**	**0.20**	0.11	-0.07	**-0.18**
EVCON	0.08	0.06	0.04	0.01	-0.06	-0.03
MAKSTRA	0.08	-0.04	- -	- -	- -	- -
COMMI	-0.01	**0.50**	- -	**0.20**	0.04	0.01
AUTO	- -	- -	0.05	-0.04	-0.03	**-0.16**
INVOLV	- -	- -	-0.08	0.15	0.07	**0.14**

The tables above indicate that there are sixteen paths having MIs values greater than 3.84. However, six of them are not possible to be considered in respecifying the hypothesized model, because they do not make sense in terms of theoretical perspective. These include the following paths: STRAPER → EVCON, COMMI → INVOLV, FINPER → INVOLV, STRAPER → MAKSTRA, MCOMP → AUTO, and COMMI → FINPER. For example, STRAPER → EVCON, which represents a path flowing from "strategic performance" to "evaluation and control", has an MI value of 18.76 and the expected change value of – 0.85. This relationship is not plausible, in the sense that it is not possible for "strategic performance" as an outcome of the manager's action to influence "evaluation and control" that represent the action of the manager to generate the outcome. The negative sign of the expected change indicates that the lower "strategic performance" is, the higher the effectiveness of "evaluation and control" conducted by the marketing managers will be. This strengthens further the impossibility of the relationship between the two constructs to be included into the respecified model. Based on the above reasons, the researcher presumes that only the following paths make sense in terms of theoretical perspective and are, therefore, considered in respecifying the hypothesized model:

	Paths	**Values of MIs**	**Values of the Expected Change**
1.	INVOLV → STRAPER	11.19	0.43
2.	MAKSTRA → STRATPER	10.84	0.45
3.	CULT → STRAPER	8.95	0.33
4.	MCOMP → STRAPER	6.99	- 0.18
5.	MATT → COMMI	6.90	0.20
6.	TMS → STRAPER	6.62	0.20
7.	CULT → COMMI	6.56	0.50
8.	MCOMP → INVOLV	5.15	0.14
9.	COMMI → STRAPER	5.14	0.20
10.	MATT → INVOLV	5.12	0.15

In the first respecified model, the researcher includes the INVOLV → STRAPER path into the model. This path represents the influence of "marketing manager's involvement" on "strategic performance". Since the involvement in the strategy making enables marketing manager to provide decision makers with current strategic issues, which in turn enhance the achievement of the strategic performance, the inclusion of this path into the model is quite plausible. The results of this first respecified model are presented in column 3 of Table 5.12, Table 5.13, and Table 5.14 below.

The inclusion of the INVOLV → STRAPER in the respecified model makes the χ^2 and Normed χ^2 values decrease to 71.10 and 1.55 respectively. While there is no change in the values of GFI, AGFI, and CFI, ECVI value declines from 0.80 to 0.74. This means that the respecified model has better goodness of fit than the initial one.

Moreover, Table 5.13 column 3 demonstrates that the INVOLV → STRAPER is statistically significant at α level of 0.001 as indicated by its *t*-value 5.15. The addition of this path into the model, however, influences some of the existing parameters. The most substantial impact is on the relationship between the "evaluation and control" and "strategic performance". It reduces *t*-value of the EVCON → STRAPER from 12.45 to 4.66. Eventhough, these statistical values indicate that the influence of the EVCON on the STRAPER is still significant and valid, the addition of this path into the model makes the R^2 value of the structural equation for "evaluation and control" significantly decreases from 0.52 to 0.34

Table 5. 12. The Goodness of Fit Statistics of the Structural Equation Model

(1) Goodness of Fit Indices	(2) The Initial Model	(3) The 1st Respecified Model	(4) The 2nd Respecified Model	(5) The 3rd Respecified Model	(6) The 4th Respecified Model	(7) The 5th Respecified Model	(8) The 6th Respecified Model	(9) The 7th Respecified Model	(10) The 8th Respecified Model
The χ^2	87.00	71.10	72.03	71.89	79.15	79.70	77.36	75.44	80.71
The Normed χ^2	1.85	1.55	1.57	1.56	1.72	1.73	1.68	1.64	1.75
The RMSEA	.062	.050	.051	.051	.057	.058	.056	.054	.059
The GFI	.98	.98	.98	.98	.98	.98	.98	.98	.98
The AGFI	.96	.96	.96	.96	.96	.96	.96	.96	.96
The CFI	.96	.96	.96	.96	.96	.96	.96	.96	.96
The ECVI	.80	.74	.74	.74	.78	.78	.77	.76	.78
The ECVI for Saturated Model	.83	.83	.83	.83	.83	.83	.83	.83	.83

Table 5. 2. Continued

Items	Standardized Loadings	Standard Error of Estimates	*t*-values	R^2
Strategic Performance (STRAPER):				
STRAPER1	80	.07	11.34	.63
STRAPER2	.70	.05	13.78	.48
STRAPER3	.73	.05	14.34	.53
Financial Performance (FINPER):				
FINPER1	.77	.11	7.23	.60
FNPER2	.89	.06	14.38	.80
FINPER3	.80	.08	9.47	.64

5. 3. 2. The Assessments of Goodness of Fit of the Model

The second step in evaluating the measurement model is assessing its goodness of fit. For this purpose, LISREL 8.30 provides a number of goodness of fit indices. However, as suggested by Byrne (1998), the current study uses the following major indices to evaluate the goodness of fit of the model. These include the χ^2 test, Normed χ^2 test, root mean square error of approximation (RMSEA), goodness of fit (GFI), adjusted goodness of fit (AGFI), and comparative fit index (CFI), all of which are described briefly below.

The Chi Square (χ^2) and Normed χ^2 Tests

This test measures the closeness between the population covariance matrix Σ, and the covariance matrix implied by the model $\Sigma(\theta)$. A non-significant χ^2 indicates that there is no significant difference between the two matrices. Therefore, non-significant χ^2 demonstrates that the model

Table 5. 13. The Paths' *t* Values of the Initial and Respecified Models

(1) Path	(2) The Initial Model	(3) The First Respecified Model	(4) The Second Respecified Model	(5) The Third Respecified Model	(6) The Fourth Respecified Model	(7) The Fifth Respecified Model	(8) The Sixth Respecified Model	(9) The Seventh Respecified Model	(10) The Eighth Respecified Model
EVCON → FINPER	11.27	9.92	10.34	10.24	10.95	10.82	10.91	10.48	11.53
EVCON → STRAPER	12.45	4.66	3.77	5.13	9.73	12.41	7.66	12.29	12.30
MAKSTRA → EVCON	5.83	4.82	4.76	4.73	5.08	5.08	5.05	6.48	5.98
COMMI → EVCON	0.85	0.97	0.24	1.12	0.86	1.00	0.98	1.62	0.90
AUTO → EVCON	3.91	3.13	2.86	3.00	3.93	4.05	3.87	3.73	3.10
INVOLV → MAKSTRA	6.45	5.42	6.98	5.45	6.64	6.13	6.22	3.90	6.65
INVOLV → COMMI	10.87	10.89	11.00	10.86	11.26	8.60	9.11	1.61	10.95
CULT → AUTO	9.88	10.34	10.61	11.61	9.93	9.80	10.15	9.34	10.04
CULT → INVOLV	10.03	9.90	9.89	11.17	10.18	9.51	9.81	6.45	9.65
TMS → MAKSTRA	2.77	2.71	2.94	2.74	2.84	2.82	2.06	3.98	2.79
TMS → COMMI	1.08	1.10	1.18	0.95	1.28	0.83	1.57	0.96	1.67
ANTECCOM → AUTO	2.00	1.75	1.42	0.78	1.93	1.89	1.28	1.64	2.14
ANTECCOM → INVOLV	4.26	4.29	4.47	3.79	4.20	3.94	4.09	2.76	4.30
TCHANG → MAKSTRA	- 2.09	- 2.67	- 1.89	- 2.81	- 2.38	- 1.83	- 2.57	- 2.64	- 1.97
MATT → MAKSTRA	4.89	4.68	4.46	4.61	4.71	5.52	4.81	6.33	4.55
MCOMP → MAKSTRA	- 3.06	- 2.51	- 3.16	- 2.20	- 2.33	- 3.08	- 2.57	- 3.58	- 3.51
Additional Path: INVOLV → STRAPER	--	5.18	--	--	--	--	--	--	--
MAKSTRA → STRAPER	--	--	5.15	--	--	--	--	--	--
CULT → STRAPER	--	--	--	5.21	--	--	--	--	--
MCOMP → STRAPER	--	--	--	--	- 2.91	--	--	--	--
MATT → COMMI	--	--	--	--	--	2.77	--	--	--
TMS → STRAPER	--	--	--	--	--		3.67	--	--
CULT → COMMI	--	--	--	--	--		--	6.21	--
MCOMP → INVOLV	--	--	--	--	--	--	--	--	2.65

Table 5. 14. Squared Multiple Correlations (R^2) for the Structural Equations

(1) Dependent Variable	(2) The Initial Model	(3) The 1st Respecified Model	(4) The 2nd Respecified Model	(5) The 3rd Respecified Model	(6) The 4th Respecified Model	(7) The 5th Respecified Model	(8) The 6th Respecified Model	(9) The 7th Respecified Model	(10) The 8th Respecified Model
Financial Performance	.37	.34	.36	.35	.38	.35	.37	.33	.40
Strategic Performance	.47	.44	.43	.46	.46	.46	.49	.48	.45
Evaluation and Control	.52	.34	.35	.35	.48	.52	.43	.51	.51
Marketing Strategy	.76	.68	.83	.69	.72	.76	.72	.76	.79
MM*) Commitment	.46	.49	.50	.49	.50	.48	.45	.41	.48
MM*) Autonomy	.48	.53	.53	.53	.49	.48	.47	.49	.49
MM*) Involvement	.74	.74	.74	.76	.74	.68	.74	.38	.79

*) MM = Marketing Manager's

(see Table 5.14 column 4). This means that the error variance of this structural equation increases significantly from 0.48 (1 – 0.52) to 0.66 (1 – 0.34) representing an increase of 37.5 %. Likewise, the first respecified model makes the *t*-value of ANCOM → AUTO decline from 2.00 to 1.75, indicating that the path is not significant at .05 level of α. The model also reduces the R2 value of the structural equation for "strategic performance" from 0.37 to 0.34 (see column 3 Table 5.14). This means the inclusion of the INVOLV → STRAPER reduces the variance explained by the model. Based on these negative effects, the researcher decides to cancel the inclusion of this path into the model, eventhough its inclusion is plausible, and improves the goodness of fit of the model.

The cancellation above makes the researcher consider the next maximum modification index, that is MAKSTRA → STRAPER, representing the path from "credibility of marketing strategy" to "strategic performance". From theoretical perspective, the relationship between these two parameters is reasonable as a credible marketing strategy can enhance the achievement of the strategic performance. Given the meaningfulness of this path, the model is reestimated by adding the MAKSTRA → STRAPER path into the model. Column 4 of Tables 5.12, 5.13, and 5.14 describes the results of this second respecified model.

This second model improves the goodness of fit of the initial model. Although it is not as good as the first one, the difference between the two is so small, especially in terms of their goodness of fit. The χ^2 value of the respecified model is 72.03 with Normed χ^2 value of 1.57. Its RMSEA is 0.051. The values of its GFI, AGFI, and CFI are the same as their corresponding values of the first respecified model: 0.98, 0.96,

and 0.96. Finally, its ECVI is 0.74. It is much lower than the ECVI for the saturated model, which is 0.83. These statistical values indicate that the new model is a good fit model and has the potential for replication.

