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Exploring market orientation among Chinese small and medium-sized enterprises

ABSTRACT

Purpose – The role of marketing as a business function is rapidly changing in China. Consequently, their views on marketing orientation – whether it is accepted, rejected, modified or reframed – have been seriously impacted. This paper reports on the results of a survey among Chinese small and medium-sized enterprise managers and their perceptions of the market orientation philosophy. In particular, emphasis was placed on 3 dimensions of market orientation: intelligence generation, intelligence dissemination, and responsiveness. The effect of market orientation on business performance was also examined.

Design/methodology/approach – The authors collected data from 214 managers from small and medium-sized enterprises (SME). These businesses were located in the cities of Beijing, Shanghai and Shenzhen. The commonly used MARKOR measure was used to test the hypotheses.

Findings – Consistent with the extant literature, our findings provided empirical support for the 3 dimensions of market orientation among Chinese SME. We also found that a positive relationship existed between Chinese SME market orientation and firm performance.

Research limitations/implications – This study provides major insights into the market orientation measurement and practices of SME in China. From a measurement perspective, the empirical support for MARKOR across a non-Western context is noteworthy. From a practitioner perspective, the implications relating to understanding Chinese SME and how these companies can best market their products and services to their respective markets are critical. Some of the limitations of our study relates to the sample size, convenience sampling and geographic concentration of the respondents.

Originality/value – Our study addresses the gaps in the literature by exploring market orientation in non-large scale businesses as well as the adaptation of the concept in a non-Western cultural setting. Our findings extend the conceptualization and application of market orientation to Chinese SME.

Key words –Market orientation, Chinese SME, performance,

Paper type – Research paper

Exploring Market Orientation among Chinese Small and Medium-Sized Enterprises

INTRODUCTION

Market orientation is a common idea marketers use to gauge the extent to which an organization implements or executes the marketing concept (Jaworski & Kohli, 1993). Market orientation (hereafter MO) requires implementing concrete actions that respond to consumer needs and/or wants based on information gathered from market intelligence (Salyova et al., 2015; Qu, 2007). In general, a MO strategy provides the consumer with greater satisfaction from products as well as provides the firm with greater opportunities to achieve performance goals (Boso, Cadogan & Story, 2012; Agarwal et al., 2003; Jaworski & Kohli, 1993).

While there has been a plethora of studies linking MO and firm performance, a majority of these studies have centered on the operations of large-sized businesses in developed countries (Vazquez, Santos & Alvarez, 2001; Olimpia, Chawit & Amorant, 2007; Amirkhani & Fard, 2009). In fact, according to Grinstein (2008) and Song, Wang and Cavusgil (2015), there is an apparent bias with more than 80% of the samples in MO studies coming from developed countries. By and large, very few studies have been conducted among small and/or medium-sized firms in developing countries (Li & Zhou, 2010; Dwairi, Bhuain & Turkus, 2007; Hinson et al., 2008).

As a result, there is a two-fold gap in the extant literature that requires the following research actions: First, we need to better understand the degree of MO in different business sizes and/or scales. Second, we need to also explore MO in various contexts such as in emerging and/or developing markets (Ozturan, Ozsomer & Pieter, 2014). Our study addresses these aforementioned gaps.

Market Orientation in China

China's accession to the World Trade Organization in 2001 led to the inevitable exposure of [Chinese] firms to Western management techniques (Agarwal & Wu, 2004). In general, most of the concepts incorporated into Chinese business operations were more technical and quantitative in nature. The softer approaches, such as emphasis on marketing and consumer behavior, have been less ambitiously adopted primarily because of ideological barriers (i.e., Communism) that controlled the Chinese society as well as how its members behaved and conducted business (Kshetri, 2009; Agarwal & Wu, 2004). In fact, marketing ideas have often clashed with the societal values that the political and corporate power brokers have established (Lynn et al., 2002).

While Chinese firms have made major strides toward the acceptance of the MO philosophy of the West, the levels of capabilities and operational efficiencies are still evolving when compared to Western counterparts (Li & Zhou, 2010). Due to the uneven economic development across China as well as enterprise reform (Tang & Ke, 2013), it could be argued that Chinese businesses are still less market-oriented. For example, many state-owned enterprises (SOEs) are not considered as market oriented as the newly reformed ones (Li-Qun & Chung-Ming, 2005). As a result, a better understanding of how the MO concept is adapted among Chinese businesses would be valuable (Kshetri, 2009).

