



Internet Support Companies: The Impact of Marketing Orientation

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Abstract

Several studies have expanded the work by Jaworski and Kohli (1993) by using their market orientation framework model and applying it to a variety of industries. The results of recent studies have uncovered strong relationships between the concepts of market orientation and organizational performance. The large body of research on the topic of market orientation has not been applied to companies critical to commercial transactions over the Internet. This study explored implementation of market orientation in the context of web hosting and Internet service providers to understand impact of market orientation on these kinds of companies. The study results indicate that market orientation is positively related to performance. Implications for theory construction and managerial practice relevant to companies engaged in ecommerce are discussed.

Introduction

Since the early 1990's, market orientation has become a major research stream in strategic marketing. Although definitions within the research community differ (Deshpande, Farley and Webster 1993; Kohli and Jaworski 1990; Narver and Slater 1990), the basic concept remains the same -- gathering information from customers and prospects, sharing this information internally and responding appropriately to the changing needs of the market.

Technology is now enabling companies to replace or augment their traditional face-to-face interactions via a technology interface using the Internet. Currently, billions of people around the world are connected to the Internet and this has led to the growth of international networks (Aziz, Yasin, 2004). Increasingly, companies have exploited the virtual environment and

encouraged consumers to conduct commercial transactions over the Internet.

The increased reliance on the Internet by business has translated into an increased reliance on the companies facilitating commerce on the Internet. The support for commercial transactions takes a wide variety of forms and impacts customer service, sales and fulfillment strategies and tactics. Web hosting and Internet service providers are examples of Internet facilitating companies. These companies provide the support that makes it possible for traditional and online companies to execute ecommerce programs. Despite the high level of importance of the web hosting companies and Internet service providers, there is no current empirical evidence that examines the level of market orientation of these companies. In addition, even though many companies have embraced and implemented the new technologies available from the web hosting and Internet service provider universe, there has been very little empirical analysis focused on the link between organizational performance and the market orientation of these two types of companies.

The objective of this study is to examine the impact of market orientation on the organizational performance of companies that facilitate commerce over the Internet. Specifically, we will examine the relationships of marketing orientation and organizational performance of web hosting companies and Internet service providers.

LITERATURE REVIEW

The Internet Companies

The Information Superhighway or Internet is open to the public and supports applications such as e-mail, the World-Wide-Web, file-transfer, and Internet-relay-chat (Metcalf, 1996). According to some analysts, the recent global expansion of the World-Wide-Web is a result of the increase in the use of the Internet as an interactive medium for users and providers of products and services. A great variety of innovative consumer products are sending users to more sophisticated and efficient web sites. These web sites have been developed and maintained by Internet and web service providers. The consumers of new Internet products conduct business interactively, on local and World-Wide-Web sites. Franklin (1997) argued that to keep up with the competition, companies needed to speed up communications between trading partners, establish better relationships with customers, suppliers and partners, and reduce expenditures. According to Bartlett (2000), for those service providers, devising a web hosting strategy entails balancing between three overriding dimensions. These dimensions are performance, complexity and availability.

The quality of the performance of the web site is one of its most important attributes. End-user retention studies suggest the average web page must load within eight seconds or the user will leave the site (Bartlett, 2000), reflecting how demanding customers have become.

This level of sophistication and complexity of a web site is a very important feature of the application service being demanded by the customers. For the Internet Service Providers engaging in virtual transactions, the business-to-business e-commerce environment will continue to evolve at a greater pace as new and more sophisticated web sites are developed.

The availability of the web site plays a fundamental role in decisions made by the consumer. E-commerce sites operate on a twenty-four hour basis. As Bartlett (2000) indicates downtime simply is not an option for e-business web sites that offer e-commerce and customer service options.

Among the principal gains that firms can anticipate from the Internet are shared information and data, reductions in operating costs, savings in time and resources, improvements in customer services and generally improve business-to-business relationship (Andersen, 1998; Rich, 2000; Vlosky, Fontenot and Blalock, 2000). The Internet can be a source of information and feedback in building strong customer relationships and assist companies in gathering essential information (Aziz and Yasin, 2004).

The technology or dot.com bust of the year 2000 was a major reset for the whole community of technology marketers (Maddox, 2005). The market has now rebounded, however, and the growth rate of Internet service providers and web hosting companies is expected to be at the 6% rate for the

foreseeable future, as indicated by Rich Vancil, VP, CMO Advisory Service, at tech research firm IDC (Maddox, 2005). This exceeds the expected growth in the economy. According to Ted Chamberlain, a Gartner analyst, the US web hosting market, which brought in about \$5.5 billion in revenue in 2002, will surge to \$17.8 billion in 2007 (Ewalt, 2003).

