

**THE ROLE OF INTER-FIRM MARKET ORIENTATION ON
THE MARKET ORIENTATION - PERFORMANCE RELATIONSHIP**

Doctoral Student Proposal

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Abstract

Many researchers have studied market orientation over the last two decades and have argued its impact on firm performance. Much of the work has focused on the intra-firm market orientation of firms, namely manufacturers or suppliers and their own firm's performance. Some have also considered the impact of market orientation in distribution or value networks. However, many of the researches have taken a monadic approach to the study of market orientation. Given the importance of business relationships, this study extends the construct of market orientation to introduce the role of inter-firm market orientation and its impact on both relationship and individual firm performance, with the business relationship as the unit of analysis.

Key words: Inter-firm, Market Orientation, Dyadic, Relationship Performance

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RESEARCH OBJECTIVE

The study of market orientation (MO) originated in the early 1990's as a framework for the implementation of the marketing concept. Several studies (Barksdale 1971, McNamara 1972) had looked at the marketing concept as a business philosophy, but until the early nineties, none had considered how managers would implement the marketing concept within their organizations and its impact on business performance.

During the last decade of the twentieth century and the early part of the next century, several researchers defined and studied the relationship of MO and a number of consequences (cf. (Raaij, Stoelhorst 2008, Shoham, Rose et al. 2005)). The definitions of market orientation used throughout the last two decades can be classified as behavioral, cultural, or systems based (Becker, Homburg 1999). Similarly, the consequences of market orientation studied can be categorized as financial, customer, employee and innovation consequences (Jaworski, Kohli 1996). The consequence category, which is most often researched, is that of financial performance (Jaworski, Kohli 1996).

MO has also been empirically tested in a number of countries and various contexts. While MO has been most often studied in the United States, it has also been tested in every other continent around the world, with Africa representing the fewest number of studies (Rodriguez Cano, Carrillat et al. 2004). Many researchers have also considered the effect on the MO performance relationship in a number of contexts such as manufacturing versus service companies; large companies versus small sized companies and developing economies versus well established economies (Rodriguez Cano, Carrillat et al. 2004).

While there has been much consideration of the MO performance relationship, most of the research to date has been focused on the intra-firm marketing orientation and little consideration has been given to inter-firm market orientation, i.e. the joint market orientation efforts that take place between manufacturers and their value networks and its effect on performance. While the resource-based view of the firm and transaction cost economics theory would support the view of intra-firm market orientation, interaction approach (IA) theory (Ford, Gadde et al. 2008, Ford, Håkansson 2006) would not. IA theory challenges the traditional view of market orientation on two fronts; structure and process. IA theory argues that the "economic world consists of networks of inter-connected relationships between interdependent companies" and "the process of business is one of interaction that takes place within business relationships" (Ford, Håkansson 2006, pg 5-6)

and not by independent companies that act on their own towards either customers, suppliers or competitors.. IA theory suggests that it is not enough to only consider what takes place inside a business to explain the performance, but to consider the interaction between companies (Ford, Gadde et al. 2008). Therefore, if one is to study the performance of a company in an interactive world, one needs look at the interaction and how it occurs between companies and not within one focal company. Consequently, when looking at market orientation, it is necessary to also consider the market orientation effect of the other actors (inter-firm) in the network on overall performance.

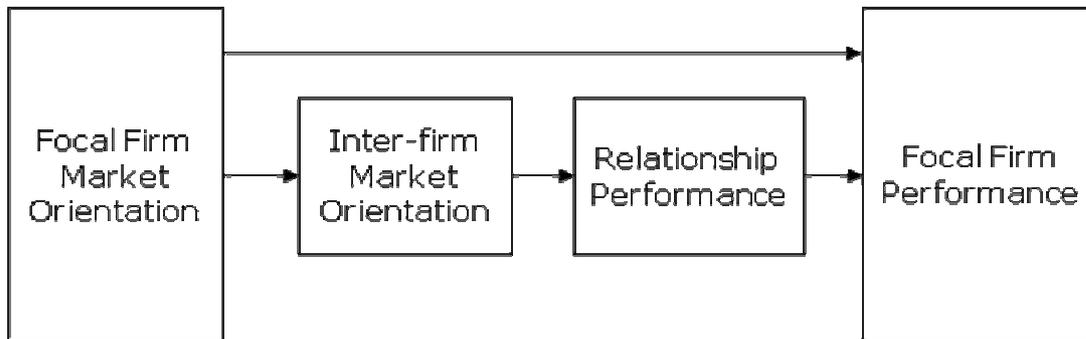
Certainly there have been studies that have looked at the independent effect of suppliers as well as the supplier market orientation of the manufacturers and their effect on performance (Klaus, Lisbeth et al. 2005, Siguaw, Simpson et al. 1998, Baker, Simpson et al. 1999, Min, Mentzer et al. 2007), but none have looked at the coordinated or joint market orientation of manufacturers and network partners (specifically downstream customers) and its effect on manufacturer business performance.

