Bello, Roberto

2001

Market orientation and standardization of marketing activities: a study of Mexican organizations

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MARKET ORIENTATION AND STANDARDIZATION OF MARKETING ACTIVITIES: A STUDY OF MEXICAN ORGANIZATIONS

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Bachelor of Management, Universidad Panamericana, 1995

A thesis
Submitted to the School of Graduate Studies
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Requirements for the Degree

MASTER OF SCIENCE

LETHBRIDGE, ALBERTA
OCTOBER 2001

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Dedication

A Dios Nsto. Señor, por haberme dado todas las capacidades y fuerzas; por estar conmigo siempre.

A mis dos grandes amores: Mi mujer y Mi hijo. Para ustedes, por ustedes. Gracias por su incondicional apoyo y amor.

A mis padres, por la educación que me proporcionaron; por los valores que mi inculcaron. Gracias.

A mis hermanas, por impulsarme y demandarme más.

A mis familiares y amigos, porque cada uno de ustedes ha conformado y moldeado mi personalidad.

A la Universidad Panamericana, por creer en mi y demostrármelo.
Abstract

This study examines the relation between market orientation and the standardization of marketing activities (processes and programs) in a sample of Mexican organizations. The literature of marketing orientation, although vast in analysis, has concentrated on Western countries, leaving the rest of the countries, for apparently no reason, out of its scope. The analysis of emerging countries also presents a potential opportunity for linking the international marketing debate of standardization process and programs with the market orientation literature.

The data were collected from 68 Mexican firms. The results showed a high level of market orientation and a positive correlation between market orientation and the degree of marketing activities. The influence that market orientation and standardization of marketing activities have on business performance is tested. Implications of the study are discussed.
Acknowledgements

I would like to thank Hiroshi Shimazaki, Ali Dastmalchian and Mike Basil for their valuable support and guidance throughout the entire research; without their patience and knowledge this project would not have been concluded.

I would like to highlight the excellent job that Nicole Coviello did as an external examiner. Her insightful comments helped this research project to reach higher quality standards.

Also, I would like to express thanks to Jay Handelman for his feedback and support, not only in this research project but also in my training as a teacher and researcher.
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Chapter 1

Introduction

The world in which we live changes so fast that everything has to be reinterpreted in order to make sense of old paradigms; this speed of change has been felt in the Social Sciences.

Marketing, being rooted within the scope of Social Sciences, is no exception. New and old theories merge in order to generate the structure of tomorrow. Ideas related to consumers and markets have undergone multiple adaptations and reinterpretations in the last 50 years that have reoriented the way we understand the science or field of marketing.

With the trend towards globalization, new ideas are needed in order to facilitate an integrated world. By the year 2015, the Americas will be unified by a continental agreement, Free Trade Area of the Americas (FTAA), of commerce and politics. This will represent an enormous effort not only because of the sheer task of integration, but also because of the immense economic and social differences that exist among the countries that will be part of this agreement. Therefore, marketers will face a very challenging endeavor that will require all of their marketing skills. The "simple" task of bringing together diverse consumers into a single market appears to be a very difficult task.

In the last two decades, researchers have focused on understanding and developing the construct of market orientation. This concept concerns an orientation whereby an organization, whether local or multinational, not only
gathers information that detects consumer needs, assimilates that information and then translates it into products or services that will meet those needs, and also a culture that permeates all the activities within an organization. These researchers have been concentrating on the Western perspective. Market orientation has been thoroughly tested in the United States and Western Europe, but not in countries and regions such as Mexico, Central America or South America, that will represent major trade partners under the FTAA treaty. The present study, therefore, seeks to examine the concept of market orientation in Mexico.

In the course of determining the method for measuring and testing the market orientation construct in Mexico, it became apparent that the integration the Americas will be facing is also a major dilemma with which multinational corporations (MNCs) are struggling these days: the standardization or adaptation debate. Obviously, with the social and cultural differences that are going to coexist under this future agreement, the query to what degree a multinational corporation (MNC) should standardize or customize its marketing strategies is relevant. "Perhaps we have been asking the wrong questions. The question should we standardize our marketing activities or not? may have led some researchers [and international managers] to take an either-or position" (Walters & Toyne, 1989, p. 37). Hence, asking what is the ideal degree of standardization appears more appropriate (Wang, 1996).

To date, the author could not find a study concentrating on the association between market orientation influence and standardization of marketing activities.
This lack of evidence was particularly interesting given the vast literature on market orientation. Therefore, in addition to the earlier argument on lack of evidence in Latin-American countries, the absence of theoretical and empirical evidence on the relationships between market orientation and standardization was another key reason for embarking on this study.

This study will be presented in six chapters. The first two chapters summarize and discuss the major theoretical findings in the standardization and market orientation literature. In chapter three, the hypotheses and research framework are developed and justification made for the choice of Mexico. Chapter four consists of a description of the research method, followed in chapter five by the statistical analyses performed in order to test the hypotheses. Chapter six discusses the findings and implications of this study for research and practice in the field of international marketing.
Chapter 2
The Debate: Standardization versus Adaptation

Introduction

It has been more than 30 years since Buzzell (1968) raised the question “Can you standardize multinational marketing?” That question brought to the international marketing arena the debate between standardization and adaptation of marketing strategies. As will be discussed later in this chapter, this dispute has been analyzed by many academics who have provided different points of view for the opposing sides.

As early as 1968, Buzzell defined multinational standardization as “the offering of identical product lines at identical prices through identical distribution systems, supported by identical promotional programs, in several different countries, while ‘localized’ marketing strategies would contain no common elements whatsoever” (p.57). Meanwhile, Kacker (1972) stated that marketing adaptation is any change, adjustment or compromise that is made by an organization in its marketing efforts (product, promotion, distribution and pricing) to adequately serve a foreign market.

Thus, a standardization strategy assumes the world is one set of consumers who have similar needs and wants satisfied by global products. Levitt, in “The Globalization of Markets” (1983), said that almost everyone everywhere wants all the things they have heard about, seen, or experienced via
new technologies: "Gone are accustomed differences in national or regional preference" (p. 92).

In opposition to standardization is the idea of adaptation of the marketing strategy. This theory assumes different customers around the world, with different heritages and idiosyncrasies, require specific and different products in order to satisfy their needs. The advocates of adaptation believe that some product customization is required, since environmental factors vary from country to country. These factors include government regulation, climate, competition, etc. (cf. Kotler, 1986).

While this debate is now immersed in the whole international marketing strategy theory, it was originally raised in the context of international advertising policy (cf. Elinder, 1961). Uniform advertising was considered both desirable and feasible due to the emerging similarities among European consumers. The discussion was later broadened to include other marketing elements during the 1970s and 1980s. Recently the debate has focused on the desired degree of standardization (or adaptation) and the moderating effects of organizational and environmental contingencies (cf. Szymanski et al., 1993).

The following sections will provide an overview of the literature of the standardization and adaptation debate, by analyzing the advantages and disadvantages of each position and the conditions needed for its implementation. This chapter concludes by summarizing the main ideas and determining whether the literature has been focused on a prescriptive or normative point of view.
Advantages of Standardization

Overtime, the following arguments for a strategy of global marketing mix have been identified in favour of standardization.

<table>
<thead>
<tr>
<th>Arguments for Standardization of Marketing Activities</th>
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<tbody>
<tr>
<td>Buzzell (1968)</td>
</tr>
<tr>
<td>1. Improves planning and control</td>
</tr>
<tr>
<td>2. Nurtures good ideas</td>
</tr>
<tr>
<td>3. Permits consistency among customers</td>
</tr>
<tr>
<td>Gale &amp; Branch (1982)</td>
</tr>
<tr>
<td>4. Develops potential savings from greater bargaining power over both customers and suppliers</td>
</tr>
<tr>
<td>Freidmann (1986)</td>
</tr>
<tr>
<td>5. Takes advantage of the home country headquarters' expertise.</td>
</tr>
<tr>
<td>6. Reduces problems resulting from overlaps created by misusing both human and material resources</td>
</tr>
<tr>
<td>Douglas &amp; Wind (1987)</td>
</tr>
<tr>
<td>7. Promotes homogenous customer needs and interests worldwide.</td>
</tr>
<tr>
<td>8. Allows high quality for lower prices for people around the world who are willing to sacrifice product preferences such as features, functions and design.</td>
</tr>
<tr>
<td>9. Achieves substantial economies of scale in production and marketing through supplying global markets.</td>
</tr>
<tr>
<td>Yip (1989)</td>
</tr>
<tr>
<td>10. Enhances customer preference</td>
</tr>
<tr>
<td>11. Increases competitive leverage</td>
</tr>
</tbody>
</table>

Disadvantages of Standardization

Arguments against standardization

This section, although described as arguments against standardization, could also be describe as pro-adaptation. Since Ted Levitt published “The Globalization of Markets” article in 1983, many studies have emerged that attempt to prove or revoke his theory. A successful standardization marketing strategy consists of having a common brand name, packaging and communications to achieve tremendous cost advantages over competitors that
just sell and produce in narrow segments (Levitt, 1983). "All of this is plausible, but where is the evidence?... All one gets are a few anecdotes and brilliant logic based on flimsy hypotheses" (Boddewyn et al., 1986, p. 70).

Marketing strategy has to respond to the consumer's needs and wants because a corporation's success is dependent on customer support; thus "A strategy of universal standardization appears 'naive' and 'oversimplistic'" (Douglas & Wind, 1987, p. 19).

Standardization is a product-oriented approach, when a consumer-oriented approach seems to be a better way to achieve success in the market. The article "The Myth of Globalization," by Douglas and Wind (1987), posited a cluster of four different arguments against standardization.

<table>
<thead>
<tr>
<th>Table 2 Arguments against Standardization of Marketing Activities</th>
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<tbody>
<tr>
<td><strong>Management arguments</strong></td>
</tr>
<tr>
<td>Barriers such as governmental and institutional constraints,</td>
</tr>
<tr>
<td>tariff barriers and duties, preferential treatment of local</td>
</tr>
<tr>
<td>firms transportation cost, differences in customer demands call</td>
</tr>
<tr>
<td>for nationalistic strategies.</td>
</tr>
<tr>
<td><strong>Marketing arguments</strong></td>
</tr>
<tr>
<td>Differences in customer behavior, in local competition, in</td>
</tr>
<tr>
<td>the nature of the marketing infrastructure, advertising copy,</td>
</tr>
<tr>
<td>and other aspects of marketing policy require certain level</td>
</tr>
<tr>
<td>of marketing strategy adaptation.</td>
</tr>
<tr>
<td><strong>Product type argument</strong></td>
</tr>
<tr>
<td>Standardization may be greater (just) for certain types of</td>
</tr>
<tr>
<td>products, such as industrial goods or luxury personal items</td>
</tr>
<tr>
<td>targeted to upscale consumers.</td>
</tr>
<tr>
<td><strong>Corporate philosophy arguments</strong></td>
</tr>
<tr>
<td>Few companies pursue the extreme position of complete</td>
</tr>
<tr>
<td>standardization with regard to all elements of the marketing</td>
</tr>
<tr>
<td>mix and business functions such as R&amp;D, manufacturing and</td>
</tr>
<tr>
<td>procurement in all countries throughout the world.</td>
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</table>

A common denominator of these arguments is the degree of standardization required. These arguments do not support a total adaptation of marketing strategies, but they defend the idea that some adaptation should be
carried out. The degree of standardization or adaptation necessary seems to be set, from a pro-adaptation point of view, by the influence and characteristics of the host country culture.

**The culture issue**

A main concern in this issue of standardization of marketing strategy is culture. "Regardless of the level of discourse at which the debate is addressed, the positioning of culture as the crucial variable in determining whether or not there is a need to adapt international marketing strategies (and if so, to what extent) permeates the international marketing literature" (Friedmann, 1986, p. 98). There is evidence that the major differences between two countries lie in their idiosyncrasy or character that has been constructed through many years of their own history. Perhaps technology such as the Internet has been reducing the barriers of communication between nations (Sachs, 2000), but that does not imply that the range of beliefs and roots of people around the world are disappearing. Nonetheless, Levitt (1983) declared, “different cultural preferences, national tastes and standards, and business institutions are vestiges of the past” (p.39). However, in a 1984 study by Hill and Still, it was found that MNCs modify products to match the local competition, to influence consumer preferences, or to meet the demands of local distribution systems. Hill and Still estimated that companies modify about 70% to 75% of their products to strengthen their competitive position in the local market place.

"It appears that designing a global or multinational strategy based on the assumption of cultural homogeneity across geographic boundaries may not be
appropriate” (Kim & Mauborgne, 1987, p. 35). Achieving success in multicultural operations depends largely on matching the firm’s organizational goals and strategies to the demands imposed by host cultures.

**Conditions for Global Standardization / Adaptation**

Which strategy should a multinational corporation follow? The answer is easy: there is no one wrong and no one correct strategy to pursue. Thus, each corporation should evaluate its strengths and weaknesses and act accordingly.

However, Douglas and Wind (1987) assert that only under certain conditions is standardization likely to prove a winning strategy in international markets. The conditions are these:

1. Existence of global market segments, where a segment with similar needs and wants can be identified in many countries.
2. Potential synergies from standardization. Opportunities may exist for the transfer of good ideas for products or promotional strategies from one country to another.
3. Availability of an international communication and distribution infrastructure.

Additionally, managers need to recognize when industry globalization drivers (industry conditions) provide the opportunity to use global strategy levers (Yip, 1989). These drivers can be grouped into four categories:

1. Market drivers: Homogenous customer needs, global customers, global channels, transferable marketing
2. Cost drivers: Economies of scale and scope, learning and experience, sourcing efficiencies, favorable logistics, differences in country costs and skills, product development costs

3. Government drivers: Favorable trade policies, compatible technical standards, common marketing regulations

4. Competitive drivers: Interdependence of countries, competitors who may globalize.

**Controllable and uncontrollable elements**

No matter which scenario (standardization or adaptation) multinational companies choose they face two types of elements. First, there are those elements over which a corporation has no control (uncontrollable elements); and second, there are those elements which corporations have free will to adapt or to standardize.

Uncontrollable elements or compulsory adaptations are determined by host country government regulations, or by some inescapable and uncontrollable realities of the marketplace (e.g. electrical current voltage, measurement standards) (Friedmann, 1986). Hill and Still (1984) found that measurement units, package size, and labels are the uncontrollable elements most commonly affected. However, these uncontrollable factors account for less than one in four (22.8%) of all product changes in the sample.

Controlled elements where a multinational corporation is likely to modify, according to its marketing strategy (standardization or adaptation), its price,
product positioning, promotion, and distribution; concentrated nearly seven changes out of ten (69.4%) (Hill & Still, 1984).

