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Mateja Bodlaj

Iča Rojšek

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THE MARKET ORIENTATION OF SLOVENIAN COMPANIES: TWO-GROUP COMPARISONS

MATEJA BODLAJ*
IČA ROJŠEK**

ABSTRACT: *The purpose of the presented empirical study was to examine market orientation between groups of companies in terms of three company characteristics, i.e. main business sector, company size, and type of the market, and three environmental characteristics, i.e. market turbulence, technological turbulence and competitive intensity. Market orientation is analysed by distinguishing between a cultural and behavioural perspective and by distinguishing between a responsive and proactive form. Comparisons between groups of companies are made by testing invariant latent mean structures. The analysis of 325 Slovenian companies reveals that the particular market orientation dimensions only differ when different levels of market and technological turbulence are considered.*

Key words: *market-oriented culture; responsive and proactive market orientation; market information*

JEL classification: M31

1. INTRODUCTION

Market orientation is one of the key concepts in marketing literature and has been the subject of numerous empirical studies since the 1990s. The main interest in the concept is the underlying assumption that market orientation with its focus on customer needs can lead to a better company performance in comparison to alternative business orientations. The majority of empirical studies (e.g. Narver and Slater, 1990; Jaworski and Kohli, 1993; Slater and Narver, 2000; Hooley et al., 2000; Milferner et al., 2008) along with three meta-analyses (Cano et al., 2004; Kirca et al., 2005; Ellis, 2006) reveal that market orientation is indeed positively related to business performance. However, most companies do not embrace the concept of market orientation until they are driven to it by circum-

* University of Ljubljana, Faculty of Economics, Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia, E-mail: mateja.bodlaj@ef.uni-lj.si

** University of Ljubljana, Faculty of Economics, Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia, E-mail: ica.rojsek@ef.uni-lj.si

stances such as a sales decline, slow sales growth, changing buying patterns, increasing competition or poor results yielding from marketing expenditures (Kotler, 2003). Although market orientation is viewed as an appropriate business philosophy, companies have difficulties implementing it (Kennedy et al., 2002). It is therefore interesting that the majority of empirical studies have focused on market orientation's consequences rather than analysing the factors that will lead to a higher level of market orientation. Kirca et al. (2005) in their meta-analysis reported that almost 85% of the effects mentioned in empirical studies refer to market orientation's consequences. Only a few empirical studies compare the level of market orientation between groups of companies given the company characteristics or characteristics of the business environment. For example, are companies operating predominantly in consumer markets more market-oriented than companies in business markets? Do characteristics of the business environment (i.e. market turbulence, technological turbulence, competitive intensity) influence the level of market orientation? The existing literature provides very limited answers to these topics.

Further, existing measures of market orientation are entirely or predominantly focused on measuring market-oriented behaviour rather than market-oriented culture, although various authors define market orientation as a culture (e.g. Deshpande and Webster, 1989; Narver and Slater, 1990; Deshpande et al., 1993). Moreover, the recent market orientation literature strongly emphasises the need to distinguish between two forms of market orientation, i.e. responsive and proactive. Virtually all empirical studies to date have solely focused on a responsive market orientation (Narver et al., 2004), while neglecting a proactive market orientation. The literature in this field is limited to just a few theoretical discussions and empirical studies.

The purpose of this paper is to fill this gap in the literature and to contribute to the existing knowledge on market orientation by comparing the level of market orientation between groups of companies given selected company characteristics (i.e. size, main business, and type of the market) and selected characteristics of the business environment (i.e. market and technological turbulence, competitive intensity). The paper attempts to compare existing discussions and findings reported on market orientation by researchers from Western countries with empirical findings obtained with the sample of Slovenian companies. Comparisons will be made: 1) by distinguishing between a cultural and behavioural perspective of market orientation; and 2) by distinguishing between a responsive and a proactive market orientation. An analysis on a sample of 325 Slovenian companies will be based on the use of structural equation modelling.

The rest of the paper is organised as follows: first, a brief literature review of market orientation is provided along with research hypotheses relating to comparisons of market orientation between groups of companies. The methodology is then explained, followed by the results of the study. In the last section, a discussion of the results is provided along with the contributions of the presented empirical study to the market orientation literature, research limitations, and recommendations for future research.

2. LITERATURE REVIEW

Market orientation is one of the alternative company orientations toward the market-place that emerged in the mid-1950s and holds that the key to achieving business goals consists of the company being more effective than its competitors in creating, delivering and communicating superior customer value to its chosen target markets (Kotler, 2003). Other possible business orientations that are most frequently mentioned in the literature include (Kotler, 2003; Varela and Rio, 2003; Kurtz and Boone, 2006): production orientation (which concentrates on achieving high production efficiency, low costs, and mass distribution), product orientation (which focuses on making superior products and improving them over time, while getting little or no customer input as to whether the product really meets customer needs and wants), and selling orientation (which concentrates on aggressive/hard selling and promotion to coax the customer into buying). Unlike production, product and selling orientation, which are classified as “closed” orientations since companies focus on the company’s goals (Snoj and Gabrijan, 1998; Snoj et al., 2004), market orientation is classified as an “open” orientation because market-oriented firms focus on customer needs in order to achieve profit in profit-oriented companies or enough funds for the operation of non-profit organisations.

