MARKET ORIENTATION, MARKETING COMPETENCE, AND THE INTERNATIONAL PERFORMANCE OF THE FIRM*

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Abstract  
Internationally, the marketing-performance relationship is under-researched. We investigate market orientation and marketing competence, and their linkage to international organizational performance using empirical data from a large sample of exporting firms. Findings reveal that both market orientation and international marketing competence are significant antecedents to international performance, and that international marketing competence in fact mediates the market orientation-international performance relationship. Moreover, the role of international marketing competence in this linkage appears to increase the more culturally and technologically distant the target market is from the international firm’s home country. These findings provide strong empirical evidence about market orientation’s effect on the firm’s international performance. They suggest that international marketing competence is an important mediator of the relationship between market orientation and international performance. International marketing competence appears to be especially important for actualizing market orientation in markets that are both culturally and technologically distant from the firm’s home country. Overall, findings help extend extant knowledge about the role of market orientation and about the marketing activities that are likely to increase its effectiveness in international markets.

Keywords  
Market orientation, marketing competence, organizational performance, international marketing

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In today’s global economy, it is increasingly likely that firms will target their product and service offerings to multiple national markets. Because foreign markets are complex and often a considerable distance culturally, technologically, and geographically from the firm’s home country, achieving international success is dependent on management’s ability to develop strategies appropriate to a potentially diverse collection of national settings. Critical to this area are the extent of the firm’s market orientation and its marketing competence. Indeed, the enduring success of large companies such as Unilever, McDonald’s, and Microsoft, as well as numerous smaller firms, derives in part from competitive advantages obtained by buttressing market orientation with a strong marketing competence. Although the performance implications of having a market orientation have been the focus of much past research (see Matsuno and Mentzer 2000), the existence and nature of factors that mediate and moderate this relationship have not been fully investigated, and there has been little emergent research in this area regarding customers in foreign markets.

Market orientation involves conducting market research, dissemination of resulting knowledge throughout the firm, and the creation or adaptation of products and marketing to suit the needs of the target market (e.g., Kohli and Jaworski 1990; Narver and Slater 1990). Marketing competence reflects the firm’s marketing activities aimed at particular markets, providing the basis through which the firm interacts with customers. Foreign markets entail a range of complex conditions reflecting differences in cultural and technological systems, as well as competitors often unknown to the firm. The premise of the present research is that market orientation and marketing competence are particularly important in foreign markets because, a priori, compared with domestic markets, managers knowledge of, and experience with, foreign markets tends to be inferior. Moreover, because of the added complexities of doing business abroad, managers often find foreign markets; to be substantially more complex than their home country market (e.g., Cavusgil and Zou 1994). Therefore, we argue that market orientation and marketing competence are particularly important to successful entry and operations in foreign markets. We argue that firms must devise and implement market orientation and marketing competences particularly well in order to maximize their international performance. Accordingly, in this paper, we argue that the more culturally and technologically distant a market is from the firm’s home country, the more critical are the possession of a market orientation and the role of marketing competence in mediating the presumed effect of market orientation on the firm’s international performance.

In the present research, international performance is conceptualized as the extent to which short- and long-term corporate moneymaking objectives are achieved in international markets. In general, performance comprises expectations about the achievement of remunerative goals such as profitability, sales growth, and return on investment, as well as longer-term strategic objectives.

Marketing and other business activities are said to operate along three dimensions within the firm: as culture, as strategies, and as tactics (Webster 1992). Culture reflects a basic set of shared values and beliefs about the central importance of the customer that guide the organization and generally provide a basis for employee behavior (Deshpande and Webster 1989; Webster 1992). Strategy reflects targeting, positioning, and how the firm will compete at the nexus of its products and markets. Tactics are actions taken to enable the “process of

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planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals” (Kotler and Keller 2005). Each of tactics, strategies, and culture must be developed and activated in the context of the preceding level (Webster 1992; Varadarajan and Jayachandran 1999). We argue that market orientation operates at the organizational culture level of the firm, and international marketing competence operates at the level of strategies and tactics.

Market orientation has been framed as occurring within shared organizational values and beliefs, that is, organizational culture (e.g., Deshpande, Farley and Webster 1993; Narver and Slater 1990; Narver and Slater 1998). Central to having a market orientation is that every organizational actor contributes skills and knowledge to creating superior value for customers (Narver and Slater 1998). We interpret this to mean that market orientation gives rise to certain capabilities, including marketing activities that firms employ to advance performance. But in contrast to most past studies in this area, we investigate market orientation as a focus on customers and competitors located in foreign markets.

Specifically, in this paper, we empirically confirm the critical importance of both market orientation and international marketing competence in the international performance of the firm, operating in a range of foreign markets; demonstrate that international marketing competence is a critical partial mediator of the relationship between market orientation and international performance; reveal that international marketing competence is especially important for actualizing market orientation in markets that are both culturally and technologically distant from the firm’s home country; and, finally, we extend existing knowledge about market orientation and the marketing activities that are likely to increase its effectiveness.

To the best of our knowledge, this is the first study that examines the market orientation/international performance relationship with data reflecting a wide range of national and cultural settings. It is among the first studies to investigate the mediating role of international marketing competence in this linkage. In the next pages, we first present conceptual background on the key constructs and their hypothesized linkages. We then present the results and methodology of our empirical study involving international firms. We conclude with a discussion of these results and their implications for managers and scholars.

**CONCEPTUAL FRAMEWORK**

Figure 1 illustrates the linkages investigated here. Both market orientation and marketing competence are critical organizational resources, particularly in the performance of firms that target foreign markets. Specifically, we argue that marketing competence is a critical partial mediator of the relationship between market orientation and international performance, and this mediating role is especially important in markets that are culturally and technology distant from the firm’s home market.
Market Orientation and International Marketing Competence as Firm Resources

Hunt (2000) developed a general theory of competition that emphasizes the critical role of organizational resources in the productivity and performance of the firm. He leverages the Austrian economics tradition, which views orientations, competences, and particular strategic approaches as resources. Hunt’s perspective is consistent with the resource-based view that regards differential endowment of organizational resources as an important determinant of organizational strategy and performance (Barney 1991; Naidu and Prasad 1994; Porter 1991; Prahalad and Hamel 1990; Wernerfelt 1984).

In the general theory of competition (Hunt 2000), resources may be intangible and, because competition is disequilibrating, intangible resources that are relatively unique confer competitive advantages by enabling the firm to produce valued-added offerings, efficiently and/or effectively, for given markets. Resources comprise human, organizational, informational, and relational elements such as the skills and knowledge embedded in organizational actors, as well as general corporate culture and competences (Hunt 2000). In this context, market orientation and marketing competence are regarded as among the resources that managers develop and leverage in order to achieve organizational efficiency and/or effectiveness. This will be particularly true when such resources are heterogeneous and imperfectly mobile (Wernerfelt 1984; Barney 1991; Grant 1991). Accordingly, intangible resources such as market orientation and marketing competence can be instrumental to desired corporate outcomes. Collis (1991) views such capabilities as being embedded in the firm's culture and routines, and they can provide substantial competitive advantages. The general theory of competition integrates the marketplace position view with the resource view by suggesting that it is a comparative advantage in resources that results in marketplace positions of competitive advantage and superior financial performance (Hunt 2000).
Market Orientation

We employ Narver and Slater's (1990, p. 21) definition of market orientation as “the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business.” A market orientation gives rise to certain types of capabilities intended to enhance organizational performance. Day (1994) refers to capabilities as organizational resources that bring corporate assets together and enables them to be deployed advantageously. They are complex bundles of skills and accumulated knowledge that are exercised through organizational processes in the coordination of the firm's rent-seeking activities. Capabilities are intangible, deeply embedded in the organization's routines and practices, and cannot be traded or imitated. The task of management is to determine how best to improve and exploit its capabilities, and to develop new capabilities when needed (Day 1994). Capabilities and organizational processes are closely intertwined, because it is capabilities that allow business processes to be carried out. The firm acquires as many capabilities as needed in order to move its products and services through the value chain. Some of these capabilities must be developed and leveraged especially well to outperform competitors and achieve sustainable business performance. They must be distinctive and allow the firm to obtain and support a particular market position. They must be managed with special care through the focused commitment of organizational resources, dedicated individuals, and continued efforts to learn (Day 1994; Hult, Ketchen and Slater 2005).