Purpose of the Study

To this end, our research contributes to the literature by extending scale (i.e., small and medium-sized enterprises) and scope (i.e., emerging economy like China) in the study of market orientation. In particular, the primary aim of this study is to investigate the relationship between MO and firm performance among Chinese small and medium-sized enterprises (hereafter SME).

Our findings can help Chinese SME alter their strategic focus as well as benefit from the opportunities generated by adopting a market orientation approach. Moreover, our findings give Westerners a glimpse of the marketing practices among Chinese SME. Most importantly, our approach in examining MO is valuable in terms of extending the generalizability, and to some extent, the validity of the concept in non-large scale businesses across a non-Western context.

The remainder of this paper is organized into four sections. The next section provides a review of extant literature, a description of the conceptual framework used and the hypotheses tested in the study. The research methodology is presented in another section. Finally, the last two sections provide in-depth analysis, discussion, study limitations, and conclusion based on the findings.

LITERATURE REVIEW AND HYPOTHESES GENERATION

The topical area of market orientation continues to generate much interest in business research (see Zhang, 2016; Salyova et al., 2016; Song & Cavusgil, 2015; Ozturan, Ozsomer & Pieter, 2014; Spillan et al., 2013; Kumar et al., 2011; Hult, 2011; Murray, Gao & Kotabe, 2011; Harmancioglu, Grinstein & Goldman, 2010; Ketchen, Hult & Slater, 2007; Kirca, Jayachandran & Bearden, 2005). This is because academicians and practitioners alike have recognized MO as an important philosophical approach for a successful business strategy.

Market Orientation: Dimensions, Scale and Context

MO represents the implementation of the marketing concept where three main components are brought together - customers, inter-functional coordination, and profitability (Felton, 1959; Konopa & Calabro, 1971; McNamara, 1972; Houston, 1986; McCarthy & Perreault, 1993; and Kotler, 1994). Market orientation assumes the marketing responsibility of all functional units in the business. Stated differently, market orientation is viewed as putting

into practice the marketing concept. It is essentially regarded as a business philosophy (Dursun and Kilic, 2017). The market orientation literature has regularly indicated its value added role as it relates to business performance because it provides a competitive edge by understanding consumer's needs, competitors' actions and new developments in technical innovations (Prifti and Alimehmeti, 2017). Shapiro (1988) suggests that three characteristics make a company market-driven: (1) Information on all-important buying influences permeates every corporate function; (2) Strategic and tactical decisions are made inter-functionally and inter-divisionally; and (3) Divisions and functions make well-coordinated decisions and execute them with a sense of commitment (Narver & Slater, 1990).

Dimensions. In the seminal works of Kohli and Jaworski (1990) defined MO as the organization-wide generation and dissemination of market intelligence as well as the responsiveness to the intelligence. The generation of market intelligence relates to monitoring customers' needs and preferences as well as the analysis of how they might be affected by factors such as government regulation, technology, competitors, and other environmental forces. Environmental scanning activities are subsumed under market intelligence generation. Intelligence dissemination refers to the communication and transfer of intelligence information to all departments and individuals within an organization through both formal and informal channels. Responsiveness is the action that is taken in response to the intelligence that is generated and disseminated. Unless an organization responds to information, nothing is accomplished (Kohli & Jaworski, 1990).

Scale. As noted earlier, the extant literature on market orientation has mostly focused on large enterprises. This is counterintuitive given the fact that firm size is known to be an important factor when it comes to organizational competitive advantage and performance (Li &

Zhou, 2015; Tang & Ke, 2013). The resource constraints faced by small- and medium-sized firms are most likely to impact their strategic orientation (Guo & Wang, 2014). In general, large firms enjoy some advantages over the smaller ones in terms of bargaining power, name recognition, economies of scale and pricing power (Fiegenbaum & Karnani, 1991). Smaller firms, on the other hand, face serious challenges in terms of financial and human resources (Guo & Wang, 2014). And yet, despite the vast differences between large and small enterprises, some authors have suggested that smaller firms can improve their performance often by being highly market oriented and flexible (Raju, Lonial & Crum, 2011). Raju, Lonial and Crum (2011) reported that in thirteen of the sixteen studies they completed, they found a direct and positive relationship between the components of MO and performance of the SME. Pelham and Wilson (1996) contend that for small businesses, MO can be an especially effective strategy primarily due to their limited resources. Because a small business cannot afford to pursue other sources of business profitability, such as research and development, MO becomes an important strategic alternative.