Most recently, location based services (LBS) / Geographical information systems (GIS) technologies and applications have been added to the product offerings of the nascent industry of high technology companies. The size of the global LBS/ GIS market started to accelerate in 2005, and the revenue is expected to reach 11.7 billion USD by 2008. In America the LBS/ GIS market is expected to be well established in 2005. The US is expected to occupy near 50% of the global LBS/ GIS market share by 2007 (Wood, 2005).

According to the US Department of Commerce, digital sales posted their highest increase in three years last quarter, and earlier this year, Forrester Research and Shop.org predicted web sales of more than \$172 billion, a 22% increase from last year (Lekas, 2005).

However, benefits from the highly sophisticated tools available through the Internet may come at a steep price. Larger companies have the capital to invest in powerful communication tools and resources to enable a sustainable competitive advantage over small firms (See Figure 1). Small and medium sized businesses are clearly at a competitive disadvantage since they are unable to confront the higher level of sophistication of larger competitors. To survive, the small and medium companies need to establish web sites and provide services that are competitive and at the same time affordable. This condition opens a door of opportunity to web service and Internet and application service entrepreneurs.

MARKET ORIENTATION

Market orientation has been conceptualized in different ways. These researchers concur with the definition proposed by Langerak (2001). He states that based on the literature there are three dominant conceptualizations for creating superior value for customers. Kohli and Jaworski (1990) outline a conceptualization of market orientation that relates to the organization-wide generation of market intelligence, its dissemination across the various functional areas of the business and the organization-wide response to it. This perspective suggests that with the proper resources and focus, an organization can become more market oriented in a relatively rapid response to corporate directives (Noble, Sinha and Kumar, 2002).

Narver and Slater (1990) defined a market orientation as consisting of three behavioral components--customer orientation, competitor orientation and inter-functional coordination--and two decision criteria--long-term focus and profitability. Their inferences about the behavioral components of a market orientation complemented the findings by Jaworski and Kohli (1990) presented previously.

Deshpande, Farley and Webster (1993) defined market orientation as "the set of beliefs that puts the customers' interest first, while not excluding that of all other stakeholders, in order to develop a long-term profit". Recently, Deshpande and Farley (1998) synthesized the three conceptualizations presented above by defining a market orientation as the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment.

Studies of market orientation have been conducted within a wide variety of industries. One group of researchers, in particular, have shown the Nordic banking sector is a good venue in which to study how companies meet the current market and technological challenges. Nielsen et al (2003) point to the different cultural attitudes coming out of Scandinavian and Nordic countries. But recent studies show that these differences are not relevant factors since market orientation in US and Scandinavian companies can be explained by the same framework, supporting the universality of the market orientation concept.

According to Nielsen et al. (2003), some differences do exist between the Nordic countries, although they are treated as one unit in international comparisons, but their cultural values differ slightly. For example, Denmark has the highest score on individualism while Finland has the lowest (Hofstede, 1984).

In reference to the differences regarding the structure of the banking industries and their use of

technology, an international comparison showed Finland among the leading nations in the world with 17.4 percent of private customers using Internet-banking. The corresponding figures for other countries participating in the study were: Sweden 6.9, Denmark 5.8, Norway 3.1 and the United States with 6.0 (Mikkelsen and Garden, 2000).

As Nielsen indicates, to understand the mechanisms of market orientation and its development, the size of organizations has to be taken into account (Nielsen et al., 2003). In international research, size as well as location and market complexity are often considered more important than national culture (Negandhi, 1983; Norburn et al, 1990).

A number of researchers have argued for this positive relationship because large organizations have more slack, marketing skills and technological knowledge (Dewar and Dutton, 1986; Pavitt, 1990; Damanpour, 1992). Larger banks make surveys among customers and employees more often than small ones. Large banks are in a better position to tailor their educational programs and their computer systems to their own specific needs when buying these services outside the organization (Flohr Nielsen, 1995).

The subject of how size intervenes with market orientation is very straightforward. Large organizations have more available resources to improve communication systems and implement (formal) intelligence generation, distribution and response strategies than small organizations.

In the study by Nielsen, et al, (2003) the researchers hypothesized that "organizational size was positively associated with market orientation." But as they indicated, several small banks had done well recently thus they also expected a negative size effect on an overall performance measure that included the retention of old customers and the attraction of new customers. Their second hypothesis established that "organizational size was negatively associated with market-related performance."

