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**The Marketing Concept, the Elements of
Marketing and the Effect of Market Orientation**

Research into the market orientation of advertising agencies
in Iceland

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Master of Science Thesis in Marketing and International Business

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Market Orientation.

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Preface

This paper is a Master of Science Thesis for 30 ECTS units in Marketing and International Business at the University of Iceland School of Business in 2011. Supervisor is Audur Hermannsdottir, Lecturer at the University of Iceland School of Business. I thank her for her guidance, insight and extraordinarily prompt replies to my numerous questions and requests for help. The help of Julia Skagfjord Sigurdardottir in statistical analysis was invaluable and I thank her for her help. I thank my sister, Ingibjorg Sigurdardottir, for proofreading the paper, making sure everything was in order. I thank my employer and my boss, Gisli Ragnarsson, for his encouragement, understanding and support. I also thank the organizations that participated in my research into the level of their market orientation. Last, but by far not least, I thank my wife, Helga Axelsdottir, and our two daughters for tolerating my mental and physical absence for much of the past two years, supporting me and telling me to go study when my mind wandered.

"Know thyself." - ARISTOTEL

Abstract

Marketing is defined by the American Marketing Association as "*the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*". Marketing consists of many smaller disciplines, which together form the field of marketing. A market oriented organization must understand, master and adapt the elements of marketing to its regular activities.

Market orientation is the ideology on which market driven organizations base their organization and execution. Market orientation is the heart and cornerstone of modern marketing management and strategy and is the foundation of high-quality marketing. Three conceptualizations of a market orientation are most dominant in the literature on market orientation. These are the conceptualizations of Kohli and Jaworski, Narver and Slater, and Day and Sinkula. There are mainly two methods to measure an organization's market orientation. These methods are MARKOR scale by Kohli, Jaworski and Kumar and MKTOR by Narver and Slater. In this research the improved MARKOR scale by Matsuno, Mentzer and Rentz is used.

The market orientation of advertising agencies in Iceland was studied. The purpose of the research was to measure the level of market orientation and its relation to each organization's performance compared to its competitors. The results show that there is a positive relationship between market orientation and performance. While the combined market orientation of the participating advertising agencies is higher than that of the insurance market, it can not be described as high. This holds especially true when it is considered that the core business of these organizations is deeply embedded with the marketing concept. The main limitations of the research are the low number of participants from each advertising agency and possible effects of the financial crisis that could have had very different effects on each of the agencies.

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1 Introduction

Those who work and live within the world of marketing are likely to do so in belief that marketing executed knowledgeably and skillfully is a key element in the success of organizations. Marketing is defined as "*the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*" (American Marketing Association, 2007).

Kotler (1999) defines what he calls *Neanderthal marketing* as a criticism of how marketing is viewed and practiced by many CEO's and their organizations. According to Kotler, those who practice Neanderthal marketing believe that sales and marketing is the same, focus on customer acquisition instead of customer care, focus on the profit of each transaction rather than the lifetime value of the customer, decide the price of a product or service based on its cost rather than what the customer is willing and able to pay. They also plan each communication tool independently rather than as a part of a group of communication tools. Finally, the Neanderthal marketer focuses on selling products rather than trying to understand and meet the customer's wants and needs (Kotler, 1999). Marketing consists of many smaller disciplines such as strategic marketing, marketing planning, marketing research, brand management, global marketing, advertising, pricing and more. This paper covers these elements of marketing since they are an integral part of the marketer's toolkit.

Market orientation is the ideology on which market driven organizations base their organization and execution on and is the application of the marketing concept. Three conceptualizations of a market orientation are most dominant in the literature on market orientation. These are the conceptualizations of Kohli and Jaworski (1990), Narver and Slater (1990) and Day (1994) and Sinkula (1994). Narver and Slater (1990) conceptualize a market orientation as consisting of customer orientation, competitor orientation and interfunctional coordination. Kohli and Jaworski were the first to define market orientation and defined it as "*the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it*" (1990, p. 6).

While the concept of market orientation is greatly researched (Tomaskova, 2009; Gebhardt, Carpenter and Sherry Jr., 2006), a method of how to achieve a greater market orientation has been given much less attention (Gebhardt, Carpenter and Sherry Jr., 2006; Martin and Martin, 2005). The implementation of a market orientation within an organization is a wide-ranging cultural shift that can only be achieved by running change programs that match the magnitude of the cultural shift (Day, 1994; Gebhardt, Carpenter and Sherry Jr., 2006). This paper examines theories on the implementation of market orientation as well as the process described by Day (1999) as well as by Gebhardt, Carpenter and Sherry Jr. (2006).

The purpose of the research is to answer the research question: "Is there a positive relationship between the market orientation of Icelandic advertising agencies and their overall performance?" To answer this question the market orientation of the leading advertising agencies in Iceland is examined and compared to their overall performance based on increase in market share, sales, new products, profit from sales, equity earnings and investment profitability. Previous research has shown that there is a positive relationship between an organization's market orientation and its performance (Narver and Slater, 1990). The paper puts forward the hypothesis that: "There is a positive relationship between the market orientation of Icelandic advertising agencies and their overall performance".

This paper starts by examining the concept of marketing, the elements of marketing, market orientation and the effect it has in the success of organizations as well as what is needed to implement market orientation. Finally it examines the level of market orientation in three of the seven advertising agencies that are members of the Society of Icelandic Advertising Agencies organizations. The level of their market orientation is then compared to their overall performance in an attempt to answer the research question and to confirm or refute the hypothesis put forward.

2 Marketing and the Marketing Concept

The Universities of Michigan and Illinois were the first to offer marketing courses at colleges in 1901-02, but the first textbooks however did not appear until 1911 - 1915. Courses in advertising were offered as a part of psychology studies in the late 1890's (Converse, 1945). Despite these facts, the marketing concept itself did not emerge until the mid 1950's (Keith, 1960; McKitterick, 1957; Borch, 1957). Marketing was originally a part of applied economics and was devoted to the distribution channels. As marketing evolved it became a management discipline with increased sales as its main focus. Later marketing developed into focusing on understanding the systems around buyers and sellers trading goods and services (Kotler, 1972).

Marketing, especially advertising, is widely said to exploit people by getting them to want things they do not need, exaggerating and overpromising (Star, 1989). Marketing is not about finding customers willing to buy your product or service, but to offer the product and service customers need and want to buy (Star, 1989; Kotler and Keller, 2012). The marketing concept is defined as *"a corporate state of mind that insists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions, for the basic purpose of producing maximum long-range corporate profits"* (Felton, 1959, p. 55). The concept has also been defined as *"a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communication the needs of the market to all major corporate departments"* (McNamara, 1972, p.51). Market orientation is the ideology on which market driven organizations base their organization and execution on (Hunt and Lambe, 2000) and is the implementation of the marketing concept (Kohli and Jaworski, 1990).

In the year 1969 Kotler and Levy stated that marketing was relevant for all organizations. This idea was so groundbreaking that the fall conference of the American Marketing Association was dedicated to this new view of marketing (Kotler, 1972). This was however not without controversy. While most agreed that the areas where marketing could be applied could be increased, there were also skeptics that said these other areas were merely *"extracurricular applications of an intrinsical business*

technology" (Luck, 1969, p.53). In the late 60s marketing was seen as being about finding and stimulating buyers for the company's benefit (Kotler and Levy, 1969). In the mind of many people still today, marketing is just another word for advertising (Kotler, Armstrong, Wong and Saunders, 2008).

Just over 10 years ago General Electric had no significant marketing organization. People who were called marketers were assigned to such tasks as communications in the form of promotional materials and advertising, and sales support in the form of trade shows and lead generation. In 2003, GE realized however that its products would no longer sell themselves. The company created a new framework for marketing, realizing that successful marketers have the four roles of instigator, innovator, integrator and implementer. Today GE views marketing as an engine for growth. Marketing leads the organization in identifying new markets, new product opportunities and collaboration with its customers. Innovation is no longer driven purely by technology but by what GE calls *commercial innovation*, which includes ideas based on market trends and customer needs. This new way of business at GE has already yielded more than 90 new products and \$70 billion in revenue in the first five years (since 2005) of GE's Ecomagination clean-technology initiative (Comstock, Gulati and Liguori, 2010).

I thought we were doing marketing. We have a corporate vice president of marketing, a top-notch sales force, a skilled advertising department, and elaborate marketing planning procedures. These fooled us. When the crunch came, I realized that we weren't producing the cars that people wanted. We weren't responding to new needs. Our marketing operation was nothing more than a glorified sales department. – Unnamed CEO of one of the world's largest automotive companies (Kotler, 1977, p. 68)

In his now classical article, *Marketing Myopia*, Theodore Levitt describes the difference between selling and marketing as being that selling focuses on the needs of the seller while marketing focuses on the needs of the buyer (Levitt, 1960). Definitions of marketing are many and have evolved over the years. The definition of the American Marketing Association is the one that most marketers look to, but it has as well changed through the years and not everyone has agreed with its definition at each time. Grönroos (2006) criticized the association's definition for being an organizational function only. The official definition by the American Marketing Association has since been changed and was redefined in November 2007 as: "*Marketing is the activity, set of*

institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (American Marketing Association, 2007). Marketing is defined as "*the process which companies create value for customers and build strong customer relationships in order to capture value from customers in return*" (Kotler, Armstrong, Wong and Saunders, 2008, p. 7). The shortest definition for marketing must be "*meeting needs profitably*" (Kotler and Keller, 2012, p. 27). In general, marketing capability is a greater influencer on an organization's performance than operations capabilities and research and development (Kranikov and Jayachandran, 2008).

The management of marketing is defined by Kotler and Keller as "*the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value*" (2012, p.27). The marketing concept is one of six alternative concepts organizations use to base their marketing on. The others are production, product, selling, societal marketing and sustainable marketing concept (Kotler, Armstrong, Wong and Saunders, 2008). These concepts are explained in more detail in Table 1.

Table 1: The six alternative concepts organizations use to base their marketing on (Kotler, Armstrong, Wong and Saunders, 2008)

Concept type	Concept description
Production concept	The philosophy that consumers will buy the lowest priced and most readily available product
Product concept	The philosophy that consumers will buy the product with the highest quality, performance and the richest features.
Selling concept	The idea that consumers will not buy enough of any product unless pushed to do so through the company's large-scale selling and promotion effort. The selling concept has its starting point at the factory, focusing on the existing products driving profits through sales volume through sales and promotional activities.
Marketing concept	The marketing concept focuses on the needs and wants of the target markets. The concept is to sense and to respond the market instead of the make and sell orientation of the product-centered philosophy. The goal of the marketing concept is to fulfill the wants and needs of consumers better than competitors do. In comparison to the selling concept, the marketing concept has its starting point in the market, focusing on customer needs and wants driving profits through customer satisfaction by integrating all marketing activities. The marketing concept does not mean that a company must give a customer everything he or she wants and needs, but to give the customer as much as he or she wants and needs as is profitable for the company.
Societal marketing	The societal marketing concept adds long-term welfare of the consumer to the marketing concept. The value delivered to the customer should increase both the consumer's and society's well-being.
Sustainable marketing concept	The sustainable marketing concept holds that while companies should meet the needs and wants of its current consumers, it should take into account the needs of future generations and not limit their ability to fulfill those needs.

There are 10 types of entities that are marketed by organizations. These are goods, services, events, experiences, person, places, properties, organizations, information and ideas (Kotler and Keller, 2012). The marketing process can be divided into five steps. First, understanding the marketplace and customer needs and wants. Second, design a customer-driven marketing strategy. Third, construct an integrated marketing program that delivers superior value. Fourth, build profitable relationships and create customer delight. These first four steps are all about creating value for the customer and to build customer relationships. The fifth and final step is to capture value from customers to

create profits and customer equity and is all about getting something in return from the customer (Kotler, Armstrong, Wong and Saunders, 2008).