Moreover, Table 5.13 column 4 demonstrates that the MAKSTRA → STRAPER is statistically significant at α level of 0.001 as indicated by its *t*-value of 5.15. The addition of this path into the model, however, influences some of the existing parameters. As the first respecified model, this second model significantly affects the relationship between "evaluation and control" and "strategic performance". It reduces the *t*-value of the EVCON → STRAPER to be 3.77. It also makes the influence of ANCOM on AUTO and the influence of TCHANG on MAKSTRA to be insignificant at 5 % level of α. The *t* values of the ANCOM → AUTO and the TCHANG → MAKSTRA are 1.42 and 1.89 respectively. Similarly, in the second model, the R^2 of the structural equation for "strategic performance" decreases from 0.47 to 0.43 (see Table 5.14 column 4), indicating that the inclusion of this path into the structural equation does not increase the explained variance of the equation. Considering the negative effects on the existing parameters, the researcher cancels the addition of MAKSTRA → STRAPER into the structural model.

By employing a similar process, the researcher evaluates the inclusion of the rest of possible paths into the structural model. For example, CULT → STRAPER path is included in the third respecified model, MCOMP → STRAPER is added in the fourth respecified model, and so on. The results of these model respecifications can be seen at column 5 to 10 of Tables 5.12, 5.13, and 5.14. The results demonstrate that all of the respecified models (the third to the eighth models) increase the goodness of

fit of the initial model (see column 5 to 10 of Table 5.12). While the third to seventh models have significant negative effects on the existing parameters, the eighth model does not have any significant negative effects on the existing parameters. In this case, the third to seventh models have at least a negative effect on the ANCOM → AUTO path. For example, the inclusion of TMS → STRAPER in the sixth respecified model, although the model increases the R^2 value of the structural equation for "strategic performance" from 0.47 to 0.49 (see column 8 of Table 5.14), it affects the ANCOM → AUTO path to be insignificant at 5 % level of α (see column 8 of Table 5.13). The addition of CULT → COMMI path into the model (the seventh model) is even worse. As indicated in column 9 Table 5.13, it makes both the ANCOM → AUTO and the INVOLV → COMMI paths become statistically insignificant, and lessens the R^2 value of the structural equation for "marketing manager's commitment" from 0.46 to 0.41 (see column 9 of Table 5.14). On the other hand, the inclusion of the MCOMP → INVOLV path into the model (the eighth model) does not have any significant negative effect on any primary or existing paths since most of them are still significant at the same level of α. It even makes the TMS → COMMI path become significant at 10% α level, and increases the R^2 value of the structural equation for "marketing manager's involvement" from 0.74 to 0.79 (see column 10 of Table 5.13. and Table 5.14). This demonstrates that the inclusion of this path into the structural equation raises the variance explained of the equation.

Based on the above considerations, the researcher concludes that the inclusion of the MCOMP → INVOLV into the model is appropriate. Next, the researcher reviews the MIs for Beta and Gamma of the eighth respecified model exhibited in the Tables 5.15.a, 5.15.b, 5.16.a and the 5.16.b below.

Table 5.15.a. The Modification Indices for BETA of the Respecified Model

	FINPER	STRAPER	EVCON	MAKSTRA	COMMI	AUTO	INVOLV
FINPER	- -	2.02	- -	0.03	5.32	0.85	3.33
STRAPER	2.02	- -	- -	10.11	3.20	**5.55**	6.44
EVCON	0.55	17.76	- -	- -	- -	- -	0.12
MAKSTRA	1.04	5.43	2.46	- -	0.08	0.31	- -
COMMI	1.91	0.59	2.40	3.34	- -	3.59	- -
AUTO	0.33	0.16	0.04	0.82	0.82	- -	0.06
INVOLV	7.63	0.16	0.23	0.12	13.68	0.58	- -

Table 5.15.b. The Expected Change for BETA of the Respecified Model

	FINPER	STRAPER	EVCON	MAKSTRA	COMMI	AUTO	INVOLV
FINPER	- -	-0.15	- -	0.02	-0.16	-0.07	-0.17
STRAPER	-0.14	- -	- -	0.45	0.16	**0.24**	0.31
EVCON	0.10	-0.79	- -	- -	- -	- -	0.06
MAKSTRA	-0.08	-0.18	-0.21	- -	-0.03	0.04	- -
COMMI	-0.12	0.08	0.26	0.27	- -	0.19	- -
AUTO	-0.05	0.04	0.03	0.11	0.08	- -	-0.06
INVOLV	-0.19	0.03	-0.05	0.05	-0.56	0.08	- -

Table 5.16.a. The Modification Indices for GAMMA of the Respecified Model

	ANTECCOM	CULT	TMS	MATT	TCHANG	MCOMP
FINPER	0.71	0.84	0.18	0.67	0.01	3.16
STRAPER	0.72	9.71	7.44	1.23	0.34	4.50
EVCON	0.24	0.36	0.09	0.07	0.18	0.20
MAKSTRA	0.27	0.01	- -	- -	- -	- -
COMMI	0.17	6.59	- -	3.71	0.06	2.21
AUTO	- -	- -	0.15	0.15	0.04	2.00
INVOLV	- -	- -	0.72	2.09	0.01	- -

Table 5.16.b. The Expected Change for GAMMA of the Respecified Model

	ANTECCOM	CULT	TMS	MATT	TCHANG	MCOMP
FINPER	0.08	-0.09	0.03	0.06	-0.01	-0.11
STRAPER	0.07	0.35	0.22	0.09	-0.05	-0.15
EVCON	0.04	0.08	0.02	0.02	-0.03	-0.03
MAKSTRA	0.05	-0.01	- -	- -	- -	- -
COMMI	0.05	0.50	- -	0.16	-0.02	-0.12
AUTO	- -	- -	0.03	-0.03	-0.01	-0.10
INVOLV	- -	- -	-0.06	0.10	0.01	- -

Table 5.15.a and Table 5.16.a indicate that there are eleven paths having MIs values greater than 3.84. However, except AUTO → STRAPER path, the other ten paths have already been considered in the previous discussion that their inclusion into the structural model are not feasible due to their theoretical meaningless or their negative

effects on the existing or primary parameters. AUTO → STRAPER path represents the influence of "marketing managers' autonomy" on "strategic performance". Its MI value is 5.55 with the expected change of 0.24. This relationship makes sense in terms of its theoretical point of view since the greater managers' autonomy may increase the achievement of the strategic performance. Therefore, the inclusion of this path into the structural model is plausible. The results demonstrate that this respecified model increases the goodness of fit of the structural model. χ^2 value decreases significantly from 80.71 to 70.58. Normed χ^2, RMSEA, and ECVI values also decrease to 1.57, 0.051, and 0.75 respectively. Meanwhile, the CFI increases to 0.97. GFI and AGFI are the only statistical tests remain unchanged. However, the respecified model shrinks the *t* value of AUTO → EVCON from 3.10 to 1.85 indicating that the path is not statistically significant at all. R2 of the structural equation for "strategic performance" remains unchanged at 0.45 meaning that the inclusion of this path into the structural equation does not improve the variance explained by the equation. These facts make the researcher withdraw the inclusion of AUTO → EVCON path into the structural equation model. Considering that there is no more MI value greater than 3.84, the researcher stops respecifying the structural model, and concludes that the eighth respecified model as the final model of this study. In this final model, only one additional path is included in the hypothesized model that is MCOMP → INVOLV.

5. 4. 4. Conclusion

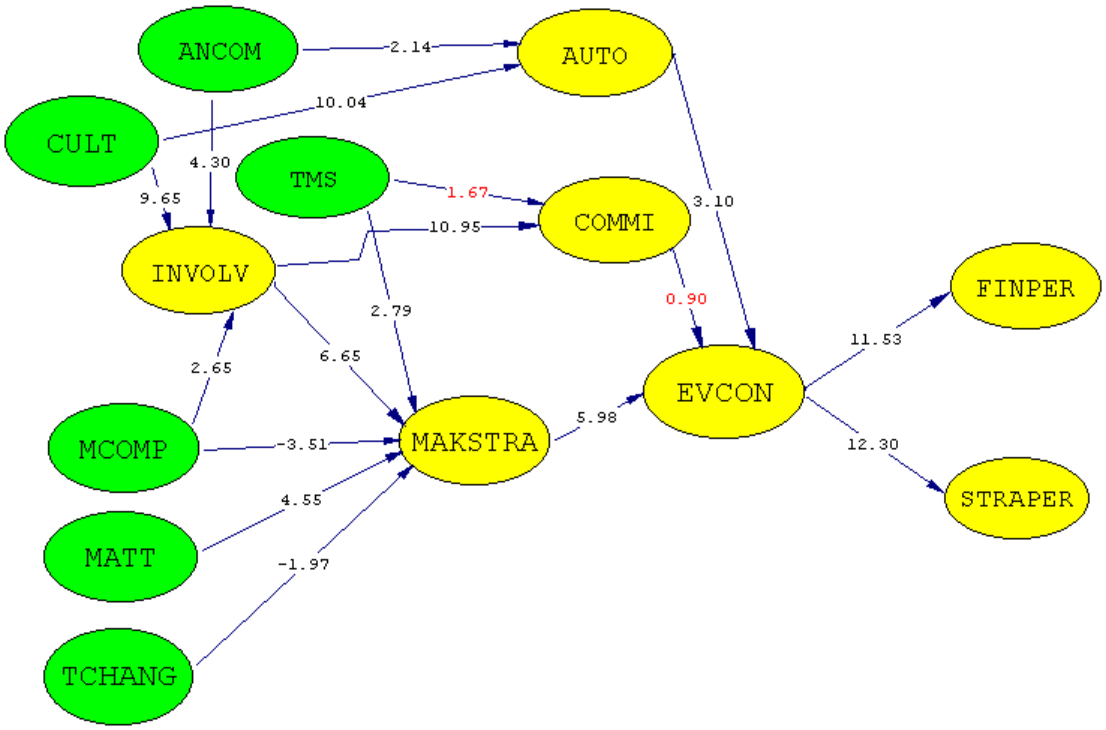
The final structural model is achieved after one respecification. The only respecification made is the inclusion of a path flowing from "market competition" to "marketing managers' involvement". This final structural model is presented in Figure 5.1 below. The statistical values of the final structural model indicate that the model fits well in representing the data. Even χ^2 value of 80.71 is significant in this model, it does not mean it is a bad model because its Normed χ^2 value is 1.75, representing a good fit model. This evidence is further strengthened by the value of RMSEA, which is 0.059 and the values of GFI, AGFI, and CFI, which are 0.98, 0.96, and 0.96 correspondingly. On the other hand, its ECVI value is 0.78, which is lower than ECVI value for the saturated model (0.83). This indicates the potential for replication across similar sample sizes in the same population.

In addition to the above statistical tests, the extent to which the model explains the variance of its key constructs is another important test in evaluating the performance of any structural equation model. This assessment relates to the squared multiple correlations (R^2) for the dependent constructs of the structural equation model. As presented in Table 5.14 column 10, the R^2 values of the final model range from 0.40 to 0.79 indicating that the model is reasonably flourishing in accounting the variance of its key constructs.