The present study tested the relationship between market orientation and organizational performance as moderated by technological turbulence, competitive intensity and market turbulence. Other research studies found positive relationship between market orientation and performance (Jaworski and Kohli, 1993; Narver and Slater, 1994; Fritz, 1996; Pitt et al, 1996; Selnes et al, 1996).

The research by Nielsen et al, surveyed the marketing and IT managers of banks in Denmark, Finland, Norway and Sweden. These formed the main part of the empirical basis of the study. Results of the study provided support for the hypothesis related market orientation and its impact on organizational performance in Nordic banks.

As the researchers indicated, performance was negatively related to market orientation (supporting Hypothesis 12), and in this sense even their cross-sectional data gave an indication of inertia in some well-performing banks (Nielsen et al, 2003). The study found that organizational size (Hypothesis 2) was negatively related to performance. As the researchers indicated, the influence of size may be explained by the fact that several small banks have achieved good results and feel very competitive in their local markets.

The study also found that size influences single items positively such as teamwork, customer-based responsibility, IT-automation of routines and sophistication of information processing. An important finding concerning national comparisons was that Swedish banks - and to a lesser degree, the Finnish are up-front in their use of the technology of customer-focusing and supported empowerment. This could be partly explained by Scandinavian management and partly by the use of new technology. As in other research studies presented here, their path to performance seems to go through the use of sophisticated information systems with strong support from top management and front-line commitment (Flohr Nielsen and Kock, 2003).

A research study by Nwanko, Owusu and Ekwulugo (2004) also tested the impact of organizational size on market orientation. The study tested a sample of the population of organizations that operate within the UK's facilities management (FM) industry. In their article, the researchers explain how the FM industry has reached an inflection point (Jones, 2002).

Grove (1996) describes a strategic inflection point as the moment at which critical change occurs to literally turn an organization around. This inflection point must be dealt with and therefore, for a growing number of organizations, market orientation is seen as an attractive conceptual premise for instigating their inflection points (Nwanko et al, 2004).

In their study Nwanko, Owusu and Ekwulugo hypothesized that small and large organizations were not significantly more market oriented than the medium-sized ones. According to the researchers, current literature does not agree on the variation in the level of market orientation in different organizations attendant upon size (Pelman and Wilson, 1990). They further propose that large businesses may be less able than small ones to adopt a market orientation largely because of structural rigidities that usually characterize large organizations. Structural barriers and inter-departmental conflicts inherent in many large organizations might adversely affect the adoption and implementation of a high profile market orientation stance (Nwanko et al, 2004).

But the researchers also acknowledged that large organizations were likely to have the necessary resources to initiate and implement market oriented programs. They concurred that the effect of a large resource base might be more important than the effect of structural agility (Nwanko et al, 2004). The concept of a correlation between a larger organization and a higher level of market orientation was tested and the findings were presented along with those from similar studies.

PERFORMANCE DEFINED

According to Agarwal, Erramilli and Dev, (2003) performance is a two dimensional construct. The first dimension, objective performance, involves the finance or market based measures such as capacity utilization, profitability, and market share. The second dimension is judgmental performance, which involves customer and employee-based measures. Customer-based measures are service quality and customer satisfaction, and employee satisfaction is an employee-based measure.

Jaworski and Kohli (1993) examined the relationship between market orientation and both dimensions of performance objective and judgmental measures. They found no relationship between market orientation and the objective measures of performance. They did find a positive association with judgmental measures of performance. Subsequent research, described below, continued their work and found a relationship between market orientation and both objective and subjective measures of performance.