Langerak's(2003)work on the effect of a manufacturers upstream and downstream market orientation is one of the earlier attempts at looking at the effect of the value network. The challenge is it only takes into consideration the market orientation of the manufacturer and does not include or consider the market orientation of the network partners.

Elg's(2001, 2007b)work is the first attempt at consideration of the effect of both the manufacturer and the network partners' market orientation on performance. The challenge with Elg's work to date is that it has been exploratory in nature and a measure of inter-firm market orientation has not be developed nor empirically tested.

This research has two main objectives. The first is to adapt anexisting measure of market orientation for the new construct of inter-firm market orientation and to test for its reliability and generalizability. Second, is to develop a conceptual model with market orientation and performance, and test for the rolethat inter-firm market orientationplays in that relationship (see Figure1 – Nomological Model). The conceptual model will be used to validate the significance of inter-firm market orientationand the role that it plays as a key variable whichaffects relationship performance in business-to-business networks.

Figure 1- Nomological Model



LITERATURE REVIEW

MARKET ORIENTATION

THE CONCEPTUALIZATION OF MARKET ORIENTATION

The concept of market orientation has evolved from the conceptualization of the marketing concept. Until the late 1980's, much of the researches in marketing had centered on the phenomenon known as the marketing concept (Barksdale 1971, McNamara 1972). McNamara (1972, Pg 51) defined it as;

a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments.

The issue with the marketing concept was that based on the extant conceptualization in the literature, practitioners and academicians were troubled with how to implement this philosophy and understanding the consequences for business. It wasn't until the work of Day and Wensley (1988) and other researchers that the marketing concept started to be conceptualized in such a way that it could be measured and understood.

Early conceptualizations defined the implementation of the marketing concept in one of four types -- as an organizational culture in marketing (Deshpande, Webster 1989), as competitive superiority (Day, Wensley 1988), as market driven (Shapiro 1988) and as customer orientation (Deshpande, Farley et al. 1993). It was not until the early 1990's that the concept of market orientation was first defined in two seminal pieces of research by Kohli and Jaworski (1990) and Narver and Slater (1990).

With respect to nomenclature, various authors use the term market driven, marketing oriented, or customer oriented as equivalent to market oriented. It is important to note that there are differences and these terms should not be used interchangeably. Market driven implies that a company is driven by the market, as opposed to driving the market. Marketing oriented implies that the marketing department drives the orientation. In order to support an inter-functional orientation across the company, use of the term market is more all encompassing. Finally, being customer oriented implies that the focus is just on the customer and not on other elements of the market (such as competitors, technology, regulation, etc.). As such, for the purpose of this research the term market orientation will be used.

Of the four most commonly cited definitions of market orientation (Deshpande, Farley et al. 1993, Kohli, Jaworski 1990, Narver, Slater 1990, Day 1994), there are several similarities and differences (Jaworski, Kohli 1996). The similarities include; 1) a focus on the customer, as well as other stakeholders, 2) an external focus beyond the company, and 3) a statement or implication of some form of responsiveness to customer needs. However, the differences between the definitions are 1) the way the concept is classified and 2) the nomenclature used to represent market orientation. Researches of the conceptualization of marketing orientation have been classified as either behavioral/process/activity oriented (Kohli, Jaworski 1990, Day 1994), or cultural (Deshpande, Farley et al. 1993, Narver, Slater 1990). While both forms of classification have merit, the culture approach has its challenges. It is often difficult to measure or operationalize cultural constructs (Deshpandé, Farley et al. 1997). Organizational culture is often difficult or may take longer periods of time to change (Pelham, Wilson 1996) and its measurement may also introduce "social desirability bias" as compared to the measure of behavior or activities (Jaworski, Kohli 1996). Also, when looking at inter-firm market orientation, it is unrealistic to suggest that the companies engaged in joint market orientation activities will have the same organization culture. A

noteworthy point is that although Narver and Slater (1990) define market orientation as cultural, their operationalization of their measure of the concept is behavioral or activity oriented.

For the purpose of this study, market orientation is conceptualized as:

“the organization-wide generation of market intelligence pertaining to customers, competitors, and forces affecting them, internal dissemination of the intelligence, and reactive as well as proactive responsiveness to the intelligence.” (Jaworski, Kohli 1996, Pg 131)

Market orientation is a second order construct which consists of three first order constructs – namely 1) intelligence generation, 2) intelligence dissemination, and 3) reactive and proactive responsiveness. Intelligence generation includes the gathering of information about customer’s needs and wants, and about the competitive environment. The gathering process is one which is not limited to the marketing department, but is one which takes place throughout the organization and the information is stored centrally. Intelligence dissemination is the sharing of the gathered intelligence throughout the organization. The responsiveness to the intelligence construct is one which has evolved from the original conceptualization to include both the proactive as well as reactive responsiveness to the customer. The proactive component suggests that sometimes customers may not be aware of their future needs and company should proactively respond by providing offers that fulfill those future needs.