Finally, it should be noted that a good fit model does not necessarily have all of the individual paths between constructs to be statistically significant. To evaluate the

individual paths of the final structural model, which relate to the hypotheses of the current study, the coefficients of those paths are examined in the next section.

Figure 5. 1. The Final Structural Model (Construct Relationships and *t* values only)



5. 5. The Evaluation of Hypotheses

Having established the final structural equation model, it is possible for the researcher to evaluate the hypotheses developed for this study. The supports of these hypotheses can be assessed by closely examining the path coefficients amongst the constructs of the final model. The following Table 5.17 summarizes the results of the hypotheses testing.

Table 5. 17. Summary of Hypotheses Testing

Hypothesis	Hypothesized Effect	β or γ (*t*-value/α level)	
H1: The higher technological change of industry is, the lower credibility of the formulated marketing strategy will be.	-	- 0.13 (- 1.97/ < 0.05)	Supported
H2: The higher market attractiveness is, the higher credibility of the formulated marketing strategy will be	+	0.31 (4.55/ < 0.001)	Supported
H3: The higher market competition is, the lower credibility of the formulated marketing strategy will be.	-	- 0.29 (- 3.51/ <0.001)	Supported
H4.a: The higher innovative culture is, the higher involvement of marketing managers in the process of marketing strategy making will be	+	0.73 (9.65/ < 0.001)	Supported
H4.b: The higher innovative culture is, the higher autonomy of marketing managers in strategic decision-making will be	+	0.66 (10.04/ < 0.001)	Supported
H5.a: The higher top management support is, the higher credibility of the formulated marketing strategy will be	+	0.18 (2.79/ < 0.01)	Supported
H5.b: The higher top management support is, the higher commitment of marketing managers to the formulated marketing strategy will be	+	0.11 (1.67/ < 0.10)	Not Supported
H6.a: The higher analytical competence of marketing managers is, the higher their involvement in the process of marketing strategy formulation will be	+	0.18 (2.14/ < 0.05)	Supported
H6.b: The higher analytical competence of marketing managers is, the higher their autonomy in strategic decision-making will be	+	0.33 (4.30/ < 0.001)	Supported

Table 5. 17. Continued

Hypothesis	Hypothesized Effect	β or γ (*t*-value/α level)	
H7.a: The higher involvement of marketing managers in the process of marketing strategy formulation is, the higher credibility of the formulated marketing strategy will be	+	0.49 (6.65/ < 0.001)	Supported
H7.b: The higher involvement of marketing managers in the process of marketing strategy formulation is, the higher commitment of managers to the formulated strategy will be	+	0.72 (10.95/ < 0.001)	Supported
H8: The higher credible marketing strategy is, the higher effectiveness of its evaluation and control will be	+	0.52 (5.98/ < 0.001)	Supported
H9: The higher autonomy of marketing managers is, the higher effectiveness of the evaluation and control of the strategy will be	+	0.23 (3.10/ < 0.01)	Supported
H10: The higher commitment of marketing managers to the formulated marketing strategy is, the higher effectiveness of the evaluation and control of the strategy implementation will be	+	0.08 (0.90/ > 0.20)	Not Supported
H11.a: The higher the effectiveness of evaluation and control of the formulated marketing strategy is, the higher achievement of financial performance will be	+	0.65 (11.53/ < 0.001)	Supported
H11.b: The higher the effectiveness of evaluation and control of the formulated marketing strategy is, the higher achievement of strategic performance will be	+	0.70 (12.30/ < 0.001)	Supported
Additional Finding: H12: The higher market competition is, the higher involvement of marketing managers in the process of marketing strategy formulation will be	+	0.17 (2.65/ < 0.01)	Supported

5. 5. 1. The External Business Environment

This study considers that the external business environments such as "technological change" of the industry, "market attractiveness", and "market competition" influence the "credibility of the formulated marketing strategy". It is hypothesized in H_1 that "technological change" negatively affects "credibility of the formulated strategy". The final model generates the standardized structural path coefficient (γ) of – 0.13 with *t*-value of – 1.97 ($p < .05$), indicating a significant relationship. Therefore, H_1 is supported. Another relationship supported by the model is between "market attractiveness" and "credibility of the formulated marketing strategy" (H_2). The support for this hypothesis is much stronger ($\gamma = 0.31$, $t = 4.55$, $p < .001$). A similar strong support ($\gamma = - 0.39$, $t = - 3.51$, $p < .001$) is also attributable to the negative influence of "market competition" on "credibility of the strategy" (H_3). Finally, an additional relationship is found during the structural model analyses, revealing that "market competition" positively and significantly affects "marketing manager's involvement" in the strategy making ($\gamma = 0.17$, $t = 2.65$, $p < .01$).

5. 5. 2. The Process of the Marketing Strategy Formulation

The processes of the marketing strategy formulation, such as the "innovative culture", "top management support", "analytical competence" of marketing manager and "marketing manager's involvement", are expected to positively affect "credibility of the formulated marketing strategy" and its implementation processes. H_{4a} posits that the presence of "innovative culture" encourages "marketing

manager's involvement" in the strategy making processes. This hypothesis is strongly supported since the standardized coefficient of this path (γ) is 0.73 with t = 9.65 ($p < .001$). The result also shows that "innovative culture" strongly promotes "marketing manager's autonomy" (H_{4b}). This relationship is significant at .001 level of α, with $\gamma = 0.66$ and $t = 10.04$.

The study also proposes that "top management support" improves "credibility of marketing strategy" (H_{5a}), and generates "marketing manager's commitment" to the formulated strategy (H_{5b}). Mixed results are found for these hypotheses. While the influence of "top management support" on "credibility of marketing strategy" is statistically supported ($\gamma = 0.18$, $t = 2.79$, $p < .01$), its influence on "manager's commitment" is not statistically significant at 5 % level of α ($\gamma = 0.11$, $t = 1.67$, $p < .10$).

Similar to "innovative culture", the study posits that "analytical competence" of marketing manager increases "marketing manager's involvement" in the strategy making (H_{6a}) and "marketing manager's autonomy" (H_{6b}). The results support these hypotheses at different levels of significances. Whereas the influence of "analytical competence" on "marketing manager's involvement" is significant at 5 % level of α ($\gamma = 0.18$, $t = 2.14$), its influence on "marketing manager's autonomy" is significant at 0.1 % level of α ($\gamma = 0.33$, $t = 4.30$)

Finally, the study hypothesizes that "marketing manager's involvement" in the strategy making enhances "credibility of marketing strategy" (H_{7a}) and creates his or her "commitment" to the strategy (H_{7b}). These hypotheses are strongly supported

both at 0.1 % significant level. The path coefficient estimates and the *t*-values of these relationships are 0.49 and 6.65 for H_{7a}, and 0.72 and 10.95 for H_{7b}.

5. 5. 3. The Marketing Strategy

It is expected that the formulated marketing strategy is credible if it is realistic, accurate, specified, consistent, complete, and valid. In this case, the study proposes that "credible of marketing strategy" enhances "effectiveness of the evaluation and control" conducted by the marketing manager (H_8). The result strongly supports this hypothesis, with the standardized structural path coefficient of 0.52 and *t*-value of 5.98 ($p = < 0.001$).

5. 5. 4. The Processes of the Marketing Strategy Implementation

Mixed results are found in the hypotheses relating to the marketing strategy implementation processes. H_9 proposes that "marketing manager's autonomy" improves "effectiveness of the evaluation and control". This relationship is significantly supported at 1 % level of α with the standardized path coefficient of 0.23, and *t*-value of 3.10. On the contrary, the influence of "marketing manager's commitment" on "effectiveness of the evaluation and control" (H_{10}) is not supported ($\beta = 0.08$, $t = 0.90$, $p > .20$). Eventhough it is not statistically significant, the researcher believes that this relationship exists, as its positive direction of the relationship reflects the initial expectation of the study.

Finally, the study proposes that "effectiveness of the evaluation and control", which represents the heart of the strategy implementation, increases the achievement of "financial performance" (H_{11a}) and "strategic performance" (H_{11b}). The results strongly support these two hypotheses, both at 1 % significant level. The standardized βs and the *t*-values of these paths are .65 and 11.53 for H_{11a}, and 0.70 and 12.30 for H_{11b}.

5. 6. Conclusion

This chapter describes the evaluation of the measurement and structural equation models. In the analyses of the measurement models, nineteen of sixty-five observed variables initially developed in the current study were excluded for further analysis, due to their large missing values and the low value of their R^2. Therefore, only forty-six variables are included in the rest of the analysis. These forty-six observed variables represent thirteen latent constructs and are reliable and accurate in measuring their underlying constructs.

Having an acceptable measurement model, the analysis of the structural equation model is conducted to test the structural relationships between constructs. The final structural model is achieved after once respecification of the model. The only model respecification made is the inclusion of a path flowing from the "market competition" to the "marketing manager's involvement" into the hypothesized model. The statistical values of the final structural model indicate that the model fits well in representing the data and has the potential for replication across similar sample sizes in the same population.

Finally, the hypotheses developed in the study are tested by examining the individual path coefficients in the final structural model. From the seventeen hypotheses, ten of them are significant at 0.1 % significant level, including the additional path found from the analyses. Two hypotheses are not statistically significant and the rest are statistically significant at α level of 1 % and 5 %.

CHAPTER VI

DISCUSSION AND CONCLUSION

6. 1. Introduction

This study explores the marketing strategy – performance relationship and its supporting factors. The study draws the concepts from the contingency theory to enable the researcher to examine the multivariate nature of the relationship among marketing strategy and performance. The use of the concepts from the contingency theory allows the researcher to utilize an integrative approach instead of content or process approaches currently employed in marketing strategy research.

Based on an extensive literature review, sixteen hypotheses with regard to the marketing strategy – performance relationships were developed. The results of the analyses of these hypotheses are discussed in detail in this chapter. The next section describes the theoretical contributions and managerial implications of the study. The chapter then presents the limitations of the study and guidelines for future research.

6. 2. Discussion

In this section, the results of the analyses are discussed in more depth. Possible explanations and implications are considered. The discussion is grouped based on the hypotheses related to the external business environment, process of marketing

strategy formulation, formulated marketing strategy, and the process of marketing strategy implementation. As noted in Chapter V, while two hypotheses are not supported, the other fourteen are supported. In addition, the study found the existence of a significant link between "market competition" and "marketing manager's involvement" in the strategy making.

6. 2. 1. Hypotheses related to the External Business Environment

The current study has found that all of external environment factors namely "market attractiveness", "market competition", and "technological change", considered in the study influence "credibility of the formulated marketing strategy" as hypothesized at varied levels of significance. While the influences of "market attractiveness" and "market competition" on "credibility of marketing strategy" were found to be significant at 0.1 % level, the influence of "technological change" on the strategy was found to be significant at 5 % level. A discussion on these influences is detailed below.

A significant finding in relation to the influence of the external business environment is that "market attractiveness" positively affects "credibility of the marketing strategy" ($\gamma = 0.31$, $t = 4.55$, $p < .001$). This shows that an attractive market provides marketing managers with enough information and enables them to create an accurate, realistic, complete, and valid marketing strategy. This finding is consistent with the findings of the studies by Buzzel and Gale (1987) and Chandler and Hanks (1994), in which the increase in market attractiveness will enlarge the environmental

munificent and at the same time will reduce the uncertainty faced by the marketing managers.