Figure 1

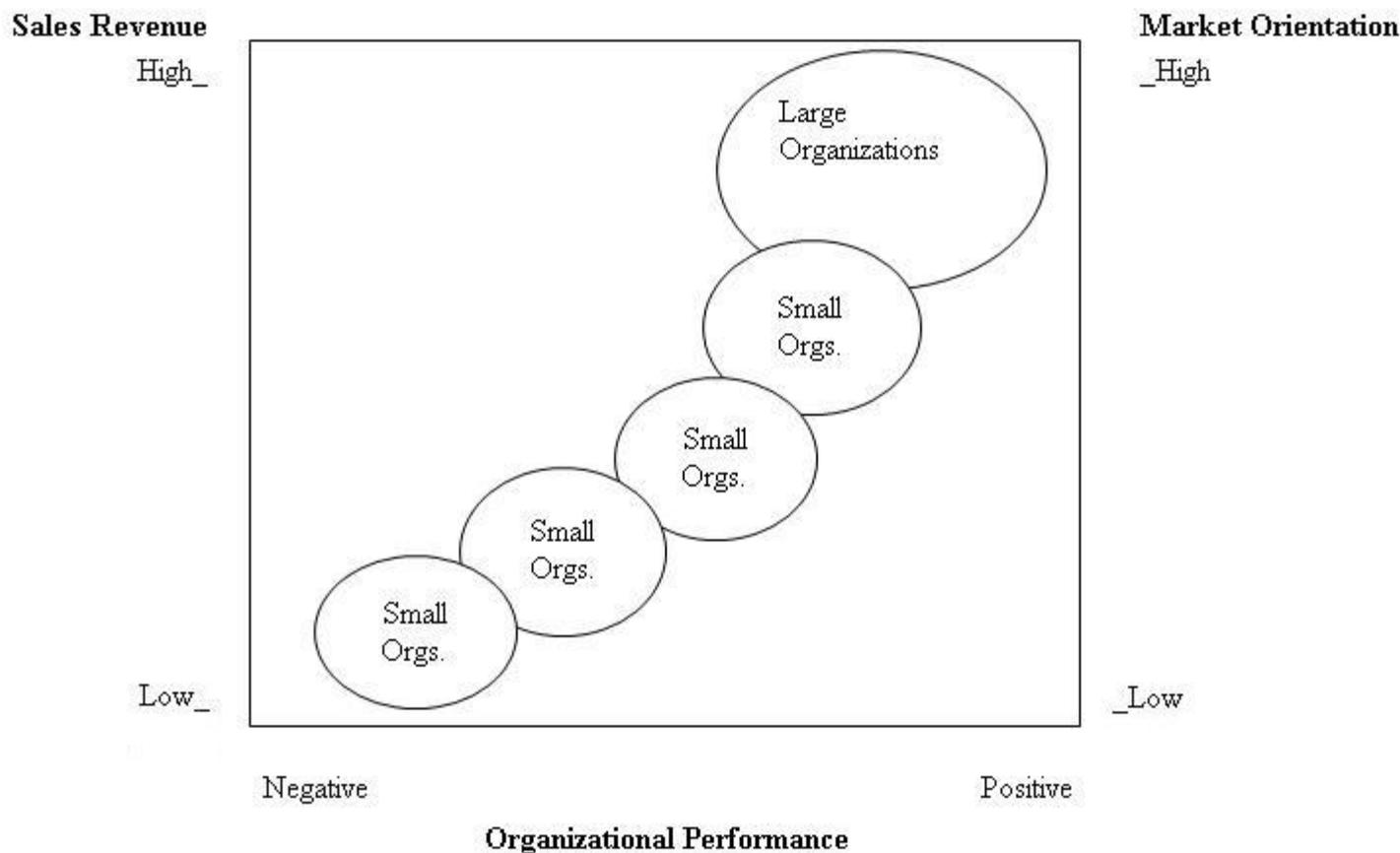


Figure 1: Tri-dimensional matrix representation of large organizations with higher levels of market orientation than smaller organizations and its relevance to organizational performance

STUDIES OF MARKET ORIENTATION

During the past fifteen years the marketing concept has been the focus of research in not only the United States but also in the global markets. The past two decades have experienced a ceaseless flow of a variety of research studies that focus on the concept of market orientation and its impact on organizational performance (see Table 1).

Of particular interest was the study by Appiah-Adu, (1998) which found that market orientation was the only variable tested which had a significant and positive influence on three performance measures; new product success, sales growth and profitability levels (ROI) of small firms. His findings agree with the results of most of the research studies on the market orientation-performance link in large firms across different national cultures (Narver and Slater, 1990; Ruekert, 1992; Jaworski and Kohli, 1993; Chang and Chen, 1994; Atuahene-Gima, 1995; Caruana et al., 1995; Pitt et al., 1996).

Earlier studies tested the relationship between market orientation and organizational performance in the service (Matear, Osborne, Garrett and Gray, 2002; Olivares and Lado, 2003; Agarwal, Erramilli and Dev, 2003; Matear, Gray and Garrett, 2004) and manufacturing industries (Narver and Slater, 1990; Jaworski and Kohli, 1993; Narver and Slater, 1994; Appiah-Adu, 1997; Langerak and Commandeur, 1998; Langerak, 2001; Noble, Sinha and Kumar, 2002; Ramaseshan, Caruana and Pang, 2002; Farrell and Oczkowski, 2002; Matsuno, Mentzer and Ozsomer, 2002; Pulendran, Speed and Widing II, 2003; Kim, 2003; Akyol and Akehurst, 2003; Aziz and Yasin, 2004; Verhees and Meulenberg, 2004). Other studies analyzed the impact of market orientation in the performance of hospitals (Raju, Lonial, Gupta and Ziegler, 2000; Knight and Dalgic, 2000). A description of the populations studied and their results appear on Table 1. Some of the findings from these studies concurred with the results from the present

research study.