THE ROLE OF MARKET ORIENTATION IN BUSINESS PERFORMANCE

In terms of research on market orientation outcomes, the performance outcome has been studied most often (Kirca, Jayachandran et al. 2005). In looking at the seminal work in this area (Day, Wensley 1988, Deshpande, Farley et al. 1993, Narver, Slater 1990, Jaworski, Kohli 1993, Ruekert 1992), all have reported a positive relationship between market orientation and business performance. Others (Rodriguez Cano, Carrillat et al. 2004) have also found that this relationship is consistent around the world. Some argue that while there is a relationship between MO and subjective performance (self reported performance), there does not always appear to be one with objective performance such as market share (Selnes, Jaworski et al. 1996).

On the other hand, Langerak (see 2003) argues that the relationship between market orientation and performance is not consistent. The author considers a number of studies and looks at the proportion of positive relationship outcomes, to non-significant outcomes as well as negative relationship outcomes. However, when Kirca et al (2005) conduct a more methodical meta-analytic review and apply regression analysis, the authors find a stronger relationship in studies that sample manufacturing firms, countries whose cultures which are low power-distance and uncertainty avoidance cultures and in studies which use subjective measures of performance. Similarly, Shoham et al (2005), in their meta-analytic review also conclude that both direct and indirect relationships between market orientation and performance are supported.

INTER-FIRM MARKET ORIENTATION CONCEPTUALIZATION

The researches on market orientation originated by looking at the effect on performance within the firm (Deshpande, Webster 1989, Kohli, Jaworski 1990, Narver, Slater 1990). Since then, research that looks at the role of the value chain or value networks on the market orientation – performance relationship has been replete. It has included conceptualizations at the industry level (Grunert, Risom et al. 2002), the perspective of other value chain members (Siguaw, Simpson et al. 1998, Baker, Simpson et al. 1999, Langerak

2001), the effect of market orientation on channel relationships (Langerak 2001), and the role of supply chain management in the market orientation – performance relationship (Min, Mentzer et al. 2007, Martin, Grbac 2003). The challenge with this research is that it does not look at the joint efforts of the members in the chain, but rather considers their independent orientation of each member. It has been argued that “through cooperation, firms can improve their market understanding and their ability to adapt to their environment” (Elg 2007a, pg 55).

In addition to the value chain research, there has been a lot of research on inter-firm cooperation. “Cooperation has been defined as ... similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time.” (Anderson, Narus 1990, p. 45). There has been much researches on the subject of inter-firm cooperation ((Rindfleisch, Moorman 2003, Song, Di Benedetto et al. 2008, Hyvönen, Tuominen 2007) and alliance orientation (Kandemir, Yaprak et al. 2006), both are defined as inter-firm concepts which consider the joint efforts of both companies and consider its impact on performance. While both concepts are inter-firm concepts, the common challenge with inter-firm cooperation and alliance orientation is that they are joint efforts between companies who are targeting the same customers at the same level in the value chain. For example, many companies will cooperate in new product development activities designed to leverage the core strengths of the respective companies to develop a product targeted at the same end-user. Whereas inter-firm market orientation considers the joint marketing efforts of two companies within a value chain or network but do not target the same customer. The manufacturer’s target customer is the reseller, who in turn targets the final end consumer of the product. As a result, the strategies and goals may not be completely aligned and therefore inter-firm cooperation is conceptualized in a different way than inter-firm market orientation.

The concept of inter-firm market orientation is a new one which has gained little attention in the literature to date (Elg 2007b, Elg 2007a, Elg, Paavola 2008)). Furthermore, it has only been conceptualized, not operationalized or empirically tested. Elg(2007a, pg. 56) defines inter-firm market orientation as “the activities that two or more independent companies carry out together to make a network or an individual relationship more sensitive to the demands of the market”. Elg(2007a) goes further to describe the elements of inter-firm market orientation, based on the Kohli and Jaworski(1990) conceptualization, as consisting of joint intelligence generation, joint intelligence dissemination and collective responsiveness to customer needs. Joint intelligence generation occurs when two or more firms in the value chain work together to obtain knowledge about the end-customer. Joint intelligence dissemination consists of the sharing of information between firms within the value chain to provide all members better information about the end-customer. Collective responsiveness includes firms within the value chain coordinating their efforts to provide an offer to the end-customer which better meets their needs. The key factor of inter-firm market orientation is that it is the joint efforts versus the individual effort of one of the firms, or the perception of the other firm’s efforts, in the value chain. Finally, inter-firm market orientation is conceptualized as a dyadic. It is not the combination of the individual market orientations of the supplier and the reseller, but rather the joint perceptions of the supplier and the reseller market orientation. For the purposes of this study inter-firm market orientation is conceptualized as; the joint activities of a supplier and a reseller in intelligence generation, intelligence dissemination and proactive and reactive responsiveness to customer needs.