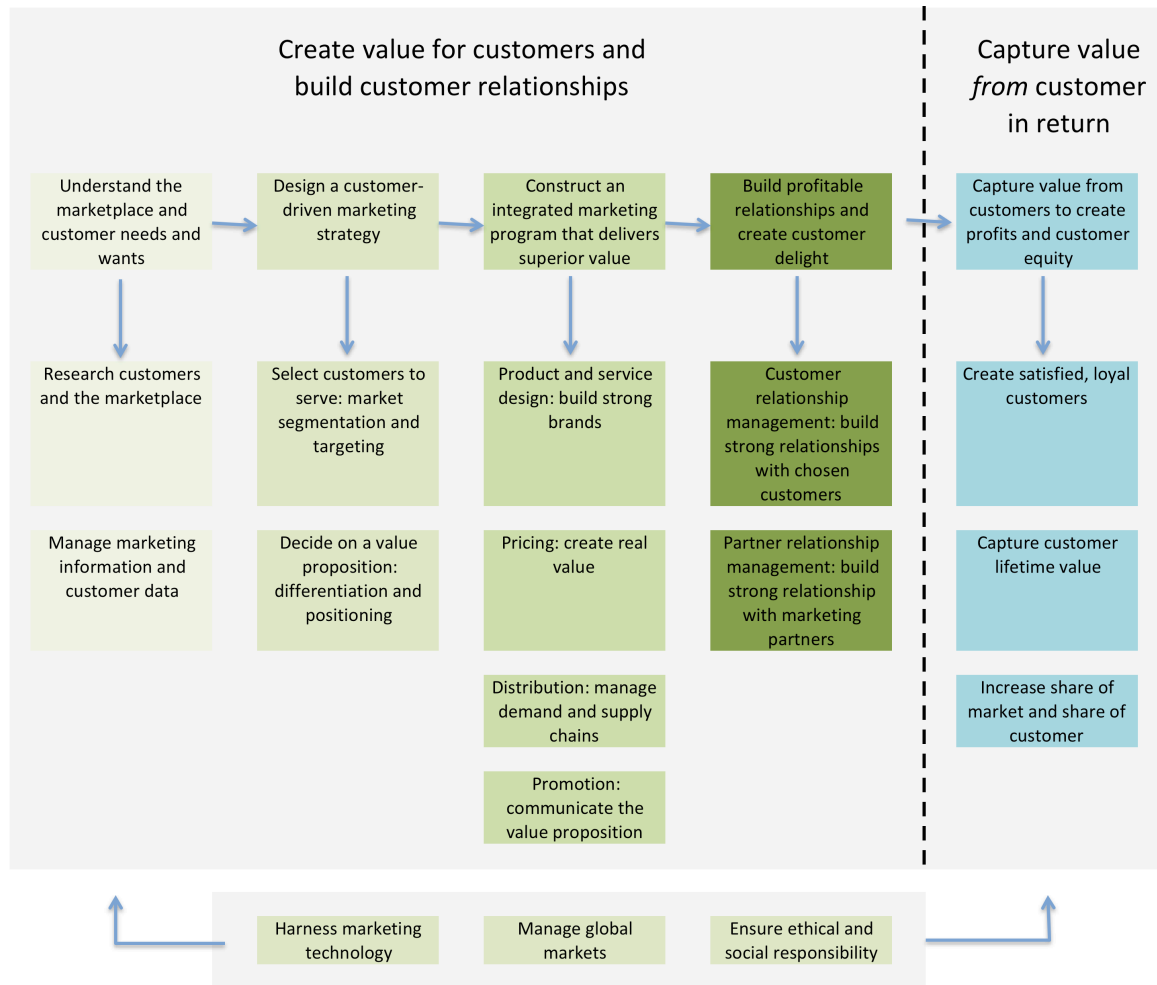


Figure 1: An expanded model of the marketing process (Kotler, Armstrong, Wong, Saunders, 2008)

The holistic view of marketing is that everything matters in marketing and that an integrated and broad view is often necessary (Kotler and Keller, 2012).

3 The Elements of Marketing

Marketing consists of many smaller disciplines, which together form the field of marketing. A market oriented organization must understand, master and adapt the elements of marketing to its activities (Kotler and Keller, 2012). While it does not serve the purpose of this paper to dive into every detail of all these disciplines, it is important to have knowledge of these elements to be able to gain a good understanding of market orientation.

3.1 Strategic marketing

A company's marketing strategy outlines which markets to focus on and how to serve the customers within each market (Kotler, Armstrong, Wong and Saunders, 2008). An organization's marketing must be both strategic and tactical (Crittenden, 2005). Marketers must challenge the status quo and think strategically. They must use their external vantage point to notice what may not be in the line of sight of others within the organization (Comstock, Gulati and Liguori, 2010).

3.2 Marketing plans

Marketing plans are at the core of strategic marketing. After the marketing strategy has been formed, the company forms a marketing plan that helps the company deliver the intended value to the target market. The marketing plan forms how the marketing strategy is executed. (Kotler, Armstrong, Wong and Saunders, 2008). Market oriented strategic planning is the process managers follow when they develop and maintain a beneficial fit between an organization's changing market opportunities and its objectives, skills and resources (Kotler and Keller, 2012).

The planning process is a four-step process. The first step is analyzing the current situation of the company and the market. The second step is planning itself, where the company decides on the marketing strategies that will help it reach its overall objectives. Third is the implementation of the marketing plan. The fourth and final step is control, measuring the results of the implementation and taking necessary corrective actions (Kotler, Armstrong, Wong and Saunders, 2008).

3.2.1 The contents of a marketing plan

The steps of the strategic plan are the mission, the strategic objective, the strategic audit, SWOT analysis, portfolio analysis, objectives and strategies. All these are based on and are the bases for marketing plans (Kotler, Armstrong, Wong and Saunders, 2008).

The contents of a marketing plan are in the following order: Executive summary, current marketing situation / situation analysis, SWOT analysis, objectives and issues, marketing strategy, marketing implementation, budgets and finally controls (Kotler, Armstrong, Wong and Saunders, 2008; Kotler and Keller, 2012). The marketing audit analyzes the current marketing situation and is the basis for the SWOT analysis. Objectives are set and issues that may arise are evaluated based on the results from the SWOT analysis. The marketing strategy is the marketing logic in the marketing plan. Here the company forms its customer-driven marketing strategy, segments the market, decides which market to target and finally how to differentiate and position its products and services.

Marketing implementation is the execution of the marketing strategy. Implementation covers who, where, when and how the marketing strategy is executed in relation to the what and why of the marketing plan. (Kotler, Armstrong, Wong and Saunders, 2008). Marketers have for a long time not had the same pressure as others to measure and define the return on investment in their marketing budgets. This is however changing and marketers today need to show the return on marketing investment (Brady, 2004). Return on marketing investment is defined as the net return from a marketing investment divided by the costs of the marketing investment (Kotler, Armstrong, Wong and Saunders, 2008). This, however, is no easy task. It is often very hard to put the benefits of advertising into monetary value. It often takes a leap of faith to come up with a number (Wyner, 2006; McMaster, 2002). The implementation of marketing strategies ripples the waters that result in constant changes in the marketing environment. Companies must therefore constantly practice marketing control. Marketing control is about measuring the effects of marketing and taking corrective measures to maximize results and attain the organization's goals (Kotler, Armstrong, Wong and Saunders, 2008). Operating control and strategic control are elements of

marketing control. Operating control is about checking actual results with the annual plans and taking corrective action. Strategic control is however about monitoring if the organization's basic strategies match its opportunities (Kotler, Armstrong, Wong and Saunders, 2008).

3.3 The marketing mix - the Ps

The marketing mix is one of the major concepts in marketing and is the mix of tools available to the company to achieve its marketing goals (Kotler and Keller, 2012). Shapiro (1985) goes so far as to say that the marketing mix is "one of the most powerful concepts ever developed for executives" (p. 28). E. Jerome McCarthy (1960) first conceptualized the four Ps in his book *Basic Marketing: A managerial approach* in 1960. The four Ps is the tactical aspect of the marketing mix (Crittenden, 2005; Kotler, 1999) and stands for product, price, place and promotion (McCarthy, 1960). Ever since its conceptualization it has been the marketer's tool kit for success (Crittenden, 2005). Crittenden (2005) however says that marketers must realize that the marketing mix tool kit is an implement for successfully turning marketing into a way of doing business rather than just one of many functions within the organization. Only after marketers conceptualize and recognize marketing as more than the Ps can a market orientation be brought to the forefront of the organization's strategic thought (Crittenden, 2005). The four Ps have however been criticized for being too limited. In services marketing the Ps are said to be seven, adding people, processes and physical evidence (Booms and Bitner, 1981).

The four Cs is the customers four Ps (Lauterborn, 1990). Lauterborn states that companies should view the four Ps with the customer's four Cs where product is the customer's needs and wants, price is cost to the customer, promotion is communication and place is convenience. Crittenden (2005) defines the 4Cs as being the strategic element of the marketing mix and the 4Cs standing for customer centrality, competitive capabilities, company collaborations and cyclical connections.

3.4 Relationship marketing

Relationship marketing is defined as "*maintaining and enhancing relationships with customers, and other partners, at a profit, so that the objectives of the parties are met.*"

This is achieved by a mutual exchange and fulfillment of promises" (Grönroos, 1990, p. 138). In 1994 Grönroos wrote that a paradigm shift was underway for marketers. The Focus was shifting from the marketing mix to relationship marketing. Relationship building was becoming a cornerstone of marketing (Grönroos, 1994). Relationship marketing moves the marketer's focus from customer conquest to customer retention (Vavra, 1995). In relationship marketing, the goal of the marketer is to build trusting long-term win-win relationships with the customers and other stakeholders resulting in customer loyalty. Relationship marketing is most beneficial for the organization when the customer has long time horizons and high switching costs. In commodity markets, relationship marketing is not as effective since the customers often do not differentiate between products each time and often buy based only on price and convenience (Kotler, Armstrong, Wong and Saunders, 2008).

3.4.1 Customer satisfaction

Measuring customer satisfaction is an important element of relationship marketing and an activity that market oriented organizations must participate in (Vavra, 1995). The degree of each customer's satisfaction with the product or service purchased is relative to the customer's expectations. Customers form their expectations based on the opinions of others, past buying experiences as well as information and promises made by competitors and the organization itself (Kotler, Armstrong, Wong and Saunders, 2008). According to Narver and Slater (1990), customer orientation is a key element of market orientation, enabling an organization to have enough understanding of customers to maintain a high customer satisfaction.

3.5 The Boston Consulting Group and General Electric Models

The Boston Consulting Group approach is a growth - share matrix where a company's strategic business units are placed in four different boxes based on their relative market share and the overall growth of the market (Kotler, Armstrong, Wong and Saunders, 2008). The boxes are anti-clockwise from the top right, question marks, stars, cash cows and dogs. Most products begin their life as question marks and work their way anti-clockwise to become dogs at the end of their life (Kotler, Armstrong, Wong and

Saunders, 2008). Each strategic business unit (SBU) is marked as a circle where the size of the circle represents the size of the SBU within the company.

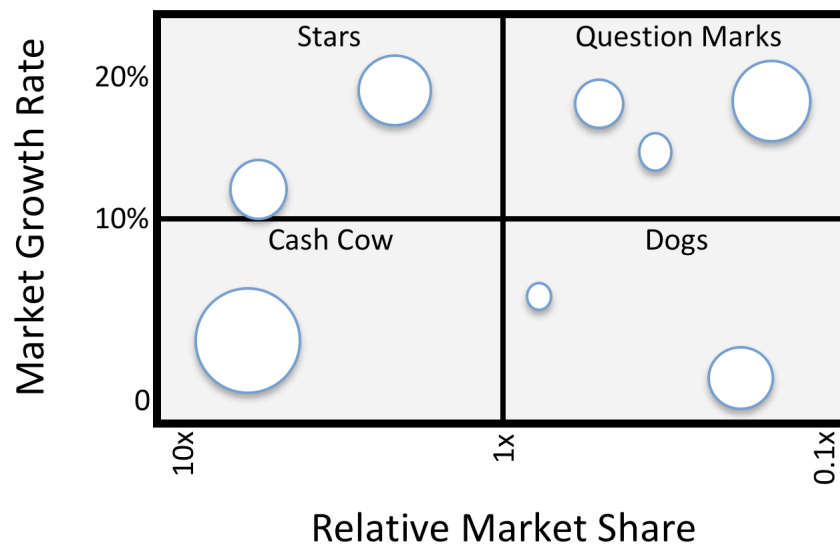


Figure 2: The Boston Consulting Group's Growth-Share Matrix (Kotler, 1991)

General Electric introduced its own business-planning grid as a tool in its planning process. The goal was similar as to the Boston Consulting Group's model, but with different emphasis. The GE model has nine boxes along two axes, business strength on the X axis and industry attractiveness along the Y axis. In the GE model, each SBU is marked as a pie chart where the total size reflects the size of the market and the slice of the pie reflects the actual market share. The GE model uses market size, market growth rate, industry profit margin, amount of competition, seasonality and cycle of demand and industry cost structure to evaluate industry attractiveness on the scale low, medium and high. To evaluate business strength on the scale weak, average and strong, the GE approach uses an index made up of relative market share, price competitiveness, product quality, customer and market knowledge, sales effectiveness and geographic advantages (Kotler, Armstrong, Wong and Saunders, 2008).