Two perspectives on market orientation prevail in the literature, i.e. cultural and behavioural (Snoj and Gabrijan, 1998). Conceptualisations proposed by two groups of authors are the most frequently used: Narver and Slater (1990, p. 21) defined market orientation as “the organisational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for the buyers and, thus, continuous superior performance for the business”. In contrast to Narver and Slater who defined market orientation as a culture, Kohli and Jaworski (1990, p. 6) defined market orientation as a set of activities/behaviours: “organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation-wide responsiveness”. In addition, some authors take more levels into consideration. According to Deshpande (1999), market orientation can be present at three levels, as a culture (the shared set of values and beliefs regarding putting customers first), as a strategy (continuously creating superior value for customers) and as tactics (a set of cross-functional processes and activities directed at creating and satisfying customers). Moreover, Homburg and Pflesser (2000) propose a multi-layer model of market orientation which consists of four distinguishable but interrelated components, i.e. values, norms, artefacts and behaviour.

However, in spite of the different conceptualisation perspectives the existing market orientation scales predominantly focus on the behavioural perspective. A review of 125 empirical studies reveals that almost 95% of studies measure market orientation at the operational, i.e. behavioural level (O. Gonzalez-Benito and J. Gonzalez-Benito, 2005). To conclude, the cultural perspective of market orientation has had a stronger impact on the definition rather than the development of measures of market orientation (Homburg and Pflesser, 2000). Two widely used scales which both focus on market-oriented behaviour are the MARKOR scale (Jaworski and Kohli, 1993; Kohli et al., 1993) and the MKTOR

scale (Narver and Slater, 1990). In the literature, there is no consensus on which of these scales is better (Matsuno et al., 2005). Overall, both scales are reliable (Ellis, 2006) but cannot be simply applied in their original forms (Oczkowski and Farrell, 1998) without a careful examination of their measurement quality (Gauzente, 1999) (for more on this topic, see Bodlaj, 2009).

The recent market orientation literature stresses the need to distinguish between two complementary forms of market orientation: responsive (market-driven) and proactive (market-driving). Jaworski et al. (2000) argue that market orientation has often been interpreted narrowly as the adaptation of product offerings to existing customer preferences and/or market structure. The current literature has an unbalanced focus on existing customer preferences and the current market structure rather than the proactively shaping market. Authors distinguish between two complementary forms of market orientation: “*market-driven*” and “*driving market/market driving*”. The market-driven form is based on understanding and reacting to the preferences and behaviours of players within a given market structure. By contrast, the driving market form implies a company’s impact on the market structure and/or behaviours of market players in order to improve the competitive position of the business (Jaworski et al., 2000). The success of market driving depends on a good understanding of the existing market, anticipating potential future developments of the market, company capabilities for changing customer preferences etc. (Harris and Cai, 2002). Companies that drive the market obtain a sustainable competitive advantage by creating substantial superior value for the customer (Kumar et al., 2000). Both forms of market orientation are needed for a long-run business performance (Sheth and Sisodia, 1999).

Similarly, Narver et al. (2004) distinguish between a “*responsive*” market orientation which refers to discovering, understanding and satisfying expressed customer needs, and a “*proactive*” market orientation which refers to discovering, understanding and satisfying latent customer needs. While a responsive market orientation is generally regarded as being market-driven, a proactive market orientation is more compatible with the concept of market driving (Mohr and Sarin, 2009). A responsive market orientation (also referred as “customer-led”) is short-term focused: it usually only leads to adaptive learning and can be successful in relatively predictable and stable environments. In dynamic environments, however, a responsive market orientation does not provide sufficient incentive for radical innovations and rarely leads to a competitive advantage (Slater and Narver, 1998; Kumar et al., 2000). Companies that rely solely on customers’ expressed needs create no new insights into value-adding opportunities for the customer and are thereby much more vulnerable and more sensitive to price competition because they create little or no customer dependence and foundation for customer loyalty (Narver et al., 2004). Although the two most frequently mentioned definitions of market orientation from the early 1990s refer to the importance of understanding present and future target customers (Narver and Slater, 1990) and gathering information about present and future customer needs (Kohli and Jaworski, 1990), past measures of market orientation (e.g. the MARKOR and MKTOR scales) were chiefly centred on a responsive market orientation (Narver et al., 2004). To date, only a few empirical studies have adopted both forms

of market orientation (e.g. Narver et al., 2004; Atuahene-Gima et al., 2005; Tsai et al., 2008; Bodlaj, 2009; Milferner, 2009; Voola and O’Cass, 2010). These studies clearly suggest that both forms of market orientation lead to different consequences. For example, a proactive market orientation has a greater positive impact on innovation orientation, new-product success (Narver et al., 2004), radical innovation (Bodlaj, 2009), capacity to innovate (Milferner, 2009) and business success (Voola and O’Cass, 2010). Distinguishing between a responsive and proactive market orientation is therefore important for understanding the role of market orientation in implementing competitive strategies and its impact on firm performance (Voola and O’Cass, 2010).