Successful businesses offer products and services whose value is perceived by buyers to exceed the expected value of alternative offerings (Narver and Slater 1990). The urge to continuously provide superior buyer value and attain sustainable competitive advantage drives the firm to create and maintain a business culture that engenders the requisite business behaviors (Narver and Slater 1990). Numerous scholars have pointed to a market orientation as perhaps the critical culture that leads to the continuous pursuit of superior value for customers (e.g., Day 1994; Kohli and Jaworski 1990; Shapiro 1988; Slater and Narver 1992). Increased focus on the customer has been driven by a more competitive international marketplace, rapid changes in technology which have shortened product life cycles, and the relatively poor financial performance of many firms. The macro-level forces of globalization are facilitating the emergence of consumers who are better organized, have greater information, and are generally more demanding (Ruekert 1992).

In defining market orientation, Kohli and Jaworski (1990) emphasized the organization-wide generation of market intelligence regarding customer needs, the dissemination of this intelligence throughout the firm, and organization-wide responsiveness to it. In their definition, Narver and Slater (1990) emphasized three behavioral components -- customer orientation, competitor orientation, and interfunctional coordination -- and two decision criteria -- long-term focus and profitability. Deshpande, Farley, and Webster (1993) highlighted the importance of customer orientation and the set of beliefs that puts the customer's interests first. Finally, Day (1994) emphasizes superior skills in understanding and satisfying customers. The common thread in all of these definitions is customer orientation and responsiveness to the customer. Accordingly, we focus particularly on this aspect of market orientation.

International marketing competence

In the general theory of competition (Hunt 2000), competencies are viewed as higher-order resources comprised of socially complex, interconnected combinations of tangible (e.g.,

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machinery for making goods) and intangible (e.g., organizational knowledge, skills, and procedures) resources that fit coherently together to produce efficiently and/or effectively valued market offerings. Competences in areas such as marketing are heterogeneous, asymmetrically distributed across competitors, and thus give rise to relatively unique comparative advantages in individual firms (Hunt 2000). When viewed in this way, skillful marketing is a "distinctive competence," a term that traces to Selznick (1957) and Andrews (1971), and refers to what a firm does particularly well, relative to competitors. Falkenberg (1996) included such competences within the "behavioral assets" of the firm, resources that ultimately determine the value of the firm.

Marketing competence can be categorized within the firm's "organizational capital," which comprise the firm's policies, routines, and competences that coherently fit together in a synergistic manner (Hunt 2000). Marketing competence implies the skillful leveraging of strategies, a critical managerial activity. Management's role in this context is to recognize and understand current strategies, create new strategies, select preferred strategies, implement selected strategies, and modify strategies through time. In marketing, at minimum, strategy involves the identification of (1) market segments, (2) appropriate market offerings, and (3) the resources required to produce the offerings (Hunt 2000; Peter 1991). Strategies yield positions of competitive advantage and superior organizational performance when they rely on those resources in which the firm has a comparative advantage over its rivals. Hunt (2000, p. 189) notes that "Differences in specific competences explain why some firms are simply better than others as doing things."

Finally, the theory of competitive advantage (Day and Wensley 1983) provides support for the hypothesized relationship between market orientation and performance. From this view, a firmly entrenched market orientation creates an advantage that competing firms have difficulty matching (Noble, Sinha and Kumar 2002). The ability of the market-oriented firm to outperform its less market-oriented competitors is based on the premise that, in comparison to the latter, the former firm can create long-term superior value for its customers (Day 1990; Hult, Ketchen and Slater 2005; Morgan and Strong 1998).

Linking Market Orientation to International Marketing Competence and Performance

Several empirical studies have linked market orientation to measures of business performance, including profitability, customer retention, sales growth, return on assets, and new product success (e.g., Baker and Sinkula 1999; Baker and Sinkula 2005; Deshpande, Farley and Webster 1993; Han, Kim and Srivastava 1998; Jaworski and Kohli 1993; Matsuno 2002; Hult, Ketchen and Slater 2005; Hurley and Hult 1998; Narver and Slater 1990; Narver 1999; Selnes, Jaworski and Kohli 1997; Yeh and Morgan 2004). The linkage has been based in the concepts of sustainable competitive advantage and the strong culture hypothesis (Aaker 1988; Pelham 1999; Weick 1979). In the international context, where the primary challenge facing firms is to satisfy local needs as effectively and efficiently as possible while evading offensive competitor moves, we argue that market oriented firms are better positioned to accomplish this task (Daligic,1994). Internationally, Selnes, Jaworski and Kohli (1997) found a positive relationship between the degree of market orientation and business performance in both the United States and Europe. In Denmark, Hougaard (1994) found a strongly positive correlation between market orientation and company results. Market orientation was found to support new
product performance in Chinese firms (Yinghong and Morgan 2004). Deshpande, Farley and Webster (1993) studied Japanese firms and found that those with a strong market orientation were significantly better performers than firms lacking such an orientation in terms of market share, sales growth, and profitability. Other scholars found that, when compared to their less successful American and British competitors, Japanese subsidiaries in the United Kingdom were more market oriented (Doyle 1992). Farley and Deshpande (2005) suggest a historic relationship between market orientation and performance in Russia.

However, the relationship between market orientation and performance is not yet fully understood. Several studies have produced inconsistent results and others report no significant relationship (e.g., Baker and Sinkula 2005; Greenley 1995; Han, Kim and Srivastava 1998; Jaworski and Kohli 1993; Narver 1999; Pelham and Wilson 1995). In one of the seminal works in this area, performance effects are inconsistent on the basis of varying business contexts (Narver and Slater 1990). In several studies on the relationship between market orientation and international performance, no significant linkage has been found (see Noble, Sinha and Kumar 2002). Noble, Sinha, and Kumar (2002) suggest that this might imply the existence of a cultural influence on the phenomenon. Han, Kim, and Srivastava (1998) note that despite the soundness of its theoretical construct, the role of market orientation on firm performance warrants further investigation. Noble, Sinha, and Kumar (2002, p. 28) state that “the fundamental link between market orientation and performance has yet to be fully explored and supported”. Kirea, Jayachandran and Bearden (2005) found that the market orientation—performance relationship may vary in differing cross-cultural settings. However, the effects of market orientation on international performance are little known (Ellis 2004).