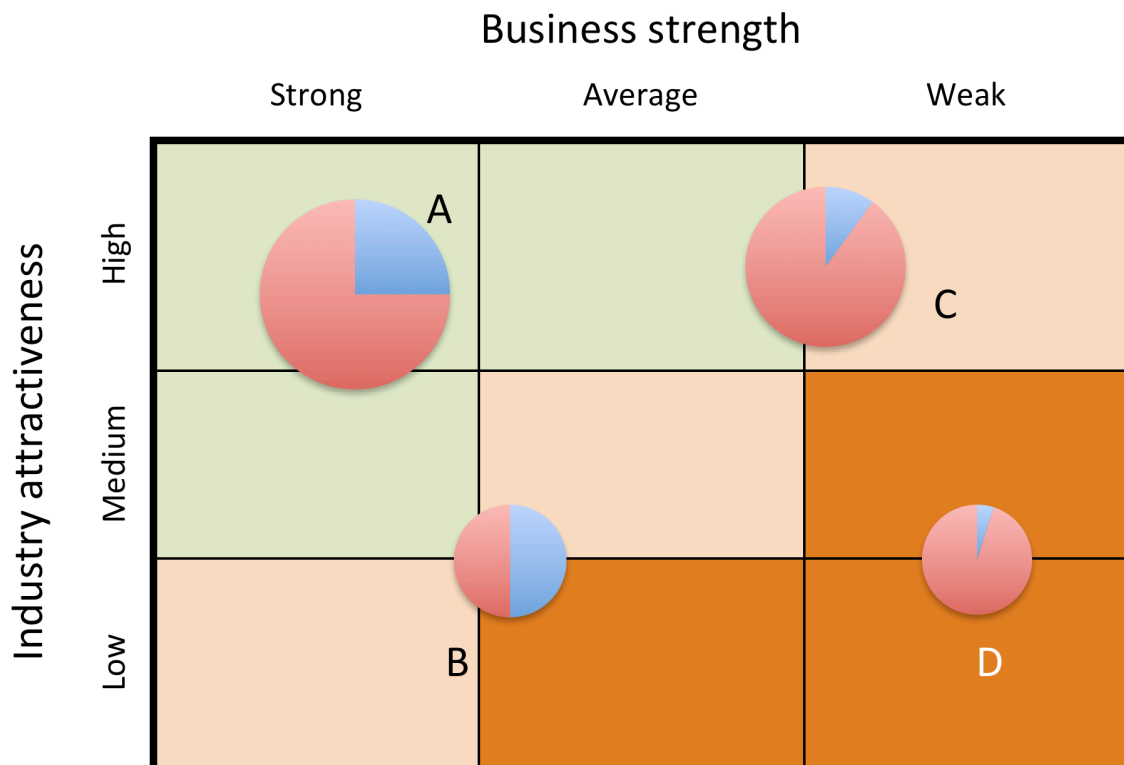


Figure 3: GE's strategic business-planning grid (Kotler, Armstrong, Wong and Saunders, 2008)

While the BCG and GE matrix models are said to have revolutionized strategic planning, they do have limitations. The models are time consuming to execute and require information that is often not readily available. In addition, the models focus solely on current business and do not consider other potential markets and opportunities (Kotler, Armstrong, Wong and Saunders, 2008).

3.6 Marketing research

Marketing research is an integral part of market orientation (Kohli and Jaworski, 1990) and is defined as *"the function that links the consumer, customer, and public to the marketer through information--information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications"* (American Marketing Association, 2004). Kohli's and Jaworski's (1993) method of measuring an organization's market orientation, MARKOR, uses information gathering

as one of three main foundations of a market orientation. The others are how the information is distributed and analyzed, and how the organization responds to the information. Marketing research is often underestimated and not even practiced since many managers believe they already know the market and that formal research would not be worth the time and cost (Kotler, 1977). Many companies cut their marketing budgets, including marketing research, during recessions. This is however not sensible in the long term. It is important to examine the changing needs of core customers during recession, no less so than during good economic times (Quelch and Jocz, 2009).

3.7 SWOT

The SWOT analysis is a method of monitoring the internal and external marketing environments of an organization. SWOT stands for strengths, weaknesses, opportunities and threats. A list of an organization's strengths and weaknesses is the result of an analysis of its internal environment (Kotler 2008; Kotler and Keller, 2012). Analysis of strengths and weaknesses is not about identifying what the organization is good or bad at, but at finding where the organization is better or worse than its competitors (F. Eysteinnsson, oral reference, spring 2010). A list of opportunities and threats is a result of an analysis of the organization's external environment. These can be the change of trends, new entrants to a market, change in government and more (Kotler, 2008; Kotler and Keller, 2012). Information gathering is at the core of a SWOT analysis, which makes having knowledge and skills in how to conduct a SWOT analysis very important for a market oriented organization (Narver and Slater, 1990).

3.8 Pricing

When deciding on a pricing strategy an organization must determine its pricing objective. The objectives can be survival, maximum current profit, maximum market share, maximum market skimming and product quality leadership (Kotler and Keller, 2012). While pricing is important, it is often overrated. Research among supermarket shoppers shows that less than half of them can tell the price of an item they just placed in their basket. The same goes for products they had just bought that were at marked down prices, they did not even know that the product was at a reduced price (Dickson and Sawyer, 1990). Consumers are simply not always looking for the best price or best

price-to-quality ratio. In some cases, factors such as brand name and convenience play a greater role (Huber, Holbrook and Kahn, 1986; Monroe, 1973).

Pricing of goods and services is often based on cost of goods plus a set markup. While it is essential for an organization to turn a profit in the long run, the cost of goods has little to do with the buyer's willingness to pay. In a market oriented organization the price of goods and services is determined by the value delivered. Other methods of pricing risk the organization losing out on business due to having prices that are higher than the market is willing to pay or to lose out on profits since the market would have been willing to pay a higher price (Kotler and Keller, 2012).

3.9 Advertising

In the minds of many individuals, marketing and advertising are two words that describe the same thing (Kotler, Armstrong, Wong and Saunders, 2008). As can be seen from the definitions of the American Marketing Association, this is not the case. AMA's definition of marketing can be seen in chapter two, but its definition for advertising is "*The placement of announcements and persuasive messages in time or space purchased in any of the mass media by business firms, nonprofit organizations, government agencies, and individuals who seek to inform and/ or persuade members of a particular target market or audience about their products, services, organizations, or ideas*" (American Marketing Association, 2011). The goal of advertising is an achievement level and a specific communication task with a certain audience in a certain time period (Colley, 1961). Marketers often struggle to come up with a hard figure on the benefits of advertising, often taking a leap of faith to come up with a number (Wyner, 2006; McMaster, 2002).

4 Market Orientation

As early as 1969, Philip Kotler defined the three stages of marketing consciousness. In stage one, marketing is purely a business subject that evolves around buyers and sellers, products and services. In consciousness two, payment is no longer a necessary condition. A museum with free admission can for example be marketed. In this stage marketing is no longer only about companies, but applies to all organizations. In the third and final stage "*marketing consciousness three states that marketing applies to an organization's attempts to relate to all of its publics, not just its consuming public*" (Kotler, 1972, p.48). This stage includes internal marketing, getting the rest of the company on board and contributing to marketing. The core of this final stage is that it defines marketing as a function rather than structure (Kotler, 1972).

Marketing is everyone's business (Levy and Kotler, 1969). Market orientation is the heart and cornerstone of modern marketing management and strategy (Narver and Slater, 1990; Kohli and Jaworski, 1990; Deshpande, Farley and Webster Jr., 1993; Gebhardt, Carpenter and Sherry Jr., 2006; Kotler and Keller, 2012) and is the foundation of high-quality marketing (Kohli, Jaworski and Kumar, 1993; Harrison-Walker, 2001). It is also increasingly important in other fields of management such as strategic management (Besanko, Dranove, Shanley and Schaefer, 2009). Market orientation is the ideology on which market driven organizations base their organization and execution on (Hunt and Lambe, 2000) and is the implementation of the marketing concept (Kohli and Jaworski, 1990). Market orientation is marketing's contribution to the strategy of organizations (Egeren and O'Connor, 1998; Hunt and Lambe, 2000). For an organization to be market oriented, its actions must be in line with the marketing concept (Kohli and Jaworski, 1990).

The terms market orientation and marketing orientation have both been used with the same meaning. The term market orientation is however more commonly used as it suggests that the construct needs the participation of many departments to generate and analyze market intelligence as well as acting on that information. The label "marketing orientation" can therefore be misleading and restrictive. Using "market orientation" also reduces the likelihood of the departments other than the marketing

department getting on the defensive side, viewing the construct as the sole responsibility of the marketing department, envious of the marketing department's weight in the organization's operations. Finally, the label puts the focus on markets, which includes customers and the forces that affect them (Shapiro, 1988).

4.1 Leading conceptualizations of market orientation

Three conceptualizations of a market orientation are most dominant in the literature on market orientation. These are the conceptualizations of Kohli and Jaworski (1990), Narver and Slater (1990) and Day (1994) and Sinkula (1994). Narver and Slater (1990) conceptualize a market orientation as consisting of customer orientation, competitor orientation and interfunctional coordination. According to Kohli and Jaworski (1990), market orientation is the organization-wide generation of market intelligence, dissemination of market intelligence across departments, and organization-wide responsiveness. Day (1994) and Sinkula (1994) define market orientation similarly to Kohli and Jaworski but do so in four stages, the first being acquisition of market information, second is the organization-wide sharing of market information, third is a shared interpretation of market information and finally the utilization of market information in the firm's strategic planning and enacted response. In summary it can be said that market orientation consists of customer orientation and competitor orientation where each involves the process of gathering information, sharing information throughout the organization, shared interpretation of the information gathered and utilizing the information gathered to the best benefit of the organization (Harrison-Walker, 2001).

Market intelligence is a wider concept than just gathering information about the organization's customers. Equally important is information about competitors, government regulations and everything that may affect the customer's needs, wants and preferences. Information and analysis about future needs is no less important than information about current needs. Analysis of the information gathered is very important and requires the participation of virtually all departments. The analysis can take on many forms. It can be performed by the marketing department and distributed to other departments, but each department can also analyze it independently or jointly with other departments. A more informal way of analysis is the "hall talk" or the talk by

the water cooler. These informal methods often give important information otherwise overlooked. Having generated and analyzed information it is vital to react to it. The information gathered is of little value if it is not used to improve the products and services of the organization. In a market oriented organization it is the role of all departments, not just marketing, to respond to market trends (Kohli and Jaworski, 1990).

4.2 Two approaches to market orientation

There are two approaches to being market oriented that both are equally valid. Both focus on customers, competitors and broad market conditions. These approaches are a) market-driven and b) driving markets approach (Jaworski, Kohli and Sahay, 2000). The market-driven approach is a business orientation that is based on reacting to and understanding the behaviors and preferences of participants within a set market structure. The driving markets approach differs in that it influences the structure of the behavior(s) and / or market of the participants in a way that enhances the competitive position of the organization. There are three methods to change the structure of the market. First is a deconstruction approach that eliminates participants in the market. Second is the construction approach that builds modified or new sets of participants in the market. Third is the functional modification approach with focus on changing the functions of each participant. The behavior of the market can be changed both indirectly and directly by changing the mind-set of competitors, customers and other stakeholders in the market (Jaworski, Kohli and Sahay, 2000).

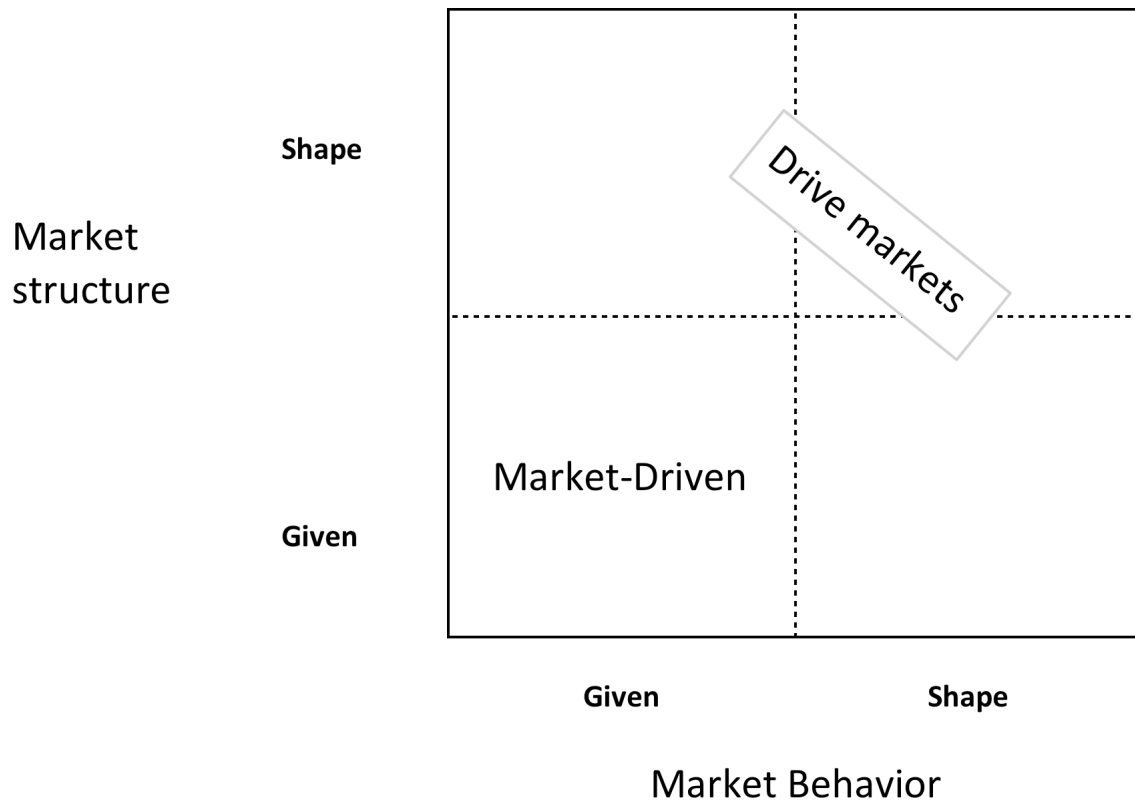


Figure 4: Two forms of Market Orientation (Jaworski, Kohli, Sahay, 2000)

The focus of literature on market orientation has in general been focused on the existing customer preferences and current market structures instead of trying to shape customers and the market. Figure 4 shows the conceptual framework of the two forms of market orientation. The two dimensions are market structure and market behavior where market structure refers to a set of participants and their activities while market behavior refers to the activities of all participants in the industry value chain. When a market structure is "given", the roles of existing industry players can not be eliminated and/or modified by the focal business. If on the other hand a market structure is "shape" the focal business can change the composition of the participants by for example buying them, getting others to enter the industry or even make fundamental changes such as changing the roles of one or more participants. Such changes for example are getting a distributor of a product to also do some or all of the product assembly. Viewing market behavior as a "given" means that the organization accepts that current behavior of how, when and why customers buy a product or service does not change. If the organization views the market behavior as "shape" it believes that it can change the way customers view and evaluate its product and service offerings by

for example moving focus to attributes previously not valued or valued enough. The organization can also provide offerings that have not previously existed and by doing so, shape the behavior of the market. Organizations that are market driven view the market structure and market behavior as given. Organizations that on the other hand believe they can influence either or both the market structure and market behavior by changing the roles and/or composition of participants in the market and/or the behaviors(s) of the participants are said to drive markets (Jaworski, Kohli and Sahay, 2000).