Distinguishing between both forms can also enable a better insight into the nature of company market orientation itself. Yet, the market orientation literature provides very few comparisons of market orientations between groups of companies. However, this information may be important for marketers because it can reveal which companies are more market-oriented. Previous studies suggest that companies with a similar level of market orientation tend to use similar marketing strategies: strong market-oriented companies use segmentation, developing new products for new markets and adapting products to customers’ needs, while companies with a low market orientation mainly use less intensive and internally focused strategies such as lower prices, limited services for customers, product standardisation and limited marketing research (Dobni and Luffman, 2000). Similarly, Hooley et al. (2000) found that companies with a higher level of market orientation follow long-term objectives of building a market position and more frequently have objectives relating to growth or market domination; they adapt their offer to different customers’ needs; they differentiate their offer more on the basis of quality than price. In contrast, low market-oriented companies are more often focused on objectives related to survival and cost reduction.

The question is whether the level of market orientation differs between groups of companies given their company characteristics (e.g. size of the company, main business sector and type of the market) and the business environment. The few empirical findings that do exist on this topic are discordant: for example, Avlonitis and Gounaris (1997) reported that a market orientation is less developed in business markets than in consumer markets, while Kaynak and Kara (2004) reported just the opposite and Hooley et al. (2000) found no significant difference. Comparisons between companies of different sizes also lead to mixed results: according to Hooley et al. (2000) smaller companies are somewhat more market-oriented than larger companies, while others report the opposite (Liu, 1995) or no significant difference (Ledwith and O’Dwyer, 2008). Further, one group of authors reports a similar level of market orientation of manufacturing and service companies (Gray et al., 2002; Deshpande and Farley, 1998; Hooley et al., 2000), whereas Cadogan et al. (2002) report a significant lower level of the market orientation of export service companies in comparison to manufacturing companies.

An empirical study of a sample of 628 Slovenian companies in 1996 revealed that almost half the general managers were dissatisfied with the level of company market orientation; limited financial sources and past habits were indicated as the most important obstacles

to accepting a market orientation (Snoj and Gabrijan, 1998). Mumel and Iršič (1998) concluded that Slovenian companies in 1996 did not achieve a satisfactory level of market orientation. In their empirical study in 2001 on a sample of 759 companies, Snoj et al. (2004) found the highest average level of market orientation in retail and wholesale companies and the lowest in construction and agriculture. However, no statistical difference was found in the average-level market orientation of various business sectors.

It should be noted that none of the empirical studies mentioned above encompassed both a responsive and proactive market orientation. To summarise, while the discordant empirical findings do not allow a more precise hypothesis, there is some support that companies develop different levels of market orientation in line with their company characteristics. Therefore, we propose:

- H1a: Manufacturing and service companies differ in their average level of market orientation.*
- H1b: Small and larger companies differ in their average level of market orientation.*
- H1c: Companies operating in consumer and business markets differ in their average level of market orientation (in a cultural and behavioural perspective).*

Assuming that market orientation may be more important in certain environments (e.g., Day and Wensley, 1988; Kohli and Jaworski, 1990), a number of researchers have empirically examined the role of the business environment in the relationship between market orientation and business performance (e.g., Jaworski and Kohli, 1993; Diamantopoulos and Hart, 1993; Slater and Narver, 1994; Appiah-Adu, 1998; Greenley and Foxall, 1998; Subramanian and Gopalakrishna, 2001; Rose and Shoham, 2002). Some of the most frequently examined characteristics of the business environment are market turbulence, technological turbulence, and competitive intensity (Kirca et al., 2005). *Market turbulence* refers to changes in the composition of customers and their preferences (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993), whereas *technological turbulence* is the considered rate of technological change (Jaworski and Kohli, 1993; Tsai et al., 2008). *Competitive intensity* refers to the degree of competition in an industry (Kohli and Jaworski, 1990).