The study has also found that "market competition" negatively influences "credibility of marketing strategy" (γ = - 0.29, t = - 3.51, p < .001). This indicates that in an intense market competition situation, marketing managers face difficulties in establishing a credible marketing strategy. This result supports Dess and Beard's (1984) finding that the increase in market competition will intensify the complexity and dynamism of the environment and hence rise the uncertainty faced by marketing managers.

The study has also shown that the intensity of "market competition" has a positive effect on "marketing manager's involvement" in the strategy making (γ = 0.17, t = 2.65, p < .01). From this, it is clear that organizations operating in an intense competitive condition require considerable involvement by marketing managers in developing marketing strategy. This finding conforms with the findings of Barlett and Ghosal (1994, 1995) and Ghosal and Barlett (1995) revealing that in the fast changing environment, the CEO of large companies cannot cope with environmental changes without involving middle or frontline managers. Barlett and Ghosal (1994) have also indicated that frontline managers should be involved in strategic decision making because they are the key figures in an organization and know exactly what is going on in the market. Therefore, in complex and dynamic environments marketing managers have a pivotal role in the strategy development.

Similar to “market competition”, “technological change” was found to have negative effect on “credibility of the formulated strategy” (γ = - 0.13, t = - 197, $p < .05$), indicating that the formulation of a credible marketing strategy is a major challenge for marketing managers due to increased uncertainties. This finding supports Cavusgil and Zou (1994) who found that “technological change” influences all elements of marketing strategy. However, the influence of “technological change” on the marketing strategy in the current study is weaker compared with Cavusgil and Zou’s (1994) finding. One explanation for this relative weak influence of “technological change” is that most of the sample companies of the study can be classified as technological followers rather than technological innovators, a tendency commonly found in newly industrialized countries such as Indonesia. Consequently, the impact of the technological change is not so strong as its impact on those companies operating in industrialized countries, where most of them have taken the position of technological innovators.

In conclusion, the results of the study confirm the notion of the influence of the external business environments on the actions of organizations (Burn and Stalker, 1961; and White and Hamermesh, 1981), because organizations are embedded to the environments (Varadarajan and Jayachandran (1999) and determine the credibility of the content of the strategy.

6. 2. 2. Hypotheses Related to the Process of Marketing Strategy Formulation.

As hypothesized in the study, the presence of "innovative culture" in the organization increases significantly "marketing manager's involvement" in the strategy making (H_{4a}: $\gamma = 0.73$; $t = 9.65$; $p < 0.001$), and "marketing manager's autonomy" (H_{4b}: $\gamma = 0.66$; $t = 10.04$; $p < 0.001$). The high values of γs and ts indicate that "innovative culture" strongly and positively determines the extent of "marketing managers' involvement" in the strategy making and "marketing manager's autonomy".

The above findings are consistent with the findings of Leppard and McDonald (1991) suggesting that an innovative culture is a prerequisite to the implementation of strategic marketing planning. This culture promotes inventiveness, openness to new ideas, and quick response decision-making (Menon et al., 1999). It facilitates top management to flexibly adapt to the environmental changes, because this culture encourages middle managers such as marketing managers to get involved in a strategic decision-making.

Consistent with the findings of previous studies (Barlett and Ghosal, 1994, 1995; and Ghosal and Barlett, 1995), managers' involvement can assist top management to cover their limitation in identifying the detail of the environmental changes. At the same time, as the boundary spanners, marketing managers can provide the top management with current strategic issues (Denison and Mishra, 1995; Dutton et al., 1997; and Nonaka, 1988). The study also strengthens the belief that the marketing

managers' autonomy can support the top management so that they can be more responsive to continuous changes of operational activities and that delegations of authority and responsibilities allow the marketing manager to fix the operational problems at his or her own level (Barlett and Ghoshal, 1995; and Zammuto and O'Connor, 1992).

The finding of the current study also indicates that "top management support" enhances "credibility of the marketing strategy" (H_{5a}: $\gamma = 0.18$; $t = 2.79$; $p < 0.01$). This finding confirms the assumption that "top management support" represents managerial and resource commitments (Beamish et al., 1989; and Cavusgil and Zou, 1994), and the willingness of top management to provide a clear guidance by discussing the strategic key issues (Piercy and Morgan, 1990). In this regard, the "top management support" may also eliminate interdepartmental conflicts (Morgan and Piercy, 1998) and that the presence of "top management support" increases the credibility of the marketing strategy (John and Martin, 1984; and Piercy and Morgan, 1994).

It is interesting to note that "top management support" was found to have no significant influences on "marketing manager's commitment" (H_{5b}: $\gamma = 0.11$; $t = 1.67$; $p < 0.10$). This finding is not consistent with the findings of Floyd and Wooldridge (1992b), and Noble and Mokwa (1999) who found that "top management support" could generate a commitment of marketing manager to the formulated strategy. The absence of significant relationship among "top management support" and "marketing manager's commitment" as found in this study could be attributed to the alleged (as found through informal discussion with the

managers) "unfair" practices of top management who most often are the owners of the company. Without prior notice and clear reasons, very often the top management deviate from the agreed strategic decisions and take arbitrary decision to their own interests. Such arbitrary decisions upset middle managers, leading to a decline in their commitment to the implementation of the decisions.

The results show that "analytical competence" of the managers enhances "manager's involvement" in the strategy formulation (H_{6a}: $\gamma = 0.18$; $t = 2.14$; $p > 0.05$). This shows that the analytical capability is a requirement for marketing managers to be able to involve effectively in the strategy making. This finding is consistent with Chan and Dandurand (1998) who stated that as marketing tools, the analytical techniques can help marketing managers to communicate with their superior or other functional managers, to investigate their business environments, and to make strategic and tactical decisions. As pointed out by Piercy and Morgan (1994), this capability can reduce any inclination of the managers to use unstructured judgmental processes or an irrational economic approach that may be inconsistent with profit maximization. By using appropriate analytical techniques, the managers can identify the emerging problems and opportunities in their business environment (Hutt et al. 1988), and frame them as strategic issues to direct top management attention (Dutton and Ashford, 1993).

"Analytical competence" was also found to positively affect "marketing manager's autonomy" (H_{6a}: $\gamma = 0.33$; $t = 4.30$; $p > 0.001$), indicating that the more competence the managers have, the more autonomy they will get. This finding is congruent with the study of Barlett and Ghoshal (1995) revealing that top management in large and

successful companies gradually give more autonomy to their middle managers, when the managers demonstrate better and appropriate competence in implementing their tasks.

The study also found that "involvement of marketing manager" in strategy making significantly enhances "credibility of the formulated marketing strategy" (H_{7a}: β = 0.49; t = 6.65; and $p < 0.001$). This finding supports the results of several earlier studies, suggesting that involving the marketing manager in the strategy making enables the manager to be aware of the organizational strategic priorities that can stimulate cross functional integration (Floyd and Wooldridge, 1992b; Morgan et al., 2000), to raise strategic issues (Dutton et al., 1997; and Hutt et al., 1988), to sharpen or even to change the formulated strategy (Nonaka, 1988), and to make the strategy fully integrated into daily actions (Tregoe and Tobia, 1990).

The study strongly supports that "marketing manager's involvement" in the strategy making generates "manager's commitment" to the strategy (H_{7b}: β = 0.72; t = 10.95; and $p < 0.001$). This finding is in agreement with the finding of Wooldridge and Floyd (1990), revealing that involving the managers in the strategy making provides them clear strategic guidance and comprehensive understanding of the formulated strategy and organization's objective, which in turn creates their commitment to the strategy.

In conclusion, this study strengthens the existing belief that the process of marketing strategy formulation is not merely a matter of applying sophisticated technical analysis and writing a formal plan (Piercy and Morgan, 1990). The process involves

several dimensions, which include organizational, behavioral, and analytical skill dimensions.

6. 3. 3. Hypothesis Related to the Credibility of Marketing Strategy

The current study posits that the "credibility of marketing strategy" improves the "effectiveness of the strategy evaluation and control" conducted by marketing managers. The result of the study strongly supports this hypothesis (H_8: β =0.52; t = 5.98 / < 0.001). As indicated by John and Martin (1984), a credible marketing strategy is realistic, accurate, specified, consistent, complete, and valid. Such credible marketing strategy is implementable, because it provides a clear guidance to those involved in the implementation, monitoring and control in performing the task (Bonoma, 1984; and Giles, 1991).

As discussed in the earlier sections, the credibility of the formulated marketing strategy is influenced by external business environment and its formulation processes. Although, the technological changes and market competition have significant negative effect on the credibility of the formulated strategy, the market attractiveness, top management support, and the involvement of marketing manager have significantly positive influence on it. Managerial and resource commitment from the top management enables marketing managers to access any information needed (Beamish et al., 1989; and Cavusgil and Zou, 1994). At the same time, the managers' involvement in conjunction with their analytical capabilities enables them to detect and judge the inclusion of current and potential strategic issues into the

formulated strategy (Dutton and Ashford, 1993; and Hutt et al., 1988). Such strategy formulation processes eliminate the negative effects of "market competition" and "technological change" and hence make it possible for the managers to generate a credible marketing strategy.

6. 2. 4. Hypotheses Related to the Process of Marketing Strategy Implementation

As discussed in Section 6.2.2, the presence of an innovative culture and analytical technique competence of marketing managers leads to a greater autonomy of the managers in implementing their tasks. This study hypothesizes that this managers' autonomy may facilitate them in conducting the evaluation and control of the strategy. The result of the analysis provides a positive support to this hypothesis (β = 0.23; t = 3.10; $p < .01$). This is in agreement with the finding of Barlett and Ghoshal (1995), revealing that authority delegation enables marketing managers to speed up decision-making. In a steadily changing environment, manager's autonomy combined with adequate analytical capabilities makes it possible for the manager to provide quick responses to any environmental changes (Carpenter and Golden, 1997; and Feurer and Chaharbaghi, 1995a).

The study found that "marketing manager's commitment" has no influence on "effectiveness of the evaluation and control" (β = 0.08; t = 0.90; $p > .20$). This finding is contrary to the belief that the commitment of the managers to the formulated strategy facilitates the success of the strategy implementation (Priem et

al., 1995; and Rapert et al., 1996). A possible explanation for the lack of influence as found in this study is the "unfair" practices of top management discussed earlier. It appears that such "unfair" practices not only weaken the influence of the top management support on the marketing manager's commitment, but also impairs the effect of the manager's commitment on the evaluation and control. Nevertheless, the positive signs of β and *t*-value indicate that "this inappropriate behavior" of top management does not affect marketing manager to sabotage the formulated strategy as pointed out by Guth and MacMilan (1986). The marketing manager's commitment still positively affects the evaluation and control, even if its influence is not statistically significant.

The study shows that "effectiveness of the strategy evaluation and control" strongly and positively affects both the financial and strategic performances. The results show that "effectiveness of the evaluation and control" performed by marketing manager enhances the achievement of both "financial performance" ($\beta = 0.65$; $t = 11.53$; $p < 0.001$) and "strategic performance" ($\beta = 0.70$; $t = 12.30$; $p < 0.001$). The βs and *t*-values represent a strong effect of the effectiveness of the evaluation and control on financial and strategic performance of an organization.