PERFORMANCE

THE CONCEPTUALIZATION OF PERFORMANCE

The most common outcomes of market orientation considered in the literature include financial, customer, employee and innovation outcomes (Jaworski, Kohli 1996). Of primary importance to this research is that of financial outcomes. Given that the aim of this research is to understand the role of inter-firm market orientation or joint efforts of the manufacturer and other downstream actors in the distribution network, the consideration of employee or innovation outcomes does not appear to make sense. Similarly, while the downstream actor is a customer of the manufacturer, this research looks at their joint market orientation efforts; therefore the contemplation of customer outcomes also does not make sense. Therefore, the primary outcome to be considered is that of performance.

The researches on the conceptualization of performance have included global measures based on managers' perceptions of their company's performance against either their company's objectives or against their competitors' performance. They have also included both cost based (*measures of business performance after the cost of achieving that performance are taken into account such as profitability*) and revenue based (*measure of business performance before the cost of achieving the performance are taken into account, such as sales and market share*) measures of performance (Kirca, Jayachandran et al. 2005). Finally, business performance has also been conceptualized using both objective and subjective measures of performance. Objective measures have included the reporting of various business metrics from financial reports or third party sources and subjective measures have included the perception of both company managers as well as customer perceptions of seller performance (Shoham, Rose et al. 2005).

Of the seminal works on market orientation (Day, Wensley 1988, Deshpande, Farley et al. 1993, Narver, Slater 1990, Pelham, Wilson 1996, Jaworski, Kohli 1993), all used subjective measures of business performance. Similarly, Shoham et al (2005) also found that subjective measures of performance appear to have the strongest relationship with business performance over a combination of subjective and objective and also stand alone objective measures of performance. Day and Wensley (1988) suggest that because of the difficulties with measuring market share and because current profitability is a function of actions taken by the company in a previous period, it is difficult to use objective profitability as an outcome of MO. They also suggest that profit is a historical view and does not reflect what is possible in the future.

Therefore, for the purposes of this study, business performance is conceptualized as a global subjective measure of a company's performance, as perceived by its managers, compared to the competitor's performance.

THE CONCEPTUALIZATION OF RELATIONSHIP PERFORMANCE

Given that the scope of this research considers the joint market orientation efforts between the manufacturer and a downstream network actor, it is necessary to consider a measure of relationship performance in addition to individual business performance.

Researches on the subject of relationship performance spans more than two decades (see Table 1 - Research on Relationship Performance). The challenge with much of the early research was that relationship performance (RP) was not the focus of the research, but simply an add-on or outcome of the research (O'Toole, Donaldson 2002)

. Furthermore most of the researches on RP takes the perspective of one party in the relationship as opposed to considering the joint perspective of relationship performance

between the parties, with the focus on the buyer in the relationship more than half of the time. Lamming et al. ((1996) were the first to suggest that the research on RP consider the joint assessment of the relationship as opposed the individual or combined perspective of either party. The only study to date that has considered the joint (dyadic) perspective of both parties involved with the relationship performance outcome is the work by Beugelsdijk et al. (2009). Although Jap and Anderson (2003) did use a joint measure for part of their RP outcome, some of the measures were individual perspectives of one of the parties involved.

Given that most of the early research on RP was based on the theoretical foundation of Transaction Cost Economics, RP was operationalized using financial measures of relationship performance (O'Toole, Donaldson 2002)

. The exception to this was the work by Kumar et al. (1992). Subsequently, the operationalization of RP was expanded to include non-financial measures of performance such as satisfaction (Dyer 1996a), cooperation (Palmatier, Dant et al. 2007) and relationship continuity (Jap, Anderson 2003).

Early conceptualization of relationship performance were conceptualized as a party's satisfaction with a relationship. More specifically, as the "positive affective state resulting from the appraisal of all aspects of a firms working relationship with another firm." (Anderson, Narus 1984, pg 66) This early conceptualization took the perspective of only one party to the relationship. More recently, Beugelsdijk et al (2009, Pg 315) conceptualize RP as "the extent to which the relationship is perceived to be productive and rewarding". While not explicit in this conceptualization, it could be implied that it is the joint perception of the parties as opposed to the individual or combined perceptions of the parties.

For the purpose of this research study, relationship performance is conceptualized as the extent to which both parties jointly perceive the relationship to be productive and rewarding from a financial as well as a non-financial perspective.