Nevertheless, a MNC may choose neither to fully standardize nor to fully adapt (see Table 3). It seems that multinational corporations understand that in order to succeed they have to select the right balance between these two strategies.

What works in one country does not necessarily work in another context. Thus it is likely to have different marketing strategies around the world. The most successful worldwide strategies find a balance between overglobalizing and underglobalizing (Yip, 1989).

<table>
<thead>
<tr>
<th>Table 3 Standardization of Marketing Decisions</th>
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<tbody>
<tr>
<td>Index of standardization of marketing decisions</td>
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<tr>
<td>(Percent of total number of paired countries showing comparisons)</td>
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<tr>
<td>Elements of marketing program</td>
</tr>
<tr>
<td>Total Marketing program</td>
</tr>
<tr>
<td>Product characteristics</td>
</tr>
<tr>
<td>Brand name</td>
</tr>
<tr>
<td>Packaging</td>
</tr>
<tr>
<td>Retail price</td>
</tr>
<tr>
<td>Basic advertising message</td>
</tr>
<tr>
<td>Creative expression</td>
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<tr>
<td>Sales promotion</td>
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<tr>
<td>Media allocation</td>
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<tr>
<td>Rules of sales force</td>
</tr>
<tr>
<td>Management of sales force</td>
</tr>
<tr>
<td>Role of middlemen</td>
</tr>
<tr>
<td>Type of retail outlet</td>
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</table>

Degree of Standardization and Adaptation

The real question seems to be what degree of standardization and adaptation a multinational corporation has to have (Walters & Toyne, 1989; Wang, 1996).

The first concern should be flexibility (Quelch & Hoff, 1986). MNCs should be capable of adopting different degrees of standardization as required by each country they are doing business with. Usually corporations, frightened of major international blunders, tend to suffer from insufficient globalization (low standardization) rather than from excessive globalization (high adaptation) (Yip, 1989).

Programs versus process

As seen above, the controllable elements include the group of factors in which the decision to standardize or adapt has more impact on the marketing strategy. These controllable forces can be divided into two major aspects of the marketing strategy: programs and processes (cf. Sorenson & Wiechmann, 1975). Thus, it is relevant to review the relation that programs and process have with standardization issues.

The term "programs" refers to various aspects of the marketing mix, and "process" refers to organized activities, objectives, relationships among internal and external factors, working through others, and decisions (Shuptrine & Toyne, 1981). A company may standardize programs, process, or both (Jain, 1989). Nevertheless, it seems that companies around the world are focusing their
standardization strategy on "programs" rather than on "process". As one headquarters executive elaborated: "A total standardization of all the elements of the marketing mix is hardly thinkable. On the other hand, the intellectual method used for approaching a marketing problem...can absolutely be standardized on an international basis" (Sorenson & Wiechmann, 1975, p. 54). Most of the early literature in the field has been focused on standardization of programs (Walters, 1986).

**Standardization of international marketing programs**

Jain (1989) identified five factors for determining the degree of marketing program standardization:

1. **Target market.** Standardization decision is situation-specific, requiring reference to a particular target market for a particular product.

2. **Market position.** Segmenting world markets in isolation of market-specific contexts is insufficient. Market development, market conditions, and competitive factors must be considered.

3. **Nature of the product.** Two product aspects are relevant: type of product (i.e., industrial vs. consumer products) and product positioning.

4. **Environment.** Includes physical environment, legal environment, political environment and marketing environment.

5. **Organization factors.** Effective standardization is accomplished through a tight linkage of the subsidiaries with the headquarters. The relevant factors are corporate orientation, headquarters-subsidiary relationship, and delegation of authority.
Although the last factor seems more related to marketing processes (see section 6.3), Jain (1989) asserted that a MNC would determine its performance in the market by how well it handles these five factors.

The literature review reveals that standardization of marketing programs has captured the attention of many researchers, as summarized below in Table 4

<table>
<thead>
<tr>
<th>Author(s), Year</th>
<th>Article focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quelch &amp; Hoff, 1986</td>
<td>Program standardization or adaptation levels for each company’s business functions, products. Marketing mix elements and countries.</td>
</tr>
<tr>
<td>Walters &amp; Toyne, 1989</td>
<td>Development of international product programs as an important source of competitive advantage.</td>
</tr>
<tr>
<td>Wang, 1996</td>
<td>A proposed framework using product contingency variables (product, country and consumer segment characteristics).</td>
</tr>
<tr>
<td>Botschen &amp; Hemetsberger, 1998</td>
<td>The degree of similarity of customer needs and expectations that determine to which extent a marketing program can be standardized.</td>
</tr>
</tbody>
</table>

**Standardization of international marketing process**

One has to remember that the marketing process is focused on the marketing philosophy, principles and technology employed to plan and to prepare marketing programs (Walters, 1986).

Although the current controversy pertains to standardization of programs (Jain 1989), the standardization of the international marketing process seems to be more practicable for corporations and their managers (Sorenson & Wiechmann, 1975). The conclusion, in many studies, is that it is often more important and feasible to impose uniform systems for international market planning and decision-making than it is to standardize the content of marketing.
Advocates of process standardization argue that a single or 'shared' managerial philosophy within the entire business unit would therefore support a global strategy, particularly since a shared managerial philosophy provides consistency of decisions in the context of geographical and cultural separation" (Roth et al., 1991, p. 375). However, multiple orientations appear to undermine the development of a global orientation (Hofstede, 1976).

The orientations of MNCs could be classified into three primary orientations:

1. ethnocentric (home-country-oriented)
2. polycentric (host-country-oriented)
3. geocentric (world-oriented)

A MNC with an ethnocentric or geocentric orientation is more likely to standardize its marketing program and process (Jain, 1989). Nevertheless, these orientations require an effective communication system so that the headquarters staffs have timely and accurate local input that may affect decision-making. This input must also allow decisions to be made quickly and to be transmitted to local management for quick implementation.

Marketing processes are designed to accomplish different important objectives (Sorenson & Wiechmann, 1975), including the following:

1. To provide a common language that everyone in the geographically dispersed enterprise can understand and use in analyzing marketing problems.
2. To achieve thorough analysis of local markets and competitive conditions as a basis for the design of local marketing programs.
3. Before marketing approaches are borrowed from other countries, to achieve systematic and comparable market analysis in each country in order to identify significant differences in local conditions.

4. To educate local, regional, and headquarters executives of diverse backgrounds and nationalities in marketing and thus facilitate the transfer of marketing skills and attitudes.

5. To provide a tool for top management to ensure that their corporate marketing objectives can be achieved without commands from headquarters to local subsidiaries.

Sorenson and Wiechmann (1975) argue that how a MNC visualizes its business philosophy (marketing process) will determine its international marketing approach.

It is clear that marketing process is the base from which marketing programs are elaborated, since the marketing mix elements and the marketing plan are subordinated to the corporate philosophy, objectives, management style and organization (Cateora & Graham, 1999). Therefore, it seems logical to argue that the decision about the degree to which a company should standardize its international marketing process and programs has to be made according to its market orientation.

**Normative and Prescriptive Approach**

The standardization and adaptation debate has been centered mainly on why firms standardize or adapt their marketing strategies around the world. In
other words, the literature has focused on answering how MNCs should standardize or adapt their marketing strategies (a normative approach).

However, it seems that MNCs not only need to know how they should, but also how they can, adapt or standardize their marketing activities. Thus, a prescriptive approach that tries to resolve this dispute looks more appropriate.

In order to confirm the above statement, this study reviewed various articles that engaged in an empirical analysis of the standardization and adaptation debate (see Table 5). This review indicated that empirical studies (with the exception of Roth et al, 1991) used a normative approach.

Additionally, important patterns can be found in these empirical studies. First, research questions have been centered on how to standardize marketing programs as a whole (Kacker, 1972; Sorenson & Wiechmann, 1975; Quelch & Hoff, 1986; Samiee & Roth, 1992; Szymanski et al, 1993), how to standardize specific marketing mix elements (Hill & Still, 1984; Grosse & Zinn, 1990; Zou et al, 1997) or the impact that standardization may have with other variables (Gale & Branch, 1982). Second, with the exception of Zou et al (1997), the geographical context used focused on testing the concept of standardization in Western markets, either American or European firms; or detecting how American firms standardize their products in non-Western countries such as India, Latin America or less developed countries (LDC). Third, different methodology approaches were used, such as survey techniques, case studies or analysis of PIMS database.
<table>
<thead>
<tr>
<th>Author(s), publication year</th>
<th>Methodology / Sample</th>
<th>Findings or main focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kacker, 1972</td>
<td>Survey of 26 American firms in India</td>
<td>Concentrated on the nature and patterns of adaptation made by firms in their marketing efforts (product, promotion, distribution and price) designed to serve the Indian market.</td>
</tr>
<tr>
<td>Sorenson &amp; Wiechmann, 1975</td>
<td>100 Interviews with executives of MNCs in Europe</td>
<td>Focused empirical study on the marketing mix elements (product, promotion, distribution and price).</td>
</tr>
<tr>
<td>Gale &amp; Branch, 1982</td>
<td>Empirical analysis based on PIMS database</td>
<td>Analyzed the relationship between market share and standardization.</td>
</tr>
<tr>
<td>Hill &amp; Still, 1984</td>
<td>36 Questionnaires in US firms &amp; 25 questionnaires in different LDC firms</td>
<td>Researched how to adapt products to LDC tastes. Detected problems and patterns in transferring consumer goods from developed to developing markets.</td>
</tr>
<tr>
<td>Quelch &amp; Hoff, 1986</td>
<td>Empirical analysis based on the analysis of Coca-Cola and Nestle corporations</td>
<td>Showed how companies are tackling the implementation challenges (products, marketing mix elements, business functions) of global marketing.</td>
</tr>
<tr>
<td>Grosse &amp; Zinn, 1990</td>
<td>500 Firms that operates affiliates in and export to Latin America</td>
<td>Focused on the marketing mix and its standardization strategies.</td>
</tr>
<tr>
<td>Samiee &amp; Roth, 1992</td>
<td>147 Mail questionnaires to different business units of American firms</td>
<td>Focused research on components of marketing plan and their influence on performance.</td>
</tr>
<tr>
<td>Szymanski et al, 1993</td>
<td>Analysis of PIMS database in Western markets</td>
<td>Answered the question about the standardization of resources allocation among marketing mix variables across national markets.</td>
</tr>
</tbody>
</table>
Summary

Standardization and adaptation are one of the most important decisions that MNCs have to make in order to succeed in international markets. While the first approach (standardization) promises for a minimal amount of changes within the marketing strategy, the second one (adaptation) vows to customize marketing offerings for each potential market. As it was reviewed, MNCs will have to consider different elements in order to select the appropriate approach. On each marketing strategy there will be some elements that might not be subject to any change (uncontrollable elements) and others that could be modified according to the MNC's strategy, such as marketing process and programs.

Finally, it was reviewed that the main literature has centered on analyzing marketing programs and which pattern enhances the MNC's possibilities of being more successful. Meanwhile, marketing process and how to approach the decision to standardize or adapt into international markets has not been fully analyzed.

<table>
<thead>
<tr>
<th>Author(s), publication year</th>
<th>Methodology / Sample</th>
<th>Findings or main focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zou et al, 1997</td>
<td>550 Colombian firms involved in export marketing</td>
<td>Analyzed the standardization strategy used in each of the four marketing mix elements (price, promotion, product, distribution)</td>
</tr>
</tbody>
</table>
Chapter 3
Market Orientation

Introduction

The following sections will discuss how the marketing concept has changed in the past 50 years. Since its first appearance in the literature of the 1950s (Lusch & Laczniak, 1987), the marketing concept has been analyzed and reviewed by many academicians. Nowadays, MNCs want to apply this concept in their organizations; they want to pursue a marketing orientation, since doing so correlates positively with business performance (Narver & Slater, 1990; Slater & Narver, 2000).

This chapter will review the changes that have occurred in the marketing concept, its definition and criticism. As well, the relationship that market orientation has with different business issues and with the customer focus orientation will be considered. Chapter two will conclude by examining two new market orientation approaches and the influence that this orientation has had on the international arena.

Marketing concept

First it is recommended to draw a line between two concepts that might look similar: market orientation and marketing orientation. The former is a reflection of corporate state of mind or particular business philosophy; while the latter refers to specific marketing strategies combined with the organization of marketing activities. Although, a large number of scholars have made no
distinction between the two orientations (Chan-Hung & Ellis, 98) this study will focus its attention on the market orientation construct.

Webster (1992) stated that the managerial approach to the study of marketing evolved in the 1950s and 1960s. In the 1950s marketing was the principal function of a firm, because businesses wanted to create a satisfied customer.

"The 1960s was the era of marketing's greatest influence and promise, when a marketing orientation was accepted as an essential element of profitable progress in growing markets" (Day & Wensley, 1983, p. 79).

The task of the marketing function was first to develop a thorough understanding of the marketplace to ensure that the firm was producing goods and services required and desired by the consumer (Webster, 1992). This perception began to change in the late 1970s and into the 1980s, as the concept of the strategic business unit (SBU) gained widespread favor. Though marketing became a more decentralized function in many large companies, it is not clear that the result was always heightened marketing effectiveness. However, global competition resulted in increasingly better product performance at lower cost to the customer (Webster, 1992).

During the 1980s, new forms of business organizations became prominent; these new organizations emphasized partnerships between firms, multiple types of ownership, and patterning. Flexibility, specialization, and an emphasis on relationship management instead of market transactions characterized organizations (Webster, 1992). Day and Wensley (1983) stated
that the advent of the eighties required a significant evolution in planning practice that presented an opportunity for marketing to reassert its traditional influences (Figure 1).

What does the marketing concept really mean? Different authors have described the marketing concept in various ways, as summarized below:

- Felton (1959) defined marketing as "a corporate state of mind that insists on the integration and coordination of all of the marketing functions...for the basic objective of producing maximum long-range corporate profits" (p.55).
- Barksdale and Darden (1971) noted that the marketing concept is based on two fundamental notions: the consumer and profit.
- Kotler and Zaltman (1971, p.5) stated that "the marketing concept...[efforts have] to be spent on discovering the wants of a target audience and then creating the goods and services to satisfy them."
- McNamara (1972, p.51) stated that "the marketing concept is a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation and the recognition of the important role of marketing in communicating the needs of the market to all major corporate departments."
- McCarthy and Perreault (1984, p.35) pointed out that "the marketing concept means that an organization [should] aims all its efforts at satisfying its customers— at a profit."
Marketing Influence Throughout the 60s, 70s and 80s

Relative influence of Marketing

Marketing Concept

LONG RANGE PLANNING ERA
- marketing plan dictates product-market choices

1960 1970 1980

STRATEGIC PLANNING
- SBU focus
- portfolio logic to allocate scarce resources

STRATEGIC MANAGEMENT
- focus on sustainable competitive advantage

Adapted from Day, G.S. et al., Journal of Marketing, 1983
The American Marketing Association (1985) developed the following definition. Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

While the latter definition is one of the mostly wide used and accepted, each of the other definitions makes their own contribution to the marketing concept.