In contrast to the research studies presented above, the study by Perry and Shao (2002) did not find significance on the relationship between market orientation and quantitative performance for both, traditional or specialty competitors. The sample consisted of foreign affiliates of US based advertising agencies. Based on their research the results for regression models using quantitative performance as the dependent variable indicated that one of the control variables, country economy, had a positive and significant effect on quantitative performance ($p < .05$) (Perry and Shao, 2000). These results were duplicated using qualitative performance as the dependent variable. They also found that the interaction of traditional competition on market orientation had a positive effect on qualitative performance.

Some of the studies examined the contribution of other mechanisms or the influence of environmental variables on the linkage between market orientation and organizational performance (Day and Wensley, 1988; Jaworski and Kohli, 1993; Slater and Narver, 1994; Verhees and Meulenber, 2004). According to Narver and Slater (1994) the possibility of a moderating effect is consistent with a long tradition of support for the theory that environment moderates the effectiveness of organizational characteristics. This study did not find any significance on the effects of environmental moderators -- market turbulence, competitive intensity and technological turbulence, on the relationship between market orientation and organizational performance.

A study by Langerak (2001) used self-reports, customer reports and supplier reports to test the relationship between the manufacturer's market orientation and its business performance. He investigated the existence of potential gaps between what a supplier, manufacturer and customer perceive to be the extent of the manufacturer's market orientation. The researcher tested a sample of seventy-two matched sets of suppliers, manufacturers and customers in business markets in the Netherlands. Although, the results reveal that no market orientation gap exists between what manufacturers think of themselves and what customers think of them, the findings led to insights regarding the existence of an upstream market orientation gap. Also, the findings of the study suggest that management should realize that the positive effects of market orientation on business performance do not accrue immediately, because a change in the market oriented efforts take place slowly and is costly.

Table 1 - Studies of Market Orientation

Researchers	MO on Performance - Significance	Population
Narver and Slater, 1990	Significant - measured by business profitability	Commodity and Non- commodity businesses
Jaworski and Kohli, 1993	Significant - measured by judgmental performance	Manufacturing industry - SBUs
Appiah-Adu, 1998	Significant on three performance measures	Consumer/industrial and product/service business - United Kingdom
Langerak and Commandeur, 1998	Significant and positive on business performance	Manufacturing industry - Netherlands
Raju, Lonial, Gupta and Ziegler,	Significant for both small and large	

2000	hospitals	Hospital Industry - United States
Knight and Dalgic, 2000	Significant - international performance	Exporting companies - in the United States
Langerak, 2001	Significant - measured by sales growth, profit, product success and ROI - self and customer reports	Manufacturing industry -- Netherlands
Kumar, 2001	Significant - measured by organizational competencies	Acute care hospitals - United States
Gainer and Padanyi, 2001	Significant - measured by Customer Satisfaction	Non profitable organizations - Canada
Ramaseshan, Caruana and Pang, 2002	Significant - measured by overall new product performance	Consumer and industrial products / services - Singapore
Noble, Sinha and Kumar, 2002	Significant - five dimensions of MO on firm performance	Mass merchandiser sector of the retail industry
Saini, Johnson and Grewal, 2002	Significant - measured by e-commerce and web-site performance	Online Brokerage firms - United States
Matear, Osborne, Garrett and Gray, 2002	Significant on Market and Financial performance	Service Industry - New Zealand
Perry and Shao, 2002	Significant on Qualitative performance - moderated by traditional competition	Advertising Agencies - United States
Matsuno, Mentzer and Ozsomer, 2002	Significant - three measures of performance	Manufacturing industry - United States
Farrell and Oczkowski, 2002	Significant - four measures of performance	Manufacturing organizations in Australia
Pulendran, Speed and Widing II, 2003	Significant - positive on business performance	Multi-industry - Australia
Olivares and Lado, 2003	Significant on business economic performance	Insurance companies - the European Union
Agarwal, Erramilli and Dev, 2003	Significant - performance measured judgmentally and objectively	Hotel industry - General Managers - subjects
Kim, 2003	Significant - measured by growth and profitability	Multi industry - Korean subsidiaries in US markets
	Significant - measured by export	Textile and Apparel export industry

Akyol and Akehurst, 2003	performance	- Turkey
Matear, Gray and Garrett, 2004	Significant - positive effect on performance	Service organizations - New Zealand - Marketing subjects
Aziz and Yasin, 2004	Partially significant - influence on marketing competency	Manufacturing and Travel industry - Malaysia

A study of great relevance by Saini, Johnson and Grewal (2002) investigated the market orientation-performance relationship and tested the moderating role of a firm's information technology (IT). According to the researchers (Grewal, Comer, and Mehta 2001) the IT capability is a critical resource for effectively competing in the electronic media. In their study, Saini et al., conceptualized performance at two levels: (1) web site performance, that indicates the effectiveness of a firm's web site, and (2) e-commerce performance, that indicates the overall business performance of its Internet operations.