Context. Another area in the MO-business performance link that needs further investigation relates to studies that focus on non-Western contexts (Zhang & Zhu, 2016). In particular, studies investigating the role of MO in unknown political and economic environments of emerging or developing markets are needed (Zhang & Zhu, 2016; Agarwal & Wu, 2004). In market-driven societies such as the United States, the concept and adaptation of MO are foregone conclusions. However, in controlled and emerging economies, the concept may be less compelling.

Herein lies our interest in China where, in the last 25 years, a major modernization process has been taking place at an exponential pace (Li & Zhou, 2010; Agarwal & Wu, 2004).

China has been changing their business practices by incorporating Western ideas into their business organizations' structures and operations.

Market Orientation and SME in China

Many Chinese firms have recognized the essence of the marketing concept and as such, have begun to focus on customer orientation practices (Qu, 2007). These efforts were particularly evident after the 2008 Summer Olympics where marketing became a major element of business operations (Kshetri, 2009). As Chinese businesses enthusiastically accepted marketing, they have also begun to recognize the important benefits of MO. To cite some benefit-related examples, Zhou et al. (2005) found that MO had a positive impact on employee attitudes, satisfaction, and organizational commitment. Qu (2007) found a positive relationship between MO and corporate social responsibility. Cao and Hansen (2006) reported that MO provided competitive advantage while Li and Zhou (2010) found that managerial ties and MO can lead to a firm's success.

In recent years, the development and growing presence of SME in China has become increasingly important to the country's economic development, innovation and job creation (Tang & Ke, 2013). There are more than 40 million SME now operating in China (Cunningham, 2011). This number indicates a major presence of this type of business structure and demonstrates that it is having a major contribution to the Chinese society. And, since their existence is essential to China's sustained economic growth and stability, it is fitting that more research examine the marketing activities of these firms.

Research Hypotheses

In this study, four key relationships are investigated. Figure 1 provides a graphic representation of the proposed interrelationships. The current authors adopt Kohli and

Jaworski's (1990) conceptualization of MO of market intelligence, dissemination and responsiveness as well as Kara, Spillan and DeShields' (2005) research on small- sized service retailers.

Insert Figure 1 About Here

Intelligence Generation. Market intelligence generation is the collection and assessment of customer needs/preferences and forces that influence the development of those needs (Kara, Spillan & DeShields, 2005). MO emphasizes delivering superior value to its customers (Slater & Narver, 1994). An enterprise that gathers market information and employs other MO capabilities can more skillfully predict future consumer needs and adapt more rapidly to the variations taking place in the marketplace (Najafi-Tavani, Sharifi & Najafi-Tavani, 2016). The inability to understand and forecast current as well as future customer needs or desires can result in making and presenting products and services that do not satisfy customers. Wang and Chung (2013) posited that market intelligence and information in Chinese organizations are usually acquired from business connections. This may be a function of the Chinese culture being more collectivist in nature and whereby relationships are crucial for the success of small and medium-sized businesses (Chew, Yan & Cheah, 2008). Therefore, it can be expected that:

H1: Intelligence generation is a positive indicator of Chinese SME market orientation.

Intelligence Dissemination. The process and extent of market information exchange within a given organization is known as intelligence dissemination (Kara, Spillan & DeShields, 2005). The intelligence collected during this stage is typically shared among SME decision makers to give them the chance to ask questions and acquire new insights (Quinn, 1992).

Information dissemination includes sharing the information with people who have to make decisions about products and services that will satisfy customers' needs (Han, Kin & Srivastava, 1998). Similar to intelligence generation, dissemination is also informally conducted by Chinese SME (Guo & Wang, 2014). In fact, it is quite common for SME to not have established or formalized systems to effectively disseminate the information about customers and competitors (Wang & Chung, 2013). Despite the absence of any formal means for disseminating information, this dimension is still essential to the success of MO, and so we posit that:

H2: Intelligence dissemination is a positive indicator of Chinese SME market orientation.