Two main characteristics could be highlighted from all of the above definitions: customer orientation (i.e. satisfy customer needs) and measurement of business performance (e.g. profit, market share, sales growth rate, organizational objectives). In terms of modern marketing thought, these principles are referred to as customer orientation, profit direction and integrated effort (Lusch & Laczniak, 1987).

Above all else, the traditional marketing concept identifies that firms need to supply the wants and needs of their customers (Lusch & Laczniak, 1987). Nevertheless, the marketing concept does not tell the marketer to disregard his/her unique capabilities and resources when deciding how to serve the customer's needs and wants (Houston, 1986).

However, this concept has not been fully implemented. Many MNCs might believe in the marketing concept, but when it is time to apply it there are some doubts about its efficiency. In a 1971 survey, Barksdale and Darden (1971) found that over 57% of all respondents agreed or strongly agreed that there are frequent conflicts between consumer orientation and profit objectives; more than
40% agreed that profits would be the overriding consideration in order to resolve the conflict. Is this perception of marketing similar within different organization levels? Do the CEO and marketing executive have dissimilar opinions about the marketing concept?

Levels of marketing

Webster (1992) argued that marketing operates at three distinct levels: corporate, small business units (SBUs), and functional or operating levels. In addition, we can identify three distinct dimensions of marketing: marketing as culture, marketing as strategy, and marketing as tactics.

"Marketing as culture, which includes a basic set of values and beliefs about the central importance of the customer that guide the organization, is primarily the responsibility of the Corporate and SBU-level managers" (Webster 1992, p.10). Marketing as strategy is the emphasis at the SBU level, where the focus is on market segmentation, targeting, and positioning the firm. Meanwhile, at the operating level, marketing managers must focus on marketing tactics (i.e. product, price, promotion and place).

The point of view that each level would hold about the marketing concept will be rooted in their marketing activities, which happen to be quite different. Thus, this research argues that it is perfectly normal that within any MNC different perspectives of the marketing concept coexist.
Market Orientation Definition

The marketing concept and a focus on enhancing consumer satisfaction seem to be linked. Nowadays, if a corporation is in some way a believer in the marketing concept, then it will adopt a market-oriented approach. But, what exactly does it mean to be market oriented? What are the major components of this concept?

In 1990 Kohli and Jaworski developed a framework for the concept of market orientation, finding three common concepts in both the field and literature analysis:

1. Customer focus, meaning awareness of the present and future needs of the customer
2. Coordinated marketing, because being customer focused is not solely the responsibility of the marketing department
3. Profitability, which is a consequence of customer satisfaction.

Their analysis implies being market oriented means being customer oriented. As Shapiro (1988) stated, "I've also found no meaningful difference between 'market driven' and 'customer oriented'... [However], it is more than getting closer to the customer" (p. 120). Shapiro proposed three characteristics that help a company to be market oriented:

1. Information on all-important buying influences permeates every corporate function.
2. Strategic and tactical decisions are made interfunctionally and interdivisionally.
3. Divisions and functions make well-coordinated decisions and execute them with a sense of commitment.

These characteristics could be clustered within the concept of intelligence dissemination developed by Kohli and Jaworski (1990). A corporation needs to understand that it not only has to achieve intelligence dissemination, but also must understand the external factors that influence customer needs; that it is intelligence generation. Hence, once a corporation has knowledge of its customers, it must act according to the customers' needs or, in other words, it has to show responsiveness (Kohli & Jaworski, 1990).

Another study that has contributed extensively to the market orientation literature is the one that Narver and Slater (1990) performed. There, they detected three behavioural components of the market orientation construct: customer orientation, competitor orientation, and interfunctional coordination.

The first two components (customer- and competitor-orientation) include all the activities involved in acquiring information (similar with Kohli & Jaworski's intelligence generation) about the buyers and competitors in the target market and disseminating (similar with Kohli & Jaworski's intelligence dissemination) it throughout the business. Meanwhile, the third component (interfunctional coordination) compromises the business's coordinated efforts to create superior value (similar with Kohli & Jaworski's responsiveness).

Although, Narver & Slater (1990) conceptualized market orientation as a company culture issue and Kohli and Jaworski (1990) as a set of behaviours, Deng and Dart (1994) synthesized both models (Kohli & Jaworski, 90 and Narver
by defining market orientation as “the generation of appropriate marketing intelligence pertaining to current and future customer needs and the relative abilities of competitive entities to satisfy these needs; the integration and dissemination of such intelligence across departments; and the coordinated design and execution of the organization’s strategic response to market opportunities” (Deng & Dart, 1994, p. 726).

Antecedents

Market orientation requires a set of specific elements in order to be fully achieved. The following factors seem to support or deter the implementation of the market orientation (Kohli & Jaworski, 1990):

- Senior management factors. The role that senior management has in the company influences the decision to be market oriented.
- Interdepartmental dynamics. The formal and informal (e.g. hall talk) interactions between departments within corporations help or obstruct the dissemination of the market orientation philosophy.
- Organizational systems. The structural form of a company deteriorates or enhances the assimilation of the market orientation concept. Corporations with a high level of bureaucratization could impede the implementation of this philosophy. “Slogans and glossy programs don’t give a company a market orientation. It takes a philosophy and a culture that go deep in the organization” (Shapiro, 1988, p. 123).

All these elements require a great amount of time, effort and investment in order to be implemented.
**Consequences**

Market orientation brings along a set of consequences that could have a positive or negative impact within the firm. The outcome depends on how well structured are the market orientation supporting pillars (antecedents) and how effortless the implementation of the market oriented philosophy is, in order to achieve positive outcomes. Past studies have indicated three main positive outcomes (Kohli & Jaworski, 1990):

- Customer response of better acceptance and loyalty, since the firm is providing goods that the customer demands
- Improved business performance, since the customers are willing to buy products that really satisfy their needs. (See section 2.4.2)
- Employee response, including increased job satisfaction, since employees know that customers are demanding the products they manufacture.

**Criticisms of the marketing concept**

Despite the positive outcomes of a market-oriented approach, not all research favors its implementation. As early as 1963, Robert Lear stated: “Within a typical company, strong pressures dictate a product-oriented approach to the marketplace” (p. 54). He also pointed out that market orientation does not take into account the intermediaries, such as distribution channels that obviously could minimize the impact on the ultimate customer. Lear maintained that managers might not be willing to change their product-oriented assumptions. Marketers believe that more goods mean more happiness for customers; customers consider that companies strive to offer them what they want, but at the
same time customers feel that there are too many products and changes in style that are ultimately costly to the individual (Lundstrom, 1976).

**Market orientation versus innovation**

"A growing number of companies and consultants now believe that it's time to start ignoring the customer. That's the only way, these experts argue, to create the kind of breakthrough products and services that can catapult you far ahead of the competition" (Martin, 1995, p. 83). Product innovation depends to a large extent on scientific discovery, which often must proceed in the absence of a clear and definable customer need or want (Bennett & Cooper, 1979). New products are the hope for future growth for many companies, and it may seem very risky to rely on customers' opinions in order to produce these new products.

Nevertheless, the market orientation concept does not require that customers must suggest all products (Parasuraman, 1981). Marketers must look for customers' needs that they (customers) are not aware of. Marketers should "consider any product that can satisfy the fundamental needs, [and]... often radical technology ideas do not begin with the consumer" (McGee & Spiro, 1988, p. 44).

**Market Orientation and Customer Centric Approach**

The center point in the market orientation literature is the focus on the customers' needs and wants. Hence, a market-oriented company is centered on customers' demands and should react accordingly. Thus, customer-centric orientation looks like a high level market-oriented approach. (Figure 2.) Indeed,
customer-centric marketers consider each customer individually, while market-orientated marketers consider segments or niches. A customer orientated approach "determines whether to create an offering that customizes the product and/or some other element(s) of the marketing mix or standardizes the offering" (Sheth et al., 2000, p.57).

As reviewed in this chapter, market orientation antecedents focus on organizational elements (senior management factors, interdepartmental dynamics and organizational systems) while customer-centric antecedents focus on the following marketing elements (Sheth et al., 2000):

- Marketing productivity, since customer-centric orientation enhances productivity by focusing on profitable customers
- Market diversity, because the variance in the needs and wants is increasing
- Technology applicability that allows marketers to better meet the needs of individual customers

This customer approach is not free of critics, since "If a customer is delighted, would expectations not be raised, making it harder to delight the customer next time?" (Rust & Oliver, 2000, p.86). However, Rust and Oliver (2000) found that delighted customers are likely to lead to a profitable business.

**Market Orientation in the International Arena**

If we consider that "The heart of a market orientation is its customer focus" (Slater & Narver, 1994, p. 22), it seems that multinational and global consumer goods manufacturers would tend to be ideal candidates for a market-oriented
strategy. This is especially true since, whenever a MNC decides to enter new markets, this corporation will have to obtain information (intelligence generation) about possible customers in order to measure (responsiveness) the market profitability.

Although, the relationship between international marketing and the market orientation philosophy has produced some investigations on non-Western countries (see table 6), it is interesting that no one has paid attention to Latin-America countries.

<table>
<thead>
<tr>
<th>Table 6 Multinational Market Orientation Studies in Non-Western context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study</td>
</tr>
<tr>
<td>Au, A.K.M &amp; Tse, A.C.B. (95)</td>
</tr>
<tr>
<td>Bhuian, S. (97)</td>
</tr>
<tr>
<td>Shun-Ching, H. &amp; Cheng-Hsui, A.C. (98)</td>
</tr>
<tr>
<td>Bhuian, S. (98)</td>
</tr>
<tr>
<td>Chan-Hung, J. &amp; Ellis, P. (98)</td>
</tr>
<tr>
<td>Desphande, R. &amp; Farley, J.U. (99)</td>
</tr>
<tr>
<td>Sin, L.Y.M. &amp; Tse, A.C.B. (00)</td>
</tr>
<tr>
<td>Subramanian, R. &amp; Gopalakrishna, P. (01)</td>
</tr>
</tbody>
</table>

The first attempt to integrate these two fields of market orientation and international marketing was made by Daligic (1994). He suggested that the three concepts of market orientation (intelligence generation, intelligence dissemination and responsiveness) should apply to international corporations and that market oriented companies tend to be more willing to transfer their business culture into other countries.
Figure 2
Market Orientation and Customer Centric Approach

Adapted from Sheth, J. et al., Journal of the Academy of Marketing Science, 2000
While studies held in Western and non-Western contexts have showed correlating results between market orientation and business performance, the analysis of this relationship and its mediating variables have been left out. Cadogan and Diamantopoulos (1995) stated that market orientation in the international arena could be affected by a number of factors that may inhibit its appropriate implementation. "Legal, political, economic, competitive, technological, and socio-cultural forces, as well as distribution structures and geographical differences...influence [the] ability to implement the marketing concept" (Cadogan & Diamantopoulos, 1995, p. 51), such as:

- In an overseas market, efforts to obtain information (Intelligence generation), about buyers, customers, and the entire value chain may be affected by foreign market experience, information availability and quality, and the extent of reliance on third parties.
- Dissemination of the information generated may be obstructed by information load, purification and distortion, as well as organization structure complexities.
- Responsiveness of the information disseminated may be influenced by the rationale underlying response formulation and human resource policies in subsidiaries and affiliates.

However, none of the factors seemed to affect Scandinavian (Seines et al., 1997), Saudi Arabian (Bhuia, 97;98), Taiwanese (Shun-Ching & Cheng-Hsui, 98) and Indian (Subramanian & Gopalakrishna, 01) companies in their ability to implement the market orientation culture.
Market orientation and the standardization debate

If market orientation has to be tested in an international arena, it seems that the standardization dispute should be linked in some way. MNCs have to face the dilemma of whether to standardize or customize their different market-oriented strategies no matter which business culture or philosophy they pursue.

As reviewed in Chapter 2, standardization advocates argue for a total standardization of marketing strategies around the world, while adaptation supporters believe that adapted or customized marketing strategies are more successful in a world with different needs and wants.

Nevertheless, it seems that "neither a totally standardized global nor a completely tailored country-specific strategy are the optimum approaches. Instead, these two strategies are not always mutually exclusive, and it is possible to tailor standardized strategies for different worldwide segments that exist cross-nationally (within countries)" (Yavas et al., 1992, p. 266).

Thus one should question, how does the standardization debate influence, if at all, a market-oriented culture? Deshpandé and Webster, Jr. (1989) saw "an opportunity for the rigorous application of concepts of organizational culture to enhance significantly the research on basic issues of standardization versus customization of international marketing programs" (p. 8).

The following chapter will be focused on an in-sight discussion in regards to market orientation in the light of marketing standardization issues which will help to answer the above question.
Summary

Reviewing the main literature about market orientation has established that three major concepts form its construct: intelligence generation, intelligence dissemination and responsiveness. All three concepts focus on customer satisfaction.

This chapter has reviewed the origins of market orientation, which are settled in the marketing concept and has provided examples indicating that a market orientation philosophy is positively correlated with better business performance. However, within a market-oriented company various degrees of market orientation can exist. Thus it is a major responsibility for the top echelons in the organization to assure that all employees assimilate the market-oriented culture in the same way. Two different approaches have been identified that top-level management can use in order to implement a market orientation culture: programmatic and adaptive, the latter being the better option.

This chapter has emphasized that a customer-centric approach is a higher level of market-orientation and that there is no risk of over satisfying customers that could be more demanding and more difficult to please.

Finally, the chapter has reviewed the international marketing literature and the market orientation construct as examined in a number of articles and empirical studies in Western and non-Western countries.

One of the most important debates in the international marketing literature is the standardization/adaptation dispute. However, no studies were found that empirically tested the relationship between a market-oriented company and the
decision to customize or standardize international marketing activities. Thus, a research study to test the link between these two theories seems indicated in order to fill a gap in the marketing literature.
Chapter 4

Market Orientation and Standardization - Some Hypotheses

Introduction

Can a market orientation culture be applied in non-Western markets? As the last two chapters have reviewed, market orientation has been one of the most important issues in the marketing agenda, and many empirical studies have been performed in a number of countries. However, the market orientation literature review has shown that empirical studies have focused mainly on measuring the concept within the United States:

<table>
<thead>
<tr>
<th>Table 7 Market Orientation Studies in an American Context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author(s), Publication year</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>McCullough et al., 1986</td>
</tr>
<tr>
<td>Narver &amp; Slater, 1990; Ruekert, 1992; Slater &amp; Narver, 1994</td>
</tr>
<tr>
<td>Qureshi, 1993</td>
</tr>
<tr>
<td>Wrenn, 1996</td>
</tr>
<tr>
<td>Jaworski &amp; Kohli, 1993; Kohli et al., 1993</td>
</tr>
</tbody>
</table>

That is why Seines et al. (1997) stated that given the importance of globalization, it is surprising that, to date, almost all work related to market orientation has focused on organizations based in the United States. Additionally, Deshpandé and Webster Jr. (1989, p.8) observed that "relatively little research,
especially empirical, has been done on cross-national marketing management issues." Although there have been cross-cultural studies that have reviewed the construct outside the United States, either in a Western (See table 8) or a non-Western context (See table 9); Latin-American markets have never been used as an empirical set.