Because information on consumers is imperfect and costly (Hunt 2000), any given firm will hold a bundle of market information that is relatively unique. Market oriented firms will be advantaged because they will tend to hold market information that more accurately reflects the actual state of markets. Information on foreign markets is an important factor in international firm success (e.g., Diamantopoulos et al 2003). In international markets, the firm encounters a multiplicity of competitive threats, diverse consumer needs and tastes, as well as differences in the cultural and technological environments. Moreover, foreign competitors are frequently supported by local governments, allied with financial institutions, possessed of unanticipated strategic goals, and spread across numerous national markets. To the extent that management tracks customer needs and reacts to competitor moves, a market orientation allows the firm to better satisfy customers and minimize threatening rival attacks, thereby engendering improved international performance. Therefore, among firms that target their offerings to foreign markets,

**H1:** Market orientation is a significant antecedent of international performance.

By what means; can firms translate a market orientation, occurring primarily at the firm’s cultural level, into resultant international performance of the firm. A key linking device is international marketing competence. Marketing is the conduit through which the firm interacts with and satisfies its customers, and can be considered a source of sustainable competitive advantage, especially to the extent the firm has marketing expertise that is difficult for competitors to imitate. It can be regarded as occurring at the strategy and tactics level of the firm (e.g., Peter 1991; Webster 1992). International marketing competence denotes the skill with which the firm performs its business activities that direct the flow of goods and services to consumers located in foreign markets. It is comprised here of market knowledge and

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associated skill to position the firm in its foreign markets through the effective leveraging of the product, pricing, promotion, and distribution variables. The main differences between international and domestic marketing are that the marketing activities take place in more than one country and the international context imposes numerous uncontrollable constraints and challenges to the international marketer that may not be present in the home market, such as extreme differences in national culture and technology level.

Hunt (2000) notes that consumers within market segments have imperfect information about products that might match their needs and preferences. Moreover, the costs to consumers in effort, time, and money of identifying appropriate products are often considerable. The use of advertising, distribution approaches, and other such marketing activities reduce consumer search costs by signaling the attributes of market offerings or making them more readily available to the consumer. Accordingly, in the drive to implement a market orientation, marketing competence enables the firm to signal consumers about market offerings and their specific features and benefits that have been devised in accordance with information gathered and disseminated via the market orientation process.

The goal of international marketing competence is to win the firm superior performance abroad, a notion grounded in economic theory (McKee et al 1992). Specifically, all firms operate in environments fraught with market imperfections arising, in part, from the heterogeneity of competitive advantages and the imperfect mobility of these advantages among firms (Porter 1991; Yao 1988). The essence of marketing strategy is the creation of imperfections in markets which result in above-average profits (Porter 1991; Yao 1988). Market imperfections provide a basis for competitive advantage in firms (McKee et al 1992). The relationship between marketing strategy, tactics, and performance is undoubtedly the most consistently documented aspect of the relationships posited here. The role of marketing strategy is essentially to create market imperfections in given market segments that allow the firm to achieve some degree of superiority relative to rivals. Numerous scholars have pointed to marketing competence as providing a means to obtain superior performance in general (e.g., Burke 1984; Pelham and Wilson 1995) and in international markets (e.g., Cavusgil and Zou 1994; Szymanski, Bharadwaj and Varadarajan 1993). Hence, we hypothesize that, among firms that target their offerings to foreign markets,

**H2:** International marketing competence is a significant antecedent of international performance.

Market-oriented firms seek to devise products, services, and associated marketing activities that optimally respond to buyer needs and wants. This implies that market-oriented firms ought to be competent with regard to general marketing activities. Skillful development and application of marketing activities should allow managers to carry out their primary task in a market orientation, which is to produce superior value for buyers. In addition, we suggest that market orientation occurs primarily at the culture-level of the firm, and international marketing competence occurs primarily at the strategic and tactical level. Therefore, it follows that, to the extent that market orientation and international marketing competence are related, the former should help to engender the latter.

Several scholars have investigated the relationship between market orientation and several aspects of marketing competence. Narver and Slater (1990) note that market-oriented businesses will examine various sources of sustainable competitive advantage, such as product
differentiation strategy, for translating their market orientation into superior corporate performance. Pelham and Wilson (1995) found that market orientation positively influences the product quality and marketing effectiveness of small firms. They also found that market orientation appears to positively affect the firm’s sales growth and market share indirectly via the effectiveness of marketing activities. Slater and Narver (1992) have found that market orientation is mediated by core competencies such as customer service that contribute to competitive advantages and superior business performance. They point to research in service management, quality development, and new product development which supports an antecedent role of market orientation in the success of these key strategic activities.

To the extent that value creation emanates from being market oriented, marketing competencies are undoubtedly an important tool for translating these characteristics into company success. As Slater and Narver (1992, p. 9) note, “Because it is dependent on other functional areas for the timely and efficient development, production, and delivery of product, marketing is likely to be the first function to fully appreciate the benefits of being market oriented and must demonstrate the benefits of market-driven behavior. Thus marketing may have a key role in the development and maintenance of a market orientation.” Accordingly, we hypothesize that, among firms that target their offerings to foreign markets,

**H3:** Market orientation is a significant antecedent of international marketing competence.

To the extent a positive relationship exists between market orientation and firm performance, it is logical to investigate this linkage in broader contexts of other organizational variables and environments (Deshpande 1999; Hult 2001; Narver and Slater 1998; Noble, Sinha, and Kumar 2002; Varadarajan and Jayachandran 1999). Han, Kim, and Srivastava (1998) note that the actual mechanism for transforming market-oriented behavior into superior corporate performance has received little research attention. Noble, Sinha, and Kumar (2002, p. 27) similarly state “more work is needed to understand the range of factors influencing the relationship between market orientation and performance.” Inconsistent past results in the direct linkage between market orientation and performance suggests a possible role for certain mediating or moderating variables. When viewed as a cultural construct, market orientation is incomplete if the strategic and tactics elements required for its implementation remain unknown (Hult, Ketchen, and Slater 2005). As Narver and Slater (1998, p. 243) note, "The relationship among market orientation, marketing, and culture is straightforward...A market orientation induces superior marketing." Accordingly, marketing has an important role to play in the implementation of market orientation. They suggest that the creation of a market orientation entails the development of requisite skills, in order to implement the core value of value creation. Hult, Ketchen, and Slater (2005) found that the market orientation—performance relationship can be mediated by organizational responsiveness. Marketing competence should moderate the success of a market orientation since marketing provides the primary tools with which the firm interacts to buyers and the general external environment of business (Grewal and Tansuhaj 2001). We argue, therefore, that international marketing competence mediates the market orientation - international performance relationship. Indeed, international marketing competence might well be regarded as the most important means for translating market orientation into a sustainable competitive advantage leading to superior corporate international performance.

The central idea behind mediation is that effects of a particular antecedent on a given outcome are influenced by a transformation process internal to the organization (Asher 1983; Baron and Kenny 1986; Venkatraman 1989). Theorists emphasize the role of processes that
intervene between input and output (Baron 1986). A given construct is said to function as a mediator to the extent that it accounts for the relationship between the predictor, in this case market orientation, and the criterion, international performance. The causal chain implied here is presented in Figure 1. The model portrays the direct effect on the criterion variable, international performance, of the independent variable and the mediator, as well as a path from the independent variable to the mediator (Baron and Kenny 1986). Baron and Kenny (1986) note that the strongest indication of mediation occurs as the path in Figure 1 between market orientation and international performance approaches zero. However, because the antecedents to international performance are likely to be varied and numerous, and because market orientation is likely to have some direct effects on international performance as reflected in the first hypothesis above, it is more realistic to suggest that international marketing competence is a partial mediator in the relationship (Baron and Kenny 1986; Venkatraman 1989). This discussion leads to our next hypothesis. Among firms that target their offerings to foreign markets,

**H4**: International marketing competence mediates the hypothesized relationship between market orientation and international performance.

Scholars suggest that managerial choice may be severely affected by the nature of the external business environment. Managers must correctly ascertain the nature of the relevant environment and formulate strategies accordingly (Aldrich 1979; Bourgeois 1980). Performance outcomes hinge on the ability of management to align the strategy variables within its control with those environmental factors outside its control (Galbraith 1983).