Table 1 - Research on Relationship Performance

Authors	Type of relationship studied	Relationship Performance dimensions included	Non-financial measures	Relational Perspective	Monadic or Dyadic Operationalization
Heide and John (1988)	Manufacturer-Agent	Sales, costs	No	Agents	
Noordewier et al. (1990)	Buyer-Supplier	Acquisition costs	No	Buyer	
Kumar et al. (1992)	Supplier-Re-seller	Multidimensional	Yes	Supplier	monadic
McNeilly and Russ (1992)	Manufacturer-Dealer	Profit, sales, satisfaction	Yes	Dealer	
Sako (1992)	Buyer-Supplier	Transaction Costs	No	Buyer-Supplier	
Mohr and Spekman (1994)	Manufacturer-Dealer	Satisfaction, sales	Yes	Dealer	
Evans and Laskin (1994)	Manufacturer-Buyer	Satisfaction, loyalty, profit, quality	Yes	Buyer	
Boyle and Dwyer (1995)	Distributor-Supplier	Task Completion	Yes	Buyer	
Heide and Stump (1995)	Manufacturer-Supplier	Transaction-related	No	Buyer	
Joseph et al. (1995)	Manufacturer-Distributor	Satisfaction, profit, organizational time, effect on other relationships	Yes	Distributors	
Kalwani and Narayandas (1995)	Supplier-Manufacturer	Sales, inventory, costs, prices, profits	No	Supplier	
Lethesser and Kohli (1995)	Buyer-Supplier	Satisfaction, share of business	Yes	Buyer	
Dahlstrom et al. (1996)	Buyer-Supplier	Transaction Costs	No	Buyer	
Dyer (1996)	Buyer-Supplier	Speed of new product development, quality, inventory costs, profit	Yes	Buyer-Supplier	
Young et al. (1996)	Buyer-Supplier	Satisfaction, productive, worthwhile, carried out objectives	Yes	Buyer	
O'Toole & Donaldson (2002)	Buyer-Supplier	Composite Scale - satisfaction, profitability, sales, dependence and quality	Yes	Buyer	monadic
Jap and Anderson (2003)	Buyer-Supplier	Evaluation of counterpart performance, Competitive Advantages, Joint profit performance, relationship continuity	Yes	Buyer-Supplier	monadic / dyadic
Palmatier et al. (2007)	Manufacturer-Distributor	Sales growth, overall financial performance, cooperation, conflict	Yes	Distributors	monadic
Gyau and Spiller (2008)	Exporter -Buyer	Reduction in cost, overall financial success, overall satisfaction, expectation, commitment	Yes	Exporter	monadic
Beugelsdijk et al. (2009)	Partner-Partner	Cooperation, goals, financials	Yes	Partner-Partner	dyadic

*Adapted & Update from O'Toole & Donaldson (2002)

RESEARCH QUESTIONS

Based on a review of the extant literature of market orientation, it appears that market orientation has been looked at as a company or department construct as opposed to as a relationship construct. Given that most suppliers do not sell their goods directly to the end customer, but rather use a network of intermediaries to get their products to market, they do not act alone. It is posited that it is not the suppliers own MO alone which affects performance but rather that of the supplier as well as the joint market orientation efforts between the supplier and the reseller that affects the performance of the relationship between the supplier and the network partner (i.e. reseller). It is further posited that this relationship performance combined with the suppliers own market orientation affect the supplier firm's performance. Similarly, the reseller's MO, the Inter-firm MO and relationship performance also affect the performance of the reseller firm. Therefore, rather than looking at MO as a first specific construct by itself, this research extends the theory to add inter-firm market orientation as a relationship specific construct. Specifically, this research focuses on addressing the following questions;

First, while the concept of inter-firm market orientation has been suggested in the literature, its impact on performance has not been empirically tested. The work to date on inter-firm MO has been qualitative using a case study analysis. This study proposes to develop a scale for inter-firm MO to determine how to best measure it.

The second question to be addressed by the research is to understand what role inter-firm MO plays on firm performance? Does inter-firm MO mediate the relationship between market orientation and performance? In other words, does the presence of inter-firm marketing orientation help to clarify or better explain the relationship between a supplier's own market orientation and their supplier performance. Or does inter-firm MO simply moderate, or influence the strength of the supplier MO and supplier performance relationship.

In the case of a mediated relationship as outlined above, the third question is does inter-firm MO affect firm performance directly, or is it indirectly affected by the relationship performance between the supplier and reseller? Is there a direct path between inter-firm MO and firm performance or is that link mediated by the relationship performance of the supplier and reseller?