<table>
<thead>
<tr>
<th>Study</th>
<th>Countries</th>
<th>Empirical setting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norburn et al. (90)</td>
<td>US, UK, Australia &amp; New Zealand</td>
<td>Manufacturing firms</td>
</tr>
<tr>
<td>Wong &amp; Saunders (93)</td>
<td>British, US and [Japan]</td>
<td>Diverse industry sectors</td>
</tr>
<tr>
<td>Day &amp; Nedungadi (94)</td>
<td>Europe, Canada, Australia, New Zealand &amp; US</td>
<td>Large business (industry sector non-specified)</td>
</tr>
<tr>
<td>Selnes et al (97)</td>
<td>Scandinavian &amp; US</td>
<td>US SBUs from different sectors and Scandinavian SBUs from different sectors</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Study</th>
<th>Country (ies)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Au, A.K.M &amp; Tse, A.C.B. (95)</td>
<td>[New Zealand] &amp; Hong Kong</td>
<td>NZ hotels &amp; HK hotels</td>
</tr>
<tr>
<td>Bhuian, S. (97)</td>
<td>Saudi Arabia</td>
<td>Banks</td>
</tr>
<tr>
<td>Shun-Ching, H. &amp; Cheng-Hsui, A.C. (98)</td>
<td>Taiwan</td>
<td>Small-medium enterprises</td>
</tr>
<tr>
<td>Appiah-Adu, K. (98)</td>
<td>Ghana</td>
<td>Manufacturing firms</td>
</tr>
<tr>
<td>Bhuian, S. (98)</td>
<td>Saudi Arabia</td>
<td>Manufacturing firms</td>
</tr>
<tr>
<td>Chan-Hung, J. &amp; Ellis, P. (98)</td>
<td>Hong Kong</td>
<td>Textile firms</td>
</tr>
<tr>
<td>Desphande, R. &amp; Farley, J.U. (99)</td>
<td>Japan &amp; India</td>
<td>Executive interviews various industries</td>
</tr>
<tr>
<td>Sin, L.Y.M. &amp; Tse, A.C.B. (00)</td>
<td>China</td>
<td>Diverse industry sectors</td>
</tr>
<tr>
<td>Shoham, A. &amp; Rose, G.R. (01)</td>
<td>Israel</td>
<td>Diverse industry sectors</td>
</tr>
<tr>
<td>Subramanian, R. &amp; Gopalakrishna, P. (01)</td>
<td>India</td>
<td>Manufacturing &amp; service firms</td>
</tr>
</tbody>
</table>
Latin-American countries such as Mexico present an interesting economic and cultural scenario that deserves a closer look at the market orientation construct. Economically, Mexico has strong links with the United States and Canada, two of the most important world economies; additionally, Mexico recently signed a collaboration agreement with the European Union in which this country will have an easier access to this important market.

On the other hand, the cultural context that Mexico offers is as rich as any country in the world. Diverse studies have analyzed, from different points of view, the Mexican entrepreneurial style (Boseman & Phatak, 1978; Hofstede, 1980; Morris & Pavett, 1992; Knotts & Sharynn, 1994; Pavett & Morris, 1995; Martinez & Dorfman, 1998). According with Hofstede's (1980) work-related values study Mexico reported a large power distance and strong uncertainty avoidance (81 and 82 points respectively) when compared with a 50-countries average (52 and 64 points respectively). In other words, Mexicans seem to be very concerned about the concentration of authority (power distance) and to highlight security as a main motivator (uncertainty avoidance). These characteristics place Mexico in an interesting context that deserves to be analyzed from standardization and market orientation points of views. Indeed, Hofstede's values somehow should influence not only a market orientation approach but also the decision of which marketing elements can or should be standardized/customized overseas.

Besides economical and cultural arguments, the author of this study was born and raised in Mexico. This characteristic has positive implications to the analysis and interpretation of the data, since the author understands the context
and paradigms that managers in Mexico have to face. Additionally, due to the author's Mexican nationality, the formulation, the translation of the survey, and the data collection are steps that should be overcome with a minimum effort.

The bias effect can be seen in two ways: first, the positive one in which the author might be able to identify and clarify those outcomes that are influenced by factors beyond quantitative elements and therefore put them in an understandable perspective for the reader; second, the negative one in which the author might be shortsighted due to his Mexican background. However, a negative bias influence might be present in any research no matter what nationality the author(s) is (are).

**Research Agenda**

Deshpande and Webster Jr. (1989), in defining the research agenda for marketing science, found "an opportunity for the rigorous application of concepts of organizational culture to enhance significantly the research on basic issues of standardization versus customization of international marketing programs" (p. 8).

Even though market orientation has been conceptualized as a mix of organizational culture (Narver & Slater, 1990) and a set of behaviours (Kohli & Jaworski, 1990) such as standardization issues few studies have implied an association between both of them. The present study will make an attempt to measure the possible relationship between market orientation and the standardization and adaptation debate, which is a key dispute in the international marketing literature (Zou et al., 1997).
Following is a summary of three studies that seem to assume a linkage between market orientation and the degree of standardization.

**Market orientation and the acculturation process**

Peñaoloza and Gilly (1999) developed a theory in regards to the acculturation process between managers and consumers. Specifically, they examined marketer acculturation which is the "...process of movement and adaptation by marketers of one cultural market system to consumers of another cultural market system" (p.84). Peñaoloza and Gilly (1999) stated that there are four different levels of acculturation, those are: individual, firm, market place and social relations. It seems that the authors assume that under the firm level, marketers will adapt their cultural market system (e.g. market orientation) according to consumers of another cultural market system.

**Market Orientation: Two new approaches**

Recently, Jaworski et al (2000) said that market orientation "is frequently interpreted narrowly [italics added] as the adaptation of product offerings to existing customer preferences and/or market structure" (p.45). In other words, Jaworski et al (2000) suggested that market orientation should not only work under circumstances that require an adaptation approach but also under conditions that call for a standardization of the offering. Thus, the authors segmented the market orientation construct into two complementary approaches: market-driven and driving-markets. (Figure 3.)
Figure 3
Market Driven versus Driving Markets

Adapted from Jaworski, B. et al., *Journal of the Academy of Marketing Science*, 2000
Market driven

"Market driven' refers to learning, understanding, and responding to stakeholder perceptions and behaviours within a given market structure" (Jaworski et al., 2000, p. 47). This means that a company accepts the different roles that exist within the market and deals with them. In other words, it means that it will accept how, when and why a customer purchases particular products and act accordingly. Therefore, a market-driven approach resembles an adaptation strategy; indeed, if a company will understand (or accept) the consumer behaviour of a market setting, it could only be the result of a willingness for adaptation of the company's offering.

Driving markets

"In contrast, the term 'driving markets' refers to changing the composition and/or roles of players in a market and/or the behaviour(s) of players in the market" (Jaworski et al., 2000, p. 47). This means that a firm will focus its customers' attention on product attributes not previously considered. Thus, taking the customer towards a direction that is beneficial for a company resembles a standardization perspective.

Summarizing both approaches, it seems that a market-driven strategy leads to an adaptation or less standardization of the company's offering; while a driving markets strategy leads to a greater standardization of a company's products or services.
Market orientation and customer orientation

While market orientation suggested that organizations should focus on the markets that they served, "with the increased competition, marketers started defining smaller and smaller segments, including niche segments" (Seth et al., 2000, p.56) that lead them to pay more attention to single customers. Hence, understanding and satisfying needs, wants and resources of individual customers seem to be a market orientation next step. In other words, a company will have to center its attention on the customer, that is, be customer-oriented. According to Seth et al (2000) a customer orientation determines "whether to create an offering that customizes the product and/or some other element(s) of the marketing mix or standardize the offering"(p.57). The latter assumption seems to support the idea that customer orientation, and therefore market orientation, influences the decision of standardize an specific offering. In fact, Seth et al (2000) commenting on industry characteristics and their influence on customer orientation stated that "industries that have high diversity demand (e.g., food) and low cost of adaptation (e.g., personal computers) will be at the forefront of customer-centric marketing. Conversely, industries in which the cost of customer adaptation in production is high (e.g., basic metals) and the majority of customer requirements are not variable (e.g., rolled steel) will not see the rapid expansion of customer-centric marketing" (p.64).

In other words, different degrees of adaptation (or standardization) will be necessary in an industry that aims to a customer-centric approach. However, it can be argued that not only the industry characteristics should be considered, but
also external forces that influence the industry behaviours. Among the different external forces that could be detected the economic, social and cultural characteristics that one country might have could influence different industry behaviours.

**Market orientation and standardization of marketing process**

At the end of this section one will find a graphic (Figure 4), which summarizes the research framework and hypotheses that are explain below.

As reviewed in chapter 2, standardization proposes total consistency in marketing strategies around the world, making it a product-oriented approach. Meanwhile, the adaptation approach argues that adapted or customized marketing strategies are more successful in a world with different needs and wants and, in other words, is more customer-oriented. However, the standardization/adaptation debate has two major components: processes and programs. The former, marketing processes, have been defined as a series of guidelines to follow within marketing activities that should be conducted, implemented and controlled (Shuptrine & Toyne, 1981); meanwhile the latter, marketing programs, refers to various aspects of the marketing mix (product, price, place and promotion). Since market orientation is a business culture (Harris, 1998) to which all processes within a corporation should be linked, the degree of standardization of marketing process should be related to the orientation that each corporation aims to follow.

One would expect that a MNC that pursues a market orientation philosophy would have a tendency to customize its marketing process according
to each market (country), while a lower emphasis on market orientation would
assume a standardization approach, thus the first hypothesis is:

\[ H_1: \text{The higher the market orientation, the lower the degree of marketing process standardization.} \]

The international marketing literature review showed few articles or empirical studies on the implementation of a market orientation culture. "A major gap in the literature is whether our current knowledge can be generalized to foreign companies in other nations, especially the developing world…many of the fastest growing economies in the world can be found in these nations" (Zou et al., 1997, p. 107). Thus the analysis of \( H_1 \) in a developing country like Mexico will help to fill this gap.

The second component of the standardization debate, marketing programs, is subordinated to the corporate philosophy, objectives, management style and organization (Cateora & Graham, 1999). Therefore, marketing plans should have a one-way relationship with the first component of the standardization debate, the marketing process. Indeed, corporations establish a series of principles (process) to be employed in the planning and preparation of marketing programs, thus the second hypothesis is:

\[ H_2: \text{The higher the standardization of marketing process, the higher the degree of marketing programs standardization.} \]

Finally, an organization must be profitable in order to subsist in the marketplace. Although Narver and Slater (1990) affirmed that an organization must create sustainable superior value for its customers in order to achieve
consistently above-normal market performance, and market orientation seems the organizational culture capable of providing this superior value.

This study understands that multiple factors (controllable and uncontrollable) affect the business performance. One of the possible factors that might have an influence on business performance is the standardization of marketing activities. Thus, this study proposes that the linkage between market orientation and business performance has to be reviewed under the light of the degree of standardization of marketing activities (process and programs) as a mediating variable.

Additionally, there is some evidence of a weak association between market orientation and business performance when tested in non-Western countries (Pitt et al, 96; Chan-Hung & Ellis, 98). Therefore, Mexico (a non-Western country) presents an opportunity to re-test this association.

Therefore, the third and final hypothesis is:

H₃: Business performance is influenced by market orientation, standardization of marketing process and standardization of marketing programs.
Figure 4
Research Framework & Hypotheses

Degree of Market Orientation

H₁

Degree of standardization of marketing process

H₂

Degree of standardization of marketing programs

H₃

Business performance
Sample Design

The sample was drawn from Expansion 1999 (see Appendix 3), which lists the top 500 companies in Mexico according to their sales volume. Since the primary purpose was to test marketing orientation and activities within a firm, various positions with commercial or marketing functions were selected. These marketing positions included managers, commercial directors and brand managers. Additionally the sample included general managers, presidents or CEOs, since they have a strong influence on commercial and marketing decisions. Other studies that have tested the market orientation construct within non-Western countries agreed with the selected marketing positions (see Bhuian, 97; Shun-Ching & Cheng-Hsui, 98; Bhuian, 98; Subramanian & Gopalakrishna, 01)

The sample size was set according to two main considerations. First, the most important issue that influenced the sample size was the resources available for this research. Second, the standard error (5%) with a confidence range for variability of +/-2% was achieved in a sample size of 500 (Fowler, 1993).

Having set the sample size as 500 questionnaires, the author proceeded to set 4 strata each of which represented the commercial positions required. The following procedure was used:
1) It was detected within the 500 companies the total number of records for each of the 4 strata: 583 CEO/General managers, 490 commercial directors, 461 marketing directors, and 240 marketing executives.

2) The number of records needed for each stratum then was established. Since the sample size was 500, it was split equally within the four strata. Therefore, each stratum would contain 125 records.

3) Then the selection process within each stratum was determined. Since the total number of records for each stratum was known, as well as the number of records needed in the sample for each stratum, a ratio was calculated in order to determine the collection process. It was established that required were one of every five records for the CEO/General manager stratum, one of every four for the commercial and marketing directors strata, and one of every two for the marketing executives stratum.

4) Finally, the record number was randomly selected for each stratum list from which the selection process started.

**Target Sample Size Characteristics**

The target sample was set at 500 records. Companies from 27 out of 31 Mexican states were included in the sample. States included were Aguascalientes, Baja California, Baja California Sur, Chihuahua, Coahuila, Colima, Durango, Guerrero, Guanajuato, Jalisco, Estado de Mexico, Michoacan, Morelos, Nayarit, Nuevo Leon, Oaxaca, Puebla, Queretaro, Quintana Roo, Sinaloa, San Luis Potosi, Sonora, Tamaulipas, Tlaxcala, Veracruz, Yucatan and
Zacatecas. Additionally I included Distrito Federal (Mexico, D.F.). The missing states were Campeche, Chiapas, Hidalgo and Tabasco.

The sample included companies ranked in the top 20, top 100, top 200 and top 500 of corporations with activities within Mexico according to the ranking provided by the Expansion database.