4.2.1 Customer orientation and competitor orientation

Customer orientation has a positive and significant impact on business performance (Harrison-Walker, 2001). Narver and Slater (1990) define customer orientation as having *sufficient understanding of one's target buyers to be able to create superior value for them continuously*. This requires an organization to understand both the buyer's current and future value chain. Competitor orientation requires the organization to *understand the short-term and weaknesses and long-term capabilities and strategies of both the key current and the key potential competitors*. Being market oriented means that you are both customer oriented and competitor oriented (Slater and Narver, 1994).

4.3 Research on market orientation

Market orientation is one of the most researched concepts within marketing (Tomaskova, 2009). When evaluating the effect of an organization's market orientation there are 12 items identified to measure business performance. These are time to market, customer retention, customer willingness to pay a price premium, customer propensity to spread negative word-of-mouth communication, customer propensity to alternate among brands/service providers, customer perception of product superiority, return on investment, and market share (Doyle and Hooley, 1992). Research and theories by Kohli and Jaworski (1990) and Narver and Slater (1990) appear to be by far the two most prominent theories on market orientation. Their research is covered in detail below. In all cases the core of market orientation is the gathering of market information, distribution of market information, the analysis of market information and reaction to market information.

4.3.1 Kohli and Jaworski

Kohli and Jaworski (1990) were the first to define market orientation and defined it as *"the organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it"* (p. 6). Their definition was put forward in their article in the Journal of Marketing and was partially spurred by their view that the literature at that time had not shown much effort to develop a framework to understand how the marketing concept should best be implemented. The purpose of their research published in 1990 was theory construction for market orientation (Kohli and Jaworski, 1990).

The conclusion of their research was that marketing orientation includes three elements. First, one or more departments must participate in activities that develop and understand the current and future needs of customers and the factors that affect them. Second, this understanding must be shared across departments. Third, various departments must participate in activities that work towards meeting customer needs and wants (Kohli and Jaworski, 1990).

Kohli's and Jaworski's examination of literature and their research lead to three categories of antecedents to a market orientation. These are individual, intergroup and organizationwide factors. Kohli and Jaworski label these factors as senior management factors, interdepartmental dynamics and organizational systems. Senior management factors are among the most important ones in growing and maintaining a market orientation. The participants in the research emphasized the great effect top management has on the organization. Interdepartmental dynamics refers to how formal and informal information interactions are between various departments within an organization. There is a direct relationship between interdepartmental conflicts and an organization's market orientation. With increased interdepartmental conflict comes a lower market orientation. Likewise, with greater interdepartmental connectedness comes greater market orientation. The third and final antecedent is organizational systems. These are characteristics that are common throughout the organization, such as the structural form of an organization. The research shows that greater

departmentalization, formalization and centralization results in a lower market orientation (Kohli and Jaworski, 1990).

Kohli and Jaworski put forward 19 research propositions. Possibly the most important of these is that "*the greater the market orientation of an organization, the higher its business performance*" (1990, p. 13). This relationship they propose to be even greater in turbulent markets and increases with greater competition. During recessions and weak economic times, there is a stronger relationship between a market orientation and business performance. Greater market orientation also results in greater organizational commitment of employees, greater customer satisfaction and greater repeat business from customers. For each employee it is however even more important that with an organization's greater market orientation comes greater esprit de corps and greater job satisfaction. There is a weaker relationship between market orientation and business performance in monopoly markets and where there is greater technological turbulence. There is still a relationship, but it is weaker than in other markets (Kohli and Jaworski, 1990).

These are in essence their propositions, but it was not until in 1993 that Kohli and Jaworski along with Ajith Kumar published the article *MARKOR: A measure of Market Orientation* where they put forward a method to measure the level of an organization's market orientation (Kohli, Jaworski and Kumar, 1993). The purpose of their work in 1993 was to develop a measure of market orientation and assess its psychometric properties. The MARKOR scale measures 32 items to determine an organization's level of market orientation. The scale measures how much a strategic business unit (SBU) "*1) engages in multi-department market intelligence generation activities, 2) disseminates this intelligence vertically and horizontally through both formal and informal channels, and 3) develops and implements marketing programs on the basis of the intelligence generated*" (Kohli, Jaworski and Kumar, 1993, p. 473).

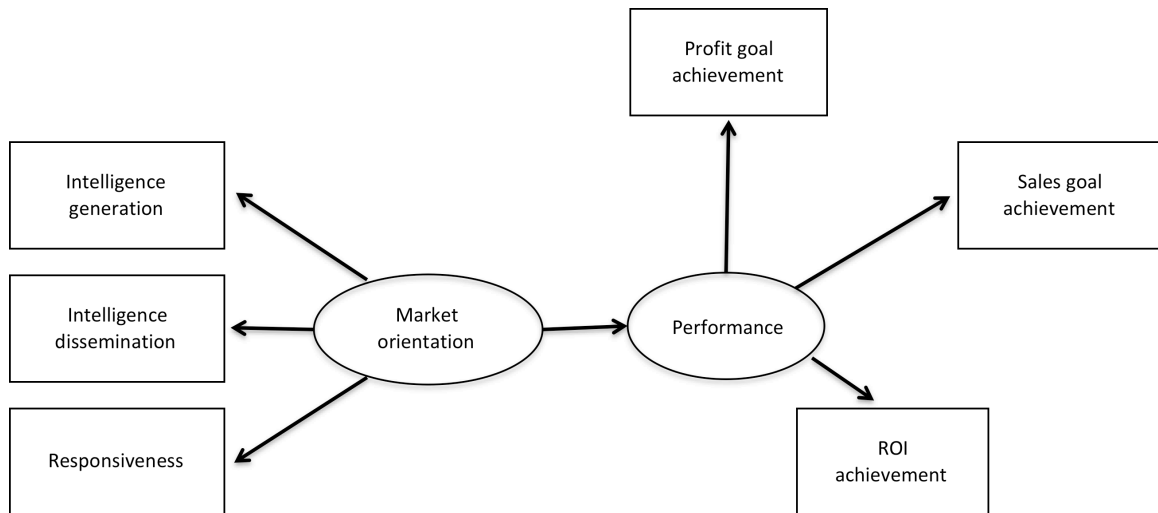


Figure 5: Market orientation as conceptualized by Kohli and Jaworski (1990).

4.3.2 Narver and Slater

Narver and Slater (1990) define market orientation as *"the organization culture that most effectively and efficiently creates the necessary behaviors for the creation for superior value for buyers and, thus, continuous superior performance for the business"* (p. 21). Market orientation consists of customer orientation, competitor orientation and interfunctional coordination, all based on long-term focus and profitability. These three behavioral elements comprehend the activities of market information acquisition, information analysis and coordinated response to create customer value. This is in line with the findings of Kohli and Jaworski (1990). In addition there are two decision criteria, which are long-term focus and a profit objective (Narver and Slater, 1990).

Customer orientation is defined by Narver and Slater (1990) as having *"sufficient understanding of one's target buyers to be able to create superior value for them continuously"* (p. 21). This requires an organization to understand both the buyer's current and future value chain. Competitor orientation requires the organization to *"understand the short-term and weaknesses and long-term capabilities and strategies of both the key current and the key potential competitors"*. Finally, interfunctional coordination is *"the coordinated utilization of company resources in creating superior value for a target customer"* (Narver and Slater, 1990, p. 22). This means that all employees of an organization can contribute to the creation of customer value (Narver and Slater, 1990).

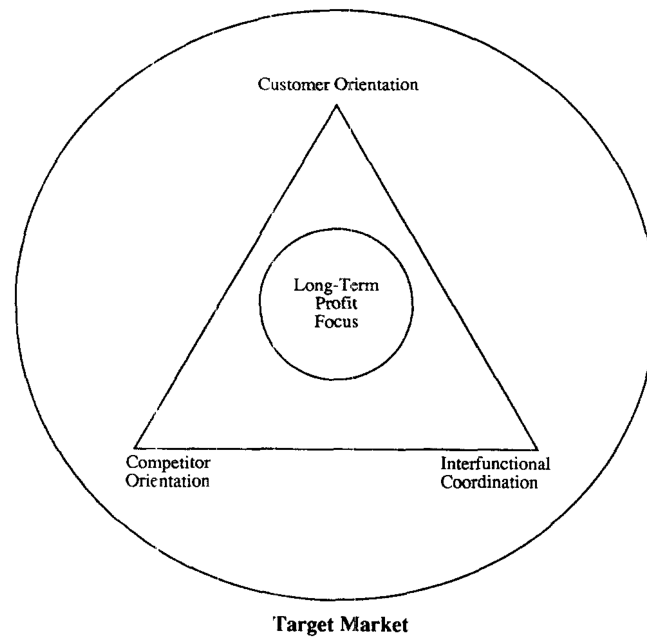


Figure 6: Market Orientation as defined by Narver and Slater (1990, p.23)

Narver and Slater (1990) state that business performance had been linked to market orientation in the three decades before their historic paper in 1990. There had however not been a valid method to measure a market orientation and therefore no method to analyze its effect on the success of an organization. Narver and Slater's paper *The Effect of a Market Orientation on Business Profitability* (1990) reports their study where they develop a method to measure market orientation and analyze its effect on the success of an organization. The method they developed was named MKTOR where variables are measured with a 7 or 8 point Likert scale.

The research of Narver and Slater covered commodity businesses and noncommodity businesses as well as distribution businesses. Their findings show that contrary to common assumptions in industrial organization literature, but in line with marketing literature, buyers and sellers are not opponents. A higher market orientation results in a significantly higher customer retention rate. Commodity organizations with greatest market orientation have considerable control over their markets, often making them successful in raising entry barriers as well as retaining customers. Market oriented commodity organizations are more likely to form mutually profitable and non-coercive partnerships with strong buyers. The findings of Narver and Slater support their hypothesis that market orientation is an important determinant of profitability. This

holds true both for commodity and non-commodity businesses. However, their findings show that among commodity businesses, this relationship is only true for commodity businesses that are above median in market orientation.

The single most important finding of Narver and Slater, which also supports Kohli and Jaworski's proposal, is that businesses with the highest market orientation are the most profitable (Narver and Slater, 1990). Narver and Slater deduct from their research that market orientation is beneficial in all market environments. There are however various levels of market orientation. None of the organizations that participated in the research attained the maximum possible market orientation score. There is therefore the theoretical possibility that there is a limit to the benefits of increased market orientation as market orientation nears the highest level of market orientation. This means that organizations must evaluate at each step the cost / benefit of each incremental step of increased market orientation. Transient environmental conditions may in the short-term reduce the benefits of a market orientation, but the cost-effective benefits of a market orientation are long term. Market orientation is the foundation on which to create superior value (Slater and Narver, 1994; Slater and Narver, 1995) and by doing so gaining competitive advantage. Narver and Slater state that being market oriented can never be a negative (Slater and Narver, 1994).

4.3.3 Comparison of Kohli and Jaworski vs. Narver and Slater

The incentive of the researches of both Narver and Slater (1990) and Kohli and Jaworski (1990) was to define what constitutes a market orientation, analyze how it can be measured and implemented as well as researching the benefits of a market orientation for an organization (Narver and Slater, 1990; Kohli and Jaworski, 1990). In both researches a market orientation is said to exist in all organizations. The level of market orientation varies however and is measured by Narver and Slater with their MRKOR scale (Narver and Slater, 1990) and by Kohli and Jaworski with their MARKOR scale, which they developed with Kumar three years after their original research in 1990 (Kohli, Jaworski and Kumar, 1993). Both researches emphasize the importance of the participation of all employees to increase the level of an organization's market orientation. It is not only the role of the marketing department, but of the organization as a whole. As a part of the organizational wide participation, it is very important that

the top management, led by the CEO, behave in a market-oriented manner. The findings of both researches show that with increased market orientation comes increased profitability (Narver and Slater, 1990; Kohli and Jaworski, 1990). In addition, Kohli and Jaworski (1990) find that increased market orientation results in increased customer satisfaction and job satisfaction of employees.