CONTRIBUTION TO KNOWLEDGE

The extant literature to date has primarily looked at market orientation from a single or focal firm perspective. While some studies have considered the market orientation impact of other parties to a relationship, it has always been from a single firm or monadic perspective and not from a dyadic perspective. This research will extend the market orientation theory using interaction approach theory to develop a model which incorporates intra and inter-firm market orientation and its impact on both relationship and individual firm performance. This research will confirm the importance of inter-firm market orientation in business to business marketing which will have practical implications for managers on both sides of the relationship (manufacturers and network partners).

Second, while previous researches have conceptualized inter-firm market orientation, the literature lacks a scale to measure it. This research will adapt an existing measure to develop

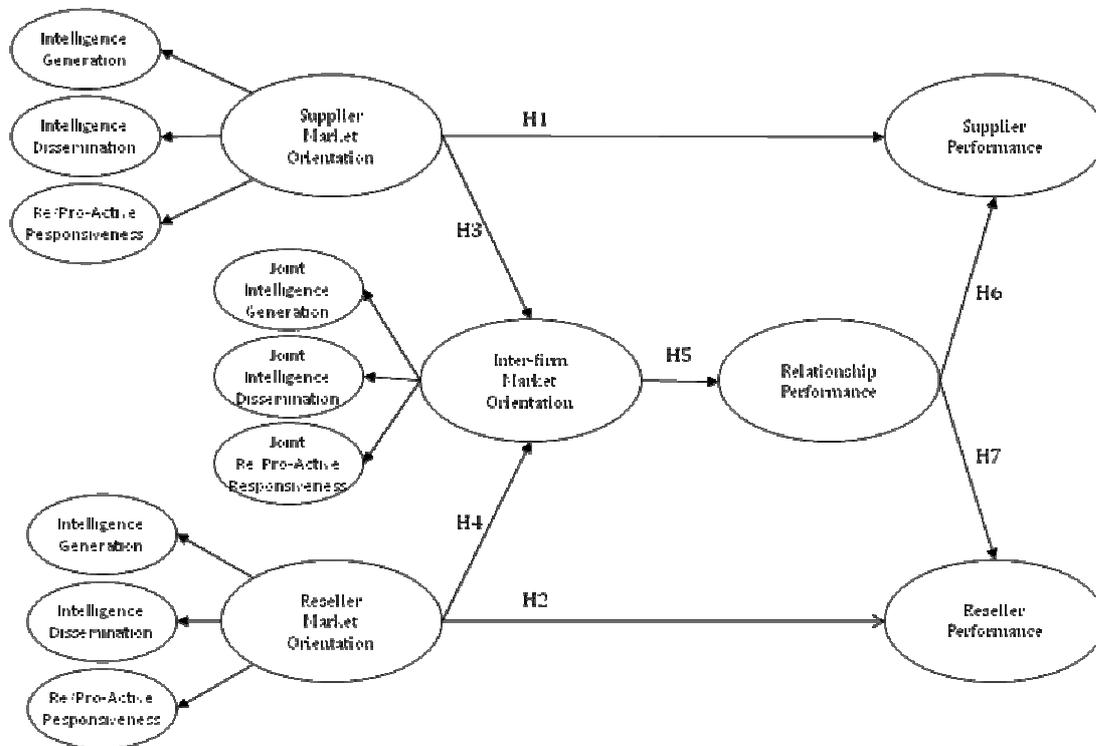
a scale for inter-firm market orientation and empirically test it in the context of dyadic business relationships.

Finally, this research will examine the effect of inter-firm market orientation to determine its effect on firm performance. The aim of this research is to prove the role of inter-firm market orientation and its impact on firm performance.

RESEARCH MODEL

Figure 2 illustrates the hypothesized model to be used in this research. The model identifies Supplier and Reseller market orientation as antecedents of both Inter-firm market orientation and individual supplier and reseller performance. The outcome of Inter-firm MO is hypothesized to be relationship performance. Subsequently, the model specifies the outcome of relationship performance as the individual performance of the supplier and the reseller.

Figure 2 - Hypothesized research model integrating inter-firm market orientation



RESEARCH HYPOTHESIS

ANTECEDENTS OF INTER-FIRM MARKET ORIENTATION & SUPPLIER PERFORMANCE

(1) Supplier/Reseller Performance

The impact of market orientation on firm performance has been frequently studied in the literature (Shoham, Rose et al. 2005, Kirca, Jayachandran et al. 2005). MO has been broadly defined as the generation of intelligence, the internal organization-wide dissemination of intelligence and the reactive and proactive responsiveness to customers. This relationship has been studied across geographies, company size, business type, network position and has time and again shown that there is a positive relationship between MO and firm performance (Rodriguez Cano, Carrillat et al. 2004).