**Questionnaire Design**

The questionnaire followed the principles that Dillman (1978) suggested in his Total Design Method (TDM). I divided the questionnaire into 6 different sections, each of which pursued different objectives. Before analyzing each of the sections included, it is important to note that the first question used in this questionnaire was included for strategic purposes. Dillman (1978) recommends that the first question should be related to the survey topic but also should be easy, somewhat neutral, applicable and interesting to everyone. "Further, the generous spacing—a full page for one question— contributed to the entire questionnaire having a fast and easy look about it" (Dillman, 1978, p.131). Although the first question was conceived to help ensure a higher response rate, the information obtained did not influence the rest of the section, nor was it considered part of the statistical analysis.

Please refer to Appendix 1, for examples of the questionnaire and cover letters used in this study.
Market orientation scale

Measuring market orientation has been one of the main concerns of different authors (Kotler, 77; Kohli & Jaworski, 90; Narver & Slater, 90; Kohli et al, 93; Deshpande et al, 93; Deng & Dart, 94; Gray et al, 98). Given the context of this study two factors were considered. First, since the present study was analyzing a possible relation between market orientation and set of behaviours such as standardization issues, the scale develop by Kohli and Jaworski (1993) that resembles market orientation as a set of behaviours (Hurley & Hult, 1998) was selected. Second, a review of the market orientation instrument used by diverse authors that analyzed the construct in non-Western countries was performed.

The results (see table 10) reported a preference of Kohli & Jaworski (90) and Jaworski & Kohli (93) measurement. Therefore, this study used the MARKOR scale (Kohli et al., 1993).

Besides, the above rationale another, consideration was taking in account. Since, the market orientation scale to be selected would be translated into Spanish, the author of this study found MARKOR scale to be the one that had less translation problems (wording, technical jargon).

<table>
<thead>
<tr>
<th>Study</th>
<th>Market Orientation scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Au, A.K.M &amp; Tse, A.C.B. (95)</td>
<td>Kotler, 77</td>
</tr>
<tr>
<td>Pitt, L. et al (96)</td>
<td>Kohli &amp; Jaworski, 93</td>
</tr>
<tr>
<td>Bhuian, S. (97)</td>
<td>Kohli &amp; Jaworski, 90</td>
</tr>
<tr>
<td>Bhuian, S. (96)</td>
<td>Kohli &amp; Jaworski, 90;93</td>
</tr>
<tr>
<td>Cham-Hung, J. &amp; Ellis, P. (98)</td>
<td>Narver &amp; Slater, 90</td>
</tr>
</tbody>
</table>
Table 10 Market Orientation Scales used in Non-Western context (cont.)

<table>
<thead>
<tr>
<th>Study</th>
<th>Market Orientation scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desphande, R. &amp; Farley, J.U. (99)</td>
<td>Desphande et al, 93</td>
</tr>
<tr>
<td>Sin, L.Y.M. &amp; Tse, A.C.B. (00)</td>
<td>Narver &amp; Slater, 90</td>
</tr>
<tr>
<td>Subramanian, R. &amp; Gopalakrishna, P. (01)</td>
<td>Narver &amp; Slater, 90</td>
</tr>
</tbody>
</table>

This scale consists of 32 items measured with a Likert-scale of 5 options (1= Not characteristic to 5= Highly characteristic). The first ten items measured Intelligence Generation; the next eight items assessed Intelligence Dissemination; and the remaining 14 items measured level of Responsiveness.

Additionally, a validation scale (see Kohli et al., 1993, for more details) that computed the orientation towards sales- or market-focus, was incorporated.

Standardization of marketing process scale

Measuring the marketing process was the rationale for this section. Since no scales within the marketing literature were detected that tested standardization of marketing process, this study had to designed its own scale based on two sources: first, an analysis drawn by Sorenson and Wiechmann (1975), in which they depicted a five-elements marketing process used by a successful MNC (Nestle) provided the basic framework; second, those elements were complemented with Walters' analysis (1986) about standardization of international marketing processes; in here the author mentions six "obvious elements of the process that would be considered" (p.60).

From there, a set of seven questions that test the principles employed in the planning and preparation of marketing process were designed...
Standardization of marketing programs scale

This section was developed to assess the degree of standardization and adaptation in two aspects: company philosophy towards global standardization, and marketing programs (plans).

In order to measure the tendency towards global standardization, this study used the scale created by Samiee and Roth (1992), who argued that “these items are necessary prerequisites for standardization within global industries” (p.8). This scale helped to determine the degree to which each corporation believes in global standardization.

To measure standardization of marketing programs (product, price, distribution and promotion), the present study used scales developed and tested by Zou et al. (1997). This scale fits perfectly in this study, since the geographical context (Colombia) in which it was tested is similar in regards to cultural characteristics to the one used in this study (Mexico).

Business performance scale

This scale assessed the perceived business performance of each company, as such no specific quantitative data (such as profit data) were requested in order to avoid some concerns that surveyed managers might have regarding confidentiality. Thus, this scale measured the corporation’s performance in relation to the industry average, according to managers’ perceptions.
Items used (profitability, company size, market share and annual growth) are grounded in PIMS (Profit Impact on Marketing Strategy) literature (see Buzell & Gale, 1987; Kotabe et al., 1991).

The final set of questions was used to identify some characteristics of the person (working experience, current position) and company (industry sector, number of employees) who answered the questionnaire, as controllable variables.

**Questionnaire Testing**

Since the majority of my questions were drawn from the marketing literature and therefore all the questions were validated beforehand, the author proceeded to pilot test the complete questionnaire. For that purpose, two different pre-tests were done.

The first pre-test consisted in asking for feedback from a group of undergraduate students in the Faculty of Management of The University of Lethbridge (the majority of these students were in International Business). Their opinions about each section were requested. Subsequently, some minor changes to the questionnaire were made. When this pre-test concluded, a forward-backward classic translation into Spanish was performed.

The second pre-test involved gathering a group of Mexican undergraduate students to review both the Spanish translation and the questions themselves. Here, it was found that some idiomatic expressions needed to be modified. After making these modifications the questionnaire was re-tested with the same Mexican group. The positive outcome of that test indicated that the questionnaire was effectively worded and ready to use.
Survey Methodology

The use of a mail survey technique was decided upon for four main reasons: (1) the extant market orientation literature showed that mail surveys are somehow the norm. (2) The author had access to an accurate database that included records with detailed addresses and personal information for each company reported. (3) Companies included in this database are used to answering questionnaires by mail, since the database used collects its information through questionnaires that are mailed to each company. (4) The resources could be used more efficiently using mail surveys than using telephone or personal interviews.

This mail survey used the technique proposed by Dillman (1978), in which the author suggests that a series of letters and reminders should be sent in order to achieve a higher response rate. Studies reported an extremely high response rate using Dillman’s methodology; 48 surveys reported an average response rate of 74%.

An introductory letter was followed by two reminders. The first letter was sent out October 23rd 2000; this letter introduced the purpose of my research and the benefits to be obtained if the person contacted would reply. Attached to this letter were the questionnaire and a pre-paid postage envelope (see Appendix 1).

The following week a postcard reminder was sent to the entire sample. In it, was encouraged replying it by highlighting the benefit of participating in this research project.
Two weeks later, a second reminder letter was sent, but on this occasion only to those whose questionnaires had not been received by that time. This reminder included, for the second time, a postage pre-paid envelope and a questionnaire.

On December 27\textsuperscript{th} 2000, the final reminder letter was mailed out. The purpose was to persuade late respondents to reply as soon as possible, since the deadline was January 15\textsuperscript{th} 2001.

\textit{Response Rate}

A total of 68 questionnaires were returned, for a response rate of 13.6 per cent. Although Baruch (1999) stated that "there is no agreed norm as to what is or what may be received as an acceptable, reasonable RR (and subsequently, what is unacceptable)" (p.422), I believe that the relatively low response rate achieved was a reflection of three major factors:

1) High-ranking executives were surveyed and, according to Baruch's (1999) study, this type of surveyed person showed the lowest rate on 141 studies.

2) Data was collected in a foreign country with a developing economy, resulting in numerous obstacles to be overcome. Usunier (1998) stated that many cultures have strong privacy/intimacy patterns, especially when interviewers are considered as outgroup people: "They prefer not to answer, or they consciously bias their answers, fearing that their opinion could later be used against them" (p.119). If one relates this factor with the high level of uncertainty avoidance detected in Mexico (see Hofstede, 1980), it seems logical to expect some kind of distrust towards this type of survey.
3) It seems that the response rate for studies of non-Western countries is the lowest compared with Western countries including the US (see Baruch, 1999).

Besides the above academic arguments, additional information was compiled. This study had access to response rates obtained by a major multinational corporation (The Corporation asked to remain anonymous. This corporation works within the publishing sector in Mexico) that based its marketing and sales strategy in Mexico on direct-mail techniques. The response rate for a specific product during different seasons was compared with the response rate achieved by this study with the following results:

<table>
<thead>
<tr>
<th>Response Rate Company product</th>
<th>Response Rate This research project</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.5 % (Summer '98)</td>
<td>13.6 %</td>
</tr>
<tr>
<td>10.1 % (Christmas '98)</td>
<td></td>
</tr>
<tr>
<td>10.2 % (Spring '99)</td>
<td></td>
</tr>
</tbody>
</table>

Therefore, it was assumed that the response rate achieved should be considered appropriate according to Mexican standards.

**Response rates in the marketing literature**

A search of the marketing literature for papers reporting research on topics similar or related to this one produced two research studies. These studies took place in Latin American countries and used mail-survey techniques as well.

Table 11 reports the title and year of the publication, authors' names and the reported response rate. There is a similar pattern for the response rates achieved in this study in comparison with studies by other researchers.
Table 11 Response Rate of Similar Studies

<table>
<thead>
<tr>
<th>Title</th>
<th>Author(s), Year</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardization in International Marketing: The Latin American Case</td>
<td>Grosse, Robert Zinn, Walter (1990)</td>
<td>14.0 %</td>
</tr>
<tr>
<td>Standardization of International Marketing Strategy by Firms from a Developing Country</td>
<td>Zou, Shaoming Andrus, David M Norvell, D Wayne (1997)</td>
<td>9.3 %</td>
</tr>
</tbody>
</table>

Reliability and validity of scales

Reliability was assessed using Cronbach’s coefficient alpha. According to Nunnally (1967), the recommended alpha level for preliminary research should be above 0.50 (p. 226). As seen below (Table 12), this study scales reported standardized coefficients larger than 0.60.

Table 12 Internal Consistency

<table>
<thead>
<tr>
<th></th>
<th>Market orientation</th>
<th>Standardization of marketing process</th>
<th>Standardization of marketing programs</th>
<th>Business performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach's alpha</td>
<td>0.87</td>
<td>0.61</td>
<td>0.91</td>
<td>0.60</td>
</tr>
</tbody>
</table>

By comparing the Cronbach's alphas obtained in this study with other studies carried out in similar context (non-Western countries) and with similar research issues (market orientation and standardization of marketing activities); the majority of the scales used meet alpha levels similar to those of other studies (Table 13)
Table 13 Internal Consistency in Marketing Literature
(Cronbach’s Alpha)

<table>
<thead>
<tr>
<th></th>
<th>Market orientation</th>
<th>Standardization of marketing process</th>
<th>Standardization of marketing programs*</th>
<th>Business performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present Study</td>
<td>0.9</td>
<td>0.6</td>
<td>0.8 0.8 0.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Zou et al (97)</td>
<td>NA*</td>
<td>NA</td>
<td>0.7 0.7 0.8</td>
<td>NA</td>
</tr>
<tr>
<td>Bhuian (97)</td>
<td>0.8</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Shun-Ching &amp; Cheng-Hsui (98)</td>
<td>0.8</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Chang Hung &amp; Ellis (96)</td>
<td>0.8</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Desphande &amp; Farley (99)</td>
<td>0.60 &amp; 0.70</td>
<td>NA</td>
<td>0.80 &amp; 0.70</td>
<td>NA</td>
</tr>
<tr>
<td>Subramanian &amp; Gopalakrishna</td>
<td>0.8</td>
<td>NA</td>
<td>NA</td>
<td>0.8</td>
</tr>
</tbody>
</table>

(Note: Pr= product; D= distribution; P= Promotion; NA=Not Available/Applicable)

The marginal results obtained for the business performance scale can be attributed to construct of the question. This scale was the only one that used a Likert-scale of 3 options (above-, below-, and on-average).

Discriminant validity concerns the degree to which measures of conceptually distinct constructs differ. In this case, a simple factor test was performed on the data collected in this study. The market orientation subscales, standardization of marketing programs subscales, standardization of marketing process and business performance scales were factor analyzed together, using principal component analysis. The analysis produced three factors (see table 14) with Eigenvalues greater than unity, which account for a total of 66.4% of the variance. The results suggest that respondents discriminated between market orientation, standardization of marketing activities and business performance.
<table>
<thead>
<tr>
<th>Variables</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intelligence Generation</td>
<td>0.663</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intelligence Dissemination</td>
<td>0.646</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.593</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardization of product</td>
<td>0.770</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardization of price</td>
<td>0.715</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardization of distribution</td>
<td>0.641</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardization of promotion</td>
<td>0.600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standardization of marketing process</td>
<td>0.663</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business performance</td>
<td></td>
<td>0.813</td>
<td></td>
</tr>
<tr>
<td>Percentage of variance</td>
<td>29.0</td>
<td>26.3</td>
<td>11.1</td>
</tr>
</tbody>
</table>
Chapter 6
Results and Discussion

Data Demographic Characteristics

The 68 completed questionnaires received showed the following demographic distributions:

Table 15 Response Rate by Industry Sector

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Goods</td>
<td>50.0%</td>
</tr>
<tr>
<td>Business to Business</td>
<td>13.2%</td>
</tr>
<tr>
<td>Hi-Tech industry</td>
<td>11.8%</td>
</tr>
<tr>
<td>Services</td>
<td>25.0%</td>
</tr>
</tbody>
</table>

Note: The industry sectors classification was provided by each of the surveyed people (see Appendix 1) according to company’s main business area of influence; therefore, the questionnaire did not have any control over how this question was answered.

Table 16 Response Rate by Position

<table>
<thead>
<tr>
<th>Position</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO/President</td>
<td>33.8%</td>
</tr>
<tr>
<td>Director/Sub director</td>
<td>39.7%</td>
</tr>
<tr>
<td>Brand Manager/Executive</td>
<td>26.5%</td>
</tr>
</tbody>
</table>

Note: The position classification was provided by each of the surveyed people (see Appendix 1); therefore, the questionnaire did not have any control over how this question was answered.