Responsiveness. This refers to the actions taken in response to intelligence that this generated and disseminated (Kara, Spillan & DeShields, 2005). After SME have collected, processed and shared market intelligence with the appropriate people, they have to take the necessary course of action to accommodate consumer needs by creating marketing strategies (Gonzales, Vijande, & Casielles, 2002). As such, SME execution of a MO strategy is contingent on the businesses' level of organization-wide concern and responsiveness to customer needs and competitive action (Najafi-Tavani, Sharifi & Najafi-Tavani, 2016). Thus, we propose the following hypothesis:

H3: Responsiveness is a positive indicator of Chinese SME market orientation.

Performance. Market orientation is considered a primary instrument for competitive advantage because it directs organization's attention to understand and take advantage of exogenous factors surrounding a firm (Kumar et al., 2011). Accordingly, firm is able to identify and respond to customers' needs by offering products to satisfy those needs in return for profits. There is ample empirical evidence supporting the relationship between MO and organizational or business performance (Salyova et al., 2016; Diamantopoulos & Hart, 1993). In fact, Pitt et al.

(1996) concluded that this relationship is stable. Likewise, Jaworski and Kohli (1993) found the linkage between MO and performance to be robust. Other authors have also reported the notable influence of MO on customer orientation (Siguaw et al., 1994) and organizational commitment (Jaworski & Kohli, 1993). Additionally, the positive relationship has been established between MO and financially based performance measures such as relative return on assets (Narver & Slater, 1990), long-run financial performance (Ruekert, 1992) and sales growth (Chew, Yan & Cheah, 2008). Salyova et al. (2016) found support for the positive correlation between MO and sales, profit, return on investment, return on sales and return on asset.

In the context of SME, it has been suggested that MO is likely to be a vital factor for success since these firms usually lack the financial means to pursue other sources of business profitability such as innovative R&D, developing competitive advantages, hiring competent leadership or skilled staff to develop effective planning strategies (Guo & Wang, 2014; Pelham & Wilson, 1996). Evidence of this sentiment can also be inferred from the findings of Narver and Slater (1990). In keeping with previous research, we hypothesize the following:

H4: Market orientation positively influences Chinese SME performance.

METHODOLOGY

Sample

For categorization purposes, we adapted the International Chamber of Commerce (ICC) definition of a small or medium-sized enterprise. According to the ICC, an SME is an organization that has 100 and 2000 employees (Businessdictionary.com, 2016). Subjects who participated in the sample were SME managers operating in 3 key Chinese cities: Beijing, Shanghai and Shenzhen. In these cities, markets are relatively open and the economics are relatively developed (Li & Zhou, 2010). As a result, there is some expectation of market

orientation adaptation. In fact, more than two thirds (2/3rds) of the respondents considered their organization to be market oriented and almost all exhibited high levels of market performance growth. Refer to Table 1 for demographic characteristics of the participating SME managers.

The Chinese participants in this study were recruited based on convenience sampling. While we would have preferred a wider range of sample [SME in urban and rural areas], the methodology utilized here is comparable to several other studies that explore strategy and business performance in China (e.g., Chew, Yan & Cheah, 2008). We tapped into a sample of managers who presumably have working knowledge and experience into their respective organizations' MO. Therefore, they are able to provide relevant data regarding MO as well as answer the performance-related questions. Because the sample belongs to small and medium-sized organizations, they are also more likely to be familiar with their business model across most functional areas. Additionally, most of the respondents had at least 4 years of experience in the organization and held a college degree or higher, giving them ample exposure to their organizations' operations.

Insert Table 1 About Here

Data Collection

The data collection method utilized in this study was consistent with previous firm level studies (Stover & Stone, 1978; Imperia, O'Guinn & MacAdams, 1985). The survey was conducted through personal interviews. The questions used were translated into Mandarin and then back-translated to English.

The survey completion process consisted of two or more visits with the sample. Data

were collected once permission had been granted after the initial contact. In almost all cases, the first visit consisted of dropping off the survey with the owner or manager. During the second visit, questions were answered and the completed surveys were collected. This usually took place during normal business operations. When necessary, the survey was also conducted after business hours if this was deemed more convenient by the business owner or manager.