The population studied by Saini et al. was made up of online brokerage firms in North America. The results of their study indicate that both market orientation and proactive market orientation are critical for a superior performance on the Internet.

Hypotheses

The basic premise of this research study is to test the relationship between market orientation and business performance, and expand the body of knowledge established by previous research on the concept of market orientation. Thus the first hypothesis examines the relationship between market orientation and organizational performance of the nascent companies that operate in the high technology environment.

H1: The higher the level of market orientation the greater the organizational performance.

The second hypothesis of this study examines the impact of market orientation on performance of small and large organizations in the newly emerging and fast paced industries. Revenue was used as a measure of organizational size. Those companies with annual sales revenue of \$600,000 or more were determined to be large.

H2: The larger the size of the organization the stronger the relationship between market orientation and organizational performance.

METHOD

Sampling Method

The sample to be tested will be drawn from a population of Internet service providers and web hosting companies. These companies were drawn from the directory of Internet and web hosting companies located on the World Wide Web. A sample from this list was selected based on random sampling techniques.

Data Collection Procedure

The sampling frame consisted of 800 subjects. It was drawn from a list of Internet service providers and web hosting companies. The sampling frame consisted of a group of service providers with operations within the continental United States. These service providers were selected from the Internet and provided a variety of services basically directed at enhancing the technological capabilities and disk storage capacities of smaller and medium sized companies. The primary sampling frame was the Directory of Internet Access Providers, Web Hosting Companies and Telephone Prefix Locations, 2003. The mailing lists were derived from each one of the web sites of the companies listed in this directory. Questionnaires were sent electronically via e-mail to a group of 800 marketing and non-marketing professionals. Only 50 subjects returned the completed the questionnaire, out of the total group. A planned sample was drawn from the sampling frame.

To improve data collection the researchers followed some of the techniques, which had been recommended by Forsgren (1989) in his study. One important procedure was to include a cover letter or e-mail with the survey document. The researcher prepared the e-mail with a link to a web page, which included the questionnaire. The method of data collection involved the submission of the first e-mail, requesting the subject's participation in the survey. It involved the submission of the second e-mail with a statement that would link the subject to the questionnaire's web site. As a follow-up procedure, a telephone call was made to each one of the non-respondents. Another telephone call was made to non-respondents, within a week of having made the first call. The procedure described did not increase responses.

Participants

Of the respondents, 64.0% were senior executives, and 20.0% were senior managers or managers and the remaining respondents were administrative personnel. In terms of type of job function, 48.0% of the respondents were executive managers with the remaining respondents in sales related positions.

Theoretical Framework

Jaworski and Kohli (1993) defined market orientation as the implementation of the marketing concept. They described market orientation as the generation of market intelligence, dissemination of this intelligence across the functional areas of an organization and the organization's wide response to it. They were able to develop the market orientation framework into a formalized causal model that could be tested empirically. Their causal model of market orientation consisted of three constructs -- antecedents, two outcomes -- consequences of a market-oriented environment, and a set of mediating factors -- Market turbulence, competitive intensity and technological turbulence. The theoretical framework used in this study appears in Figure 2. The framework shows the dimensions of market orientation described by Jaworski and Kohli (1993) in their study: intelligence generation, intelligence dissemination, organizational responsiveness, mediating factors and a dependent measure of performance.

The Market Orientation framework designed by Jaworski and Kohli was chosen since it had been used extensively in other research studies. This study will investigate the relationship between Market Orientation and the Business Performance of the web based Internet Service Providers and web hosting companies. The relationship was tested using this framework.