The extant literature and the conceptualization above, define MO as the combination of a company's intelligence generation activities, intelligence dissemination activities and the proactive and reactive responsiveness to customer needs activities. The conceptualization also suggests that these activities are consistent and throughout the organization. Surely, if a firm is better at responding to customer needs because they are consistently gathering better intelligence, consistently sharing it widely throughout the organization and therefore consistently developing better products or services for their customers, they are better able to consistently satisfy their customer needs as a result (Jaworski, Kohli 1993). If a company is consistently better able to meet the needs of its customers, customers are better satisfied and therefore company performance should increase (Anderson, Sullivan 1993). Therefore, it is posited that:

H1: Supplier market orientation is positively related to Supplier Performance

Given that a reseller is an independent firm with its own customers, it is assumed that the MO constructs do not change when applied to other members of the network and both suppliers and resellers can be individually market oriented. It is therefore posited that:

H2: Reseller market orientation is positively related to Reseller Performance

(2) Inter-firm Market Orientation

Inter-firm Market Orientation refers to the joint efforts of the supplier and the reseller in generating intelligence, in disseminating or sharing of the intelligence gathered between the supplier and the reseller throughout their respective organizations, and the joint responsiveness to the customer by the supplier and reseller, which results in a response that better meets the needs of the customer. In order for market orientation to exist at the inter-firm level, it would be necessary for MO to exist at the intra-firm level (Elg 2002). If an individual firm is not used to collecting and disseminating intelligence within its own organization, the likelihood of the same firm engaging in joint activities to the same effect would be low. Conversely, if a firm is committed to collecting and disseminating intelligence within their own organization in order to better meet the needs of their customer, they would be more inclined to engage in joint activities with their supplier or reseller to the same effect. Therefore, the more market oriented a supplier is, the more likely they are to be engaged in joint market orientation activities with a reseller. Similarly, the more market oriented a reseller is, the more likely they are to engage in joint market orientation activities with the supplier. It is therefore posited that:

H3: Supplier market orientation is positively related to Inter-firm Market Orientation

H4: Reseller market orientation is positively related to Inter-firm Market Orientation

THE CONSEQUENCES OF INTER-FIRM MARKET ORIENTATION

Given that Inter-firm Market Orientation is an inter-organizational or relationship-based construct, it is assumed that the outcome of Inter-firm MO would also be a relationship-based construct such as relationship performance. Relationship performance is the extent to which both parties jointly perceive the relationship to be productive and rewarding from a financial and non-financial perspective. Given that inter-firm MO is relationship based, both parties in the relationship are engaged in the joint generation of intelligence, the joint dissemination of intelligence between and throughout both

organizations, and the joint proactive and reactive responsiveness activities to jointly better meet the needs of their common customers. If their common customer's needs are better satisfied, then those customers should continue to do business with the supplier through the reseller (Anderson, Sullivan 1993). If the common customer continues to do business with the supplier and reseller, then both parties should perceive that their relationship is more productive and rewarding from a financial and non-financial perspective.

Furthermore, because Inter-firm MO is rooted in Intra-firm MO and Intra-firm MO is positively related to firm Performance, it is posited that:

H5: Inter-firm Market Orientation is positively related to Relationship Performance

THE CONSEQUENCES OF RELATIONSHIP PERFORMANCE

While the resource based view of the firm would argue that a firm must develop resources which are rare, which cannot be easily duplicated and are valuable (Palmatier, Dant et al. 2007), no firm can be self-sufficient in getting their products to market. Resource dependence theory argues that for those resources a company needs and does not own, they must establish relationships to acquire those resources. To do this, firms which are seeking resources from a partner, develop relationships with other firms who have the required resources. Partner firms form these partnerships because the seeking firm has resources which are also needed by the partner firm. Both firms become interdependent on each other. When there is dependence symmetry, both firms value each other's resources equally and as a result both parties are satisfied (Buchanan 1992). Buchanan also argues that supplier performance benefits from trades relationships that have valuable resources and have high dependence symmetry. Similarly Palmatier et al. (2007, pg 174) argue that "partners' interdependence usually affects performance positively because partners work to maintain their relationship".

Relationship performance is conceptualized as the joint perception, of both parties, that the relationship is productive and rewarding from a financial and non-financial perspective. In order for both parties to the relationship to jointly agree on the performance of the relationship they need to value each other's resources and their needs to be dependence symmetry (Buchanan 1992). Therefore, it is posited that:

H6: Relationship performance is positively related to supplier performance

H7: Relationship performance is positively related to reseller performance

RESEARCH METHOD

The research method for this study will be a quantitative structured interview questionnaire that will use existing measures with minor adaptations for all constructs, except for the inter-firm market orientation construct. An existing measure does not exist for inter-firm market orientation. However, because an empirically tested measure exists for market orientation, and since the construct is conceptualized based on market orientation as a foundation, the existing MO measure will be adapted for inter-firm MO.