Given the nature of the survey and the obvious limitations associated with our sample, we made sure that potential issues were addressed or anticipated at the onset of the research design. Indeed, there are also a number of scholars (e.g., Boachie-Mensah & Issau, 2015; Chin et al., 2013; Harzing & Sorge, 2003) who have used similar sampling procedures in the marketing literature. The data collection process utilized here allows researchers to gather useful data and information that would not have been possible to collect using probability sampling techniques particularly in international markets. Moreover, all sampling methods [including large samples sizes] may be just as problematic as a small sample size considering the potential systematic and unsystematic errors in the data collection process (Davis, Douglas & Silk, 1981). Therefore, we contend that the sheer size of a sample does not necessarily guarantee a sample's ability to accurately represent a target population.

We also paid close attention to the sample source, which is just as important as the sample size. We controlled the nonresponse bias by using a previously tested survey design, offered incentives and used the appropriate contact method. All quality controls were in place during the data collection process to ensure that the selected subjects are reached. Finally, in this research, we assumed that the subjects' target population was homogeneous with no significant difference in the results from a random sample [which is not possible to obtain due to the nonexistent list of the finite population].

Operationalization of Variables

The scale items used in our study have been previously used in the extant literature to measure market orientation as well as considered to have sufficient content validity and adequate levels of reliability.

Measurement. Market orientation scale (MARKOR) items used in this study were mainly adopted from Kohli, Jaworski and Kumar (1993). Kohli, Jaworski and Kumar's (1993) original MARKOR scale was comprised of 32 questions. Intelligence generation was a 10-item Likert-type scale; intelligence dissemination variable was an 8-item Likert-type scale; and, responsiveness variable was a 14-item Likert-type scale. MARKOR used "strongly disagree" and "strong agree" as anchors. Performance was measured based on the sample's self-reported response of their respective company's average revenue growth, market share and ROI in the past 3 years.

Equivalence. The measures used in this study were initially developed in the United States. Consequently, applying these measures to different cultural groups could be potentially problematic. In particular, the use of the translated Mandarin version presents a reliability challenge – attenuating the precision of estimators and reducing the power of statistical tests (Davis, Douglas & Silk, 1981).

As shown in Table 2, three underlying dimensions (intelligence generation, intelligence dissemination, and responsiveness) were used to operationalize MO. Bartlett's test of sphericity and Kaiser–Meyer–Oklin statistics indicated that the data was suitable to identify factor dimensions. Keeping in mind the above considerations, we trimmed the items for MARKOR following Anderson and Gerbing's (1988) recommendation. Using measure purification, the number of scale items was retained (Joreskog & Sorbom, 1988) – 3 items retained for

intelligence generation, 4 for dissemination and 3 items for responsiveness. In general, the reliability of the trimmed scales was good. We checked each construct's reliability using Cronbach's alpha. The calculated Cronbach's alphas for the intelligence generation, dissemination and responsiveness were .77, .75 and .83, respectively. All reliability scores were above the minimum standard for reliability of .70 suggested in the literature (Nunnally, 1967). Therefore, we can make a case that these scores are satisfactory for testing and validating the structural relationships identified in our model. In Table 2, we provide the trimmed measurement items.

Insert Table 2 About Here

Construct Validity. We used confirmatory factor analysis (CFA) to develop an acceptable measurement model. The test of a measurement model allows us to assess whether observed variables are really measuring their underlying theoretical constructs and whether the measurement model provides evidence of an acceptable fit to the sample data. All constructs were evaluated for unidimensionality, reliability, and discriminant validity (Anderson & Gerbing, 1988). The measurement model was estimated based on a covariance matrix using the maximum likelihood estimation method (Chou & Bentler, 1995), a commonly used approach in structural equation modeling (SEM). The multidimensionality and fit of the measurement model for each construct were also tested using confirmatory factor analysis (CFA). CFA results indicated satisfactory results for the dimensionality of the scale as indicated by GFI = 0.929, comparative fit index (CFI) = 0.943 and root mean square error of approximation (RMSEA) = 0.085. All of these indices fall within the accepted boundaries used in the literature, thus indicating that the

measurement model for MO was been confirmed. Figure 2 shows the measurement model for the MO scale.