Figure 2

Market Orientation - Theoretical Framework

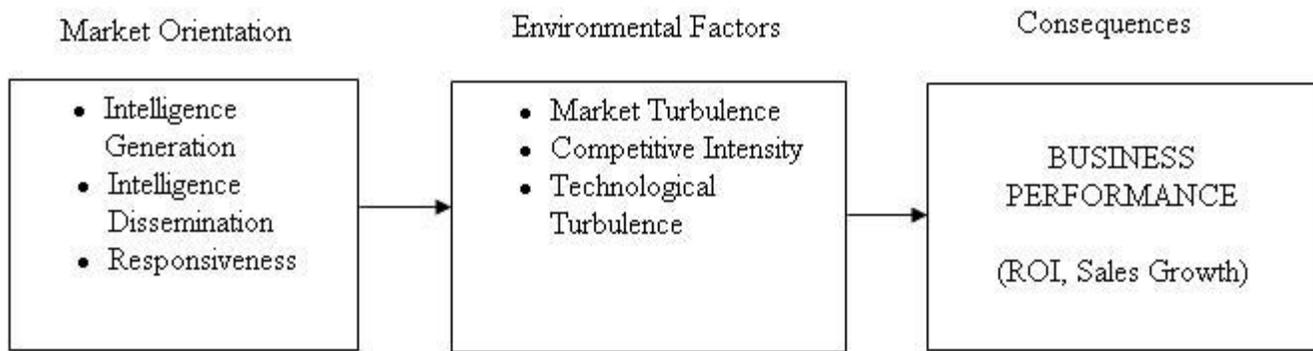


Figure 2: Jaworski and Kohli's Market Orientation framework (Jaworski and Kohli, 1993)

Measures

Market Orientation was measured with a 12 items scale. Of these 12 items, four corresponded to Intelligence Generation (MI); three to Intelligence Dissemination (MID); five items belong to responsiveness (MIR), two to Response Design (RD) and three to Response Implementation (RI). Of the five items on responsiveness, the ones dealing with Response Design (RD) investigated how the organization developed plans based on its response to the market intelligence that it had collected. The items referred to Response Implementation (RI) assess the actual implementation of the plans developed.

Business performance was measured by a judgmental or subjective measure. The subjective measure asked respondents for their assessment of the overall performance of the business and its overall performance relative to major competitors. A 5-point scale was used to measure competitor's rating; 1 (poor) to 5 (excellent).

The following was the 6 items scale prevalent throughout the questionnaire: 1. Completely disagree, 2. Mostly disagree, 3. Neither agrees nor disagree, 4. Mostly agree, 5. Completely agree, 8. Cannot judge. The participants were asked to complete the questionnaire that was linked to the cover letter and submit it as soon as it was completed. The data was then loaded into the SPSS databases and saved for posterior analysis. The original instrument was modified and adapted to fit the new industry of service providers.

Results

To explicate the nature of the relationship between market orientation and organizational performance within web-hosting organizations, several different analyses were conducted. Initially, descriptive statistics (means and standard deviations), correlations and internal consistency estimates (Cronbach's alpha's) were computed. These statistics are presented in Table 2. A Pearson correlation was used to test the overall relationship between MO and performance, whereas a test for the difference between two independent correlations was used for the moderator hypothesis (Cohen & Cohen, 1983). Coefficient alphas for the market orientation scales ranged from .72 to .78. All of these internal consistency coefficients meet the standards recommended for research purposes (Standards for Educational and Psychological Testing, 1999).

Descriptive Statistics

Table 2 presents the means and standard deviations of the study variables: the three dimensions of market orientation and the measure of organizational performance. The average level of market orientation reported by the respondent organizations was 4.03. Regarding the three facets of market

orientation, response design and implementation was rated highest ($M = 4.40$), followed by intelligence generation ($M = 3.81$) and intelligence dissemination ($M = 3.70$). A composite measure of organizational performance was created by averaging the ratings of performance on the two dimensions for each respondent. Using this metric, the average organizational performance as reported by respondents was 3.83.

Hypothesis I

The first hypothesis examined the relationship between market orientation and performance. A Pearson correlation was conducted to determine whether market orientation was related to organizational performance within web-hosting companies. The overall relationship between market orientation and organizational performance was .40 ($p < .01$). It appears that there is a positive relationship between market orientation and organizational performance, with higher organizational performance associated with a greater focus on market orientation. Sixteen percent of the variance in performance is accounted for by the variance in market orientation. In addition, these results demonstrate that the composite market orientation measure has a stronger relationship with performance than any one of the market orientation facets alone.

Hypothesis II

Hypothesis II proposed a stronger relationship between market orientation and performance for large organizations than for small organizations. In other words, organizational size was expected to moderate the relationship between market orientation and performance. A test for the significance of the difference of independent r 's (Cohen & Cohen, 1983) was performed to determine whether the relationship between market orientation and performance was stronger for large organizations than for small organizations. Organizational size was operationalized as the yearly revenue of the company.