However, only a few empirical studies have examined whether companies operating in different environments differ in the levels of market orientation. For example, Hooley et al. (2003) found that service companies operating in rapidly changing markets are more market-oriented. On the contrary, Lukas (1999) found that strategic business units operating in a business environment characterised by larger market changes are less market-oriented. The latter finding counters Kotler's observation that most companies do not embrace the concept of market orientation until they are driven to it by circumstances such as a sales decline, slow growth, changing buying patterns, increasing competition and increasing marketing expenditures (Kotler, 2003). Companies should consider environmental characteristics in their choice, development and implementation strategy (Gonzalez-Benito et al., 2009). Therefore, differences should be expected across environments (Gonzalez-Benito et al., 2009). Companies operating in more turbulent markets

are likely to have a greater need to be more market-oriented in order to satisfactorily cater for customer's changing preferences (Jaworski and Kohli, 1993). Further, companies that work with nascent technologies that are undergoing rapid change may be able to obtain a competitive advantage through technological innovation, thereby diminishing the importance of a market orientation. By contrast, companies working with stable (mature) technologies are in a relatively poor position to leverage technology so as to gain a competitive advantage and must rely on a market orientation to a greater extent (Jaworski and Kohli, 1993). Finally, in conditions of high competition customers have many alternatives to satisfy their needs and wants and, as a result, a less market-oriented company is likely to lose customers relative to its competitors. Conversely, in the absence of competition a company may perform well even if it is not very market-oriented (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993). To summarise, it is expected that an environment characterised by rapidly changing consumer preferences, slowly changing technology and a higher degree of competitive intensity forces companies to develop a higher level of market orientation. In line with this discussion, we propose:

- H2a: Companies operating in an environment with a higher level of market turbulence develop a higher level of market orientation.*
- H2b: Companies operating in an environment with a lower level of technological changes develop a higher level of market orientation.*
- H2c: Companies operating in an environment with a higher level of competitive intensity develop a higher level of market orientation (in a cultural and behavioural perspective).*

3. METHODOLOGY

The target population for our empirical study consisted of Slovenian companies in manufacturing and selected services industries (wholesale and retail trade, transport, storage and communications, and financial intermediation) with at least 10 employees. Companies with less than 10 employees were excluded because some items in the questionnaire are less relevant for these companies (e.g. co-ordinated work of all employees) and because the expected response rate of companies with at least 10 employees is higher (Jurše et al., 2007). A list of firms provided by the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) was used as a basis for collecting the email addresses of general managers and marketing managers. A mailing list compiled by a call centre at Slovenian's Chamber of Commerce and Industry was used as a sampling frame. Each manager received an email explaining the general purpose of the study and the link to the Internet survey. Two follow-up emails were sent to non-respondents. The survey was conducted in the period from January to March 2008. After accounting for undeliverable mails, usable questionnaires from 441 companies were received, constituting a 16 percent response rate. A subsample of 325 companies (73.7% of the companies participating in the survey) which had introduced a product, process, marketing and organisational innovation during the period 2005-2007 was retained for this study. The decision to focus only on companies which had introduced innovations in the selected

period is relevant because the literature often stresses the importance of innovations for business performance (e.g. Deshpande and Farley, 2004; Fagerberg, 2005). The sample of 325 companies consisted of 54% of manufacturing and 46% of service organisations. 51% of the companies in the sample were classified as small (10-49 employees), 32% of them were medium (50-249 employees), while 17% were large (more than 250 employees). 56% of the companies operated predominantly in consumer markets and 44% of them operated in business markets. Of all respondents, 54% were general managers, 30% were marketing managers and the rest mainly held other leading positions in the company. An early versus late respondent analysis provided no evidence of non-response bias.

In keeping with standard approaches to the development of measurement scales, a large set of potential question items was developed. The questionnaire contained 14 items in order to measure organisational culture (including market-oriented culture) and 20 items in order to measure responsive and proactive market-oriented behaviour on a seven-point Likert scale (1= strongly disagree to 7=strongly agree). The items were developed based on the literature review of theoretical discussions and existing measures of organisational culture and market orientation (e.g. Deshpande and Farley, 1999; Narver and Slater, 1990; Kohli et al., 1993; Homburg and Pflesser, 2000; Kotler, 2003; Narver et al., 2004), along with findings from eight in-depth interviews with managers.

A market-oriented culture was defined as a shared set of values and beliefs which put the customer first (Deshpande, 1999; Deshpande and Farley, 1999). Creating a superior value for the customer is therefore one of the most important values of a market-oriented culture (e.g. Narver and Slater, 1990; Narver et al., 1998; Kotler, 2003). Following the recent market orientation literature, a responsive market orientation refers to satisfying expressed customer needs, while a proactive market orientation refers to satisfying latent customer needs (Narver et al., 2004). Since past empirical studies predominantly measure a responsive market orientation (Jaworski et al., 2000; Narver et al., 2004), items to measure a responsive market orientation were derived from the widely used MARKOR scale (Kohli et al., 1993) and MKTOR scale (Narver and Slater, 1990). Items measuring a proactive market orientation were adopted from Narver et al. (2004). In addition, findings from in-depth interviews with Slovenian managers were also considered in both scales. Market turbulence, technological turbulence, and competitive intensity were measured based on the widely used scales developed by Jaworski and Kohli (1993). The respondents were asked to indicate their degree of agreement on a seven-point Likert scale (1=strongly disagree to 7=strongly agree). Before conducting a survey, a pilot research has been conducted on the sample of 9 academics and 12 managers as interviewees. In addition, the face validity of the market orientation scale was tested with two academics and four managers.