Kohli and Jaworski conceptualize market orientation as a behavioral organizational process and the implementation of the marketing concept (Kohli and Jaworski, 1990). Narver and Slater on the other hand conceptualize market orientation as being an organizational culture with focus on customers, competitors and the organization itself (Narver and Slater, 1990).

4.4 Implementation of market orientation

While the concept of market orientation is greatly researched (Tomaskova, 2009; Gebhardt, Carpenter and Sherry Jr., 2006), a method of how to achieve a greater market orientation has been given much less attention (Gebhardt, Carpenter and Sherry Jr., 2006; Martin and Martin, 2005). Many organizations have failed in their attempts to become market oriented. Organizations often underestimate what is needed to shift the organization's focus from internal to external concerns. Marginal changes, a few workshops with the management and proclamations of intent are not enough to be successful in achieving a market orientation. What is needed is a wide-ranging cultural shift that can only be achieved by running change programs that match the magnitude of the cultural shift (Day, 1994; Gebhardt, Carpenter and Sherry Jr., 2006). A key to achieving a market orientation within an organization is the adaptation of market orientation by the top management, the board of the organization, the C-level and top executives. The commitment of these managers to market orientation must be clearly communicated and acted on throughout the rest of the organization (Felton, 1959; Kohli and Jaworski, 1990; Kohli, Jaworski and Kumar, 1993; Levitt, 1969; Webster, 1988). Webster (1988) adds that *"the key to developing a market-driven, customer-oriented business lies in how managers are evaluated and rewarded"* (1988, p. 38). Reward systems that focus on short-term profits and results undermine a focus on market factors and the long-term success of the organization.

Gainer and Padanyi (2005) find that market orientation is both activities and culture and suggest that firms that wish to establish a market orientation start by gaining experience with customer-oriented activities (Gainer and Padanyi, 2005).

4.4.1 Organizational change

In his article *Creating a Market-Driven Organization*, Day (1999) introduces a model of organizational change to achieve a greater market orientation. The model emphasizes gaining a more market-oriented organization through formal actions of the management. These are actions such as changing organizational structures and incentives.

Organizational change is a process in four stages. These stages are initiation, reconstitution, institutionalization, and maintenance (Gebhardt, Carpenter and Sherry Jr., 2006). In the first stage, initiation, the organization must recognize an external threat. A coalition of stakeholders who recognize the threat and the need for change must be formed. These guiding coalitions must develop transformation plans that will engage the entire organization in the change effort. Leaders who rely on current management structures, consultants or new hires to create change to improve the organization's marketing cultures and capabilities are more likely to fail in creating a greater market orientation.

Reconstruction, which is the second stage, comprises five steps: 1) demarcation, 2) value and norm development, 3) reconnection with the market, 4) removal of dissenters and hiring of believers, and 5) collaborative strategy. Demarcation is for example a milestone in the change process when the guiding coalition presents a plan to the entire organization. Demarcation events are public and open, explain the challenge to the organization as being compelling and authentic, clearly communicate the plan for change and the norms, values and behaviors, showcase the guiding coalition's action in harmony with the desired culture and finally and importantly, the change process is framed not as marketing centric but rather market focused. Values and norms must be developed to steer organizations from internally and bureaucratically focused organizations with reliance on past success to viewing the market as the *raison d'être*, collaboration, respect, empathy, keeping promises, openness and trust. The greatest challenge with reconnecting with the market is

determining which behaviors align with the market as the *raison d'être*, the reason for the organization's existence. During the transformation of an organization's culture the stage will likely come when coaching cultural dissenters to change no longer is effective. At that stage dissenters need to be removed and individuals who hold values that closely match those of the organization hired in their place. The final transformation point is collaborative strategy. At this point organizations should now be tackling tasks with increased market orientation, the reason being agreement on what the market is, market needs that have not been met and how to work together as a team to meet those needs. The organization's collective knowledge and capabilities is leveraged, resulting in realistic and more creative strategies. By now the whole organization understands why certain tasks are important with higher level of commitment to strategies and the organization, increasing the likelihood of success (Gebhardt, Carpenter and Sherry Jr., 2006).

The third step in the organizational change is institutionalization. Before reaching this stage, organizations have already gone through fundamental and dramatic changes. These changes are however likely to be informal in many ways and to have taken place faster than the formal organization structure and supporting attributes. The purpose of the third step is to institutionalize these changes. The fourth and final step is to maintain the changes made and the improvements achieved. Managers must at this step develop processes and model behaviors to maintain a market orientation. There are three processes that reinforce a market-oriented culture. These processes are cultural screening of new members, culture maintenance rituals and continuous market connection activities. Organizations must also protect their market-oriented cultures from unwanted outside influences. This is done by having cultural flame keepers approve organizational changes to maintain cultural consistency and protect against management fashions and fads (Gebhardt, Carpenter and Sherry Jr., 2006). An overview of the whole process of creating a market orientation is shown in Figure 7.

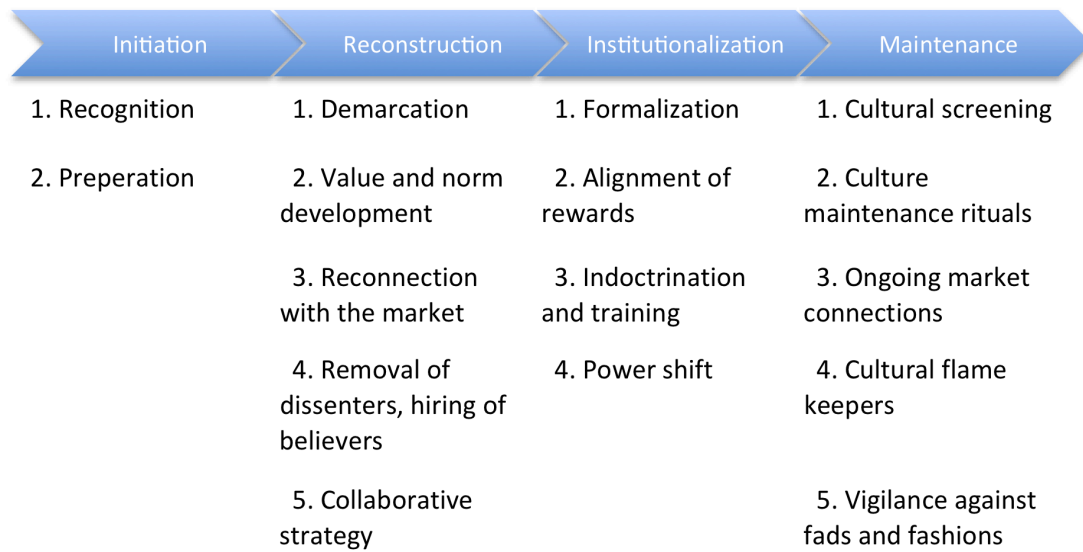


Figure 7: Process of Creating a Market Orientation (Gebhardt, Carpenter and Sherry Jr., 2006)

Market orientation is a cultural value. Market oriented organizations share six key cultural values: trust, openness, keeping promises, respect, collaboration and viewing the market as the *raison d'être*. These values are central to a successful adaptation of an organization's market orientation (Gebhardt, Carpenter and Sherry Jr., 2006).

To explain the necessary actions and conditions to establish a durable shift to a market orientation, Day (1999) identifies six conditions to ensure a successful change. These steps have much in common with the findings of Gebhardt, Carpenter and Sherry Jr. (2006). Day (1999) identifies leadership commitment as the first step in a successful change program. A leader must own and champion the change an organization must engage in. Second, key individuals must know the changes needed, understand how the market behaves and see the advantages of the change at hand. Third, the vision must be shaped so that all employees know and understand what they are trying to achieve and how to accomplish it. Fourth, the individuals that have credibility and experience and have the ability to form a team of supporters must mobilize commitment at all levels. The fifth step is to align systems, structures and incentives. The sixth and final step is to reinforce the changes achieved by benchmarking measures and ensuring an early win. These six steps are not sequential. Many stages that are initiated early in the process occur at the same time. Each stage reinforces other stages and interacts with them throughout the process (Day, 1999). Research shows that the likelihood of

market-driven behaviors are greater when there is supportive culture, involvement and commitment from top management (Day, 1994; Egeren and O'Connor, 1998), the place of decision making is close to the customer and rewards and objectives are aligned with external market performance (Day, 1994).

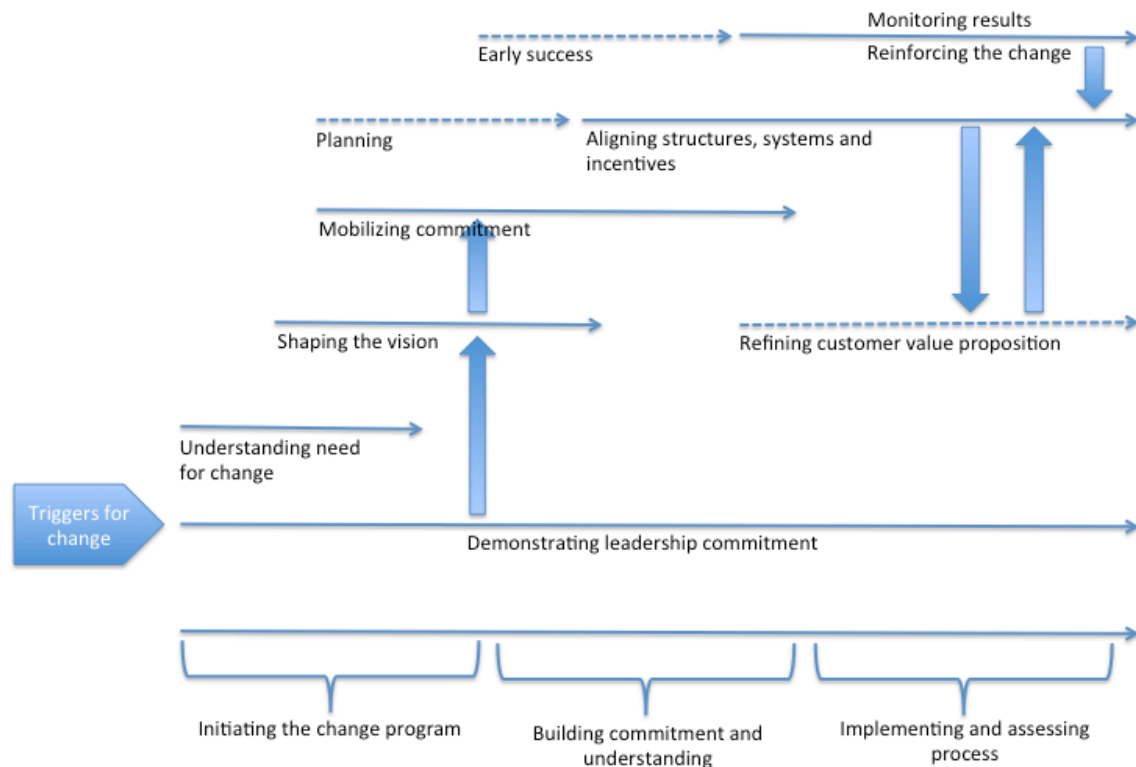


Figure 8: Overlapping Stages of the Change Program as defined by Day (1999)

Day (1999) found commonalities in the change programs of Sears Roebuck, Owens Corning, Eurotunnel and Fidelity Investments as well as post-audits of failed change initiatives. The first step was to involve the entire organization from top to bottom. Second was to focus on what makes it possible for employees to deliver good results. Third step was to create a sense of urgency, exposing flaws in the organization's approach to its customers. The fourth step was cultural change, which is followed from behavioral change. This was achieved by altering behavioral patterns, developing an understanding of how behavior effects performance improvements. The final step was to analyze the progress through the process to encourage employees to learn about success and identify barriers.

4.5 The effect of market orientation on organizations

Research shows that market oriented organizations are more profitable than less market oriented organizations (Jaworski and Kohli, 1993; Kara, Spillan and DeShields, 2005; Kirca, Jayachandran and Bearden, 2005; Narver and Slater, 1990). In fact, Narver and Slater (1998) state that a great majority of research findings conclude that there is a positive relationship between an organization's market orientation and various measures of performance (Deshpande, Farley and Webster, 1993; Jaworski and Kohli, 1993; Narver and Slater, 1990; Slater and Narver, 1994; 1995). Research shows that while customer orientation increases an organization's success, being both customer oriented and competitor oriented increases an organization's success even more (Harrison-Walker, 2001).

Martin-Consuegra and Estaban used the MARKOR scale in 2007 when they researched the effect of market orientation on the profitability of airlines. They measured the items that influence market orientation of organizations. Their results show that there is a positive relationship between an airline's market orientation and its profitability. The MARKOR scale was used to measure the effects of market orientation on small services-companies. The research put forward four hypotheses on gathering, analysis, actions and that market orientation has a positive effect on success. The results of the research support all the four hypotheses showing an increased benefit from being more market oriented (Kara, Spillan and DeShields, 2005).