Various scholars have found that the linkage between particular business orientations and performance is contingent on the dynamics of the market in which the firm operates (Day and Wensley 1988; Hambrick 1983; McKee et al 1989). Slater and Narver (1994) note that much past research has highlighted the role of moderating environmental factors as affecting the effectiveness of particular business orientations. They point to two major possible moderator effects of competitive environment on market orientation. First, the competitive environment could affect the strength of the market orientation-performance relationship (Kohli and Jaworski 1990). Second, they note that the number and power of competitors could impact the intelligence gathering aspect of market orientation.

However, results on the moderating effect of particular factors on the market orientation-performance relationship have been mixed. On the one hand, Kohli and Jaworski (1990) found that conditions of high market demand will tend to minimize the effect of market orientation on performance. They also point to market and technological turbulence as likely moderators of the market orientation-performance relationship. Slater and Narver (1994) similarly found that technological turbulence may influence the market orientation-performance relationship. Jaworski and Kohli (1993) suggest that the relationship between a market orientation and performance appears to hold across a variety of environmental contexts, emphasizing the role of market orientation in supporting performance regardless of the firm’s external circumstances. Market-oriented managers are inherently oriented to the external environment. However, because market orientation cannot be easily modified in the short term, marketing strategy and tactics can play a key role in allowing the firm to make adjustments which can strengthen the market orientation-performance link (Slater 1993). Matsuno and Mentzer (2000) found evidence that supports the moderating effects of the Miles and Snow (1978) strategy types on the strength of the relationship between market orientation and business performance.
On the other hand, in Narver and Slater’s (1990) study, findings were mixed regarding the moderating effects of different industry types in the market orientation-performance relationship. Deshpande and Farley (1998) also revealed that, at a fine-grained level, the nature of firms’ industries may have little or no effect on either performance or market orientation. In addition, several scholars (e.g., Deshpande and Farley 1998; Selnes, Jaworski and Kohli 1997) have examined the role of international or regional market environment in both market orientation and performance, but their results suggest that the geographic environmental factor plays no significant role. As Matsuno and Mentzer (2000, p. 2) note regarding moderators of the market orientation-performance relationship, collectively, “the findings on the moderating effects of environmental factors to date are mixed and equivocal.“

In this study, we investigate the moderating effect of national culture and technological level in the market orientation-performance relationship. In international business, these two environmental factors are among the most important in terms of influencing the nature and success of foreign market entry (e.g., Buckley 1976; Kotabe 1996; Nakata and Sivakumar 1996; Root 1994). Culture is an environmental imperative to which managers address themselves at the national, and sometimes sub-national, levels when dealing with foreign markets. Among the people of individual nations, it reflects “a distinctive way of thinking, perceiving, feeling, believing, and behaving that is passed on from one generation to another” (Root 1994, p. 225). Culture is deeply embedded in the people and is acquired as he or she is raised in a given society. Values, beliefs, and attitudes are interrelated to form an integrated whole that strongly influences people throughout their lives. Culture is manifested as learned behavioral traits that are shared by members of a given social group. It provides a complete set of rules for living that enable people to function effectively within social and physical environments. It has an important impact on business behaviors enacted by consumers, producers, facilitators, and the like (Hofstede 1980; Root 1994; Triandis 1983).

Cultural distance is defined as the extent to which two countries are distinct from each other as a function of differences in culture. Foreign markets are fraught with substantial levels of uncertainty associated with the uniqueness of extant culture. To the extent that cultural distance exists between the home country and the target market, culture can act as an impediment to the launch and ultimate success in that market of the firm’s products. Because marketing is the primary conduit through which the firm interacts with its market, it is likely that international marketing competence is especially instrumental in markets that are quite culturally removed from the cultural environment of the home country. That is, we expect that cultural distance will moderate the relationship hypothesized in H4.

The central idea behind moderation is that the relationship between certain variables will be contingent on the level of a particular environmental condition (Baron and Kenny 1986; Venkatraman 1989). For example, researchers use this perspective when underlying theory specifies that the effect of a predictor variable (e.g., strategy) on a criterion variable (e.g., international performance) varies across different levels of the moderating variable (e.g., cultural distance). Here, we are interested in the strength of the moderator in its effect on the linkages hypothesized above (Figure 1). Accordingly, the hypothesis of fit as strength of moderation is supported when significant differences exist in the correlations among orientation, strategy, and performance across different levels of the moderator. Based on this discussion, among firms that target their offerings to foreign markets,
**H5:** Cultural distance moderates the hypothesized relationships among International Marketing Competence, Market Orientation, and International Performance. Specifically, as the cultural distance between the home country and target foreign market increases, the mediating role of International Marketing Competence in the Market Orientation-International Performance relationship will increase.

Another critical factor in the environment of business is technology, which reflects the application of technical advances and science to the production of goods and services and is a basis for innovation and sustainable competitive advantage (Hout, Porter and Rudden 1982; Miles and Snow 1978; Szymanski, Bharadwaj and Varadarajan 1993). Recent rapid progress in technology is changing the global economy and increasing the role of knowledge in both production and consumption of goods. The speed of technological development is particularly rapid in countries of the developed world (e.g., Europe, Japan, and North America) and has thus led to a substantial gap in the technology levels of various countries. Technological distance reflects the gap between two countries with regard to level of technological development.

Marketing tools can play a key role in alerting buyers to specific product attributes and benefits, as well as educating them about how products can actually be used. For example, when a very new product is launched in a new market, the seller’s advertising and other promotional efforts will typically include a substantial amount of information intended to educate potential buyers on why and how to use the product. Without such aids, sales would likely suffer or the launch would fail altogether owing to the ignorance of potential buyers. The extent of the firm’s international marketing competence is likely to influence the extent to which such educational efforts succeed. Where the level of existing technology in a given foreign market is substantially lower than that of the producing country, it is expected that international marketing competence will play an increasing role in helping targeted buyers to appreciate the uses and benefits afforded by the producing country’s goods. Thus, among firms that target their offerings to foreign markets,

**H6:** Technological distance moderates the hypothesized relationships among International Marketing Competence.

Market Orientation, and International Performance. Specifically, as the technological distance between the home country and target foreign market increases, the mediating role of International Marketing Competence in the Market Orientation-International Performance relationship will increase.

In the next section, we explain the methodology used to evaluate each of the above hypotheses.

**METHOD**

**Overview**

An externally valid, fuller understanding of the present topic requires that constructs and proposed linkages be assessed in a range of industrial and national settings. To test the above hypotheses, we conducted a field survey of randomly chosen firms in a wide range of industries, involving companies that export their products to numerous, diverse countries. Usable responses were received from a total of 356 United States-based companies, selling their main export products in some 35 foreign countries. The countries represent a broad range of cultural
and technological diversity, providing considerable variance in key variables. Exemplars include Brazil, Canada, Egypt, Italy, Japan, Malaysia, Mexico, New Zealand, Russia, Saudi Arabia, Singapore, and the United Kingdom. Respondent firms represent a range of industries that manufacture various products, such as chemicals, medical devices, electronic goods, computer software, and industrial components. The average firm had 275 employees and generated $67 million in total sales. On average, foreign customers accounted for 37 percent of total sales, with firms targeting some 27 countries at the median.

Prior to conducting the main study, case studies of twelve United States firms were conducted in order to finalize hypotheses, refine the questionnaire, and confirm that the proposed theoretical models accurately reflect actual business conditions (Bonoma 1985; Deshpande 1983; Eisenhardt 1989). Interviews lasting about an hour each were conducted by telephone or in person with the executive most responsible for each firm's international operations.