Table 17 Response Rate by Firm Size and Respondent Working Experience

<table>
<thead>
<tr>
<th>Firm Size</th>
<th>Working Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,267</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Note: The size and working experience were provided by each of the surveyed people (see Appendix 1); therefore, the questionnaire did not have any control over how this question was answered.
The characteristics reported above show that this study covers companies representing different industry sectors, of different sizes, and respondents representing different positions within the company. However, due to the response rate achieved in this study, the author decided to analyze the data in aggregate, since no reliable statistical analysis could be drawn by a stratified analysis. Additionally, diverse studies that had analyzed similar research questions in various industry types had reported their results in aggregate (see Pitt et al, 96; Shahid, 98; Shun-Ching & Cheng-Hsui, 98; Subramanian & Gopalakrishna, 01).

**Market Orientation and Standardization of Marketing Strategies in Mexico**

The introductory analysis divides the findings into two main topics: market orientation and marketing standardization issues.

**Market orientation in Mexico**

In this case a 5-point Likert scale was used, in which a level of 3.0 was considered a market orientation characteristic. Hence, a factor mean-score larger than 3.0 would suggest an above average degree of market orientation, whereas a score smaller than 3.0 would imply a below average degree of market orientation.

This study reported a mean score of 3.7 for corporations in Mexico resulting in an above average degree of market orientation. In fact, when this outcome is compared with a study (Selnes et al, 1997) which measured market orientation levels by using the same scale, diverse industry sectors but in
different scenarios (United States and Scandinavia), no differences were detected (see Table 18). It seems that the level of market orientation found in Mexico is similar to those found in Western countries.

<table>
<thead>
<tr>
<th>Table 18 Mean Scores of Market Orientation Compared</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
</tr>
<tr>
<td>Mean score</td>
</tr>
</tbody>
</table>

*(Adapted from Selnes, F et al., Marketing Science Institute, 1997)*

As mentioned earlier, this study is not affected by the presence of subsidiaries of Western corporations that somehow could be influenced by the orientations of their headquarters. Therefore, it can be assumed that the mean score reported is reflective of the Mexican market orientation degree.

When the market orientation construct was dissected into its three components (Intelligence generation, intelligence dissemination, responsiveness) the results were similar to those detected by Selnes et al (1997) (See table 19).

<table>
<thead>
<tr>
<th>Table 19 Mean Scores of Market Orientation Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intelligence Generation</td>
</tr>
<tr>
<td>United States*</td>
</tr>
<tr>
<td>Scandinavia*</td>
</tr>
<tr>
<td>Mexico</td>
</tr>
</tbody>
</table>

*(Adapted from Selnes, F et al., Marketing Science Institute, 1997)*
Marketing standardization activities in Mexico

Zou et al. (1997) studied standardization of marketing programs in a non-Western context, such as Colombia, and they reported a low degree of standardization of marketing programs in their study. Therefore, a low degree for standardization of marketing programs was expected in this research in Mexico. Although the study confirmed this expectation, the difference between the midpoint and the mean score was very close (2.5 vs. 2.7 respectively). Thus, based on this study and Zou et al. (1997) study it seems appropriated to suggest that companies in Latin-American countries might have a tendency towards adapting their marketing offerings. (See table 20)

At the same time, the second component of the standardization activities (marketing process) showed a parallel configuration. In this case there was no difference whatsoever between the questionnaire midpoint and the mean score obtained (3.0 for both cases). Although, it is evident that standardization of marketing process is somewhat characteristic, it is as well evident that corporations in Mexico do not have a propensity to highly standardize or adapt their marketing process. (See table 20)

Even though Mexican managers are believed to have characteristics that tend to support a standardization approach, such as higher level of control and an authoritarian management style (Morris & Pavett, 1992) they appear not to have influenced the rationale of standardizing or customizing in the Mexican market.
Table 20 Key Descriptive Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Maximum</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>3.7/5.0</td>
<td>0.4830</td>
<td>4.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Standardization of Marketing process</td>
<td>3.0/5.0</td>
<td>0.6089</td>
<td>4.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Standardization of Marketing programs</td>
<td>2.7/5.0</td>
<td>0.5200</td>
<td>3.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Business performance</td>
<td>2.4/5.0</td>
<td>0.4286</td>
<td>3.0</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Testing of Hypotheses

Research issue H₁ was tested using correlation analysis. Correlation is used to examine the strength and direction of the relationship between two variables when a linear relationship is believed to be present (Hanke & Reitsch, 1994). The use of this research technique is well established in the market orientation literature (Appiah-Adu, 1997; Barrett & Weinstein, 1998; Pelham, 2000; Lukas & Ferrell, 2000).

Hypothesis 2 and 3 were tested using multiple regression. This equation measures the relationship between the dependent variable (business performance) and three independent variables (the facilitating influences): standardization of marketing process (SMPR), standardization of marketing programs (SMP) and market orientation (MO).

Multicollinearity seemed to have little influence on these results, since the variance inflation factor (VIF) analysis indicated that the maximum score associated with the independent variables was 1.230 below the 10 cut-off suggested by Pfaffengerger and Patterson (1987) (see Table 21).
Market orientation and standardization of marketing process (H1)

As seen in Table 22, market orientation has a significant (p < 0.01) and negative (-0.323) impact upon standardization of marketing process; thus, hypothesis H1 was supported. It seems that once a corporation has set its market-oriented culture, this orientation may permeate the marketing process. This study establishes that a higher degree of market orientation corresponds with a lower degree of standardization of marketing process. This finding makes sense, since corporations in Mexico, trying to understand specific consumer needs and act accordingly, must be willing to adapt (or not standardize) their marketing process in order to fulfill those needs.

It appears that managers in Mexico have adopted a market-oriented philosophy that is linked to the marketing process. In light of this finding, I believe that market orientation looks promising as a business culture since it is a corporate philosophy that permeates corporate activities, in this case the marketing process.

Standardization of marketing process and standardization of marketing programs (H2)

Table 22 shows that standardization of the marketing process has a significant (p < 0.01) and positive (0.359) impact upon standardization of

Table 21 Multicollinearity Analysis

<table>
<thead>
<tr>
<th></th>
<th>Variance Inflation Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market orientation</td>
<td>1.116</td>
</tr>
<tr>
<td>Standardization of</td>
<td></td>
</tr>
<tr>
<td>marketing process</td>
<td>1.259</td>
</tr>
<tr>
<td>Standardization of</td>
<td></td>
</tr>
<tr>
<td>marketing programs</td>
<td>1.145</td>
</tr>
</tbody>
</table>
marketing programs (plans). Hence, the higher the level of standardization of marketing process, the higher will be the level of standardization of marketing programs.

In order to evaluate H2, a mediation test was performed. According to the process develop by Baron and Kenny (1986), the three conditions for mediation to occur are: first, that MO should affect SMPR; second, that MO should affect SMP; and third, that SMPR should affect SMP. According to Table 23 this was the case. Additionally, it was requested that the coefficients detected on the second regression equation should be higher that on the third one. Therefore, the second hypothesis was verified to be correct.

<table>
<thead>
<tr>
<th>Table 22 Pearson Correlation Coefficients</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Market orientation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Stand. Mkt. Process</td>
<td>-0.323**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Stand. Mkt. Programs</td>
<td>0.040</td>
<td>0.359**</td>
<td></td>
</tr>
<tr>
<td>4 Performance</td>
<td>0.295**</td>
<td>0.149</td>
<td>0.124</td>
</tr>
</tbody>
</table>

* p < .05  **p < .01

<table>
<thead>
<tr>
<th>Table 23 Testing Mediation Regression Model - Beta Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
</tr>
<tr>
<td>Mediator on Independent Variable (Equation 1)</td>
</tr>
<tr>
<td>1.696</td>
</tr>
<tr>
<td>Dependent Variable on Independent Variable (Equation 2)</td>
</tr>
<tr>
<td>2.612</td>
</tr>
<tr>
<td>Dependent Variable on both Independent Variable and Mediator (Equation 3)</td>
</tr>
<tr>
<td>2.409</td>
</tr>
</tbody>
</table>
It seems that middle executive or brand managers follow procedures established within the marketing process in order to design the marketing mix (programs) required for each product or service. Although the literature appears to support this relationship, no empirical procedure was found that tested this assumption. These findings indicate, however, that there is a mediating relationship between these two variables.

The relationship between business performance and three dependent variables (H3)

As shown in Table 22, this study produced a positive (0.295) and significant (p<0.01) relationship between market orientation and business performance. This outcome agrees with extant literature that has positive tested, in different countries and industries, a correlation linking business performance with market orientation. By itself it is reassuring that in a Latin-American context similar findings as those found in Western countries are reported.

However, the main concern of this study was to test the degree of standardization of marketing activities as a mediating variable between market orientation and business performance. As shown in Table 24, in a single variable regression model, standardization of marketing process (SMPR) and market orientation (MO) reported a significant (p<.05) but low $R^2$ of .08 and .09 respectively. Meanwhile standardization of marketing programs (SMP) reported a non-significant $R^2$ score.

Once the model integrated the three independent variables (MO, SMPR and SMP) its $R^2$ score was non-significant, leading to rejection of H3.
Table 24: Regression Model - Beta Coefficients

<table>
<thead>
<tr>
<th>DV: Business performance</th>
<th>Constant</th>
<th>MO</th>
<th>SMR</th>
<th>SMP</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>One variable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1a</td>
<td>1.477</td>
<td>1.234</td>
<td></td>
<td></td>
<td>.09*</td>
</tr>
<tr>
<td>1b</td>
<td>3.166</td>
<td>0.821</td>
<td></td>
<td></td>
<td>.08</td>
</tr>
<tr>
<td>1c</td>
<td>4.835</td>
<td>0.481</td>
<td></td>
<td></td>
<td>.01</td>
</tr>
<tr>
<td>Three variables</td>
<td>-0.634</td>
<td>1.175</td>
<td>0.746</td>
<td>0.066</td>
<td>.09</td>
</tr>
</tbody>
</table>

*p < 0.05

One reason why the model did not fit H₃ may be that the sample was highly heterogeneous in terms of company size. The number of employees reported ranged from 55 to +30,000. Therefore, it was decided to test the model in a split sample by dividing it into small and large firms. Diverse studies have been performed on market orientation and business performance within companies of different size (see Appiah-Adu, 1997; Pelham, 1997; Shun-Ching, 1998; Pelham, 2000). So far each of these research projects has found a positive relationship between market orientation and business performance. Although, these studies were tested in Western and non-Western countries (USA, Taiwan and UK), the analysis of this possible pattern within Latin-American countries, such as Mexico, would fill in an important gap in the marketing literature.

Groups of small and large firms were segmented based on the number of employees reported by each firm. The median (660) was used as the critical value to split the sample. By doing this it was assured that each segment (large and small) would have the same number of cases; thus those corporations with
below 660 employees were assigned to the small firms segment, while those with above 660 employees belonged to the large firms segment.

The findings were revealing (see Table 25). While the hypothesis ($H_3$) was still rejected in the small firms segment, it was accepted in the large firms segment ($R^2 =0.30; p < 0.05$). Within the large firms segment, 30% of the business performance level was influenced by the interaction of market orientation, standardization of marketing process and standardization of marketing programs.

<table>
<thead>
<tr>
<th>Table 25 Regression Model – Small and Large Firms (Beta Coefficients)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DV: Business performance</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Constant</td>
</tr>
<tr>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Large firms</td>
</tr>
<tr>
<td>Small firms</td>
</tr>
</tbody>
</table>

* *p < 0.01

These outcomes do not agree with other findings (see Appiah-Adu,1997; Pelham, 1997; Shun-Ching, 1998; Pelham, 2000) in which a positive and strong relationship was found between market orientation and business performance within small firms. However, it is important to mention that the definition and scope of small business sector used in the literature is not universal agreed upon (see Table 26).

<table>
<thead>
<tr>
<th>Table 26 Market Orientation in the Small Business Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author, Publication</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Appiah-Adu, 97</td>
</tr>
<tr>
<td>Pelham, 97, 00</td>
</tr>
</tbody>
</table>
Table 26 Market Orientation in the Small Business Sector (cont.)

<table>
<thead>
<tr>
<th>Author, Publication</th>
<th>Small business scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shun-Ching &amp; Cheng-Hsui, 98</td>
<td>Not specified, although the database was drawn from the National Association of Small and Medium Enterprises of Taiwan.</td>
</tr>
</tbody>
</table>

Additionally, this outcome was not influenced by major differences among the degree of market orientation or standardization of marketing activities (process and programs) reported by either small or large firms. A t-test analysis rejected that large and small firms have different mean scores for market orientation, standardization of marketing process and programs (see Table 27). In other words, large and small firms reflected similar means tendencies towards the three key variables.

Table 27 Descriptive Statistics - Large and Small Firms Segments

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Range</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market orientation (p&lt;0.15)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large firms</td>
<td>3.78</td>
<td>1.93</td>
<td>0.4229</td>
</tr>
<tr>
<td>Small firms</td>
<td>3.61</td>
<td>2.30</td>
<td>0.5366</td>
</tr>
<tr>
<td><strong>Standardization of marketing process (p&lt;0.70)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large firms</td>
<td>2.92</td>
<td>2.43</td>
<td>0.6052</td>
</tr>
<tr>
<td>Small firms</td>
<td>3.17</td>
<td>2.29</td>
<td>0.5875</td>
</tr>
<tr>
<td><strong>Standardization of marketing programs (p&lt;0.84)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large firms</td>
<td>2.75</td>
<td>1.62</td>
<td>0.4296</td>
</tr>
<tr>
<td>Small firms</td>
<td>2.78</td>
<td>2.14</td>
<td>0.6350</td>
</tr>
</tbody>
</table>

It seems that standardization of marketing activities is not a factor that controls or determines the performance for small firms in Mexico.

The literature suggests that Mexican business culture has different outcomes and influences in large companies than in small companies (Boseman & Phatak, 1978; Morris & Pavett, 1992; Knotts & Sharynn, 1994; Pavett & Morris, 1997).
management styles have been highlighted as a key difference between small and large firms. Some of the managerial styles of small firms might have a negative influence between business performance and market orientation, particularly:

1. According to Harris' (2000) findings the lower the extent of structural centralization is, the greater the degree of market orientation will be. Small firms tend to experience a high level of centralization due to managerial procedures. Since small firms in Mexico have been described as ones that tend to centralized information system (Boseman & Phatak, 1978) and flow (Martinez & Dorfman, 1998) it is possible that this characteristics hinder the correct implementation of a business culture such as market orientation.

2. Other authors have argued, "Managers or owners of small firms in Mexico have a doubtful attitude towards any kind of organizational structure. They believe that an unorganized structure is more flexible and fast, and therefore, more efficient" (Mercado, 2000, p. 114). Although a contradictory point with the last one, it might be the case that some small firms have centralized organization and some indeed do not have any kind of organizational structure and work on day-by-day basis. The latter case would be enough to deter a market orientation approach, since the degree of formal and informal direct contact among employees across departments (networking) has a direct influence on how a corporation responds to the market needs (Jaworski & Kohli, 1993).