Insert Figure 2 About Here

Discriminant Validity. Discriminant validity is the extent to which a construct is truly distinct from other constructs. Table 3 shows the overall model construct means (\bar{x}), standard deviations (SD), and average variance extracted (AVE) and construct intercorrelations. The AVE for each of the four constructs in the model ranged from 0.45 to .76 and with one exception, they were greater than the minimum acceptable AVE criteria of .50 (Bagozzi & Yi, 1988). Furthermore, similar to the Richard and Purnell's (2017) presentation of model information, Table 3 also shows that the tested model had acceptable levels of discriminant validity with the construct intercorrelations being less than the corresponding square root of the AVEs for each construct (Fornell & Larcker, 1981) with one exception, intelligence dissemination. All intercorrelations constructs were significant at $p < 0.001$ level.

Insert Table 3 About Here

Although one could argue that these results demonstrate weak discriminant validity, it is important to note that these results need to be evaluated based on the entire information rather than using a single indicator. In keeping with other researchers (e.g., Bagozzi & Yi, 1988), we contend that AVEs indicate acceptable levels of discriminant validity. All but one AVE were of equal or higher than the suggested SIC level in the literature. This suggests sufficient convergent

validity. Additionally, we contend that researchers should not solely focus on specific cut-off scores to assess validity but rather to use the original scale as conceptualized. In this study, we tested the original measurement scale in a culturally different environment and in a different context. Although we would have preferred to see all AVEs to be larger than their respective SICs (or all interconstruct correlation being less than the corresponding square root of the AVEs for each construct), considering the measurement model in its entirety, we can claim that these results are acceptable and sufficient to test the hypothesized structure. We also believe that the three-construct CFA model used in this study demonstrates sufficient properties to proceed with the analysis. Finally, the standardized weights (i.e., all above .50) and overall composite reliability (i.e., .76-.88) are consistent with Fornell and Larcker's (1981) minimum acceptable criteria of .70 for adequate convergence or internal consistency. Therefore, when taken together, the results provide initial support for the convergent validity of the four constructs used in the structural model. Although some statistics may appear to be below estimates suggested in the literature, they do not appear to significantly harm model fit or internal consistency. In addition, the model fit was relatively good as measured by various goodness-of-fit measures.

RESULTS

The structural equation model (SEM) was used to test the hypothesized relationships. The results of the SEM and path coefficients are shown in Figure 3. Figure 3 depicts MO as a second order latent construct composed of three first order latent constructs of MARKOR model.

Insert Figure 3 About Here

H1-H4

H1 suggests that intelligence generation among Chinese SME is a positive indicator of MO. As reported in Figure 3, the lambda coefficient for the relationship is positive and significant ($\lambda_{x11} = 0.60$, $t = 7.230$, $p < 0.001$) as predicted. Therefore, we found support for H1.

H2 proposed that intelligence dissemination among Chinese SME is a positive indicator of MO. The lambda coefficient for the relationship is positive and significant ($\lambda_{x12} = 1.04$, $t = 9.156$, $p < 0.001$), supporting H2.

H3 predicts that responsiveness among Chinese SME is a positive indicator of MO. The lambda coefficient for the relationship is positive and significant ($\lambda_{x13} = 0.74$, $t = 8.739$, $p < 0.001$). Support was found for H3.

H4 stated that market orientation positively influences Chinese SME performance. We calculated a significant and positive lambda ($\gamma_{11} = 0.25$, $t = 3.247$, $p < 0.001$), supporting H4.

The model fit values for entire the structural model were within the suggested guidelines ($\chi^2=159.60$, $p=.000$, $GFI=0.90$, $CFI=0.93$ and $RMSEA=0.087$). Although the relationship is statistically significant, the path coefficient is relatively small and the explained variance of the model ($R\text{-squared}=0.10$) is very small. While this indicates that MO is a statistically significant factor contributing to Chinese SME performance, it appears that other factors that were not included in the model is explaining the majority of the variation and therefore warrants further investigation.

DISCUSSION AND LIMITATIONS OF THE STUDY

The structural equation modeling used in this analysis confirms the current authors' arguments that, in fact, MO does have a positive impact on Chinese SME performance. All measurements contained in the model were satisfied and met the criterion that determines the

efficacy of the model's fit.

Research Implications

Our study contributes to the MO literature in two different ways. First, we addressed the gap in the literature by examining MO in a non-Western context. And second, while most MO studies about Chinese businesses have used large state-owned companies, our study investigates privately owned small to medium-sized Chinese companies.