In the survey-based study, data were collected from firms across numerous industries in order to minimize the potential for bias arising from peculiarities of individual industries. The targeted population was a random sample of 2,000 manufacturing firms in the United States, exporting at least 25 percent of total production, to various international markets. The list of appropriate firms was developed from the Directory of United States Exporters (Journal of Commerce), and CorpTech Directory of Technology Companies. The CEO of each firm was targeted with the study questionnaire since it was expected that the CEO would be the most knowledgeable person or would be best positioned to delegate the questionnaire to the executive most knowledgeable about international operations. The questionnaire was mailed in three separate waves, each about two weeks apart.

**Scale Development**

The questionnaire was developed in several stages, following the procedure suggested by Fowler (1988), and refined according to methods recommended in the appropriate literature (Bagozzi, Yi and Phillips 1991; Campbell 1960; Churchill 1979; Gerbing and Anderson 1988; Nunnally 1978). To create the questionnaire, a bank of items suitable for measuring constructs was gathered from the relevant literature. These were framed as seven-point Likert-type scales to minimize response time and respondent burnout (Fowler 1988). The scale developed by Narver and Slater (1990) was used to measure market orientation. It was modified slightly to reflect the international context of the study. The measure for international marketing competence was derived from the scale developed by McKee et al (1992). The final scale assesses the firm’s competence relative to main competitors in developing or applying marketing variables such as market knowledge, products, pricing, promotion, and distribution, as well as control of marketing activities.

The scale for international performance was adapted from Cavusgil and Zou (1994). It measures market share, profitability, return on investment, and sales growth relative to main competitors, as well as the firm’s overall degree of success in the primary export market. Several scholars (e.g., Jaworski and Kohli 1996; Slater and Narver 1994) have noted that subjective measures of performance strongly correlate with their objective counterparts in numerous past studies. Past scholars (e.g., Jaworski and Kohli 1996) have noted that unitary measures of performance reflect unique outcomes of business activities. As such, it may be inappropriate to combine distinct performance items into a single aggregate measure. To address this issue, we provide results in terms of both the aggregated performance measure and individual items. Past research on export performance and other concepts typically has been

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conducted at the aggregate level of the firm. Yet the examination of performance and its antecedents at the corporate level has several limitations related to the nature of international business. Many firms pursue multiple foreign ventures and performance tends to differ widely from one project to the next. Given the complexity of the international environment, aggregate measures are frequently inaccurate in assessing performance (Cavusgil and Zou 1994; Douglas and Wind 1987). Therefore, to more precisely capture study constructs, the unit of analysis adopted here was defined at the level of the firm’s main export venture to its primary export market.

To enhance face validity, all three construct measures were examined prior to use by a team of six academics who are experts on marketing and international marketing. In addition, the scales were further refined in a pilot study of 51 randomly-chosen, manufacturing exporters in the United States. Based on this pretest, additional small refinements were made to the study questionnaire. The psychometric properties of all the measures were then assessed using several analytical techniques.

The construct cultural distance was derived from the work of Hofstede (1980). Hofstede found that differences in national culture vary along four dimensions known as uncertainty avoidance, individualism, power distance, and masculinity. Uncertainty avoidance reflects that extent to which the people of a country can tolerate uncertainty in their lives. Individualism is the opposite of collectivism and indicates the degree to which people function as individuals, as opposed to members of a group. Power distance concerns the level of inequality in a society with regard to social, economic, and other sources of power. Finally, masculinity reflects the extent to which men and women act out specific roles, typically based on gender (Hofstede 1980).

Hofstede created ordinal scales for each of these dimensions based on a factor analysis of questionnaires administered to 88,000 national employees in some 40 foreign subsidiaries of a major American corporation over a four-year period. Because of the longitudinal nature of the study, it was possible to verify the reliability of the resulting indices over time (Hofstede 1980). While Hofstede’s indices have been criticized, they are widely used and form the basis of numerous studies (e.g., Hewett and Bearden 2001; Steenkamp 1999). The cultural distance scale was operationalized as the sum of the absolute values of the differences between Hofstede’s index scores for each targeted country and the United States, along each of the four Hofstede dimensions. This measure has been used in several past studies (e.g., Steenkamp 1999) and is similar to the scale devised by Kogut and Singh (1988).

Technological distance was operationalized by subtracting the score for technology level for each of the study’s primary export countries from that of the United States. Technology level was assessed as a composite of the per capita ownership in each country of the four following technological goods: televisions, mobile telephones, fax machines, and personal computers. Statistics for ownership of these goods were obtained for each country from the World Bank (2005). It was expected that consumers’ experience with technology-intensive goods and the aggregate country level of technology would be reflected by the extent to which these goods are diffused into each society. On this basis, the United States was found to have the highest technological level and it was possible, thus, to determine the technological distance between that country and each of the 35 countries targeted as the primary export markets of the responding firms.

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All scales were assessed for reliability using Cronbach’s alpha (\(\alpha\)) and composite reliability (CR). Composite reliability was calculated using the procedures outlined by Fornell and Larcker (1981). The appropriate formulas specify that: 

\[
CR = \frac{(\Sigma \lambda_i^2)}{(\Sigma \lambda_i^2 + (\Sigma \epsilon_i))}
\]

where CR = the composite reliability for scale \(\eta\); \(\lambda_i\) = the standardized loading for scale item \(\gamma_i\); and \(\epsilon_i\) = the measurement error for scale item \(\gamma_i\). The parameter estimates and their associated t-values also were assessed for each construct (Anderson and Gerbing and Anderson 1988; Bagozzi and Yi 1988). Lastly, construct validity was assessed using confirmatory factor analysis (CFA). CFA was conducted using LISREL8 (Joreskog and Sorbom 1997; Joreskog et al 2000). In addition to the Comparative Fit Index (CFI) generated by LISREL, the measurement model fit was evaluated using the DELTA2 index and the relative noncentrality index (RNI), which have been shown to be the most stable fit indices by Gerbing and Anderson (1992). The scales with regard to individual item loadings, CFA analyses, and reliability tests are summarized in the Appendix. Table 1 displays the variable means, standard deviations, and intercorrelations.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market Orientation</td>
<td>4.99</td>
<td>.89</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. International Marketing Competence</td>
<td>4.74</td>
<td>.78</td>
<td>.53</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>3. International Performance</td>
<td>4.26</td>
<td>.95</td>
<td>.41</td>
<td>.51</td>
<td>1.00</td>
</tr>
</tbody>
</table>

*All intercorrelations are significant at p < .01*

**RESULTS**

**Scale Purification**

The return of 356 completed, usable surveys reflects a response rate of about 18 percent. Because this rate is lower than ideal, we assessed non-response bias in two ways. First, mean responses on number of employees, sales volume, sales growth, international sales as a percent to total sales, and other such variables were compared between surveys from the 50 earliest responding firms and the 50 latest responding firms (Armstrong and Overton 1977). There was no significant difference between early and late respondents on these variables (p < .05).

Second, responding firms were compared on these same variables with a random sample of actual non-responding firms from the study data base. Again, no significant differences were found (p < .05) and thus, non-response bias is not expected to significantly affect the results.