4. RESULTS

First, the measurement model of market orientation components was tested. In addition to two components of market-oriented behaviour (responsive and proactive market ori-

entations), both exploratory and confirmatory factor analysis result in one additional component, i.e. market information. A confirmatory factor analysis using the AMOS 16.0 software reveals that all latent variables exhibit indices superior to the reference values of the composite reliability index (ρ_c) and the variance extracted (ρ_v) (see Table 1), indicating convergent validity. The literature recommends values of 0.6 or higher for composite reliability (ρ_c) and values of 0.5 or higher for the variance extracted (ρ_v) (Hair et al., 2005). For each pair of constructs, the chi-square difference between the constrained (i.e. the correlation between two constructs was set to 1) and unconstrained model was statistically significant ($\Delta\chi^2 > 3.84$), confirming the discriminant validity of our constructs. In addition, the usual fit indices are better than the commonly accepted thresholds (CFI=0.978; the literature recommends values of 0.95 or higher; RMSEA=0.046; the literature recommends values below 0.08; Hair, 2005).

TABLE 1: *Measurement items of market orientation retained for the analysis – Confirmatory Factor Analysis (CFA)*

Items	SFL*
Market-oriented culture (Cronbach's $\alpha = 0.77$; $\rho_c = 0.78$; $\rho_v = 0.54$)	
Continuously creating superior customer value relative to competitors is one of the most important values of our company.	0.74
We constantly consider how to be different and better than competitors.	0.73
We believe that only working in a co-ordinated way leads to the better satisfaction of customer needs relative to our competitors.	0.73
Market information (Cronbach's $\alpha = 0.83$; $\rho_c = 0.83$; $\rho_v = 0.71$)	
We timely recognise changes in the needs, wants and/or buying behaviour of existing and potential customers.	0.87
We know the customers of our products well.	0.81
Responsive market orientation (Cronbach's $\alpha = 0.85$; $\rho_c = 0.85$; $\rho_v = 0.53$)	
We respond quickly to changed customer needs, wants and/or buying behaviour.	0.81
Business functions work in a co-ordinated way so as to satisfy the needs of our target markets.	0.77
We adapt the marketing mix (products, prices, distribution, communication) to selected target markets.	0.71
We respond quickly to competitors' activities.	0.69
In the case of customer dissatisfaction or complaints we take corrective steps as fast as possible.	0.64
Proactive market orientation – PRO (Cronbach's $\alpha = 0.85$; $\rho_c = 0.85$; $\rho_v = 0.54$)	
We examine problems customers may have with existing products in the market in order to offer a new or better solution to satisfy a need.	0.79
We examine which needs and wants customers may have in the future.	0.77
We try to recognise needs and wants which existing and potential customers are unaware of or which they do not want to disclose.	0.77
We work closely with lead customers who recognise their needs months or years before the majority of potential customers recognise them.	0.68
We develop new products that will satisfy still unexpressed customer needs.	0.65

*SFL: Standardised Factor Loadings

Model fit: $\chi^2=134.9$; $df=80$; $GFI=0.948$; $NFI=0.949$; $TLI=0.972$; $CFI=0.978$; $RMSEA=0.046$

Similarly, a confirmatory factor analysis was conducted for items measuring the business environment. All three constructs, i.e. market turbulence, technological turbulence, and competitive intensity, exhibit convergent validity (values of ρ_c and ρ_v exceed the reference values; see Table 2) and discriminant validity.

TABLE 2: *Measurement items for the business environment retained for the analysis – Confirmatory Factor Analysis (CFA)*

Items	SFL
Market turbulence (Cronbach's $\alpha = 0.85$; $\rho_c = 0.86$; $\rho_v = 0.61$)	
Customer needs and wants are changing fast.	0.88
Customers tend to look for new products all the time.	0.86
Customer buying behaviour is changing fast.	0.79
The structure of our customers is changing fast.	0.55
Technological turbulence (Cronbach's $\alpha = 0.85$; $\rho_c = 0.85$; $\rho_v = 0.66$)	
Technological changes provide big opportunities in our industry.	0.85
The technology in our industry is changing rapidly.	0.84
A large number of new product ideas have been made possible through technological breakthroughs in our industry.	0.74
Competitive intensity (Cronbach's $\alpha = 0.75$; $\rho_c = 0.75$; $\rho_v = 0.50$)	
Customers perceive only small (or no) changes among competitive products/services.	0.76
Anything that one competitor can offer, others can match fast.	0.74
Companies compete predominantly with prices.	0.62

Model fit: $\chi^2 = 80.7$; $df = 32$; $GFI = 0.953$; $NFI = 0.944$; $TLI = 0.951$; $CFI = 0.965$; $RMSEA = 0.069$