3. Market-oriented values and beliefs are exclusively the responsibility of top management (Webster, 1988), thus the right signals emanating from a well-
established business culture are part of a successful implementation of a market orientation approach. However, for Mexican small business “...the concept of an explicit business philosophy [as market orientation is] or cultural values are not part of the tradition...Planning and objectives are set up in the owner's mind and are hardly ever written down” (Kras, 1998, p.32-33). Until employees in small firms have a clear idea where their organization goes, it will be more complicated to disseminate market orientation guidelines.

Since these three characteristics are rooted in the Mexican culture, one cannot be assured that they are found exclusively in small businesses. However, it seems medium and large firms have overcome or adapted to this “Mexican way” by finding new routes that match a market-oriented culture and the Mexican cultural heritage. The present study has analyzed the opinion of mainly Mexican managers at different position levels within different industry sectors. The findings showed minor dissimilarities between small and large firms in regards to market orientation level or standardization of marketing activities. Indeed, cultural influences should have similar effects on firms of both sizes; however, the cultural assimilation of new business techniques and practices might be easier on large firms. Mainly, this is because large firms in Mexico have learned advance management styles used in different countries, specifically United States and Canada due to the NAFTA agreement. Meanwhile managers of small businesses still follow more rudimentary managerial guidelines (see Gomez, 1993).
A non-Mexican manager director of Delphi Packard Electric, a division of General Motors, when asked about his experience doing business in Mexico, stated: "I have seen the Mexican managers mature. As they matured, they have gained confidence in their management style and we [the top management] have been able to phase in more participatory management" (Gowan et al., 1996, p.74). Obviously, this comment reflects the point of view of large MNCs, however similar observations have been made by Mexican managers of large MNCs (see Kras, 1998).
Chapter 7

Conclusion: Summary and Implications

The purpose of this study was to examine four facets of the concept of market orientation:

1) the level of a market-oriented culture in the Latin-American context;
2) the association between the market orientation approach and the standardization of marketing processes;
3) the mediating effect of the marketing process between market orientation and marketing programs;
4) the association between business performance and market orientation in the Latin-American context.

Market orientation in Mexico

First, a positive presence of market orientation in Mexican organizations was detected. Second, Mexico showed within the context of the statistical analysis employed herein, levels of market orientation similar to those found in ‘more advanced’ economies, such as the United States and Scandinavia. Indeed, Mexico scored 3.7 on a 5.0 market orientation scale, which is the same value previously reported in studies of American corporations.

Although it was not the purpose of this study to determine the reasons for this close correlation, I assume that it is attributable in part to the inherent historical connection between Mexico and the United States that has been
strengthened by the last 3 Mexican presidents. This connection has created a more open economic environment resulting in similar market strategies. In addition, Mexican business connections with traditional partners in Europe and new associates are on the rise increasing the propensity towards market orientation.

The market orientation construct and the standardization process

Market orientation as a business culture has a direct influence on any business decision. Whether this influence can be classified as strong or weak depends on numerous factors. This study has assumed that one of the business decisions influenced by a market orientation culture is the standardization dilemma. Theoretically, the relationship between these two elements is implicitly obvious since a high level of market orientation would most likely imply a low standardization of the product/service.

This study found a negative relationship between market orientation and standardization of the marketing process. A high market-oriented company will likely reflect a low standardization of marketing process. In other words, the degree (high or low) of market orientation and product adaptation are going to be similar.

Based on the results obtained, it would be appear that the standardization debate should be focused on the degree of market orientation that a corporation has. Therefore the question should not address the issue of standardization or adaption: Instead the question should address the degree of market orientation
pursued by the organization. According to the findings of this study this inquiry will help an MNC to determine the degree of standardization required.

Hence, market orientation should be the starting point on which an organization bases its decision to standardize or adapt. This study is relevant in that it explicitly tests others' suggestions (see Peñaloza & Gilly, 1999; Jaworski et al, 2000; Seth et al, 2000) about the connection between market orientation and the business decision with regard to standardization or adaptation. Moreover, it reviewed the concept of standardization from a prescriptive approach since provides information that will help MNCs not only to determine why but also how they should resolve the issue of standardization.

The market orientation construct and its mediating variables

This study proposed that the degree of standardization of the marketing process would function as a mediating variable between market orientation and marketing. The findings of this research revealed that the degree of standardization of marketing programs is directly influenced by the degree of standardization of marketing process and indirectly influenced by the degree of market orientation. Thus, the two elements of standardization (process and programs) are link in different modes to the market orientation construct.

The market orientation construct and business performance

As has been reviewed, the relationship between market orientation and business performance has been widely tested in the marketing literature and this study was no exception, positively linking those two variables. In this study it was
found that Mexican organizations that reported better business performance levels were the same organizations with higher levels of market orientation.

Nevertheless, an examination of this relationship cannot be complete if one does not consider other variables that might have an influence on business performance. Usually, business performance reflects numerous internal (those over which the organization has control) and external (those over which the organization has no control) factors through which with, adequate administration, an organization may be able to achieve its profitability, sales and revenue goals.

This study focused its attention on one possible internal factor that might have an impact on business performance. Marketing activities (process and programs) were added to the model market orientation-business performance in order to determine their possible influence. The results showed two different scenarios according to firm size. Large firms demonstrated that there is a positive association among the three suggested variables (market orientation, marketing activities and business performance). Meanwhile, in the small firms segment the model could not be confirmed.

Evidently, trying to determine possible business performance scenarios is not only the result of a specific business culture (e.g. market orientation) that an organization follows but also is the result of specific business decisions taken by the same organization. This study does not argue against past research that relates market orientation and business performance; contrarily, this study has opened a new door in the market orientation-business performance model
through which new variables might be added in order to expand the current knowledge.

Limitations of this study

At the outset of this study, it was the intention to examine the market orientation construct in Latin America by applying the appropriate empirical data to a sample of organizations in Mexico. The intention was to determine the influence of standardization of marketing activities in the market orientation construct. It became apparent, however, that some limitations may affect the results discussed above.

First, since this study was focused on marketing departments, the entire corporation's behaviour was not estimated or represented in any way. Second, due to a moderate response rate the analysis of the data was made in aggregate form, which might hide insightful discussions such as market orientation by industry sector, position or by geographical region (North, Central and South Mexico). Third, a subjective approach was used to measure business performance. Fourth, the timing of this study might have influenced the results. The political and business environment was experiencing high emotions due to recent presidential elections in which, for the first time in 75 years, an opposition candidate reached the presidential chair. Fifth, this study focused mainly on Mexican managers, however a stratified analysis between host- and home-country managers in Mexico is yet to be carried out.
Implications for Managers in Mexico

This research validates the belief that market orientation is a critical success factor for business performance. At the same time, the results obtained also suggest that market orientation alone does not explain all the business performance variations. While market orientation is important, an organization may also need to have additional capabilities such as a good match of strategy and appropriate organization structure, adaptability to the Mexican workplace, and so on, in order to perform well in Mexico.

An important comment in relation to the small business sector should be made. It seems that some internal factors (e.g. management styles, organizational behaviour) might deter the full implementation of a market orientation approach. Current ways of doing business, especially at the upper management level, will have to be changed. Managers in small organizations need to realize that Mexico is opening its doors to external competitors, which may possibly come better trained and better prepared to serve Mexican consumers. Small business managers should start paying attention to new techniques that improve management decisions and business performance.

Finally, the managers' decision of whether to standardize or customize should emanate directly from the business orientation aimed at. Market orientation suggests that if the decision is based on customers' needs, it will not matter which path, standardization or customization, is chosen.
Implications for Future Researchers

This study has important implications for the investigation of market orientation. As mentioned earlier, it is remarkable that many market orientation studies have skipped Latin America as a geographical context. It is hoped that the results of this work will encourage more studies of market orientation in this region. Additionally, it is suggested that comparative research (e.g. firms in Mexico versus in firms in Central or South America) may further enhance the understanding of corporate market orientation investigated here.

Second, the inclusion of standardization of marketing activities into the market orientation-business performance model should encourage other studies and analyses of additional marketing elements that may influence this model.

Third, although not an issue for this study, the factoring analysis showed that market orientation and marketing process were both loading on the same factor. Additional research should examine the likeness between these two concepts.

Finally, the fact that so little is known about Latin-American managers and their marketing approach should encourage more research studies.
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Appendix 1

Measurement Instruments

Appendix 1 includes examples of the measurement instruments used in this study:

- Cover letter (Spanish version)
- Follow-up letters (Spanish version)
- Questionnaire (English version)
La presente carta tiene como objetivo solicitar su valiosa opinión en este proyecto de investigación sobre orientación de mercado y regionalización en México.

Como Usted sabe, la Globalización ha modificado la forma como se hacen los negocios. Diferentes ideas acerca de cómo se deben administrar las organizaciones han influido a diversos directivos en el mundo. Un caso específico son las estrategias de mercadotecnia. La detección oportuna de las necesidades de cada cliente en cada país se ha vuelto imperante para toda aquella organización que desee tener éxito en el mercado mundial. A fin de detectar dichas necesidades, diversos métodos de segmentación han aparecido; sin embargo, hoy en día se sabe poco sobre cual trabaja mejor y produce los mejores resultados.

Usted y su organización forman parte de un selecto grupo, el cual ayudará a resolver este dilema proporcionando su opinión y amplia experiencia. Con el fin de que dicha opinión represente el modo de pensar de las organizaciones y sus directivos, es sumamente importante que el cuestionario sea contestado en su totalidad y devuelto oportunamente.

La confidencialidad de los datos proporcionados por usted y su organización están garantizadas. Los cuestionarios han sido numerados con fines administrativos únicamente, ya que de esta forma podemos controlar que cuestionarios han sido regresados y cuales no. Su nombre y el de su organización jamás serán revelados ni relacionados con los cuestionarios. Por favor, utilice el sobre de respuesta con porte pre-pagado a fin de enviarme el cuestionario contestado.

Los resultados de esta investigación estarán disponibles para todos los miembros de las Facultades de Administración de la University of Lethbridge y de la Universidad Panamericana. Usted recibirá un sumario ejecutivo de los resultados finales una vez de que el estudio se de por terminado, por tal motivo, por favor escriba su nombre y dirección en la parte trasera del sobre de respuesta.

Estoy en la mejor disposición para contestar cualquier duda o comentario que tenga. Puede escribirme a xxx@yyy.zz o llamarme al teléfono (XXX) XXX-XXXX

Agradezco de antemano su ayuda,

Atentamente,
SAMPLE – FOLLOW UP LETTER 1

Estimado Lic. __________:

En días pasados usted recibió un cuestionario solicitando su valiosa opinión sobre orientación y segmentación de mercado en México.

Si usted ya devolvió el cuestionario, por favor considere esta tarjeta como un sincero agradecimiento por su importante colaboración.

En caso de que no haya contado con el tiempo para regresar el cuestionario, agradeceríamos mucho lo hiciere lo antes posible. Su participación es indispensable para el éxito de esta investigación.

Atentamente,
SAMPLE - FOLLOW UP LETTER 2

Hace tres semanas le envié una carta en la cual solicitaba su opinión en relación a la orientación y segmentación de mercado en México. Lamentablemente, no hemos recibido su respuesta.

Esta investigación es llevada a cabo porque creemos que directivos como usted deben ser consultados a fin de formular nuevas teorías que faciliten la planeación y crecimiento de organizaciones en países como México.

Le escribo nuevamente porque su organización contribuiría sustancialmente al éxito de esta investigación. Debido a que usted representa a la élite de directivos en México, sus comentarios son sumamente importantes para entender el concepto de orientación de mercado en México.

Contestar y enviar el cuestionario en el sobre pre-pagado de respuesta le tomará unos cuantos minutos. Le recuerdo que todas sus respuestas y comentarios serán confidenciales.

Estoy anexando nuevamente un cuestionario y su sobre de respuesta en caso de que hay traspapelado el anterior.

Agradezco de antemano su valiosa cooperación,

Atentamente,
Le escribo en relación al estudio de orientación y segmentación de mercado en México. Lamentablemente, no hemos recibido su cuestionario contestado.

Los cuestionarios que hemos recibido nos muestran la gran aceptación que este estudio ha tenido. Sin embargo, si el estudio busca representar adecuadamente cómo altos directivos en México conciben el concepto de orientación de mercado, es sumamente importante contar con su ayuda. En experiencias pasadas hemos detectado que los puntos de vista de la gente que no regresa el cuestionario son sustancialmente diferentes a los que han contestado. Usted puede marcar la diferencia.

Este es el primer estudio en su tipo que se realiza en México. Por lo tanto, los resultados son importantes para directivos, empresarios, inversionistas y autoridades gubernamentales, ya que esta información puede ayudar a la planeación estratégica de las empresas. La utilidad de esta investigación depende 100% de la acertividad con que se puedan proyectar los resultados.

En caso que usted haya estado fuera de su oficina o con poco tiempo para completar este cuestionario, todavía está a tiempo de hacerlo. Esta investigación busca un alto grado de calidad, por ende, el contar con todos los cuestionarios contestados resulta imperante.

Puede estar tranquilo de que todas las respuestas proporcionadas serán manejadas con estricta confidencialidad.

Agradezco de antemano su pronta respuesta y ayuda en esta investigación,

Atentamente,
SECTION ONE

I) Use the map below to identify the region that you think has experienced the highest rate of economic development and the region with the lowest rate of economic development in the last 10 years in Mexico.

II) How well do the following characteristics best describe your corporation? (Circle your answer)

1. = NOT AT ALL CHARACTERISTIC
2. = SLIGHTLY CHARACTERISTIC
3. = SOMEWHAT CHARACTERISTIC
4. = CHARACTERISTIC
5. = HIGHLY CHARACTERISTIC

1. In this business unit, we meet with customers at least once a year to find out what products and/or services they will need in the future.

2. Individuals from our manufacturing department interact directly with customers to learn how to serve them better.

3. In this business unit, we do a lot of in-house market research.
4. We are slow to detect changes in our customers’ product preferences.

5. We poll end users at least once a year to assess the quality of our products and/or services.

6. We often talk with or survey those who can influence our end users’ purchases (e.g., retailers, and distributors).

7. We collect industry information by informal means (e.g., lunch with industry friends, talks with trade partners).

8. In our business unit, intelligence on our competitors is generated independently by several departments.

9. We are slow to detect fundamental shifts in our industry (e.g., competition, technology, and regulation).

10. We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers.

11. A lot of informal “hall talk” in this business unit concerns our competitors’ tactics or strategies.

12. We have interdepartmental meetings at least once a quarter to discuss market trends and developments.

13. Marketing personnel in our business unit spend time discussing customers’ future needs with other functional departments.