Following data collection, the survey scales were subjected to a purification process within a single measurement model in CFA (Gerbing and Anderson 1988; Hayduk 1987; Joreskog and Sorbom 1997; Joreskog et al 2000). These results are reported in the Appendix. The final scales for market orientation, international marketing competence, and international performance achieved Cronbach’s alphas (\(\alpha\)) of .89, .87, and .87, respectively, and composite reliability (CR) values of .89, .87, and .90, respectively, implying that satisfactory reliability was achieved (Fornell and Larcker 1981; Nunnally 1978). In their analyses, Narver and Slater (1990) decomposed the market orientation scale into customer orientation (alpha = .88), competitor orientation (alpha = .73), and interfunctional coordination (alpha = .77).
similarly decomposed this construct into these constituent parts, and obtained alpha values of .84, .72, and .76 for each of customer orientation, competitor orientation, and interfunctional coordination, respectively. These findings are similar to those of Narver and Slater (1990), providing additional support to the validity of the scale. We used the composite international market orientation scale (Appendix) in all subsequent analyses.

In CFA analyses, the single measurement model attained satisfactory fit Chi-square = 945, df = 425, p = 0.0, CFI = .91, DELTA$^2$ = .91, RNI = .91) (Gerbing and Anderson 1988; Joreskog and Sorbom 1997; Joreskog et al 2000). The chi-square value was significant but is known to be sensitive to large sample sizes (Bearden, Sharma and Teel 1982; Doney and Cannon 1997). The ratio of chi-square to degrees of freedom at 2.2 is within the acceptable range of 2 to 5 (Marsh and Hovecar 1985). Each of the path coefficients linking scale items to major constructs was significant at the .01 level, and ranged from .55 to .99, indicating satisfactory convergent validity.

Discriminant validity was assessed in two major ways. First, the $\phi$ coefficient (the correlation between each pair of constructs) in the CFA measurement model was constrained and freed for each item-construct relationship. Three separate tests were conducted and the change in $\chi^2$ ranged from 1,465 to 2,053, all significant (p < .01). In addition, the CFI's for the models with fixed coefficients ranged from .72 to .82. Thus the model with the free coefficient was found to be superior to the fixed coefficient, implying that the constructs are independent (de Wulf, Odekerken-Schroder and Iacobucci 2001; Moorman and Miner 1997). In a second, stronger test, we calculated confidence intervals around the $\phi$ coefficient estimates using two times the standard error of the $\phi$ coefficient for each pair of constructs. In no case did the resulting confidence intervals contain 1.0, providing further evidence of discriminant validity (Hewett and Bearden 2001). In summary, the measurement model is clean, providing strong evidence for unidimensionality, convergent validity, discriminant validity, and reliability.

**Hypotheses Assessment**

The results of hypothesis testing are summarized in Table 2. Initially, the first three hypotheses – H1, H2, and H3 – were tested using path analysis in LISREL8 (Joreskog and Sorbom 1997; Joreskog et al 2000). While this technique for bivariate relations is equivalent to performing correlation analysis, path analysis is warranted because of the dependence relationship implied in the model. Results of these analyses reveal that the parameter estimates for Market Orientation in its proposed effect on International Performance ($\beta = .41$), for International Marketing Competence in its proposed effect on International Performance ($\beta = .51$), and for Market Orientation in its proposed effect on International Marketing Competence ($\beta = .53$) are all significant at the .01 level, and all in the expected direction. These results provide strong evidence of support for the first three hypotheses. Thus, it appears that Market Orientation has a significant effect on International Performance and on International Marketing Competence, and that International Marketing Competence has a significant effect on International Performance.
Table 2. Tests of Hypothesized Relationships

<table>
<thead>
<tr>
<th></th>
<th>Lisrel Coefficient</th>
<th>t-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Hypothesis Bivariate Relationships</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1: Market Orientation ⇒ International Performance</td>
<td>.41</td>
<td>8.41</td>
</tr>
<tr>
<td>H2: International Marketing Competence ⇒ International Performance</td>
<td>.51</td>
<td>11.09</td>
</tr>
<tr>
<td>H3: Market Orientation ⇒ International Marketing Competence</td>
<td>.53</td>
<td>11.69</td>
</tr>
<tr>
<td><strong>2. Mediator Relationship</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H4:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Market Orientation ⇒ International Marketing Competence</td>
<td>.53</td>
<td>11.69</td>
</tr>
<tr>
<td>(b) International Marketing Competence ⇒ Int’l Performance</td>
<td>.41</td>
<td>7.65</td>
</tr>
<tr>
<td>(c) Market Orientation ⇒ International Performance</td>
<td>.19</td>
<td>3.65</td>
</tr>
<tr>
<td><strong>3. Moderated Mediator Relationships</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H5:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Cultural Distance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Market Orientation ⇒ International Marketing Competence</td>
<td>.51</td>
<td>6.08</td>
</tr>
<tr>
<td>(b) International Marketing Competence ⇒ Int’l Performance</td>
<td>.44</td>
<td>4.49</td>
</tr>
<tr>
<td>(c) Market Orientation ⇒ International Performance</td>
<td>.10</td>
<td>0.96</td>
</tr>
<tr>
<td>Low Cultural Distance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Market Orientation ⇒ International Marketing Competence</td>
<td>.52</td>
<td>6.27</td>
</tr>
<tr>
<td>(b) International Marketing Competence ⇒ Int’l Performance</td>
<td>.33</td>
<td>3.63</td>
</tr>
<tr>
<td>(c) Market Orientation ⇒ International Performance</td>
<td>3.37</td>
<td>4.09</td>
</tr>
<tr>
<td>H6:</td>
<td></td>
<td></td>
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<tr>
<td>High Technological Distance</td>
<td></td>
<td></td>
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<tr>
<td>(a) Market Orientation ⇒ International Marketing Competence</td>
<td>.55</td>
<td>7.31</td>
</tr>
<tr>
<td>(b) International Marketing Competence ⇒ Int’l Performance</td>
<td>.36</td>
<td>4.04</td>
</tr>
<tr>
<td>(c) Market Orientation ⇒ International Performance</td>
<td>.14</td>
<td>1.54</td>
</tr>
<tr>
<td>Low Technological Distance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Market Orientation ⇒ International Marketing Competence</td>
<td>.48</td>
<td>6.33</td>
</tr>
<tr>
<td>(b) International Marketing Competence ⇒ Int’l Performance</td>
<td>.36</td>
<td>3.99</td>
</tr>
<tr>
<td>(c) Market Orientation ⇒ International Performance</td>
<td>.23</td>
<td>2.89</td>
</tr>
</tbody>
</table>

In examining the mediating role of international marketing competence on the relationship between market orientation and performance (hypothesis H4), we performed two tests. First, we compared the bivariate relationship represented in hypothesis H1 (wherein the parameter estimate for the linkage between market orientation and international performance is .41, with a t-value of 8.41) to a fuller model in LISREL in which international marketing competence is a mediator in this relationship (as reflected in Figure 1). Results reveal that while the linkages in this latter model between Market Orientation and International Marketing Competence (β = .53) and between International Marketing Competence and International Performance (β = .41) remain strongly significant at p < .01, the LISREL coefficient for the effect of Market Orientation on International Performance has dropped to .19, with a t-value of 3.65. We assessed the difference between this coefficient and the coefficient representing the direct relationship in hypothesis H1 using the following formula: t-value = (β21 - β11)/SEβ21\(^{2}\) - SEβ11\(^{2}\)\(^{1/2}\), where β21 = the LISREL coefficient estimated in hypothesis H1; β11 = the LISREL coefficient for the relationship between market orientation and international performance estimated in hypothesis H4; and SE\(\beta_{21}\) and SE\(\beta_{11}\) represent the standard errors for the respective LISREL coefficients. The resulting t-value is 3.05, which implies that the coefficient SE\(\beta_{21}\) is significantly different (p < .01) from the coefficient SE\(\beta_{11}\). This finding suggests that

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International Marketing Competence at least partially mediates the relationship between Market Orientation and International Performance.