\$600,000 was identified to be the median for the revenue variable, and as a result was chosen as the splitting point between small and large organizations. Twenty-seven organizations were considered small using this criterion, and 23 organizations were considered large. Tests for the difference between two independent correlations from two different samples were performed to determine whether the strength of the relationships significantly differed based on size (operationalized as revenue). As is presented in Table 3, the correlations between market orientation (both total and the different facets) and performance are stronger for the organizations that have a revenue including and over \$600,000 than are the relationships for organizations with a revenue less than \$600,000. Several of the relationships were significantly different at $p < .10$. At this level of significance, the relationship between MO and performance was significantly higher for large organizations, as were the relationships between market response and performance and intelligence generation and performance. The results moderately support the assertion that the relationship between market orientation and performance changes as a result of the size of the organization.

Table 2

Descriptive Statistics, Correlations and Alpha Coefficients for Study Variables

<u>Variable</u>	<u>Mean</u>	<u>SD</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
1. Intelligence Generation	3.81	.92	(.72)				
2. Intelligence Dissemination	3.70	1.07	.40*	(.78)			
3. Response	4.40	.61	.41*	.54**	(.76)		

4. Market Orientation	4.03	.67	.79**	.80**	.80**	---	
5. Organizational Performance (Total)	3.83	.77	.30*	.30*	.34*	.40**	(.77)

Note. α is on the diagonal.

N=50

*p <.05, **p<.01

Table 3

Relationship between Market Orientation and Performance by Organizational Size

	Small Orgs. Orgs. < \$600,000	Large Orgs. Orgs \geq \$600,000	Difference	P-Value
Relationship Between MO and Org. Performance (Total)	.29	.62	.33	.0795*
Relationship Between MIR and Performance (Total)	.20	.59	.39	.059*
Relationship Between MID and Performance (Total)	.26	.48	.22	.189
Relationship Between MI and Performance (Total)	.17	.52	.34	.091

Note. N=50

* p<.10

CONCLUSIONS AND DISCUSSION

The results of recent studies have uncovered strong relationships between the concepts of market orientation and organizational performance. Although there is a large body of research on the topic of market orientation, there is a gap that pertains to implementation of market orientation across organizations that comprise fast paced environments such as those that exist within the Internet commerce environment. This study explored implementation of market orientation in the context of web hosting and Internet service providers to understand impact of market orientation on these kinds of companies.

The first hypothesis examined the relationship between market orientation and organizational performance. Higher organizational performance was found to be associated with a greater focus on market orientation. The second hypothesis compared the level of market orientation of all the companies to their size. The results showed that there is moderate support the assertion that the relationship between market orientation and performance changes with the changes in the size of the company.

Implications for Theory Construction

A significant finding of this study relates to the importance of company size on the development of a market orientation. Companies operating in a fast-paced environment as represented by the Internet show an elevated level of market orientation as annual revenue increases. The findings of this study show that size is strongly related to the level of market orientation based on an examination of reports from web hosting companies and Internet service providers.

Much of the academic literature that has examined market orientation has either omitted or not reported the impact of the organization's size in the analysis of the relationship between market orientation and organizational performance. Researchers should consider the organization's size as one of the variables to be measured and reported during the developmental phase of a study. The implication of this may be

that studies, which might otherwise find either small or nonexistent relationships between market orientation and performance, may result in modified conclusions when size is taken into consideration.

Implications for Managerial Practice in Buying or Selling in an Ecommerce Environment

Larger companies have more resources as a function of their size. This study has confirmed that for companies that support Internet commerce --- web hosting companies and Internet service providers' larger size translates into higher levels of market orientation. This finding has enormous implications for conducting business on the Internet.

The first implication is that size does matter to a prospective buyer. For the purchaser considering alternatives among various Internet company service offerings, the purchaser might benefit by more seriously considering purchasing from larger companies if market orientation is a consideration. It is not unreasonable to assume that the larger company may have devoted more resource to the generation, dissemination and response to market intelligence that may result in greater value to the purchaser.

The second implication is that size does matter to the marketer engaged in ecommerce. Managers of ecommerce departments or companies who seek to acquire more resources to invest in marketing can be expected to be rewarded with better business results. The process that companies use to seek additional financial resources usually results in the companies making presentations or providing a prospectus to potential investors. These potential investors are often Angel investors, venture capitalists or investment banks and equity investors in general. This study supports managers assertions that money invested in support of building market orientation processes may be money worth investing.

The rationale for the results is fairly direct. The key elements of market orientation give a company an advantage over other firms. Managers of companies who think of themselves as too pressed for time to conduct marketing programs sometimes refer to their time context as operating on "Internet time". They may rationalize that they do not have the time to put into place classic marketing processes. The results of this study indicate, however, that the elements of market orientation provide for higher levels of performance and may be important to the success of a company conducting business on the Internet or providing services to companies that use the Internet to conduct commercial activities.

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