MEASURE ADAPTATION

Given that inter-firm market is a newly developed construct and an existing measure does not currently exist for this construct, the inter-firm market orientation construct will be developed by modifying the market orientation construct developed by Kohli et al (1993). Once the modified measure is developed, it will be pre-tested with a small sample of target suppliers and resellers from the target companies. In addition to completing the

questionnaire the respondents will be asked for their feedback and understanding of the questionnaire. Once this feedback is reviewed, the questionnaire will be further refined to develop an improved measurement instrument.

DATA COLLECTION

A sample of 17,500 Canadian Information Technology companies has been identified with CDN Canada. CDN Canada is a Canadian IT trade publication which is distributed to both IT resellers and IT suppliers (manufacturers). Given that it will be necessary to sample both resellers and manufacturers, it was thought that this source would be ideal. Sampling would begin with resellers in the IT industry. Respondents would be screened to ensure that they are resellers and not manufacturers. Given that many of the constructs in this research are dyadic and relationship-based, a question would be included in the reseller questionnaire that would request them to provide the name of a supplier partner who could be contacted to complete a similar questionnaire about their business relationship. A pre-test with a few reseller partners will be conducted in order to identify the key people to send the questionnaire to.

It is expected that the survey questionnaire will be sent to a senior high level individual within the reseller organization responsible for the relationship with the identified supplier partner. Typically this would be either the president/owner or senior manager within the reseller organization responsible for managing manufacturer partner relationships. These individuals would be asked to identify a key manufacturer partner by company name and also the key individual within that organization who manages the relationship between the manufacturer and the reseller. This would typically be a reseller account manager. Manufacturer questionnaires would be sent to the key identified partners introducing the survey and indicating that a key partner has identified their relationship as important. The manufacturer would be asked to complete the questionnaire based on the reseller partner who identified them. Where possible, if multiple reseller partners have identified the same manufacturer partner and key vendor contact, multiple questionnaires will be sent to the manufacturer specifying which reseller to consider when responding to the questionnaire to ensure relationships can be match up for purpose of data analysis at the relationship level. The probability of multiple resellers indentifying the same manufacturer partner key contact is small.

DATA VALIDATION

In order to test the overall model, it will be necessary to perform the following tests to validate the data collected.

(1) Non-response bias

It is possible that a non-response bias may occur during the data collection process. It will be necessary to test for this bias by comparing responses between those who were early respondents to the questionnaire with those who responded late. Both characteristics of the respondents (including age, gender, level within the organization, etc.) and length of the relationship between the reseller and manufacturer partners.

(2) Reliability check

In order to test for internal consistency reliability, the split-half method will be used in which the indicators for each measure are split in half and the half scores are correlated to test for internal consistency. The closer the correlations are to 1 the greater the degree of internal consistency reliability for each of the measures. Hair et

al (2010) argue that correlations greater than 0.7 are acceptable indicators of internal consistency reliability.

(3) Discriminant validity check

When measuring constructs in research it is necessary to check for discriminant or divergent validity, which suggests that each construct in the model is measuring different things or are distinct from one another (Ghauri, Gronhaug 2005). To do this we will use confirmatory factor analysis to test the overall fit of the constructs. Furthermore, the correlation between the two constructs will be measured to ensure that there is a low correlation between the constructs.

(4) Convergent validity check

Convergent validity on the other hand looks at the extent to which theoretical constructs used in the model are similar to other constructs in the theory to which it should be similar to (Ghauri, Gronhaug 2005). Like the discriminant validity check outlined above, the correlation between the two constructs will be measured to ensure that there is a high correlation between the constructs.

DATA ANALYSIS

Following the data collection phase, the first round of analysis will be to test and validate the inter-firm market orientation scale. This will be done using both an exploratory factor analysis using SPSS and a confirmatory factor analysis using AMOS. Once the measurement scale for inter-firm market orientation is validated, then the proposed model will be tested, using structural equation modeling in AMOS, against other candidate models to assess and validate the role of inter-firm market orientation on firm performance.

RESEARCH PLAN AND TIMETABLE

The following table outlines the deliverables for the proposed research and the associated timeframes for each.

Table 2 - Research timing & deliverables

Timing	Deliverable
April 2010	Research Proposal Defended
May – June 2010	Prepare conceptual paper on inter-firm market orientation (IMO)
May 2010	Research Fieldwork begins
May– June 2010	Design the questionnaire Field test the IMO measurement scale Refine the IMO measurement scale and finalize questionnaire
July – September 2010	Conduct survey Send survey to resellers Send survey to supplier partner firms based on reseller responses
October – December 2010	Analyze and test data for IMO measurement scale Develop IMO measure scale development paper
January – March 2011	Analyze and test data for model using structural equation modeling

	Prepare paper discussing the impact of IMO on firm performance
April – June 2011	Write up dissertation for submission
July 2011	Viva

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