In a second test, we estimated two models in LISREL. The first model is represented by hypothesis H4 in Table 2 and tests the strength of all the linkages implied by the full path model. In the second model, we constrained both of the LISREL coefficients representing the effects of Market Orientation on International Marketing Competence and International Marketing Competence on International Performance to be zero. The first model (CFI = 1.00) was found to be superior to the second model (CFI = .27), and significantly different at p < .01. This second test provides further evidence that international marketing competence is a strong mediator between market orientation and international performance. The results of these two tests provide strong evidence in support of H4.

To test for the moderating effect of cultural distance on the mediation model (Figure 1) linking Market Orientation and International Marketing Competence to International Performance (hypothesis H5), a two-group analysis was performed in LISREL. This is a preferred method for detecting moderating effects (de Wulf, Odekerken-Schroder and Iacobucci 2001; Stone and Hollenbeck 1989). The two groups reflected high and low cultural distance and were determined by taking a median split on the cultural distance scores for each of the respondent firms. Firms scoring above the median of cultural distance were placed in the high cultural distance group and those scoring below the median were in the low cultural distance group. The moderating role of technological distance was assessed in the same way, using the median score of that construct to split the respondent sample into high and low technological distance groups.

Results for the cultural distance analysis are given in Table 2. The table reveals that, whereas all of the relationships depicted in the main model (Figure 1) are significant (p < .01) in the low cultural distance group, Market Orientation is not significantly related to International Performance in the high cultural distance group (t-value = .96). This finding provides evidence that International Marketing Competence strongly mediates the Market Orientation-International Performance relationship in markets that are culturally distant from the home country (Baron and Kenny 1986; Venkatraman 1989). Indeed, the lack of significance in the Market Orientation-International Performance linkage in the high distance group implies that International Marketing Competence may in fact be necessary in order to actualize the firm’s market orientation in culturally distant settings. The findings support hypothesis H5.

Table 2 also displays results for the analysis on the moderating role of technological distance. As above in the analysis for cultural distance, the table reveals that, whereas all of the relationships depicted in the main model (Figure 1) are significant (p < .01) in the low technological distance group, Market Orientation is not significantly associated with International Performance in the high technological distance group (t-value = 1.54). This finding suggests that International Marketing Competence strongly mediates the Market Orientation-International Performance relationship in markets that are technologically distant from the home country (Baron and Kenny 1986; Venkatraman 1989). Here again, the lack of significance in the Market Orientation-International Performance linkage in the high distance group implies that International Marketing Competence may be needed to fulfill the firm’s market orientation in technologically distant countries, an outcome that supports hypothesis H6.
DISCUSSION

In this paper, we have provided strong empirical evidence that market orientation positively influences the international performance of firms and that international marketing competence appears to be a critical partial mediator of the relationship between market orientation and international performance. Empirical findings also strongly suggest that both market orientation and international marketing competence are key antecedents in the international performance of the firm, and that international marketing competence is especially important for actualizing market orientation in markets that are both culturally and technologically distant from the firm’s home country. Overall, findings help extend extant knowledge about the role of market orientation and about the marketing activities that are likely to increase its effectiveness, particularly in international markets.

To summarize, we initially confirmed the importance of market orientation to performance in international markets. This outcome contributes to the scant existing research on the market orientation-performance link in international business. As implied in market orientation theory (Slater and Narver 1994), our results suggest that international businesses which apply significant resources to understanding their foreign customers and competitors, and coordinate the activities of all functions of the business for an integrated effort at creating customer value, will tend to achieve higher international business performance. Increasing international involvement is typically accompanied by specific improvements, including changes in the firm’s internal culture and managers’ attitudinal characteristics. To the extent internationalizing firms can expand their market orientation for a focus on foreign markets, the international performance of the firm is likely to improve.

Findings are consistent with several past studies (e.g., Slater and Narver 1994), in that organizations which substantively apply resources to understanding their customers and competitors, and coordinate all the firm’s activities with the objective of creating value-laden offerings will achieve higher relative sales growth, profitability, and return on investment. Our findings also suggest that a market orientation can be effectively implemented via the thoughtful use of traditional marketing strategies, tactics, and tools.

The finding that international marketing competence is a significant antecedent of international performance is consistent with past research (e.g., Aaby and Slater 1989; Cavusgil and Zou 1994; Bilkey 1982). However, overall results imply that international marketing competence may be more important in international markets than in the home market. Furthermore, findings suggest that market orientation appears to be a significant antecedent of international marketing competence. The finding lends strong support to the role of marketing strategies and tactics in actualizing market orientation in the external business environment, extending the work of earlier scholars (e.g., Jaworski and Kohli 1993; Slater and Narver 1992).

We have also validated the mediating role of international marketing competence in the relationship between market orientation and performance, particularly in international markets. These results suggest that firms may be able to substantially improve the impact of market orientation on international performance by adjusting the extent and efficacy of international marketing competence in the foreign market context. In contrast to market orientation, which Slater and Narver (1994) suggest is difficult, time-consuming, and expensive to adjust, marketing strategy and tactics are amenable to short- and long-term modifications. In general, maintaining a consistent level of market orientation at all times, good and bad, will likely

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produce positive results. This is because, first, attempts to adjust market orientation to specific conditions are not likely to be cost-effective. Second, because business conditions can fluctuate quickly, firms are best advised to nourish a constant market orientation in order to monitor the evolving marketplace (Slater and Narver 1994). Thus, adjustments are best made in the firm’s marketing attributes and other tactical-level activities that the firm employs day-to-day in dealing with customers.

Findings contrast somewhat with past researchers (e.g., Slater and Narver 1994; Jaworski and Kohli 1992) who found little support for the notion that competitive environment has a moderating effect on the market orientation-performance relationship. Our findings suggest that certain environmental parameters, such as culture and technological level, may influence this relationship, particularly where marketing strategy is used as a device for implementing market orientation.

Our findings also suggest that, to the extent that market orientation is one of the principle drivers of firm performance, skillful international marketing is needed particularly in foreign markets that are culturally and/or technologically distant from the home market, in order to realize the effect of market orientation on the firm’s international performance. In other words, among market-oriented firms operating internationally, international marketing competence acts as a catalyst, increasing the effectiveness of market orientation on international performance. Indeed, international marketing competence may even be required in order for market orientation to have its intended effect on international performance.

Study findings also imply that as the cultural distance between the home country and target foreign market increases, the mediating role of international marketing competence in the market orientation-performance relationship tends to increase. This outcome underscores the critical role of marketing strategies and tactics in actualizing market orientation in international markets for improving corporate performance. It also emphasizes the notion that culture is an important moderator of business performance abroad. Firms should address the cultural imperative and adjust their marketing approaches accordingly. Culture inherently determines behavior in purchase situations and, consequently, the ultimate success or failure of foreign market ventures. Given this, our findings underscore the importance of adjusting marketing activities to best suit conditions abroad and to maximize the effectiveness of market orientation.

A final key finding was that as the technological distance between the home country and target foreign market increases, the mediating role of international marketing competence in the market orientation-performance relationship tends to increase. In addition to culture, the level of technology in a given market can strongly affect buyer understanding and receptivity to goods from higher-technology-oriented countries. In the past, the technological level of nations was more homogeneous. But with rapid technological evolution in the advanced economies, a substantial gap has opened in the technological understanding of buyers in the advanced economies and those in other countries. Such a phenomenon emphasizes the importance of skillful marketing to educate buyers and reach out to them more effectively through product adaptation, promotion, and distribution activities.