For the 325 companies in the sample, the mean scores of market-oriented culture (CULT) and all three market-oriented behavioural components, i.e. market information (INFO), responsive market orientation (RESP) and proactive market orientation (PRO) are above the scale midpoint, with the highest mean score of market-oriented culture, followed by market information (mean=5.41; SD=1.02), responsive market orientation (mean=5.36, SD=1.00) and proactive market orientation (mean=5.06, SD=1.09). The mean score of market-oriented culture is significantly higher than the mean scores of all three components of market-oriented behaviour. This finding suggests that market orientation is more present as a culture and to a smaller extent as behaviour. In addition, the mean score of proactive market orientation is significantly lower than the mean scores of market information and responsive market orientation. The mean scores of all three environmental characteristics are above the scale midpoint, with significantly the highest mean score for competitive intensity. Table 3 shows the descriptive statistics for the variables under review.

TABLE 3: Means and Standard Deviations (SD) – Total sample (n=325)

Variables	Number of items	Mean	SD	95% Confidence Interval for Mean
Market-oriented culture	3	5.83	1.06	5.72 – 5.95
Market information	2	5.41	1.02	5.30 – 5.52
Responsive market orientation	5	5.36	1.00	5.25 – 5.47
Proactive market orientation	5	5.06	1.09	4.94 – 5.18
Market turbulence	4	4.29	1.29	4.15 – 4.43
Technological turbulence	3	4.12	1.45	3.96 – 4.28
Competitive intensity	3	4.81	1.33	4.66 – 4.95

Notes: All entries are measures on a seven-point scale. Number of items remaining after purification

Comparisons of market orientation dimensions across groups of companies were made by testing for invariant latent mean structures. Companies were divided into two groups given their main business (manufacturing vs. service), size of the company (small vs. medium and large companies) and main type of the market (companies operating in consumer vs. business markets). Given the environmental characteristics, companies were split into two groups (low vs. high turbulence/competitive intensity) based on the median value. Following Byrne (2001) and Hair et al. (2005), a two-group analysis involved the following steps: 1) separately applying CFA to the same measurement model in each group; 2) testing factor structure equivalence by applying CFA in each group simultaneously; and 3) testing the equivalence of factor loadings, factor covariance and error variance. According to Hair et al. (2005), valid comparisons between groups can be made if partial metric invariance is supported, i.e. at least two items per factor can be constrained to be equal without significantly worsening the model fit. In our case, metric invariance was supported for all two-groups under study which allows us to test for latent mean difference across groups following Byrne (2001). Table 4 provides results of comparisons of market orientation dimensions across companies given the company characteristics and the business environment. In the structural equation model, only one set of means is provided representing the difference between group means (Hair et al., 2005). The results are therefore interpreted in a relative sense: the positive standardised mean in Table 4 indicates a higher level market orientation dimension in group 1, while the negative standardised mean indicates a lower level market orientation dimension in group 1 compared to group 2. The difference is significant if $|t| > 1.96$.

TABLE 4: Results of the two-group analysis

Groups of companies	Model fit		CULT		INFO		RESP		PRO	
	CFI	RMSEA	Mean ^a	t*	Mean	t	Mean	t	Mean	t
a 1. Manufacturing	0.97	0.038	-0.14	-1.06	0.13	1.21	0.06	0.48	0.04	0.28
2. Service										
b 1. Small	0.96	0.042	-0.06	-0.44	-0.09	-0.82	0.14	1.07	0.08	0.65
2. Medium and large										
c 1. Consumer market	0.97	0.035	0.05	0.39	-0.20	-1.86	-0.14	-1.07	-0.19	-1.15
2. Business market										
d 1. Low market turbulence	0.96	0.044	-0.52	-3.95	-0.14	-1.21	-0.42	-3.15	-0.38	-3.03
2. High market turbulence										
e 1. Low technological turbulence	0.97	0.036	-0.25	-1.87	-0.14	-1.27	-0.49	-3.58	-0.46	-3.70
2. High technological turbulence										
f 1. Low competitive intensity	0.97	0.038	0.02	0.16	0.15	1.35	0.25	1.79	0.21	1.65
2. High competitive intensity										

Notes: ^a Mean = standardised mean

* Significant at $p < 0.05$, if $|t| > 1.96$.

As evident from Table 4, the average levels of market-oriented culture and all three behavioural dimensions of market orientation are not statistically different between groups of companies given their main business, size and type of the market. Hypotheses H1a, H1b and H1c are therefore not supported. By contrast, the average levels of some market orientation dimensions significantly differ given the level of market and technological turbulence. More specifically, companies operating in a business environment with lower market turbulence have a significantly lower level of market-oriented culture as well as a responsive and proactive market orientation in comparison to companies operating in a business environment characterised by a higher level of market turbulence. Since significant differences exist for all market orientation dimensions except for market information, hypothesis H2a is supported.