These results support the previous research findings related to the important role of the evaluation and control in fitting the strategy to its internal and external environments to achieve the desired performance (Feurer and Chaharbaghi, 1995b; Sashittal and Tankersley, 1997; and Sashittal and Jassawala, 2001). It is the culmination or "outcome" of the marketing manager's involvement in the strategy

making. As previously mentioned that through this involvement, the marketing manager can fully understand the strategic priorities of the organization and the assumptions made in the formulated strategy; and hence make him or her easier to carry out the evaluation and control of the strategy in maintaining its fit to the internal and external business environments. Moreover, in combination with enough autonomy and his or her position as the boundary spanner, the marketing manager can continuously monitor the key assumptions of the formulated strategy, and easily adjust it to any environmental changes (Tadepalli, 1992).

In conclusion, this study supports the notion of the integration of strategy formulation and implementation and that separating the marketing strategy implementation from its formulation process generates many problems (Cespedes and Piercy, 1996). This dichotomy may adversely affect the commitment of marketing managers to the strategy because they do not fully understand it or do not have any sense of belonging to it (Piercy, 1992; Dooley et al., 2000). Likewise, the dichotomy could not bring the implementation to the intended results, due to the inconsistent ways of the strategy implementation with the strategy formulation (Heyer and Lee, 1992) and inability of the marketing manager to adjust the strategy to fast-changing conditions, especially in a highly dynamic environment (Feurer and Chaharbaghi, 1995a). In implementing a strategy, the operational managers have to find the right balance between direction and creativity (Feurer, Chaharbaghi, and Wargin, 1995; Piest and Ritsema, 1993). The managers, in this regard, need certain autonomy to interpret the formulated strategy correctly and to make any revision to adapt to environmental changes, because consumer needs and market dynamics change continually (Sashittal and Tankersley 1997).

6. 3. Contributions of the Study

The objectives of the present study are to explore the marketing strategy – performance relationship and to identify the effects of the external business environments, and the process of marketing strategy formulation and implementation on the relationship. Against these objectives, the findings of the study have led to several contributions in the area of marketing strategy implementation. In addition to the specific findings discussed in the previous section, the study provides some broader theoretical and managerial contributions. The following sections discuss these contributions respectively.

6. 3. 1. Theoretical Contributions

The current study provides the following contributions to the marketing strategy research. Firstly, it offers rare empirical evidence since it uses an integrative approach in exploring the marketing strategy – performance relationship. This approach eliminates the weaknesses of the existing approaches: content and process. It enables us to investigate simultaneously the influence of the external business environments and the process of marketing strategy formulation on the quality of the content of the formulated strategy. At the same time it allows us to further explore

the process of marketing strategy implementation, which has not adequately been addressed in the marketing strategy literature, in achieving the desired performance.

Secondly, the study utilizes structural equation modeling in the analyses. This statistical technique overcomes many problems resulting from conventional statistical techniques such as multiple and multivariate regressions, path analysis, and factor analysis. The technique enables the researcher to analyze the causal relationship amongst constructs simultaneously. It also provides the reliability and validity tests for each observed variable in representing their underlying constructs. Based on the reliability and validity tests, seventeen of the observed variables from among the total of sixty-five variables initially considered for the study, were excluded from the analysis, two variables were also excluded due to their large missing values, while the remaining forty-six variables were used for further analyses. These forty-six variables included for the analyses represent thirteen constructs. From the thirteen constructs a total of seventeen causal relationships were emerged for testing. Fifteen of these causal relationships including one additional path suggested by the statistical program were found to be strongly significant, and the other two were found to be not significant.

Thirdly, the study further strengthens the notion that the presence of innovative culture is a prerequisite for implementing strategic marketing planning. Consistent with Barlett and Ghoshal (1995), Denison and Mishra (1995), and Zammuto and O'Connor (1992), the study reveals that the innovative culture significantly promotes the involvement of marketing manager in strategy making and the delegation of

authority and responsibility to marketing manager. This makes an organization become responsive to any environmental changes.

Fourthly, it highlights the important role of marketing managers in both marketing strategy formulation and implementation processes. These empirical findings further reinforce the belief of inappropriateness of separating the implementation from the formulation processes (Bonoma, 1984; Cespedes and Piercy, 1996; and Heyer and Lee, 1992). Marketing managers' involvement in the strategy formulation primarily contributes to the enhancement of the credibility of the formulated strategy. Supporting the findings of Dutton et al. (1997), Floyd and Wooldridge (1992b), Hutt et al. (1988), Morgan et al. (2000), Nonaka (1988), and Tregoe and Tobia (1990), the present study indicates that involving marketing managers in the strategy making enables them to provide the strategy formulation with accurate, current, and complete data, and valid assumptions so that the formulated marketing strategy becomes realistic, specified in sufficient detail, and consistent with other organizational and functional objectives. Likewise, the involvement of marketing managers in the strategy making creates their commitment to the formulated strategy.

In addition, marketing managers also have a pivotal role in implementing the formulated strategy to realize the desired performance. In agreement with the studies of Feurer and Chaharbaghi (1995b), Sashittal and Tankersley (1997), and Sashittal and Jassawala, (2001), the study reveals that the evaluation and control performed by marketing managers to fit the strategy to its environment strongly determines the achievement of both financial and strategic performances. The comprehensive understandings of the managers on the formulated strategy and its assumptions

facilitate them to monitor key environmental factors. This in turn assists them to maintain the fit of the strategy to its internal and external environments.

Finally, the current study has used Indonesian companies as its sample. It provides new additional evidence in relation to the implementation of marketing strategy in newly industrialized countries such as Indonesia since almost all of the existing studies were conducted in industrialized countries such as USA, Australia, and European countries. The study shows that certain aspects in the process of marketing strategy formulation and implementation in the context of Indonesia slightly differ from those of findings of the studies conducted in industrialized countries. This could be as a result of the different business environments faced by marketing managers in newly industrialized countries compared to countries, which have long been industrialized. For instance, the insignificant influence of top management support on the commitment of marketing manager as found in this study could possibly be attributed to a lower level of professionalism and entrepreneurship of the top management. Nevertheless, in general the current study supports most of the existing findings, indicating the possibility of their generalizations.

6. 3. 2. Managerial Implications

This study provides some insights for top management and marketing managers interested in improving the success of implementing marketing strategy. Firstly, it is important that top management recognizes that implementing marketing strategy requires an innovative culture. Supporting previous findings (Leppard and McDonald, 1991; and , Menon et al., 1999), the current study found that innovative

culture encourages the involvement of marketing managers in strategy making and authority delegation to the managers, and that enables the organizations to be flexible and responsive to environmental changes. To implement strategic marketing planning successfully, top management should, therefore, create organizational atmosphere, which promotes openness, innovativeness, and responsiveness. This can be done through empowering the middle managers, and developing personal values and interpersonal relationship that promote self-monitoring. It should be noted, however, establishing such organizational atmosphere could not be achieved overnight. It will be a gradual process and takes a long period of time, and require substantial top management involvement.

Secondly, top management should also realize that their true or "honest" commitment in supporting the strategic planning is very crucial, especially to gain marketing managers' commitment. This commitment represents the feeling of "ownership" amongst marketing managers to the formulated strategy. Piercy (1992) states that the most important and productive thing to focus on strategic marketing planning is not the techniques and the formal methods; it is quite simply the commitment and the ownership. There are no real rewards for beautifully designed planning systems by incorporating the latest computerized models. The rewards come from getting people excited and motivated to do things that matter to customers in the marketplace.

Finally, marketing managers should recognize their important role in the strategic marketing planning. The present study reveals that their involvement in the formulation process substantially enhances the credibility of the formulated

marketing strategy. Being involved in the strategy process allows them to understand the organizational objectives and priorities, and the assumptions of the formulated strategy. In combination with adequate autonomy, this involvement facilitates them to conduct the evaluation and control of the strategy and to keep the strategy to fit to its internal and external environments. However, marketing managers should have adequate analytical capabilities to perform their roles well. These capabilities enable them to identify the threats and opportunities within their business environments, to monitor and analyze the environmental changes, and to improvise the marketing strategy in accordance with any environmental changes. Such capabilities make them possible to promote the marketing concept, which posits that the key profitability is not current sales volume but long term customer satisfactions, and persuade top management to implement it throughout the organization. Absence of such ability does not only lead to the failure of the marketing strategy execution, but also results in the poor image of marketing, which in turn impedes the adoption of marketing concept within organization (Denison and McDonald, 1995).

6. 4. Limitations of the Study and Guidelines for Future Research

As in any research, this study has certain limitations. Firstly, the integrative approach used in the study is rarely implemented in marketing strategy research, and this study represents a significant part of the big picture of the dynamic and complex of marketing strategy – performance relationship. However, since the study has only considered the aspects of the external business environments, and the processes of the marketing strategy formulation and implementation in general term, there may be some possibilities for future research to include some other variables into the

structural model to generate a more comprehensive study. In the aspect of the external business environments, for example, the present study only considers the general notion of the environments, especially in terms of their munificent, dynamism, and complexity as proposed by Dess and Beard (1983). Future research should consider some other environmental factors such as entry and exit barriers, government regulations, and bargaining power of suppliers. Likewise, the present study uses the external business environments only as antecedents of the credibility of the formulated marketing strategy. The possibilities of environmental influence on the other organizational factors, particularly on the process of the strategy formulation, could be considered in the future research.

In the process of strategy formulation aspect, the current study has taken into account the general term of its multi-dimensions. Additional variables relating to behavioral problems arisen during the process, rewards systems, and organizational structure could be included in the model to investigate the effect of these variables on the effectiveness of marketing strategy implementation in the future research.

Finally, few additional variables can be incorporated to the process of strategy implementation aspect, because the present study only considers the general role of marketing managers in the strategy implementation. In the dearth of research in marketing strategy implementation, it is useful for future research to refer to Noble and Mokwa (1999), who stated that different roles and commitment dimensions of marketing manager affect the success of marketing strategy implementation. Future research could also consider the work of Sashittal and Jassawalla (2001), which investigates the implementation of marketing strategy from a different perspective.

In addition to the limitation of the variables considered, the study uses a single sample to validate the structural model. Eventhough this approach is statistically acceptable, it limits the generalization of the results due to the inability of the study to differentiate the sample based on the industries where they operate, or based on the primary customers they serve. Future research could, therefore, use different samples in validating the model since marketing managers working in the service industry, for example, face different environmental conditions from those managers working in manufacturing industry. In such a case, the use of different sample for model validation may allow the generalization of the results.

Finally, the current study uses only marketing managers as the key informants in the data collection. This may have led to unavoidable response bias, specifically on the perception of certain activities. It is recommended that in addition to marketing managers, their direct superiors are also included as the respondents in the future research. This will enable the study to detect the perceptual agreement of the respondents in looking into the same problem. More specifically, the future research could evaluate the perceptions of marketing managers and their superiors on the strategy formulation processes. The use of such multiple informants would enhance the reliability of the measures and improve confidence of the results.

6. 5. Conclusion

Implementing a strategic marketing planning is not merely a matter of the utilization of sophisticated analytical techniques or a sequential step of actions. It involves

several dimensions, which are dynamic and complex. The lack of its utilization within organizations represents that the marketing planning is not as simple as prescribed in the literature. This study endeavors to provide some diagnostic insights into these dynamic and complex activities from the Indonesian perspective. Unlike previous studies in marketing strategy, the present study employs an integrative approach to enable the researcher not only to investigate the influence of the external business environment and the process of the strategy formulation on the formulated marketing strategy, but also to explore the process of the strategy implementation, which is commonly ignored in marketing strategy research. This approach also allows the researcher to scrutinize the role of marketing managers in preserving the fit of the marketing strategy to its internal and external business environments.