Based on our empirical findings, we offer several insights about the market-oriented activities of Chinese SME. First, Chinese SME studied here are in fact using a MO strategy and they are expanding their market share and increasing their return on investment. Second, the Western marketing ideas, such as MO, are providing Chinese firms with a roadmap of stable and effective tools to sustain their businesses and continue to build a competitive advantage for a variety of SME across the key cities in China. Finally, the results of this study indicate that the MO construct has value in different business environments - different scale (i.e., SME) and context (i.e., non-Western).

Although a reduced number of scale items were used to operationalize the MARKOR dimensions to improve the model fit, this study provides empirical evidence to the robustness of the MO construct. MARKOR's ability to measure MO across cultures and business types is evident in this study. Therefore, while MARKOR may be construed as an older construct, it is still valuable and applicable worldwide.

Managerial Implications

This study provides some important insights into the MO practices observed by small and medium-size enterprises in China. Given the transitional and emerging nature of the Chinese economy, our findings provide clues to how managers can best market products to their

respective industries. While the insights in this study may not be pervasive across China and in all industries, they do provide the marketer with new areas to focus and a glimpse of what MO might be in a non-Western business environment.

The implication for practicing managers is clear. Since the implementation of a market orientation leads to improved financial and marketing performance, Chinese SME managers' awareness of changes in the marketplace is critical. In developing economies such as China, a MO approach may still be a novel concept. As such, there is a limited understanding of whether MO alone is enough or does it need to be accompanied by other internal resources (Guo & Wang, 2014; Menguc & Auh, 2006). At the core of implementing MO into practice is for managers to set customers into the center of company's attention and ensure their satisfaction (Šályová et al., 2015).

Since an organization's strategy and performance are affected by its MO, the company's marketing practices have to be managed properly for success to be achieved. By this we mean that management must establish a culture that makes sure that the elements of MO are implemented effectively. It may require structural and human resource changes based on the information (i.e., market intelligence) gathered about the marketing environment in which the organization is competing (Li & Zhou, 2010). Additionally, managers need to be acutely aware of the inter-functional coordination that needs to be operational. This requires the management of people's behaviors and their activities (Dobni & Luffman, 2003). It requires having the appropriate resources available at the right time with the right attitude about the implementation of the marketing activity. It may also require organizational structure and procedures that enhance connectedness (Johnson et al., 2009).

Although all three dimensions of MARKOR have contributed to the MO construct, our structural model shows that the intelligence dissemination (ID) had the highest contribution to the MO for Chinese SME. This information may offer additional insight into the importance of ID for Chinese SME. ID could be accomplished through informal meetings and discussions within the organization. In addition to informal meetings to share the customer and market related information, managers are encouraged to use the prevailing cultural dynamics of Chinese business relationships (Guo & Wang, 2014; Li & Zhou, 2010).

The market intelligence (MI) component of the MO strategy provides managers with a better means to understand customer needs and desires. For example, understanding customers' purchasing habits and what motivate them to purchase products and services can assist in market segmentation efforts (Keh et al., 2007). It also provides a mechanism to identify opportunities but more importantly, the MI gathering function of the MO strategy can provide the information that can minimize the risk that exists during the decision making process. It can lessen the unnecessary uncertainty that exists in the marketing environment (Keh et al., 2007). This is because MI provides marketers with information used to develop different combinations of marketing mix tools to satisfy consumer needs and meet competitive activity.

Finally, the SME marketers need to relate MO strategies to the existence of state-owned enterprises (SOE) in China. The SOEs have totally different business models, practices and organizational structures. The interface of SOEs and MO can create different decision making approaches that may or may not be congruent with the MO strategy. Marketers may have to use different approaches to adapt the MO strategy to a SOE business environment. Within this context, managers need to understand that many reforms are and have been occurring in China that can have a major impact on a SMEs ability to implement the elements of the MO strategy

(Oniku, 2009). This study demonstrates that there is a call for Chinese firms to be more market oriented and respond proactively. They can do this by becoming more customer oriented or competitor oriented in order that they can respond quickly to the changes in the environment so they can take advantage of the business and market opportunities that emerge. The Chinese firms need to practice market orientation as a strategy for the purpose of advancing and developing it in future business ventures.