Further, companies operating in a business environment with a lower level of technological turbulence have a significantly lower level of responsive and proactive market orientation than companies operating in a business environment with a higher level of technological turbulence. This finding counters our hypothesis H2b which postulates that a higher level of market orientation may be expected in the context of lower technological turbulence. Further, no significant differences exist for market-oriented culture and market information. Hypothesis H2b is therefore not supported.

With regards to competitive intensity in the business environment, contrary to our expectations the two-group analyses reveal no significant mean differences for any dimension of market orientation. Hypothesis H2c is therefore not supported.

5. DISCUSSION AND IMPLICATIONS

Overall, the study reveals that market orientation in Slovenian companies is more developed as a business philosophy that is not fully implemented through market-oriented behaviour. This is evidenced by the significantly higher mean score for market-oriented culture in comparison to the mean scores of the market-oriented behavioural dimensions. This implies there is a gap between what companies declare as important and their actual business practices. Further, the proactive form of market-oriented behaviour is significantly less developed than the responsive form, implying that companies are better at quickly responding to changes in expressed customer preferences and relatively worse at recognising and satisfying latent customer needs. This holds important implications for Slovenian managers since previous studies reveal that being responsive only is not sufficient to gain a competitive advantage. The question of how to develop a higher level of market orientation will be discussed later in this section.

The main purpose of this study was to analyse market orientation between groups of companies. To summarise, the findings suggest that Slovenian companies do not significantly differ in their market orientation given their main business, size and type of the market. By contrast, some statistically significant differences exist when characteristics of the business environment are considered. More specifically, companies operating in a business environment characterised by less market turbulence develop a significantly lower level of market-oriented culture as well as responsive and proactive market-oriented behaviour in comparison with companies operating in a business environment characterised by a higher level of market turbulence. This is in line with our expectation because the importance of focusing on customer needs and wants for the long-run business performance increases with rapidly changing customer preferences and buying behaviour. To remain competitive in such an environment companies are forced to constantly increase their market orientation. In addition, our study reveals statistically significant differences in market orientation considering the level of technological turbulence. More specifically, companies operating in an environment with a lower level of technological turbulence develop a significantly lower level of responsive and proactive market-oriented behaviour. While differences across companies were expected, it should be noted that a lower level of market orientation had been expected within the group of companies operating in the context of high technological turbulence. According to Jaworski and Kohli (1993), rapid technological changes provide alternative avenues for gaining a competitive advantage, thereby diminishing – but not eliminating – the importance of a market orientation. This implies that an environment with a higher level of technological turbulence encourages companies to develop a market orientation to a lesser degree than an environment with relatively stable technology. Jaworski and Kohli's (1993) understanding of competitive advantage is consistent with the resource-based view of the firm (RBV) which sees companies as unique collections of assets and capabilities that enable them to outperform their competitors. A holistic view of competitive advantage, however, requires that companies apply certain assets and capabilities to deliver products and services that allow them a positional advantage (Rao and Steckel, 1998). In other words, a superior technology does not necessarily provide a competitive

advantage unless it leads to a positional advantage (through the provision of either a low-cost or differentiated product) which, in turn, generates desired outcomes for the company (e.g. profit, market share, customer satisfaction and loyalty etc.). Solely emphasising technology as an asset or capability can lead to a misguided opinion that customers will favour products with brand-new innovative features and engineers can design exceptional products with no customer input. Therefore, the results of our study are reasonable when they suggest that rapid technological changes provide new possibilities for creating a superior value for the customer when supported by a higher level of market orientation. Another interesting finding is that the level of technological turbulence only impacts the level of market-oriented behaviour, whereas the level of market turbulence also impacts the level of market-oriented culture. This suggests that rapid market changes encourage companies to not only be more responsive and proactive in satisfying expressed and latent customer needs but also to increase company awareness of the importance of focusing on customers (as a business philosophy). If customer needs and wants are changing rapidly, companies are more aware of the importance of constantly creating and delivering superior value to the customer.

By contrast, competitive intensity has no statistically significant impact on the level of market orientation. This finding is contrary to our hypothesis. It would be logical to expect more market-oriented companies operating in a business environment with stronger competition since a higher level of market orientation can enable their long-term survival. On the contrary, when the competitive intensity is lower it would be logical to expect that companies could “get along” even at a lower level of market orientation. A possible explanation of why our study did not confirm this hypothesis could be that the majority of managers in the study assess their business environment as competitive or highly competitive (for 68.9% of companies in the study, the average score for competitive intensity is higher than 4 on a 7-point scale). Therefore, a statistically significant difference might have appeared had the sample been more heterogeneous given the managers’ perceptions of competitive intensity. Another explanation could be that managers operating in a business environment with a higher level of competitive intensity are more critical in their assessment of the company’s culture and activities since they have more options to compare them with the competitors. However, our finding is in line with Snoj and Gabrijan’s (1998) observation that companies often act as “closed” even when the environment becomes extremely competitive. According to those authors, the most important reason for this lies in the company inertia, i.e. its inability to adapt to the changes in the environment or to co-create them (Snoj and Gabrijan, 1998).