The current study demonstrates that the external business environments influence the credibility of the formulated marketing strategy. While the technological change and the market competition negatively affect the credibility of the strategy, the market attractiveness determines the credibility of the strategy positively. The study also finds that the market competition has a positive effect on the involvement of marketing managers in the strategy making.

The study reveals that the presence of an innovative culture is strongly required in implementing a strategic marketing planning. This culture promotes marketing managers' involvement in the strategy making. In continuously changing conditions such as current business environments, top management could not cope with the environmental changes without involving middle managers. Middle managers, such as marketing managers who have positions as boundary spanners, can detect the

environmental changes, and judge their inclusion into organizational strategies, and hence make the strategies always up to date with the current conditions. In addition, the innovative culture supports the delegation of authorities and responsibilities to the marketing managers. This enables the managers to solve any problems at their own level so that the top management can focus on the strategic issues of the organization without bothering about daily operational problems. Thus, the presence of the innovative culture will make the organization adaptable and flexible to the environmental changes. The same as the innovative culture, the study shows that the analytical capability of marketing managers determines the managers' involvement in the strategy making and the managers' autonomy. This indicates that the analytical competency is a prerequisite for marketing managers to involve in strategy making, and to get more autonomy.

In addition, the study indicates that the involvement of marketing managers in strategy making, which is strongly supported by the innovative culture, generates their commitment to the formulated strategy. However, due to the "partial" top management's support or "unfair behavior" of top management, this commitment does not significantly enhance the effectiveness of the evaluation and control conducted by the marketing managers. This indicates that top-management must provide total support and demonstrate professionalism to gain true commitment of marketing managers.

Finally, the study demonstrates the important role of marketing managers in both the processes of strategy formulation and implementation. Marketing managers, through

their involvement in the strategy formulation, make the formulated strategy become highly credible since they can provide the process with all current and critical market elements accurately. At the same time, this involvement generates a comprehensive understanding on the part of marketing managers concerning both the strategic priorities of the organization and the formulated strategy together with its corresponding assumptions. This managers' involvement in conjunction with enough autonomy and credible marketing strategy in turn facilitates them in performing the evaluation and control of the strategy to attain the fit between the strategy and its external and internal business environments, so that they can realize the intended financial and strategic performances. These phenomena further demonstrate that the processes of marketing strategy formulation and implementation are interactive. Separating these two processes, therefore, may result in the failure of the marketing strategy implementation, which in turn will jeopardize the achievement of the desired performance.

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APPENDIX – A

Questionnaire

English Version

SECTION 1: EXTERNAL BUSINESS ENVIRONMENTS

1. Statements below relate to the external environment of your Strategic Business Unit (SBU). Please express your opinion on each statement by circling the appropriate number.	**Strongly Disagree**				**Strongly Agree**	**For Office Use Only**
The extent of technological orientation of industry is very high	1	2	3	4	5	TCHANG1
Competitors have made substantial technological changes in production methods in the past five years	1	2	3	4	5	TCHANG2
Competitors have made substantial technological changes in their product(s) in the past five years	1	2	3	4	5	TCHANG3
The potential market demand for our product(s) is (are) extensive	1	2	3	4	5	MATT1
Customers have good perceptions of our product(s)	1	2	3	4	5	MATT2
The brand name of our product(s) is (are) very familiar in the market	1	2	3	4	5	MATT3
The intensity of market competition is very high	1	2	3	4	5	MCOMP1
Many new entrants have come into the market in the past five years	1	2	3	4	5	MCOMP2
Price competition in our industry is very high	1	2	3	4	5	MCOMP3

Note: 1 = Strongly Disagree 2 = Disagree 3 = Neutral
4 = Agree 5 = Strongly Agree

SECTION 2: THE PROCESS OF MARKETING STRATEGY FORMULATION

2. Statements below relate to the organizational environment of your Strategic Business Unit (SBU). Please express your opinion on each statement by circling the appropriate number.	**Strongly Disagree**				**Strongly Agree**	**For Office Use Only**
Our organizational structure enables us to carry out participatory management	1	2	3	4	5	CULT1
Our organizational climate and culture encourage our staff to generate innovative ideas	1	2	3	4	5	CULT 2
Our organization is very responsive to environmental changes	1	2	3	4	5	CULT 3
Our organization uses external sources (e.g. consultants, agencies) for new ideas	1	2	3	4	5	TMS1
Our organization provides adequate time for developing the strategic marketing plans	1	2	3	4	5	TMS 2
Our organization uses a number of motivational factors to encourage good planning	1	2	3	4	5	TMS 3
Our organization uses a number of motivational factors to encourage good operational performance	1	2	3	4	5	TMS4
Our organization provides adequate resources for developing the strategic marketing plans	1	2	3	4	5	TMS5

3. How often did you use the following strategic planning tools when developing marketing strategy? Please indicate your answer by circling the appropriate number.	**Never Heard**			**Use Regularly**		**For Office Use Only**
Experience curve analysis	1	2	3	4	5	ANCOM1
Profit impact of marketing strategy (PIMS) analysis	1	2	3	4	5	ANCOM2
Computer based modeling	1	2	3	4	5	ANCOM3
Product/Market life cycle analysis	1	2	3	4	5	ANCOM4
Financial ratio analysis	1	2	3	4	5	ANCOM5
Portfolio analysis	1	2	3	4	5	ANCOM6
Strengths, weaknesses, opportunities, and threats (SWOT) analysis	1	2	3	4	5	ANCOM7
Contingency or "What if…" analysis	1	2	3	4	5	ANCOM8
Business forecasting	1	2	3	4	5	ANCOM9

Note: 1 = Never heard of it 2 = Never made use of it 3 = Have tried it 4 = Sometimes made use of it 5 = Use it regularly

4. To what extent did your involvement in the following activities during the planning process? Please indicate your answer by circling the appropriate number	**Never**			**Extensive**		**For Office Use Only**
Generating strategic marketing options	1	2	3	4	5	INVOLV1
Evaluating strategic marketing options	1	2	3	4	5	INVOLV 2
Developing details about strategic marketing options	1	2	3	4	5	INVOLV 3
Taking the necessary actions to put changes into place	1	2	3	4	5	INVOLV 4

Note: 1 = Never Involved 2 = Slightly involved 3 = Involved 4 = Much Involved 5 = Involved Extensively

SECTION 3: THE MARKETING STRATEGIES AND POLICIES

5. Statements below relate to your SBU's marketing strategies and policies. Please indicate your opinion on each statement by circling the appropriate number.	**Strongly Disagree**			**Strongly Agree**		**For Office Use Only**
We believe that our pricing strategy is realistic and accurate	1	2	3	4	5	PRICSTRA1
We provide a lot of discounts (such as cash, sale, or trade discounts) for our customers	1	2	3	4	5	PRICSTRA2
The sale price of our product(s) is (are) very competitive	1	2	3	4	5	PRICSTRA3
We believe that our product strategy is realistic and accurate	1	2	3	4	5	PRODSTRA1
We provide a lot of funds for research and development	1	2	3	4	5	PRODSTRA2
We make every effort to improve the quality of our product(s)	1	2	3	4	5	PRODSTRA3
We continuously make attempts to develop new product(s)	1	2	3	4	5	PRODSTRA4
We believe that our promotion strategy is realistic and accurate	1	2	3	4	5	PROMSTRA1
We provide a lot of funds for the promotion of our product(s)	1	2	3	4	5	PROMSTRA2
We provide an extensive after sale service to customers	1	2	3	4	5	PROMSTRA3
We believe that our distribution strategy is realistic and accurate						DISTSTRA1
We always develop a good relationship with our distributors	1	2	3	4	5	DISTSTRA2
We provide a lot of promotional support to our distributors						DISTSTRA3

Note: 1 = Strongly Disagree 2 = Disagree 3 = Neutral
4 = Agree 5 = Strongly Agree

SECTION 4: THE PROCESS OF MARKETING STRATEGY IMPLEMENTATION

6. Following statements are about the perceptions of your employees in your department, including your self, toward your SBU's marketing strategy. Please express your opinion on each statement, by circling the appropriate number.	**Strongly Disagree**				**Strongly Agree**	**For Office Use Only**
People in this department believe that the marketing strategy priorities are similar to the organization	1	2	3	4	5	COMMI1
People in this department would accept almost any type of job assignment in order to keep working toward the strategic priority	1	2	3	4	5	COMMI2
People in this department strongly believe that this strategic priority will go a long way in aiding this company's performance	1	2	3	4	5	COMMI 3
The marketing strategy inspires the best in the way of job performance in this department	1	2	3	4	5	COMMI4
People in this department are glad that this company chose this marketing strategy over others it has considered	1	2	3	4	5	COMMI5

Note: 1 = Strongly Disagree 2 = Disagree 3 = Neutral
4 = Agree 5 = Strongly Agree

7. The statements below pertain to the marketing strategy implementation in your SBU. Please express your opinion by circling the appropriate number.	**Strongly Disagree**				**Strongly Agree**	**For Office Use Only**
We always monitor our business environment	1	2	3	4	5	EVCON1
We carry out routine evaluation and control of our marketing strategies and programs to ascertain their alignment with the business environment	1	2	3	4	5	EVCON 2
We adjust our marketing strategies and programs to cope with environmental changes	1	2	3	4	5	EVCON 3
We establish appropriate communication to minimize intra and inter-functional conflict (e.g. intra and inter-personal, communication flow in SBU, data flow)	1	2	3	4	5	EVCON4
We have the autonomy to adjust our marketing strategies and programs	1	2	3	4	5	AUTO1
Our marketing personnel have appropriate and adequate marketing skills	1	2	3	4	5	AUTO2
We upgrade the skills of our marketing personnel regularly, through training, workshops, or seminars	1	2	3	4	5	AUTO3

SECTION 5: THE PERFORMANCE OF BUSINESS UNIT

8. Select the strategic objective(s) set by your Top Management during the past five years, by circling the number to the left corresponding to the objectives and rank them in accordance with their level of importance. 1 represents very importance, and 7 indicates less importance.

	Strategic Objective	**Level of Importance**
1.	Increase the awareness of the product/company	_____
2.	Respond to competitive pressures	_____
3.	Improve market share position of the company	_____
4.	Increase the profitability of the company	_____
5.	Expand strategically into new markets	_____
6.	Just respond to inquiries from markets	_____
7.	Others (please specify) _____	_____

9. How would you rate the achievement of those strategic objectives set by the Top Management in the financial year 1997?	Very Unsuccess-ful				Very Succes sful	For Office Use Only
Increase the awareness of the product/company	1	2	3	4	5	STRAPER1
Respond to competitive pressures	1	2	3	4	5	STRAPER2
Improve market share position of the company	1	2	3	4	5	STRAPER3
Increase the profitability of the company	1	2	3	4	5	STRAPER4
Expand strategically into new markets	1	2	3	4	5	STRAPER5
Just respond to inquiries from markets	1	2	3	4	5	STRAPER6
Others (please specify) _____	1	2	3	4	5	STRAPER7

Note: 1 = Very Unsuccessful 2 = Unsuccessful 3 = Somewhat Successful
4 = Successful 5 = Very Successful

10. How would you rate the SBU's performance in 1997 using the three indicators below, compared with the planning?	Much Lower				Much Higher	For Office Use Only
Return on investment	1	2	3	4	5	FINPER1
Profit margin	1	2	3	4	5	FINPER2
Market share	1	2	3	4	5	FINPER3

Note: 1 = Much Lower 2 = Lower 3 = Same
4 = Higher 5 = Much Higher

SECTION 6: DEMOGRAPHIC CHARACTERISTICS

Please answer the questions below by circling the appropriate number or filling the provided space.