Market-driven organizations have superior market sensing, customer linking, and channel bonding capabilities (Day, 1994). More market-oriented organizations have stronger organizational cultures (Gebhardt, Carpenter and Sherry Jr., 2006). In general, marketing capability is a greater influencer on an organization's performance than operations capabilities and research and development (Kranikov and Jayachandran, 2008).

4.6 Measuring market orientation

There are mainly two scales that are used to measure an organization's market orientation. These scales are the MARKOR and MKTOR. Narver and Slater developed the MKTOR scale in 1990 while Kohli, Jaworski and Kumar developed the MARKOR scale

in 1993. Research where these two scales are used to measure an organization's market orientation show that an organization's success increases as market orientation increases (Kohli, Jaworski and Kumar, 1993; Martin-Consuegra and Estaban, 2007; Matsuno, Mentzer and Rentz, 2000; Narver and Slater, 1990).

The main difference between these two scales is that the MARKOR scale analyses the organization to evaluate the level of market orientation while the MKTOR scale focuses on customer orientation and uses a checklist (Gauzente, 1999). Judging from available research the MARKOR scale appears to be more commonly used. One reason for this is that the MARKOR scale not only measures the current status of the company, but also its future ability. The scale measures the organization's proactivity and reactivity. Such a measure is not possible with the MKTOR scale (Gauzente, 1999).

The MARKOR scale is not without criticism. Matsuno, Mentzer and Rentz (2000) developed an improved version of the MARKOR scale with more questions by adding questions they felt were missing from the original 32 question scale of Jaworski and Kohli. The improved market orientation scale consisted at first of 69 questions, but was reduced in its final version to 51 questions. The 51 questions are divided into 15 questions on intelligence generation, 12 questions on intelligence dissemination and 24 questions on responsiveness.

5 The research

The purpose of the research was to answer the research question: "Is there a positive relationship between the market orientation of Icelandic advertising agencies and their overall performance?" To answer this question the market orientation of the leading advertising agencies in Iceland was examined and compared to their overall performance based on increase in market share, sales, new products, profit from sales, equity earnings and investment profitability. In line with previous research that has shown that there is a positive relationship between an organization's market orientation and its performance (Deshpande, Farley and Webster, 1993; Jaworski and Kohli, 1993; Kara, Spillan and DeShields, 2005; Kirca, Jayachandran and Bearden, 2005; Martin-Consuegra and Estaban, 2007; Matsuno, Mentzer and Rentz, 2000; Narver and Slater, 1990; 1998; Slater and Narver, 1994; 1995), this paper puts forward the hypothesis that: "There is a positive relationship between the market orientation of Icelandic advertising agencies and their overall performance".

The agencies asked to participate were the seven members of the Society of Icelandic Advertising Agencies. Of those seven, three did not answer repeated requests, one declined due to the nature of the questionnaire stating that the MARKOR scale was not applicable to their business. The remaining three agreed to participate, while one of them questioned the validity of the questions for an advertising agency.

5.1 Research method

The method applied to this research was a quantitative method. The following sections cover the method of measurement, how the research was executed, information on the participants and the findings of the research.

5.1.1 Measurement

This research uses the improved version of the MARKOR scale. The MARKOR scale is the scale Kohli and Jaworski introduced in 1993. The improved version used here is the version introduced by Matsuno, Mentzer and Rentz in 2000. The improved measurement takes into account more elements in the market environment. The reason why the MARKOR scale is chosen for this research is its widespread use in many

previous research where it has repeatedly proven its merits for example in the research of Kara, Spillan and DeShields (2005) and Martin-Consuegra and Estaban (2007).

Since the research was among Icelandic speaking employees of the Icelandic advertising agencies, the questionnaire was presented both in English and in Icelandic. To minimize the risk of any misunderstanding due to the translation, each question was also in English. The Icelandic translation was borrowed from the Master's thesis of Auður Hermannsdóttir (2006). The questionnaire uses a 5-point Likert scale and was divided into three parts. The first part consists of two background questions. Both these questions were conditional while the rest of the questions were not. The second part consists of 44 questions whose purpose was to measure the market orientation of the organization. The second part was divided into three segments where the first segment consists of 15 questions that measure information gathering, the second segment consists of 12 questions that measure the dissemination of information within the organization and the third segment consists of 17 questions that measure the organization's response to the information. The third and final part consists of 7 questions where participants were asked to compare the organization's performance to the performance of its main rivals. Subjective measures have been proven to have a strong correlation with objective measures (Dess and Robinson, 1984). Both Jaworski and Kohli (1993) and Narver and Slater (1990) and Slater and Narver (1994) have used subjective measures in their research into the market orientation of organizations. For these reasons, it was considered acceptable to use subjective measures to measure the performance of the participating organizations. The questionnaire used is enclosed in Appendix 1 of this paper.

5.1.2 Procedure

A target group was identified by going through the website of the Society of Icelandic Advertising Agencies. On their website is a list of all its members and their contact information. There are eight members in the Society of Icelandic Advertising Agencies. Seven of those are the country's seven largest advertising agencies and one is a publishing house.

An e-mail was sent to the CEOs of the seven advertising agencies where they were asked to participate in the research by having both management and non management

employees answer the questionnaire. Three agencies did not answer, despite sending them an e-mail twice. One declined to participate as they felt that the questions did not apply to their line of business. Three agencies agreed to participate in the research.

The questionnaire was built using the website of CreateSurvey.com. To make the execution of the questionnaire smoother, a separate form was made for each participating agency. This eliminated the need to ask which agency each respondent was answering for. An e-mail was then sent to the CEOs of the participating agencies on the 15th of August 2011 with a link to the survey for their agency. The CEOs were then supposed to forward the e-mail to all their employees instructing them all to answer the questionnaire. The responses were few and slow, requiring follow-up e-mails, phone calls and the old and proven Icelandic way of getting things done, asking a friend working at an agency to push for the questionnaire to be answered. The survey was closed on the 5th of September after a final attempt to increase the number of responses.

5.1.3 Participants

For the purpose of confidentiality, the names of the participating agencies are not given in this paper. There were 7 participants from advertising agency A, 3 from agency B and 6 from agency C. These participants represent 23%(A), 21%(B) and 20%(C) of each agency. In agency A, 2 out of 7 were managers, in agency B, 2 out of 3 were managers and in agency C 4 out of 6 were managers. In agency A, 5 out of seven had worked for the agency less than three years, one had worked between five and seven years and one had worked more than nine years. In agency B, one out of three had worked between three and five years and the other two had worked longer than nine years. In agency C, three had worked less than three years, two between three and five years and one between five and seven years.

5.2 Findings

Questions 1 and 2 are background questions, 3 to 46 measure the organization's market orientation and questions 47 through 53 measure the organization's performance. All the questions were on a five point Likert scale and each question was equally weighted in evaluating the organization's total market orientation and performance.

5.2.1 Market orientation

The answers to each market orientation question were marked with one for a low market orientation and five for a high market orientation. Questions 6, 11, 17, 24, 25, 30, 32, 34, 36, 37, 40, 41 and 46 are an exception to this rule. The answers to these questions are therefore weighted in a reversed order where five stands for a low market orientation and one for a high market orientation.

Table 2 shows the average and standard deviation values for each participating advertising agency for each of the questions used to measure the level of their market orientation. The answers to the questions listed above have been reversed in the table. Questions 3 through 17 measure the organization's information gathering, questions 18 through 29 measure the dissemination of information and the final section for questions 30 through 46 measure the organization's response to the information. The lowest possible value was 1 and the highest possible value was 5.

Table 2: Analysis of answers to the MARKOR questionnaire

Question number	Organization A			Organization B			Organizatoin C		
	Average	Standard deviation	Number of answers	Average	Standard deviation	Number of answers	Average	Standard deviation	Number of answers
Gathering of information									
Q.3	4.00	1.29	7	4.67	0.58	3	4.40	0.89	5
Q.4	4.29	1.25	7	4.33	0.58	3	4.50	0.55	6
Q.5	3.71	1.11	7	4.33	1.15	3	4.33	0.52	6
Q.6*	4.57	0.53	7	4.67	0.58	3	4.67	0.52	6
Q.7	3.14	0.69	7	1.33	0.58	3	4.50	0.55	6
Q.8	3.71	1.11	7	2.67	0.58	3	4.33	0.52	6
Q.9	4.43	0.53	7	4.33	0.58	3	3.83	0.75	6
Q.10	3.57	1.13	7	3.67	1.15	3	4.17	0.75	6
Q.11*	4.57	0.53	7	4.33	1.15	3	4.50	0.84	6
Q.12	4.14	0.69	7	2.67	1.15	3	4.50	0.84	6
Q.13	2.86	1.21	7	4.00	1.00	3	4.00	0.63	6
Q.14	2.71	1.38	7	3.00	1.00	3	3.67	0.82	6
Q.15	3.71	0.49	7	4.67	0.58	3	3.75	0.50	4
Q.16	3.43	0.53	7	4.33	0.58	3	3.80	0.45	5
Q.17*	2.57	0.98	7	3.00	1.00	3	4.00	0.63	6
Dissemination of information									
Q.18	3.43	1.13	7	3.67	1.15	3	3.67	0.52	6
Q.19	3.43	0.98	7	2.00	0.00	3	4.50	0.84	6
Q.20	4.00	0.82	7	3.00	1.00	3	4.33	0.82	6
Q.21	3.71	0.95	7	2.00	0.00	3	4.33	0.82	6
Q.22	4.29	0.76	7	3.67	1.53	3	4.33	0.82	6
Q.23	3.43	0.98	7	3.00	0.00	3	4.00	0.71	5
Q.24*	3.43	1.13	7	4.00	1.73	3	1.67	0.82	6
Q.25*	3.57	1.62	7	4.33	0.58	3	1.83	0.75	6
Q.26	4.14	0.69	7	3.33	1.15	3	4.33	0.82	6
Q.27	3.86	1.21	7	1.67	0.58	3	4.50	0.84	6
Q.28	3.14	1.07	7	2.67	0.58	3	4.00	0.63	6
Q.29	4.29	0.76	7	3.33	0.58	3	4.00	0.89	6
Response to information									
Q.30	4.00	0.82	7	4.00	1.00	3	4.33	0.82	6
Q.31	4.14	0.69	7	4.33	0.58	3	4.00	0.63	6
Q.32*	4.14	0.69	7	4.33	0.58	3	4.67	0.52	6
Q.33	3.57	0.79	7	4.00	0.00	3	3.50	1.38	6
Q.34*	3.43	1.13	7	4.00	1.00	3	3.00	1.58	5
Q.35	4.33	0.52	6	3.67	1.15	3	4.00	0.63	6
Q.36*	4.14	0.90	7	4.67	0.58	3	3.67	0.52	6
Q.37*	3.86	0.90	7	3.33	2.08	3	3.00	0.63	6
Q.38	3.71	0.76	7	4.33	1.15	3	4.50	0.84	6
Q.39	4.29	0.76	7	3.67	0.58	3	4.67	0.52	6
Q.40*	4.29	0.76	7	4.33	0.58	3	3.67	1.75	6
Q.41*	4.14	0.90	7	2.50	1.53	3	3.83	0.75	6
Q.42	3.86	1.07	7	3.33	0.58	3	4.00	0.63	6
Q.43	4.29	0.76	7	4.67	0.58	3	4.67	0.52	6
Q.44	4.00	0.58	7	4.33	0.58	3	4.17	0.41	6
Q.45	4.29	0.95	7	5.00	0.00	3	4.50	0.55	6
Q.46*	3.71	0.95	7	3.67	2.31	3	4.50	0.84	6

* Reversed data

Each of the subcategories, information gathering, dissemination of information and response to information, was graded separately. The grade for each subcategory was made out of the average of all the grades within the category. Table 3 shows the market orientation for each subcategory for each participating organization as well as showing their total market orientation.

Table 3: Summary of each organization's market orientation.

	Organization A	Organization B	Organizatoin C
Information gathering	3.70	3.73	4.20
Information distribution	3.73	3.06	3.79
Response to information	4.01	4.01	4.04
Market orientation	3.83	3.66	4.03

The table shows that organization C has the highest market orientation of 4.03, organization A has the second highest market orientation of 3.83 and organization B has the lowest market orientation of 3.66. There was however not a statistical difference between any of the participating organizations for information gathering ($F(2,10)=0.228;p>0.05$), information dissemination ($F(2,12)=1.942;p>0.05$), response to information ($F(2,11)=0.181;p>0.05$) and market orientation ($F(2,7)=0.582;p>0.05$). As can be seen in Table 2, the number of respondents was low and the standard deviation in the answers to some of the questions was rather high. This affects the statistical reliability of the results. The combined market orientation of all the participating organizations was 3.83, which was slightly higher than that of the market orientation of 3.45 for the Icelandic insurance market (Hermannsdóttir, 2006).

5.2.2 Organization performance

Performance of the organizations was measured in questions 47 through 53. The participants were asked to compare their organization's performance to the performance of their competitors. On a five point Likert scale, one means the organization's performance was much lower than that of its competitors and five means the organization's performance was much higher than that of its competitors. A total measurement of performance was calculated by calculating the average of the answers to the performance questions.