To conclude, the results of our study suggest that companies adapt their level of (at least of some dimensions of) market orientation to the level of market and technological turbulence and they do not develop a higher level of market orientation if they are not forced or encouraged to by external factors. This finding is in line with Kotler’s (2003) previously mentioned observation. On the other hand, the role of competitive intensity as a driver of a higher level of market orientation remains unclear and warrants further investigation.

According to the literature, market orientation can be a source of comparative advantage only if it is rare; if all competitors accept a market orientation and implement it equally well, no company can gain a comparative advantage (Hunt and Morgan, 1995). Companies should therefore strive to be more market-oriented than their competitors, regardless of the level of environmental turbulence. The question is how to raise the level of market orientation. Kirca et al. (2005) in their meta-analysis revealed interdepartmental connectedness, top management's emphasis on market orientation and market-based reward systems as the most important antecedents of market orientation. In practice, a market-oriented philosophy and behaviour should be accepted by all employees, not only marketers and top management. However, top management has the greatest power and responsibility for developing a market orientation. Although a market orientation requires the commitment of resources (Kohli and Jaworski, 1990), it is more expensive for the company if it is not market-oriented (e.g. due to customer complaints, expensive customer services or product features not appreciated by the customers) (Harris and Piercy, 1997). Following Narver et al. (1998), companies can take two approaches to creating a market orientation: a programmatic approach which includes training programmes and organisational changes in order to instil the preferred norms, and a "market-back" approach which includes learning on the basis of everyday efforts for creating and sustaining superior value for the customer. The greatest effect can be obtained when the programmatic approach creates a basis for experiential learning. One reason companies fail to create a market orientation is that they emphasise abstract learning about a market orientation (i.e. the first approach), while neglecting the experiences (Narver et al., 1998). Given the findings of our study, it is important that Slovenian companies raise the level of their market-oriented behaviour. To achieve this, they are advised to timely recognise changes in the needs, wants and buying behaviour of their existing and potential customers in order to enhance knowledge about their customers. A higher level of responsive market orientation can be developed by more quickly responding to changed customer needs and wants, the better co-ordinated work of all employees when satisfying customer needs, effective adaptation of the marketing mix to selected target markets, taking corrective steps in the case of customer complaints as soon as possible and by more quickly responding to competitors' activities. However, responsive market-orientated behaviour can and will ultimately be imitated successfully so companies must increase their level of proactive market orientation in order to create and maintain a sustainable competitive advantage (Narver et al., 2004). A higher level of proactive market orientation can be developed by examining problems customers may have with existing offers in order to find new and better ways of satisfying customers needs, by examining which needs and wants customers may have in the future, recognising needs and wants which customers are unaware of or which they do not want to disclose, working closely with lead customers who recognise their needs months or years before the majority of potential customers recognise them and by developing new products that will satisfy hitherto unexpressed customer needs. To conclude, developing a higher level of market orientation is a continuous process (Gebhardt et al., 2006) which requires time and sometimes even radical changes within the company (even a change of top management, a new type of leadership, employee training concerning the benefits of a market orientation etc.) (Snoj and Gabrijan, 1998).

The study contributes to the existing knowledge of market orientation in several ways: it is one of the few empirical studies to report comparisons between groups of companies. Moreover, it is the first study to compare market orientation by distinguishing between a cultural and behavioural perspective of market orientation and by distinguishing between a responsive and proactive market orientation. Further, our study includes various comparisons given the company and environmental characteristics. No previous empirical study reports that many comparisons across groups of companies. The comparisons of market orientation across groups of companies were made by testing for invariant latent mean structures. A review of the structural equation modelling literature reveals a dearth of studies involving multigroup comparisons of latent mean structures (Byrne, 2001).

This study also has several limitations. First, it is a cross-sectional study. In the next step of research, a longitudinal approach would be useful to tap into the dynamics of developing a market orientation. Second, the response rate in the survey is relatively low (i.e., 16%). However, a low response rate has been expected due to the chosen form of Internet survey and the length of the questionnaire. Third, the understanding of how to properly measure a responsive and proactive market orientation is still developing. Further testing of measures is thus essential. In next research it would be useful to consider that companies may be proactive market-oriented only as regards some markets or product categories. It would be useful to examine the antecedents of a proactive market orientation. Fourth, in our study market orientation was measured based on managers' agreement with various statements expressing market-oriented culture and behaviour. While this approach is common in market orientation studies, it is quite possible that managers are overly optimistic in assessing their company's market orientation. Next research could thus usefully compare managers' and customers' perceptions of market orientation. Fifth, our study was conducted on the sample of Slovenian companies. In the next research, it is suggested to conduct an international research. In particular, it would be very interesting to compare the level of a market orientation of companies from various countries of Central and South-Eastern Europe.

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