14. Our business unit periodically circulates documents (e.g., reports, newsletters) that provide information on our customers.

15. When something important happens to a major customer, the whole business unit knows about it within a short period.

16. Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis.

17. There is minimal communication between marketing and manufacturing departments concerning market developments. (R)

18. When one department finds out something important about our competitor, it is slow to alert other departments. (R)

19. It takes us along time to decide how to respond to our competitor’s price changes. (R)
20. Principles of market segmentation drive new product development efforts in this business unit.

21. For one reason or another we tend to ignore changes in our customers' product and/or service needs. (R)

22. We periodically review our product development efforts to ensure that they are in line with what customers want.

23. Our business plans are driven more by technological advances than by market research. (R)

24. Several departments get together periodically to plan a response to changes taking place in our business environment.

25. The product lines we sell depend more on internal politics than real market needs. (R)

26. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately.

27. The activities of the different departments in this business unit are well coordinated.

28. Customer complaints fall on deaf ears in this business unit. (R)

29. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion. (R)

30. We are quick to respond to significant changes in our competitors' pricing structures.

31. When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.

32. When we find that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.

III) Please indicate the degree to which your business unit resembles the two companies described below by distributing 100 points between them. Thus, if your business unit was primarily like Company A and only remotely like Company B, you might allocate 90 points to Company A and 10 points to Company B.

**COMPANY A.**

Relies heavily on its sales people to use a variety of selling techniques for getting customers to say "yes." The primary emphasis in the company is on selling. Customer satisfaction is considered important but the emphasis is on going out and pushing the company's products.
COMPANY B.

Does a lot of research to learn the concerns of its customers, and responds by developing new products and marketing programs. The emphasis is on understanding why customers act and feel the way they do, and exploiting this knowledge. Selling is considered important, but the emphasis is on making products that will almost sell themselves.

COMPANY A: POINTS

COMPANY B: POINTS

TOTAL = 100 POINTS

IV) Which of the following attributes best describe your corporation’s perceptions?

1. Customer needs are standardized worldwide
2. Product awareness and information exists worldwide
3. Standardized product technology exists worldwide
4. Competitors market a standardized product worldwide
5. Standardized purchasing practices exist worldwide

V) Considering the product, promotion, distribution and price strategies of your marketing plan for major products, please select the best attribute.

1. Similar mark-ups implemented
2. Similar prices charged
3. Similar sales forecast frequencies

Pricing

1. Strongly disagree
2. Disagree
3. Agree
4. Strongly agree
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<td>4. Similar customer service levels</td>
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</table>

VI) Which of the following attributes best describe your corporation?

1. = NOT AT ALL CHARACTERISTIC 4. = CHARACTERISTIC
2. = SLIGHTLY CHARACTERISTIC 5. = HIGHLY CHARACTERISTIC
3. = SOMEWHAT CHARACTERISTIC

1. The headquarters dictates the Marketing Philosophy, employed in the planning and preparation of marketing 1 2 3 4 5 programs
2. The technology employed in the planning and preparation of marketing programs is based on global guidelines.

3. The headquarters provide a common language that everybody in the geographically dispersed enterprise can understand and use in analyzing marketing problems.

4. Before marketing approaches are borrowed from other countries, the design of local marketing programs is achieved through thorough analysis of local markets and competitive conditions.

5. In order to identify significant differences in local conditions, our organization uses systematic and comparable market analysis in each country.

6. Our organization educates local, regional, and headquarters executives of diverse backgrounds and nationalities in marketing.

7. Our top management is provided with tools that ensure that their corporate marketing objectives can be achieved without commands from our headquarters.

A region is an area where people with similar characteristics, values and culture live. Regional identification is the process of identifying and classifying different areas within a country within which a company recognizes distinctive customers' needs.

VII) Given the above definitions, how many regions does your organization recognize in the marketing of its major products?

WE RECOGNIZE [ ] REGION(S)

VIII) Below you will find different perspectives, please select the option that most closely mirrors your corporate practice, in case you identify more than one, please rank them:

- Cultural Regions. The country is divided into different regions based on the cultural and idiosyncratic diversity within Mexico.
- Economic Regions. The country is divided into different consumer patterns that exist within Mexico.
- Technological Capabilities. The country is divided into different regions based on technology resources and infrastructure.
- Functional regions. The country is divided into different functional areas (e.g.: metropolitan centers, urban centers, local towns and rural settlements).
Other: The country is divided using a different pattern. If helpful, please use the map on the next page to identify your perceived regions.

(X) Does your organization use functional regions more frequently than cultural, economic and/or technological regions?

☐ YES
☐ NO

X) For the following options please select the option that best describe your corporation

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<th>LESS PROFITABLE</th>
<th>ABOUT EQUAL PROFITABILITY</th>
<th>MORE PROFITABLE</th>
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<td>ABOUT THE SAME SIZE</td>
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<td>GROWING MORE SLOWLY</td>
<td>GROWING AT ABOUT THE SAME RATE</td>
<td>GROWING FASTER</td>
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</table>
XI) Finally, please answer the following questions:

1. From the following options select the industry that best describe your organization.

   CONSUMER GOODS
   BUSINESS TO BUSINESS
   HI-TECH INDUSTRY
   SERVICE INDUSTRY

2. How many employees do your corporation has?

   WE HAVE [ ] EMPLOYEES

3. For how long have you been working for this organization?

   I HAVE BEEN WORKING FOR [ ] YEARS [ ] MONTHS

4. Which of the following is your current position in your organization?

   [ ] CEO / GENERAL MANAGER
   [ ] DIRECTOR / SUB-DIRECTOR
   [ ] BRAND MANAGER / EXECUTIVE

5. Indicate the main products that your organization offers to the market.
Appendix 2

Regions and Marketing Activities

It is important to identify all the segments within a country in order to satisfy the customers’ needs (i.e. in order to implement a market orientation culture), and market segmentation is the tool needed for that purpose.

Market segmentation is “the process of dividing a heterogeneous market into segments which are relatively homogeneous and identifiable for the purpose of designing marketing mix to meet the needs of consumers in segments [italics added] which are attractive to the firm” (Kale & Sudharshan, 1987, p.61). Kale and Sudharshan suggest that a corporation should determine:

1. Which countries to enter, and
2. The specific market segments to serve within each country.

Segments within a country cluster different customers with specific needs, and these segments are essentially a specific geographic area.

“Geography is... the art of recognizing, describing and interpreting the personalities of regions” (Gilbert, 1960, p.158). Thus, it is assumed that the concept of “segments” from the business perspective and regions for the geographical perspective are similar concepts.

Nevertheless, the concept of region is “often so nebulous” and “often so personal and peculiar...” (Minshull, 1967, p.18) that there are various definitions of region. Therefore, in our study a region will be considered as “an area of
earth's surface differentiated and given unity by a specific characteristic or a set
of criteria” (Small & Witherick, 1995).

Segmentation basically takes into account all the regions that exist within
a country. The more sets of characteristics a corporation uses, the more regions
will be identified, more different customer needs will be found and therefore the
more adaptations to marketing strategies will be needed. Top management
should be willing to adapt its market philosophy according to the regionalization
level pursued by the corporation. Thus, the degree of regional segmentation
should be high in a country where corporations tend to adapt or customize their
marketing strategies, or

H0: Lower the degree of marketing process standardization, higher the regional
segmentation within a country.

Research Methodology

This study could not detect any available scale in the Marketing literature
or in the Geography literature that measured the degree of regionalization.
However, geographers generally recognize two kinds of regions: formal and
functional.

The first type, is a region showing a degree of uniformity with respect to
any one of a range of characteristics or criteria (e.g. geology, climate, vegetation,
population density, land use, etc.). In this study, formal regions such as cultural,
economic and technological were included in the questionnaire (see appendix 1).
“In addition to wanting to know how uniform, or formal, regions differ one from another, geographers have become interested in studying the spatial dimensions of human activities” (Kohn, 1970, p. 137). These spatial dimensions are known as functional regions, which are regions distinguished by their unity or organizations of the interdependence of their parts (Small & Witherick, 1995). Human interactions affect the constitution and reshape a region through functional activities, that is fields of action that can be performed by human relations, such as commercial relationships (e.g. market of a product/service or region covered by a wholesaler). These functional activities could influence the importance of a given region.

From a business perspective, functional regions are more important than formal regions. This importance rests in the market and its accessibility via similar distribution channels, similar media vehicles and scheduling, and the possibility of monitoring using common databases, or intelligence systems; these are common segmenting criteria used by the international marketer (Kale & Sudharshan, 1987). Therefore, a question measuring the level of usage of functional regions was attached to the final questionnaire (see Appendix 1).

Results and Interpretation

Unfortunately, the regionalization questions developed did not produce positive results. It appears that some of the Mexican managers surveyed did not understand how and what to answer.
Sixty-one out of 68 questionnaires returned answered the first regionalization question (How many regions does your corporation identify?). However, the following questions reported a lower response rate, even though all the questions for this section were related. That is, once someone has answered the first question, all of the following ones should be answered. However this was not the case. The following table depicts the case summaries for each variable analyzed. The enormous differences among the number of cases for each variable indicate a low level of understanding of this part of the questionnaire.

Table of Case Summaries for the Regionalization Section

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Among the diverse factors that could affect the response rate, two possibilities were identified:

1. The instructions given for answering the questions were not detailed enough.
2. The concepts of regionalization and its classification are a complex topic that requires more explanation. Due to space restrictions, the explanation provided may have been too brief.
Appendix 3

Database Description

Expansion is a Mexican business magazine which, on a yearly basis, ranks the top 500 companies in Mexico by their total sales volume for the past year. This information is compiled through a mail survey in which each organization freely agrees to share its sales, profits, employees, and financial data. This study used the 1999 edition, and the sample included the following organizations:

AC MEXICANA SA CV
ACCEL COMERCIAL SA CV
ACER COMPUTEC LATINOAMÉRICA SA CV
ADMINISTRACIÓN PORTUARIA INTEGRAL DE ENSENADA SA CV
AEROLITORAL SA CV
AEROVÍAS DE MÉXICO SA CV
AGROBIOS SA CV
AGROINDUSTRIAS DEL BALSAS SA CV
ALBRIGHT & WILSON TROY DE MÉXICO SA CV
ALFA SA CV Y SUBS
ALICA AUTOMOTRIZ SA CV
ALIMENTOS DE BAJA CALIFORNIA SA CV
ALTOS HORNOS DE MÉXICO SA CV Y SUBS
ALUPRINT SA CV
APARATOS SA CV
APASCO SA CV
APM SA CV
ARABELA HOLDING SA CV
ARMASEL SA CV
ARPILLAS Y SACOS PLÁSTICOS DE PEROTE SA CV
AZULEY SA CV
BACHOCO SA CV
BAJA ORIENTE SA CV
BASF PINTURAS SA CV
BD POWER TOOLS MEXICANA S.RL CV
BECTON DICKINSON DE MÉXICO SA CV
BERCI SA CV Y SUBS
BERMEX TENSOACTIVOS SA CV
BIPER SA CV
BIRDS EYE DE MÉXICO SA CV
DESARROLLO CAMARONERO SA CV
DESARROLLO CONSTRUCTOR MEXICANO SA CV
DIFPROL MEXICO SA CV
DIPOL SA CV
DISTRIBUIDORA DE CHOCOLATE IBARRA SA CV
DISTRIBUIDORA INTNAL DE PRODS AGRICOLAS SA CV
DIXON TICONEDEROGA MEXICO SA CV
DUPONT SA CV
DURRE DE MEXICO SA CV
ECE SA CV
EDICIONES LAROUSSE SA CV
EDITORIAL DIANA SA CV
EDS DE MEXICO SA CV
EKCO SA
EL PUERTO DE LIVERPOOL SA CV Y SUBS
ELÉCTRICA Y SERVICIO DE ACAPULCO SA CV
ELECTRÓNICA CLARION SA CV
EMBOTELLADORA AGUAASCALIENTES SA CV
EMBOTELLADORA AMECA SA CV
EMBOTELLADORA DE CHIHUAHUA SA CV
EMBOTELLADORA DE LA FRONTERA SA CV
EMBOTELLADORA FRENSILLO SA CV
EMBOTELLADORA GÓMEZ PALACIO SA CV
EMBOTELLADORA GUADALUPE VICTORIA SA CV
EMBOTELLADORA LA BUFA SA CV
EMBOTELLADORA LAGUNERA SA CV
EMBOTELLADORA LAS TROJES SA CV
EMBOTELLADORA LOS ALTOS SA CV
EMBOTELLADORA METROPOLITANA SA CV
EMBOTELLADORA SAN LUIS SA CV
EMBOTELLADORA TANGAMANGA SA CV
EMBOTELLADORA ZAPOPOP SA CV
EMBOTELLADORAS ARGOS SA
EMPRESAS CA-LE DE TLAXCALA SA CV
EMPRESAS LA MODERNA
ENERMEX SA CV Y SUBS
ENVASES ELOPAK SA CV
EPTEC SA CV
ESPECIALIDADES QUÍMICAS MONTERREY SA CV
ESTablo CHILCHOTA
ESTRAL SA CV
EXPORTADORA DE SAL SA CV
F ARMIDA Y CIA SUCESORES SA CV
FARMACIAS GUADALAJARA SA CV
FERMENTACIONES MEXICANAS SA CV
FERNANDEZ EDITORES SA
FLOWSERVE SA CV
FOMENTO INDUSTRIAL AZTECA SA CV
FOMENTO RADIO BEEP SA CV
GRUPO MODELO SA CV
GRUPO MOTOMEX SA CV
GRUPO NUTRISA SA CV
GRUPO ORRACA RESTAURANTEROS
GRUPO PALACIO DE HIERRO SA CV
GRUPO PI MABE SA CV
GRUPO PRIMEX SA CV
GRUPO PROFESIONAL PLANEACIÓN Y PROYECTOS SA CV
GRUPO PROVE-QUIM SA CV
GRUPO SANBORN'S SA CV
GRUPO SESER SA CV
GRUPO SIDEK SA CV
GRUPO SIMEX SA CV Y SUBS
GRUPO SOCOCADA
GRUPO SYNKRO SA CV Y SUBS
GRUPO TELEVIDA SA CV
GRUPO TRIBASA SA CV Y SUBS
GRUPO VERSAX Y SUBS
GRUPO VIDEOMÍSA SA CV
GS COMUNICACIONES SA CV
GUTIERREZ DE VELASCO SA CV
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INDUSTRIAS NACOBRE SA CV
INDUSTRIAS PEÑOLES SA CV Y SUBS
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INDUSTRIAS SOLA BASIC SA CV
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MEXINOX SA CV Y SUBS
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