Table 4: Performance compared to competitors.

Question number	Organization A			Organization B			Organizatoin C		
	Average	Standard deviation	Number of answers	Average	Standard deviation	Number of answers	Average	Standard deviation	Number of answers
Performance compared to competitors									
Q.47	3.71	0.70	7	3.33	0.47	3	4.00	0.58	6
Q.48	3.57	0.73	7	2.67	0.47	3	4.33	0.75	6
Q.49	3.57	0.73	7	2.67	0.47	3	4.33	0.75	6
Q.50	3.57	0.73	7	2.67	0.47	3	4.00	0.58	6
Q.51	3.57	0.73	7	2.67	0.47	3	3.67	0.47	6
Q.52	3.43	0.90	7	2.50	0.50	2	3.67	0.47	6
Q.53	3.43	0.73	7	3.50	0.50	2	3.67	0.47	6
Total	3.55			2.86			3.95		

Table 4 shows the average and standard deviation values for each participating advertising agency for each of the questions measuring their performance compared to their competitors' performance. The table shows that organization C had again the highest value with 3.95 for their total performance compared to its competitors while organization B had only 2.86 and the value for organization A was 3.55. As was with the measurement of their market orientation, there was not a statistical difference between any of the participating organizations for performance compared to competitors ($F(2,12)=2.682; p>0.05$). As a result, it is not possible to put any weight on the numbers shown. This does also reflect the challenges of such small samples in small organization, making it almost impossible to come to a conclusion that is statistically significant.

5.2.3 Relationships between variables

Figure 9 shows the relationship between the participating organizations' market orientation and their performance. The figure shows the coordinates of each organization's market orientation and performance where the first number is performance and the second number is market orientation.

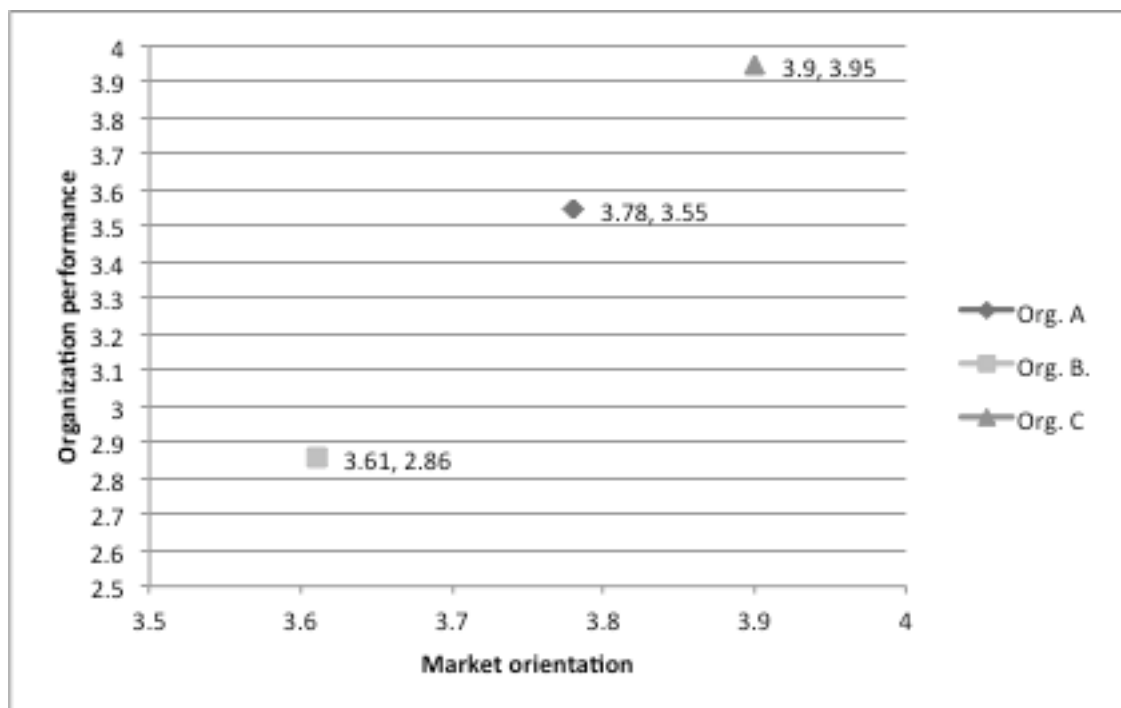


Figure 9: Relationship between market orientation and organization performance

The results from the research show that there was a positive relationship between the participating organizations market orientation and their performance ($r(15)=0.666;p<0.05$). The hypothesis: "There is a positive relationship between the market orientation of Icelandic advertising agencies and their overall performance", is therefore supported. The results also show a positive relationship between the dissemination of information and market orientation ($r(15)=0.683;p<0.05$). The results for information gathering ($r(13)=0.461;p>0.05$) and response ($r(15)=0.488;p>0.05$) are statistically insignificant. No conclusion can therefore be drawn for those measures.

6 Discussions and conclusions

The results show that there is a positive relationship between the market orientation of Icelandic advertising agencies and their overall performance. This is in line with the previous results of Kohli and Jaworski (1993) and Narver and Slater (1993). While the combined market orientation of the participating advertising agencies is higher than that of the insurance market, it can not be described as high. This holds especially true when it is considered that the core business of these organizations is deeply embedded with the marketing concept. The number of respondents was low and the standard deviation in the answers to some of the questions was rather high. This affects the statistical reliability of the results. The combined market orientation of all the participating organizations was 3.83, which was slightly higher than that of the market orientation of 3.45 for the Icelandic insurance market. The market orientation of each organization was within the operational range of 3.70-4.19.

It can be argued that those who participate in a research of this type are more interested in marketing than those who do not and as a result have a higher market orientation than those who do not participate. It can therefore be logical to deduct that the overall market orientation of the members of the Society of Icelandic advertising agencies is lower than this research shows. Of the seven agencies belonging to the society, three did not answer repeated requests to participate, one declined based on their view that the MARKOR scale did not apply to their business, and three agreed to participate. Having pointed this out, it must also be taken into account that most of the individuals being asked to respond to the survey work on billed hours. Taking 15 minutes to answer a school-project survey, however relevant and beneficial it may be, is a measurable cost that many may not be willing to take on.

Subjective measures were used to evaluate each organization's performance since no other reliable and comparable measures were available. From the organizations' annual reports it was possible to read each organization's EBIDTA and equity. It was however not possible to use these figures to calculate EBIDTA as a percentage of equity since one of the organizations had no equity. It was also not possible to use figures regarding turnover since only one of the organizations published their turnover in their

publicly available annual report. Of those two organizations that did have positive equity, organization C had a 150% EBIDTA/equity ratio and organization B had a 94% EBIDTA/equity ratio. The market orientation of organization C was 3.96 while the market orientation of organization B was 3.61. These numbers support the findings of section 5.2.3 that there is a positive relationship between market orientation and the performance of the participating organizations.

While the market orientation of all of the participating organizations combined was 3.83, there was a great variance in the highest and lowest scoring questions. The highest combined score of 4.36 was for question number 6, "We are slow to detect changes in our customers' product preferences". This score was a converted score, where the actual answer was 0.64. The score reflects that the participating agencies are not slow to detect changes in their customers' product preferences. The lowest combined score of 2.99 was for question number 7, "We poll end users at least once a year to assess the quality of our products and services". Out of the 44 questions measuring the market orientation, 16 have an average score of less than 3.7, 20 are in the range of 3.70 to 4.19 and 8 have an average score of 4.2 or more. As a group, the organizations have the highest score for response to information and the lowest for distributing information. All the organizations have a score above 4 for response to information, they do however need to improve their information dissemination and information gathering. The exception to this was organization C, which had the highest score of 4.2 for information gathering. This was also the highest score for any of the three sections out of all the organizations. The lowest score was for information dissemination, where organization B has a very low score of 3.06.

The research shows that while the marketing orientation of all of the participating organizations combined was higher than that of insurance organizations, there is great room for improvement. While there are no measurements on the effect of each point for each question, the lowest hanging fruit for the group as a whole are the 16 questions with an average score below 3.7. A score below 3.7 is within the actionable range and should be absolutely unacceptable for any organization operating within the field of marketing.

As is the case with all research, this one has some limitations. The main limitations of the research are the low number of participants from each advertising agency and the possibility that the financial crisis could have had very different effects on each of the agencies. The low number of respondents gives significant weight to each answer. This can have the effect that a single answer that is very different from others, for example a 1 where others answer 4 and 5, can greatly influence the average result. The recent financial crisis can also have effected the participating organizations and their customers in very different ways as a result of variables, such a financing, that have little or nothing to do with their market orientation.

While many respected researchers very commonly use the MARKOR scale, it does have its limitations. The main disadvantage is that organizations evaluate their own behavior. A discrepancy can therefore be between the answers and reality. A tendency may be for those who are more satisfied in their jobs to give better answers than those who are less satisfied and for owners and managers to answer how they want the organization to be, rather than how it actually is.

Despite some limitations, the research does give a good indication of the level of marketing orientation for the participating organizations and advertising agencies in general. Taking into account that these organizations operate within the field of marketing, it must be said that the level of their market orientation was low and disappointing. In future research, it would be beneficial to have the participation of all seven members of the Society of Icelandic advertising agencies. These are very few organizations that should have a burning desire to know and improve the level of their market orientation. It would also be interesting to do a comparative research between advertising agencies in Iceland and other countries. The U.S.A. has the image of being the cradle of marketing with many of the marketing theories having their origins there. A comparison with agencies in the U.S.A. and Iceland could be interesting and possibly provide a benchmark for Icelandic agencies to strive for.

Appendix 1 - The questionnaire

Markaðshneigð auglýsingastofu X

Könnun þessi er gerð af Sturlu Sigurðssyni nemanda í mastersnámi í markaðsfræði og alþjóðaviðskiptum við Háskóla Íslands og er hún hluti af lokaverkefni nemandans. Tilgangur könnunarinnar að mæla markaðshneigð fyrirtækisins með stöðluðum spurningalista sem notaður er við slíkar mælingar. Könnunin er 53 spurningar og má gera ráð fyrir að það taki u.þ.b. 12 til 15 mínútur að svara öllum spurningum. Fullum trúnaði er heitið um niðurstöður könnunarinnar og svör verða ekki rakin til hvers svaranda.

1. * Ég starfa sem

- ☐ Stjórnandi
☐ Ekki stjórnandi

2. * Ég hef starfað hjá fyrirtækinu í

- ☐ Skemur en eitt ár
☐ Eitt til þrjú ár
☐ Þrjú til fimm ár
☐ Fimm til sjö ár
☐ Sjö til níu ár
☐ Lengur en níu ár

3. Við hittum viðskiptavini að minnsta kosti einu sinni á ári til að komast að því hvaða vörur eða þjónustu þeir munu þurfa á að halda í framtíðinni. (*In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future.*)

- | Mjög ósammála | Ósammála | Hvorki né | Sammála | Mjög sammála |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

4. Einstaklingar innan fyrirtækisins sem vinna í vöru- og þjónustuþróun hafa bein samskipti við viðskiptavini til að komast að því hvernig er hægt að uppfylla þarfir þeirra betur. (*Individuals from our manufacturing department interact directly with customers to learn how to serve them better.*)

- | Mjög ósammála | Ósammála | Hvorki né | Sammála | Mjög sammála |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

5.

Innan fyrirtækisins eru framkvæmdar margar markaðsrannsóknir. (*In this business unit, we do a lot of in-house market research.*)

- | Mjög ósammála | Ósammála | Hvorki né | Sammála | Mjög sammála |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

6. Við erum lengi að átta okkur á breytingum á þörfum viðskiptavina okkar. *(We are slow to detect changes in our customers' product preferences.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. Við gerum kannanir meðal viðskiptavina okkar að minnsta kosti einu sinni á ári til að meta gæði vara og þjónustu okkar. *(We poll end users at least once a year to assess the quality of our products and services.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. Við ræðum oft við eða gerum kannanir meðal þeirra sem geta haft áhrif á kaup viðskiptavina okkar. *(We often talk with or survey those who can influence our end users' purchases (e.g. retailers, distributors).)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

9.