The finding contrasts with previous work by Jaworski and Kohli (1993), who noted that organizations able to obtain a competitive advantage through technological innovation may not need to be strongly market oriented, as long as technological innovations are sufficient to delight the buyer. By contrast, organizations that work with stable (mature) technologies may be poorly positioned to leverage technology for gaining a competitive advantage and will likely
need to rely on market orientation to a greater extent (Jaworski and Kohli 1993). Our findings provide a different perspective on the role of technology in the market oriented firm’s external environment. Where technological differences between parties to an exchange are substantial, it is likely that the seller will need to be even more sensitive to the buyer’s specific circumstances. Our findings suggest that this greater sensitivity can be realized, at least in part, through superior international marketing competence.

Overall, findings suggest that both market orientation and international marketing competence can have an important effect on the international performance of the firm. Furthermore, we have shown that international marketing competence strategies and tactics are important in the activation of marketing orientation. International marketing competence is a key mediator of the relationship between market orientation and international performance. This finding holds for exporting firms in general and for firms targeting markets characterized by high cultural and technological distance. Thus, the critical role of international marketing competence in performance is highlighted for firms pursuing business abroad.

To the extent market orientation is embedded in the organization’s culture, scholars (e.g., Narver and Slater 1994) have argued that it reflects a stable pattern of activities in the firm and cannot, or should not, be adjusted with fluctuating environmental conditions. But environments do vary and are subject to fluctuation, particularly where the firm is dealing with a myriad of international markets. Accordingly, while maintaining a consistent level of market orientation, management needs a lever to effect rapid course changes in organizational strategies and tactics, both as a means of dealing directly with environmental change and as a means for maximizing the effectiveness of market orientation. In international markets at least, we propose that the best lever may be that of international marketing competence. To use an analogy from soccer, market orientation might be viewed as a basic “set play” that managers rely upon to successfully navigate the playing field. However, contingencies and other unexpected conditions require managers to engage in “free play” in order to make flexible, on-the-ground changes in response to unforeseen or evolving circumstances. In international business, free play is analogous to international marketing competence. International marketing competence provides a degree of “strategic flexibility” that augments or enhances the antecedent effects of market orientation on international performance.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

It is important to account for the limitations contained in this study. One limitation is the failure to account for other potential mediators of the relationship between market orientation and performance. There are likely to be other possible mediators and our study has investigated only one. Future research should examine the roles of other potential mediating variables. The sample used for the survey study was comprised of executives in manufacturing firms. However, although this and most past studies on market orientation have emphasized the manufacturing sector, the importance of the service sector continues to grow. Future research should examine the performance implications of market orientation, international marketing competence, and moderating factors among service-providing firms. The nature of marketing strategies and tactics among such businesses is relatively distinctive and likely to engender findings that are relatively specific to services marketing in both domestic and international contexts. A further shortcoming of research designs are cross-sectional and rely on single informants are the reliability of resultant findings. The use of a single questionnaire for obtaining data can lead to common method bias, which may cause the strength of the
relationships among constructs to be somewhat inflated. Future research can benefit from the use of longitudinal approaches, multiple informants, and multiple methods. It is hoped that attention to these limitations in future studies will allow scholars to improve research on the phenomena investigated here.

In order to better understand the antecedents, consequences, and marketing influences of market orientation in international business, further conceptual and empirical studies must be conducted on a cross-national, comparative basis. Research is needed to ascertain whether macro-societal factors in addition to technology and culture play a more dominant role relative to the internal determinants that have been the focus of much past research. Identifying the relevant determinants of market orientation can give practitioners more powerful tools for international success. We would further argue that future conceptualizations of international performance should incorporate market orientation as a fundamental attribute of successful internationalizing firms. Viewing market orientation as instrumental to both international marketing competence (directly) and international performance (both directly and indirectly) should facilitate the development of more robust theory in the field.
## APPENDIX

<table>
<thead>
<tr>
<th>Factor</th>
<th>Cronbach's alpha</th>
<th>Composite Reliability</th>
<th>Standardized coefficient loading from CFA analyses</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Orientation</td>
<td>.89</td>
<td>.89</td>
<td>.67</td>
<td></td>
</tr>
<tr>
<td>Our strategies in this market are driven by our beliefs about how we can create value for customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our strategy for competitive advantage in this market is based on our understanding of customer needs there</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For us, success in this market is driven by truly satisfying the needs of our customers there</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We systematically assess customer satisfaction in this market at least once a year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We ensure that close attention is given, in this market, to after-sales service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our business functions (e.g., marketing, manufacturing, finance) are integrated in serving the needs of this market</td>
<td></td>
<td></td>
<td>.82</td>
<td></td>
</tr>
<tr>
<td>Management communicates information throughout our firm on our successful and unsuccessful customer experiences in this market</td>
<td></td>
<td></td>
<td>.91</td>
<td></td>
</tr>
<tr>
<td>All our managers understand how everyone in our firm can contribute to creating value for the customers in this market</td>
<td></td>
<td></td>
<td>.99</td>
<td></td>
</tr>
<tr>
<td>Our firm responds quality, throughout the organization, to negative customer satisfaction information regarding this market</td>
<td></td>
<td></td>
<td>.80</td>
<td></td>
</tr>
<tr>
<td>Top management frequently discusses the strengths and weaknesses of our major competitor(s) there</td>
<td></td>
<td></td>
<td>.94</td>
<td></td>
</tr>
<tr>
<td>If a competitor launched an intensive campaign targeted at our customers there, we would implement a response immediately</td>
<td></td>
<td></td>
<td>.97</td>
<td></td>
</tr>
</tbody>
</table>

(Jaworski and Kohli 1993; Narver and Slater 1990; Pelham and Wilson 1995)

### International Marketing Competence (Firm rating relative to main competitors)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Cronbach's alpha</th>
<th>Composite Reliability</th>
<th>Standardized coefficient loading from CFA analyses</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of customers and competitors in this market</td>
<td>.87</td>
<td>.87</td>
<td>.78</td>
<td></td>
</tr>
<tr>
<td>Marketing planning process</td>
<td></td>
<td></td>
<td>.86</td>
<td></td>
</tr>
</tbody>
</table>

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| Development or adaptation of the product | .67 | ** |
| Effectiveness of pricing | .55 | ** |
| Advertising effectiveness | .73 | ** |
| Locations of sales outlets | .72 | ** |
| Control and evaluation of marketing activities | .87 | ** |
| Effectiveness of distribution | .80 | ** |
| Image of your firm | .73 | ** |
| Ability to work well with your distributor(s) | .55 | ** |
| Ability to respond quickly to developing opportunities | .56 |
| Skill to segment and target individual markets | .71 |
| Ability to use marketing tools (product design, advertising, pricing, etc.) to differentiate this product | .87 |

**International Performance** | 87 | 90 |
Relative to prior expectations, how satisfied have you been over the past 3 years with this product's performance regarding... | 96 |
Market share in this market | .96 |
Sales growth in this market | .95 |
Pre-tax profitability in this market | .96 |
Compared to your domestic business, since you first started exporting it there, the total return on your investment (ROI) of this product in its main export market has been | .72 |
Compared to your main competitor(s), since you first started exporting it there, sales growth of this product in its main export-market has been | .84 |
Overall, we have fully capitalized on the potential that our main export market affords for this product | .99 |
On a scale from 1 to 10, how would you rate the success of this product in its main export-market over the past 3 years | .92 |

**Note 1:** Except as noted, scale used above is as follows:

- **very unsatisfied** 1 2 3 4 5 6 7
- **very satisfied**

**Note 2:** All standardized coefficient loadings are significant at .01

**Note 3:** Chi-square = 425, df = 945, \( p = 0.00 \), CFI = .91, Delta\(^2\) = .91, RNI = .91

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REFERENCES


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