11. What is your position in the organization? 1. Chief of Marketing Officer 2. Marketing Manager
3. Other (specify) _____

12. Who is your direct supervisor? 1. Chief of Executive Officer 2. Chief of Marketing Officer
3. Other (specify) _____

13. How many full-time staff are employed in your organization? _____ persons

14. How many marketing personnel are employed in your organization? _____ persons

15. What is main product of your organization? _____

16. When was your main product first brought to market? _____

17. What is the sales volume of your organization for financial year/1997 (in billions Rupiah)?

1. Less than 1	2. 1 - 10	3. 11 - 25
4. 26 – 50	5. 51 - 100	6. 101 - 250
7. 251 – 500	8. 501 - 1000	9. 1001 - 2000
10. 2001 – 5000	11. 5001 - 10000	12. More than 10000

18. What percentage of your organization exports your product(s)?

1. None	2. Less than 20%	3. 20% - 40%
4. 41% - 60%	3. 61% - 80 %	6. More than 80%

19. In what kind of industry does your organization predominantly operate?

1. Manufacturing 2. Trading, Accommodation and Restaurant
3. Service

20. What is your main target market?

1. Consumer Market 2. Industrial Market

THANK YOU FOR YOUR CO-OPERATION

Indonesian Version

BAGIAN 1: LINGKUNGAN BISNIS EKSTERNAL

1. Pernyataan-pernyataan dibawah ini berkenaan dengan lingkungan eksternal dari strategic Business Unit (SBU) anda. Tunjukkan pendapat anda dengan melingkari nomor yang anda anggap paling sesuai.	**Sama Se Kali Tidak Setuju**				**Setuju Sekali**	**For Office Use Only**
Tingkat orientasi tehnologi di industri dimana kami beroperasi sangat tinggi	1	2	3	4	5	TCHANG1
Para pesaing telah membuat perubahan tehnologi yang mendasar pada metode proses produksi selama lima tahun terakhir	1	2	3	4	5	TCHANG2
Para pesaing telah membuat perubahan tehnologi yang mendasar pada produk-produknya selama lima tahun terakhir	1	2	3	4	5	TCHANG3
Potensi dari permintaan pasar atas produk kami sangat besar	1	2	3	4	5	MATT1
Konsumen mempunyai persepsi yang baik atas produk kami	1	2	3	4	5	MATT2
Merk produk kami sangat dikenal di pasar	1	2	3	4	5	MATT3
Intensitas persaingan pasar dari produk kami sangat tinggi	1	2	3	4	5	MCOMP1
Banyak pendatang/pesaing baru masuk ke pasar selama lima tahun terakhir	1	2	3	4	5	MCOMP2
Persaingan harga di industri kami sangat tinggi	1	2	3	4	5	MCOMP3

Catatan: 1 = Sama Sekali Tidak Setuju 2 = Tidak Setuju 3 = Netral 4 = Setuju 5 = Setuju Sekali

BAGIAN 2: PROSES PENYUSUNAN STRATEGI PEMASARAN

2. Pernyataan-pernyataan dibawah ini berkenaan dengan lingkungan organisasi dari strategic Business Unit (SBU) anda. Tunjukkan pendapat anda dengan melingkari nomor yang anda anggap paling sesuai.	**Sama Se Kali Tidak Setuju**				**Setuju Sekali**	**For Office Use Only**
Struktur organisasi perusahaan kami memungkinkan untuk menjalankan manajemen partisipatif.	1	2	3	4	5	CULT1
Iklim dan budaya organisasi perusahaan kami mendorong para staf kami untuk menghasilkan ide-ide yang innnovatif	1	2	3	4	5	CULT 2
Organisasi kami sangat responsive terhadap perubahan lingkungan	1	2	3	4	5	CULT 3
Organisasi kami menggunakan sumber-sumber dari luar (spt.. konsultan) untuk ide-ide baru.	1	2	3	4	5	TMS1
Organisasi kami menyediakan waktu yang cukup untuk mengembangkan rencana strategi pemasaran	1	2	3	4	5	TMS 2
Organisasi kami menggunakan beberapa faktor yang memotivasi untuk mendorong terciptanya perencanaan yang baik	1	2	3	4	5	TMS 3
Organisasi kami menggunakan beberapa faktor yang memotivasi untuk mendorong terciptanya hasil operasi yang baik.	1	2	3	4	5	TMS4
Organisasi kami menyediakan sumber daya yang cukup untuk pengembangan rencana strategi pemasaran	1	2	3	4	5	TMS5

3. Seringkah anda menggunakan alat-alat perencanaan stratejik berikut ini ketika mengembangkan strategi pemasaran? Tunjukkan pendapat anda dengan melingkari nomor yang anda anggap paling sesuai	**Tidak Pernah Dengar**				**Selalu Menggu-nakan**	**For Office Use Only**
Experience curve analysis	1	2	3	4	5	ANCOM1
Profit impact of marketing strategy (PIMS) analysis	1	2	3	4	5	ANCOM2
Computer based modeling	1	2	3	4	5	ANCOM3
Product/Market life cycle analysis	1	2	3	4	5	ANCOM4
Financial ratio analysis	1	2	3	4	5	ANCOM5
Portfolio analysis	1	2	3	4	5	ANCOM6
Strengths, weaknesses, opportunities, and threats (SWOT) analysis	1	2	3	4	5	ANCOM7
Contingency or "What if…" analysis	1	2	3	4	5	ANCOM8
Business forecasting	1	2	3	4	5	ANCOM9

Catatan: 1 = Tidak Pernah Mendengarnya 2 = Tidak Pernah Menggunakannya 3 = Pernah Mencobanya
4 = Kadang-Kadang Menggunakannya 5 = Selalu Menggunakan

4. Seberapa juah anda terlibat dalam kegiatan-kegiatan berikut ini selama proses perencanaan? Tunjukkan jawaban anda dengan melingkari nomor yang anda anggap paling sesuai.	**Tidak Pernah**				**Terlibat Penuh**	**For Office Use Only**
Membuat pilihan-pilihan strategi pemasaran	1	2	3	4	5	INVOLV1
Mengevaluasi pilihan-pilhan strategi pemasaran	1	2	3	4	5	INVOLV 2
Mengembangkan kelengkapan tentang pilihan strategi pemasaran	1	2	3	4	5	INVOLV 3
Mengambil tindakan yang diperlukan untuk melakukan perubahan	1	2	3	4	5	INVOLV 4

Catatan: 1 = Tidak Perah Terlibat 2 = Sedikit Terlibat 3 = Terlibat 4 = Banyak Terlibat 5 = Terlibat Penuh

BAGIAN 3: STRATEGI DAN KEBIJAKAN PEMASARAN

5. Statements below relate to your SBU's marketing strategies and policies. Please indicate your opinion on each statement by circling the appropriate number.	**Sama Se kali Tidak Setuju**				**Setuju Sekali**	**For Office Use Only**
Kami percaya bahwa strategi harga kami sangat realistic dan akurat	1	2	3	4	5	PRICSTRA1
Kami menyediakan potongan penjualan yang cukup banyak untuk para pelanggan	1	2	3	4	5	PRICSTRA2
Harga produk kami sangat bersaing	1	2	3	4	5	PRICSTRA3
Kami percaya bahwa strategi produk kami sangat realistic dan akurat	1	2	3	4	5	PRODSTRA1
Kami menyediakan banyak dana untuk penelitian dan pengembangan	1	2	3	4	5	PRODSTRA2
Kami berusaha keras untuk meningkatkan kualitas produk kami	1	2	3	4	5	PRODSTRA3
Kami berusaha keras untuk mengembangkan produk baru secara berkesinambungan	1	2	3	4	5	PRODSTRA4
Kami percaya bahwa strategi promosi kami sangat realistic dan akurat	1	2	3	4	5	PROMSTRA1
Kami menyediakan banyak dana untuk promosi produk kami	1	2	3	4	5	PROMSTRA2
Kami menyediakan pelayanan purna jual yang menyeluruh bagi para pelanggan	1	2	3	4	5	PROMSTRA3
Kami percaya bahwa strategi distribusi produk kami sangat realistic dan akurat						DISTSTRA1
Kami selalu membina hubungan yang baik dengan para distributor	1	2	3	4	5	DISTSTRA2
Kami menyediakan bantuan promosi untuk para distributor kami						DISTSTRA3

Catatan: 1 = Sama Sekali Tidak Setuju 2 = Tidak Setuju 3 = Netral 4 = Setuju 5 = Setuju Sekali

BAGIAN 4: PROSES IMPLEMENTASI STRATEGI PEMASARAN

6. Pernyataan-pernyataan berikut berkaitan dengan persepsi karyawan di departemen anda, termasuk anda sendiri, terhadap strategi pemasaran di SBU anda. Tunjukkan pendapat anda dengan melingkari nomor yang anda anggap paling sesuai.	**Sama Se kali Tidak Setuju**				**Setuju Sekali**	**For Office Use Only**
Orang-orang di departemen ini yakin bahwa prioritas strategi pemasaran hampir sama dengan prioritas organisasi	1	2	3	4	5	COMMI1
Orang-orang di departemen ini akan melakukan dengan senang hati segala macam pekerjaan agar tetap konsisten dengan prioritas yang strategis	1	2	3	4	5	COMMI2
Orang-orang di departemen ini sangat yakin bahwa prioritas strategis tersebut berguna untuk membantu keberhasilan perusahaan	1	2	3	4	5	COMMI 3
Strategi pemasaran ini menjadi pendorong yang terbaik untuk terciptanya keberhasilan kerja di departemen ini	1	2	3	4	5	COMMI4
Orang-orang di departemen ini sangat senang bahwa perusahaan telah memilih strategi pemasaran ini daripada alternatif yang lain.	1	2	3	4	5	COMMI5

Catatan: 1 = Sama Sekali Tidak Setuju 2 = Tidak Setuju 3 = Netral 4 = Setuju 5 = Setuju Sekali

7. Pernyataan dibawah ini berkenaan dengan implementasi strategi pemasaran di SBU anda. Tunjukkan pendapat anda dengan melingkari nomor yang anda anggap paling sesuai.	**Sama Se Kali Tidak Setuju**				**Setuju Sekali**	**For Office Use Only**
Kami selalu memonitor lingkungan bisnis perusahaan anda	1	2	3	4	5	EVCON1
Kami melakukan evaluasi dan pengawasan secara rutin atas strategi dan program pemasaran untuk meyakinkan kesesuainnya dengan lingkungan bisinis	1	2	3	4	5	EVCON 2
Kami merevisi strategi dan program pemasaran untuk mengatasi perubahan-perubahan lingkungan	1	2	3	4	5	EVCON 3
Kami membangun komunikasi yang tepat untuk meminimalkan konflik dalam dan antar bagian/departemen (seperti komunikasi antar personal, alur komunikasi di SBU, alur data)	1	2	3	4	5	EVCON4
Kami memiliki kekuasaan untuk merubah/merevisi strategi dan program pemasaran	1	2	3	4	5	AUTO1
Personalia pemasaran kami memiliki kemampuan pemasaran yang sesuai dan memadai	1	2	3	4	5	AUTO2
Kami meningkatkan kemampuan personalia pemasaran secara teratur, melalui pelatihan, workshop, atau seminar	1	2	3	4	5	AUTO3

BAGIAN 5: KINERJA UNIT BISNIS

8. Pilihlah tujuan-tjuan strategis yang telah ditetapkan oleh Manajemen Puncak selama lima tahun terakhir, dengan melingkari nomor di sebelah kiri tujuan-tujuan tesrbut dan rankinglah berdasarkan tingkat pentingnya tujuan-tujuan tersebut. 1 menunjukkan menunjukkan sangat penting, dan 7 menunjukkan tidak begitu penting.