Við söfnum saman upplýsingum úr atvinnugreininni með óformlegum hætti (til dæmis með því að fara í hádegismat með félögum í sömu atvinnugrein eða samtölum við viðskiptafélaga). *(We collect industry information through informal means (e.g. lunch with industry friends, talks with trade partners).)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10. Upplýsingum um samkeppnisaðila okkar er safnað saman af ýmsum deildum fyrirtækisins. *(In our business unit, intelligence on our competitors is generated independently by several departments.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. Við erum lengi að átta okkur á grundvallarbreytingum í atvinnugreininni (til dæmis samkeppni, tækni eða reglugerðum). *(We are slow to detect fundamental shifts in our industry (e.g. competitions, technology, regulation).)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. Við förum reglulega yfir líkleg áhrif breytinga í viðskiptaumhverfi okkar (til dæmis vegna reglugerða) á viðskiptavinum. *(We periodically review the likely effect of changes in our business environment (e.g. regulation) on customers.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

13. Við söfnum oft saman og metum almennar þjóðhagslegar upplýsingar (til dæmis vexti, gengi, þjóðarframleiðslu, vöxt atvinnugreinarinnar eða verðbólgu). *(In this business unit, we frequently collect and evaluate general macro-economic information (e.g. interest rate, exchange rate, GDP, industry growth rate, inflation rate).)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

14. Innan fyrirtækisins er viðhaldið tengslum við opinbera embættismenn og aðila innan löggjafavaldsins til að safna saman og meta viðeigandi upplýsingar. *(In this business unit, we maintain contacts with officials of government and regulatory bodies (e.g. Department of Agriculture, FDA, FTC, Congress) in order to collect and evaluate pertinent information.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

15. Innan fyrirtækisins söfnum við saman og metum upplýsingar varðandi almennar samfélagslegar tilhneigingar (til dæmis varðandi vitund um umhverfismálefni eða lífstíl) sem geta haft áhrif á fyrirtækið. *(In this business unit, we collect and evaluate information concerning general social trends (e.g. environmental consciousness, emerging lifestyles) that might affect our business.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

16. Við eyðum tíma með birgjum okkar til að fræðast meira um ýmsa þætti er varða þeirra viðskipti (til dæmis framleiðsluferli, aðferðir í atvinnugreininni eða viðskiptavinum). *(In this business unit, we spend time with our suppliers to learn more about various aspects of their business (e.g. manufacturing process, industry practices, clientele).)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

17. Innan fyrirtækisins eru aðeins fáir einstaklingar sem safna upplýsingum um samkeppnisaðila. *(In our business unit, only few people are collecting competitor information.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

18. Mikið af þeim samtölum sem eiga sér stað milli starfsmanna á göngunum í fyrirtækinu varða aðferðir eða áætlanir samkeppnisaðila. (*A lot of informal "hall talk" in this business unit concerns our competitors' tactics or strategies.*)

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

19. Innan fyrirtækisins eru haldnir sameiginlegir fundir ólíkra deilda að minnsta kosti ársfjórðungslega til að ræða nýjustu áherslur á markaðnum og þróun hans. (*We have interdepartmental meetings at least once a quarter to discuss market trends and developments.*)

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

20.

Starfsfólk í markaðsdeild fyrirtækisins tekur tíma í að ræða framíðarþarfir viðskiptavina við aðrar deildir. (*Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.*)

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

21. Innan fyrirtækisins er reglulega dreift gögnum (til dæmis skýrslum eða fréttabréfum) sem veita upplýsingar um viðskiptavinum okkar. (*Our business unit periodically circulates documents (e.g. reports, newsletters) that provide information on our customers.*)

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

22.

Þegar eitthvað mikilvægt gerist fyrir stóran viðskiptavin eða markað þá veit allt fyrirtækið það innan skamms tíma. (*When something important happens to a major customer or market, the whole business unit knows about it in a short period.*)

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

23. Gögnum um ánægju viðskiptavina er reglulega dreift um öll þrep fyrirtækisins. (*Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.*)

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

24. Það eru lágmarks samskipti milli markaðsdeildar og þróunardeildar varðandi markaðslega þróun. (*There is minimal communication between marketing and manufacturing departments concerning market developments.*)

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

25. Þegar ein deild kemst að einhverju mikilvægu varðandi samkeppnisaðila þá er viðkomandi deild lengi að láta aðrar deildir vita. *(When one department finds out something important about competitors, it is slow to alert other departments.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

26. Við höfum oft þverfaglega fundi deilda til að ræða þróun markaðarins og nýjungar á markaðnum (til dæmis varðandi viðskiptavinum, samkeppnisaðila og birgja). *(We have cross-functional meetings very often to discuss market trends and developments (e.g. customers, competition, suppliers).)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

27. Við höldum reglulega fundi innan deilda til að uppfæra þekkingu okkar á nauðsynlegum reglugerðum. *(We regularly have interdepartmental meetings to update our knowledge of regulatory requirements.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

28. Tæknifólk í fyrirtækinu eyðir löngum tíma í að miðla upplýsingum til annarra deilda um nýja tækni er varðar nýjar vörur. *(Technical people in this business unit spend a lot of time sharing information about technology for new products with other departments.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

29. Upplýsingar um markaðinn dreifast hratt um öll þrep fyrirtækisins. *(Market information spreads quickly through all levels in this business unit.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

30. Það tekur okkur langan tíma að ákveða hvernig bregðast skuli við verðbreytingum samkeppnisaðila. *(It takes us forever to decide how to respond to our competitors' price changes.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

31. Grundvallarpættir varðandi markhópa knýja áfram tilraunir til þróunar á nýjum vörum í fyrirtækinu. *(The principles of market segmentation drive new product development efforts in this business unit.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

32. Einhverra hluta vegna eigum við tilhneigingu til að hunsa breytingar á þörfum viðskiptavina okkar varðandi vörur eða þjónustu. *(For one reason or another, we tend to ignore changes in our customers' product or service needs.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

33. Við förum reglulega yfir tilraunir okkar til þróunar á nýjum vörum til að tryggja að þær séu í samræmi við það sem viðskiptavinir vilja. *(We periodically review our product development efforts to ensure that they are in line with what customers want.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

34. Viðskiptaáætlanir okkar eru meira knúnar áfram af tæknilegu forskoti frekar en rannsóknum á markaðnum. *(Our business plans are driven more by technological advances than by market research.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

35. Ýmsar deildir fyrirtækisins hittast reglulega til að skipuleggja viðbrögð við breytingum sem eiga sér stað í viðskiptaumhverfi okkar. *(Several departments get together periodically to plan a response to changes taking place in our business environment.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

36. Vöruframboð okkar er meira háð innri pólitík í fyrirtækinu frekar en raunverulegum þörfum markaðarins. *(The product lines we sell depend more on internal politics than real market needs.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

37. Við erum lengi að hefja viðskipti við nýja birgja jafnvel þó við teljum að þeir séu betri en núverandi birgjar. *(We are slow to start business with new suppliers even though we think they are better than existing ones.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

38. Ef mikilvægur samkeppnisaðili myndi hefja mikla herferð í að ná til sín okkar viðskiptavinum þá myndum við tafarlaust bregðast við. *(If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

39. Aðgerðir ólíkra deilda í fyrirtækinu eru vel samhæfðar. *(The activities of the different departments in this business unit are well coordinated.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

40. Í fyrirtækinu er ekki hlustað á kvartanir viðskiptavina. *(Customers' complaints fall on deaf ears in this business unit.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

41. Jafnvel þó að við myndum finna upp frábæra markaðsáætlun þá myndum við líklega ekki ná að innleiða hana tímanlega. *(Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

42. Við erum fljót að bregðast við verulegum breytingum á verðlagningu samkeppnisaðila okkar. *(We are quick to respond to significant changes in our competitions' pricing structures.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

43. Þegar við komumst að því að viðskiptavinir eru óánægðir með gæði þjónustu okkar þá grípum við tafarlaust til leiðrétandi aðgerða. *(When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

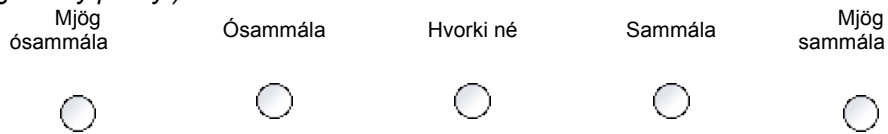
44. Þegar við komumst að því að viðskiptavinir vilja að við breytum vörum okkar eða þjónustu þá gerir viðkomandi deild tilraun til þess. *(When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

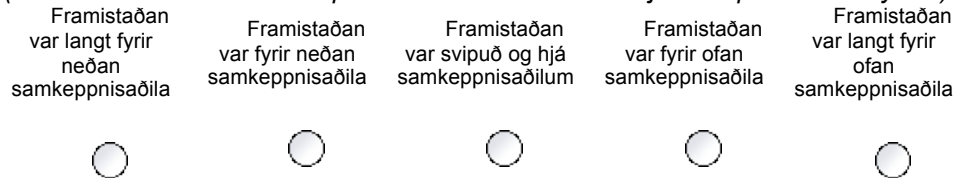
45. Ef sérstakur hagsmunahópur (til dæmis hópur viðskiptavina eða umhverfissinnaður hópur) myndi ásaka okkur opinberlega um skaðlega viðskiptahætti þá myndum við tafarlaust bregðast við gagnrýninni. *(If a special interest group (e.g. consumer group, environmental group) were to publicly accuse us of harmful business practices, we would respond to the criticism immediately.)*

Mjög ósammála	Ósammála	Hvorki né	Sammála	Mjög sammála
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

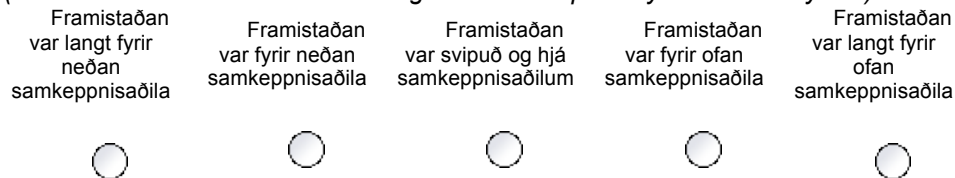
46. Við höfum tilhneigingu til að vera lengur en samkeppnisaðilar okkar í að bregðast við reglugerðabreytingum. *(We tend to take longer than our competitors to respond to a change in regulatory policy.)*



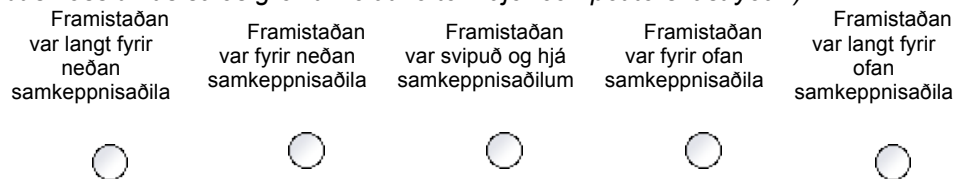
47. Heildarframmistaða fyrirtækisins á síðasta ári í samanburði við helstu samkeppnisaðila. *(Our business unit's overall performance relative to major competitors last year.)*



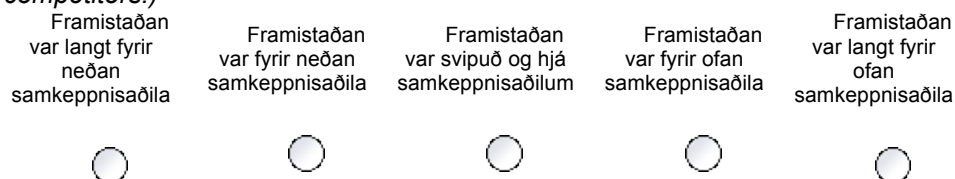
48. Vöxtur markaðshlutdeildar fyrirtækisins á helsta markaði okkar á síðasta ári. *(Our business unit's market share growth in our primary market last year.)*



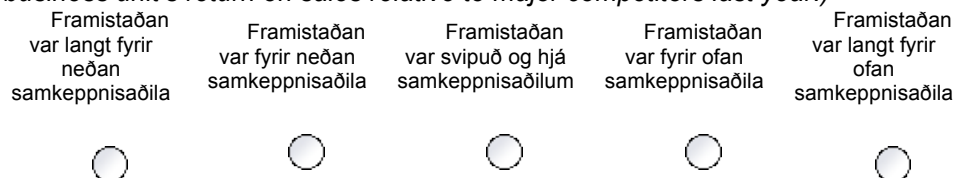
49. Vöxtur í sölu fyrirtækisins í samanburði við helstu samkeppnisaðila á síðasta ári. *(Our business unit's sales growth relative to major competitors last year.)*



50. Hlutfall sölu á nýjum vörum á síðasta ári í samanburði við helstu samkeppnisaðila. *(Percentage of sales generated by new products last year relative to major competitors.)*



51. Hagnaður af sölu fyrirtækisins á síðasta ári í samanburði við helstu samkeppnisaðila. *(Our business unit's return on sales relative to major competitors last year.)*



52. Arðsemi eigna fyrirtækisins á síðasta ári í samanburði við helstu samkeppnisaðila. (*Our business unit's return on assets relative to major competitors last year.*)

Framistaðan
var langt fyrir
neðan
samkeppnisaðila

Framistaðan
var fyrir neðan
samkeppnisaðila

Framistaðan
var svipuð og hjá
samkeppnisaðilum

Framistaðan
var fyrir ofan
samkeppnisaðila

Framistaðan
var langt fyrir
ofan
samkeppnisaðila



53. Arðsemi fjárfestinga fyrirtækisins á síðasta ári í samanburði við helstu samkeppnisaðila. (*Our business unit's return on investment relative to major competitors last year.*)

Framistaðan
var langt fyrir
neðan
samkeppnisaðila

Framistaðan
var fyrir neðan
samkeppnisaðila

Framistaðan
var svipuð og hjá
samkeppnisaðilum

Framistaðan
var fyrir ofan
samkeppnisaðila

Framistaðan
var langt fyrir
ofan
samkeppnisaðila



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