Tujuan Strategis	**Tingkat Pentingnya**
8. Meningkatkan kesadaran konsumen terhadap produk/perusahaan	_____
9. Merespon tekanan-tekanan persaingan	_____
10. Meningkatkan posisi pangsa pasar perusahaan	_____
11. Meningkatkan kemapu-labaan perusahaan	_____
12. Memperluas secara strategis pada pasar yang baru	_____
13. Hanya merespon permintaan-permintaan pasar	_____
14. Lain-lain (sebutkan) _____	_____

9. Bagaimana anda menilai pencapaian tujuan strategis yang telah ditetapkan oleh Manajemen Puncak pada tahun anggaran 1997?	Sangat Tidak Berhasil				Sangat Berhasil	For Office Use Only
Meningkatkan kesadaran konsumen terhadap produk/perusahaan	1	2	3	4	5	STRAPER1
Merespon tekanan-tekanan persaingan	1	2	3	4	5	STRAPER2
Meningkatkan posisi pangsa pasar perusahaan	1	2	3	4	5	STRAPER3
Meningkatkan kemampu-labaan perusahaan	1	2	3	4	5	STRAPER4
Peluasan pasar secara strategis pada pasar yang baru	1	2	3	4	5	STRAPER5
Hanya merespon permintaan-permintaan pasar	1	2	3	4	5	STRAPER6
Lain-Lain (sebutkan) _____	1	2	3	4	5	STRAPER7

Note: 1 = Sangat Tidak Berhasil 2 = Tidak Berhasil 3 = Agak Berhasil
4 = Berhasil 5 = Sangat Berhasil

10. Seberapa jauh kinerja SBU anda untk tahun anggaran 1997 jika dibandingkan dengan rencana yang ditetapkan korporasi?	Jauh Lebih Rendah				Jauh Lebih Tinggi	For Office Use Only
Return on investment	1	2	3	4	5	FINPER1
Profit margin	1	2	3	4	5	FINPER2
Market share	1	2	3	4	5	FINPER3

Note: 1 = Jauh Lebih Rendah 2 = Lebih Rendah 3 = Sama
4 = Lebih Tinggi 5 = Jauh Lebih Tinggi

BAGIAN 6: KARAKTERISTIK DEMOGRAFI

Jawablah pertanyaan-pertanyaan dibawah ini dengan melingkari nomor yang anda anggap paling sesuai atau dengan mengisi ruang yang telah disediakan.

11. Apa kedudukan anda di perusahaan? 1. Chief of Marketing Officer 2. Marketing Manager
3. Lain-lain (sebutkan) _____

12. Siapa atasan langsung anda? 1. Chief of Executive Officer 2. Chief of Marketing Officer
3. Lain-lain(sebutkan) _____

13. Berapa jumlah karyawan tetap di SBU anda? _____ orang

14. Berapa jumlah karyawan tetap pemasaran di SBU anda? _____ orang

15. Apa jenis produk utama di SBU anda? _____

16. Sudah berapa lama anda memasarkan produk utama tersebut? _____ tahun

17. Berapa jumlah volume penjualan SBU anda pada tahun anggaran 1997 (dalam milliaran rupiah)?

1. Less than 1	2. 1 - 10	3. 11 - 25
4. 26 – 50	5. 51 - 100	6. 101 - 250
7. 251 – 500	8. 501 - 1000	9. 1001 - 2000
10. 2001 – 5000	11. 5001 - 10000	12. More than 10000

18. Berapa persen hasil penjualan pada SBU anda berasal dari ekpor?

1. Tidak ada	2. Kurang dari 20%	3. 20% - 40%
4. 41% - 60%	3. 61% - 80 %	6. More than 80%

19. Dalam industry apa organisasi anda beroperasi?

1. Manufaktur
2. Perdagangan, Jasa Akomodasi dan Restauran
2. Jasa

20. Apa pasar sasaran dari produk anda?

1. Pasar Konsumen
2. Pasar Industri

TERIMA KASIH ATAS PARTISPASI ANDA

APPENDIX – B

Demographic Characteristics of the Sample Companies

1. The Proportion of Sample Companies Based on the Type of Industry

	Frequency	Percentage
Manufacturing	87	39.7
Trading, Accommodation, and Restaurant	55	25.1
Service	77	35.2
Total	219	100.0

2. Sales Volume for Financial Year of 1997 (in billions Rupiahs)

	Frequency	Percentage
Less than 1	0	0.0
1 - 10	40	18.3
11 - 25	78	35.6
26 - 50	25	11.4
51 - 100	17	7.8
101 - 250	15	6.8
251 - 500	15	6.8
501 – 1,000	16	7.3
1,001 – 2,000	5	2.3
2,000 – 5,000	1	.5
5,001 – 10,000	4	1.8
More than 10,000	3	1.4
Total	219	100.0

3. The Percentage of the Product Exported

	Frequency	Percentage
No Export	155	70.8
Less than 20	24	11.0
20 - 40	17	7.8
41 - 60	6	2.7
61 - 80	4	1.8
More than 80	13	5.9
Total	219	100.0

4. The Type of Consumer Served

	Frequency	Percentage
Consumer	127	58.0
Industry	92	42.0
Total	219	100.0

5. Total Number of Employees in Organization

	Frequency	Percentage
Less than 50	25	11.4
50 - 100	65	29.7
101 - 150	43	19.6
151 - 200	13	5.9
More than 200	73	33.3
Total	219	100.0

6. The Title of the Respondents in their Organizations

	Frequency	Percentage
Chief of Marketing Officer	12	5.5
Marketing Manager	131	59.8
Other	76	34.7
Total	219	100.0

7. The Number of Marketing Staff in the Organization

	Frequency	Percentage
Less than 7	0	0.0
7 - 10	95	43.4
11 - 20	68	31.1
21 - 30	11	5.0
31 - 40	7	3.2
41 - 50	6	2.7
More than 50	32	14.6
Total	219	100.0

APPENDIX – C

Correlation Matrices for the Measurement Models

A. Correlation matrix for "technological change"

	TCHANG1	TCHANG2	TCHANG3
TCHANG1	1.00		
TCHANG2	0.69	1.00	
TCHANG3	0.68	0.71	1.00

B. Correlation matrix for "market attractiveness"

	MATT1	MATT2	MATT3
MATT1	1.00		
MATT2	0.76	1.00	
MATT3	0.74	0.85	1.00

C. Correlation matrix for "market competition"

	MCOMP1	MCOMP2	MCOMP3
MCOMP1	1.00		
MCOMP2	0.73	1.00	
MCOMP3	0.75	0.74	1.00

D. Correlation matrix for "innovative culture"

	CULT1	CULT2	CULT3
CULT1	1.00		
CULT2	0.71	1.00	
CULT3	0.59	0.60	1.00

E. Correlation matrix for "top management support"

	TMS3	TMS4	TMS5
TMS3	1.00		
TMS4	0.87	1.00	
TMS5	0.71	0.72	1.00

F. Correlation matrix for "analytical competence"

	ANCOM4	ANCOM5	ANCOM6	ANCOM7	ANCOM8	ANCOM9
ANCOM4	1.00					
ANCOM5	0.58	1.00				
ANCOM6	0.48	0.63	1.00			
ANCOM7	0.61	0.54	0.51	1.00		
ANCOM8	0.46	0.53	0.53	0.57	1.00	
ANCOM9	0.49	0.55	0.48	0.57	0.50	1.00

G. Correlation matrix for "marketing managers' involvement"

	INVOLV1	INVOLV2	INVOLV3
INVOLV1	1.00		
INVOLV2	0.80	1.00	
INVOLV3	0.77	0.75	1.00

H. Correlation matrix for "credibility of marketing strategy"

	PRICPOL1	PRICPOL2	PRODPOL1	PROMPOL2	PROMPOL3	DISTPOL1	DISTPOL2
PRICPOL1	1.00						
PRICPOL2	0.86	1.00					
PRODPOL1	0.62	0.58	1.00				
PROMPOL2	0.49	0.53	0.57	1.00			
PROMPOL3	0.45	0.52	0.43	0.55	1.00		
DISTPOL1	0.56	0.62	0.56	0.43	0.53	1.00	
DISTPOL2	0.56	0.56	0.60	0.45	0.50	0.77	1.00

I. Correlation matrix for "marketing managers' autonomy"

	AUTO1	AUTO2	AUTO3
AUTO1	1.00		
AUTO2	0.69	1.00	
AUTO3	0.66	0.71	1.00

J. Correlation matrix for "marketing managers' commitment"

	COMMI1	COMMI2	COMMI4
COMMI1	1.00		
COMMI2	0.62	1.00	
COMMI4	0.56	0.58	1.00

K. Correlation matrix for "effectiveness of evaluation and control"

	EVCON1	EVCON2	EVCON3
EVCON1	1.00		
EVCON2	0.85	1.00	
EVCON3	0.75	0.82	1.00

L. Correlation matrix for "financial performance"

	FINPERF1	FINPERF2	FINPERF3
FINPERF1	1.00		
FINPERF2	0.69	1.00	
FINPERF3	0.62	0.71	1.00

M. Correlation matrix for "strategic performance"

	STRAPER1	STRAPER2	STRAPER3
STRAPER1	1.00		
STRAPER2	0.55	1.00	
STRAPER3	0.58	0.51	1.00

APPENDIX – D

Correlation Matrices for the Structural Equation Model

	FINPER	STRAPER	EVCON	MAKSTRA	COMMI	AUTO
FINPER	1.00					
STRAPER	0.24	1.00				
EVCON	0.49	0.44	1.00			
MAKSTRA	0.25	0.39	0.48	1.00		
COMMI	0.08	0.33	0.38	0.45	1.00	
AUTO	0.16	0.39	0.41	0.47	0.46	1.00
INVOLV	0.09	0.21	0.19	0.35	0.30	0.34
ANCOM	0.23	0.23	0.28	0.32	0.26	0.29
CULT	0.15	0.30	0.45	0.47	0.49	0.57
TMS	0.13	0.30	0.20	0.41	0.27	0.27
MATT	0.18	0.23	0.25	0.49	0.23	0.19
TCHANG	-0.03	-0.12	-0.29	-0.34	-0.20	-0.22
MCOMP	-0.18	-0.27	-0.21	-0.38	-0.19	-0.25

Correlation Matrices for the Structural Equation Model (continued)

	INVOLV	ANCOM	CULT	TMS	MATT	TCHANG	MCOMP
INVOLV	1.00						
ANCOM	0.29	1.00					
CULT	0.42	0.22	1.00				
TMS	0.16	0.22	0.27	1.00			
MATT	0.19	0.14	0.28	0.20	1.00		
TCHANG	-0.11	-0.16	-0.29	-0.09	-0.03	1.00	
MCOMP	0.00	-0.11	-0.24	-0.11	-0.02	0.37	1.00