Limitations of the Study

Similar to other research that use Western-based measures across non-Western sample groups, an important consideration here is the validity of this study. To the best of our knowledge, MARKOR has not been translated into Mandarin. Most studies typically mention the translation of questionnaires to Chinese but not specifically to Mandarin (i.e., Li & Zhou, 2010). Consequently, we advocate that future studies/researchers adapt the translated instrument utilized here for further validity.

Another limitation is the sample size and convenience sample used in this study. While the sample size may be considered small, it does provide the ability to explore the ideas associated with MO. Since the data collected is limited to key Chinese cities), we cannot make any generalizations to China at large and across other industries. We can, however, see areas that can provide rich sources for future examination of MO and provide more insights into the practice of MO in China. Therefore, there needs to be more studies conducted to replicate the findings of this study across the country in different locations and industries.

Finally, although all hypothesized relationships were statistically significant and the model fit indices met the minimum standards suggested in the extant literature, the explained variance in our model was relatively small. This indicates the existence of other variables that

influences Chinese SME performance. Hence, future studies should include other constructs along with the MO to better understand the factors that lead to a Chinese firm's improved performance. Moreover, the performance measures used in the study were self-reported by the participants. Future studies should incorporate other performance measures such as external measures of customer satisfaction or statistical market share information from external sources to validate the reported performance by the participants.

CONCLUSION

Despite of the aforementioned barriers, many Chinese businesses have started to focus on some marketing concepts and practices. The changes in culture and business thinking means that Chinese business people are now open to and/or have acquired new perspectives and skills in marketing competencies. As such, the concepts of marketing and market orientation have taken on different compositions among traditional Chinese firms (Kshetri, 2009).

The relationship between market orientation and business performance has been one of the most frequently discussed topics in the marketing literature. To add to the existing discussion, our research contributes to the literature by investigating marketing orientation in a non-Western and small and medium-sized business contexts. Based on the results presented in our study, we conclude that MO is indeed a critical factor that influences Chinese SME performance. We also found that market orientation among Chinese SME is, in part, driven by market intelligence, dissemination and responsiveness.

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Figure 1: Proposed Model of Marketing Orientation

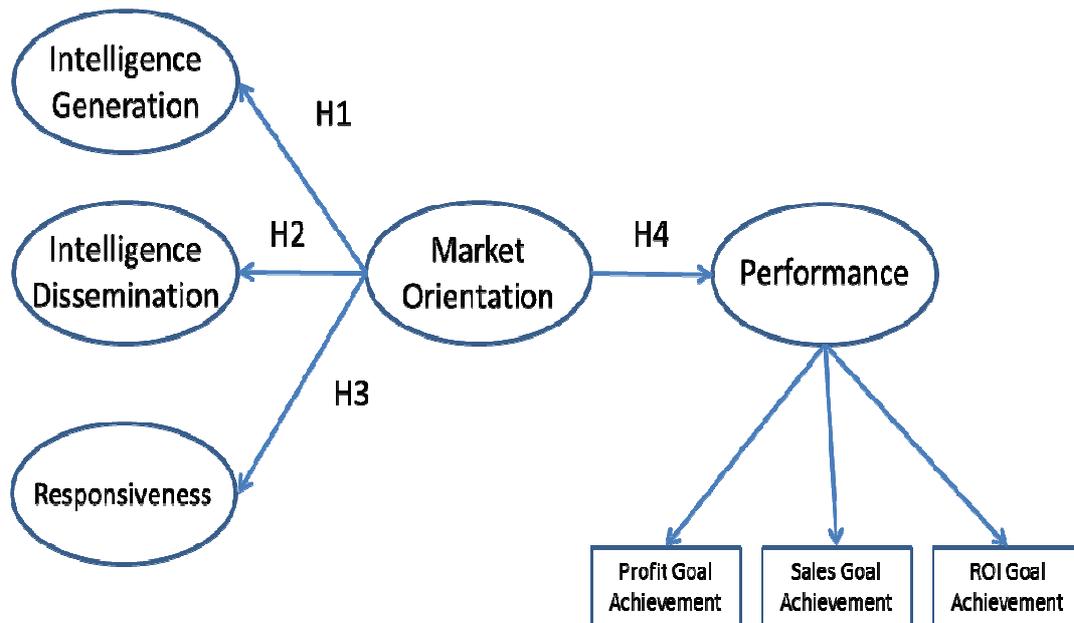
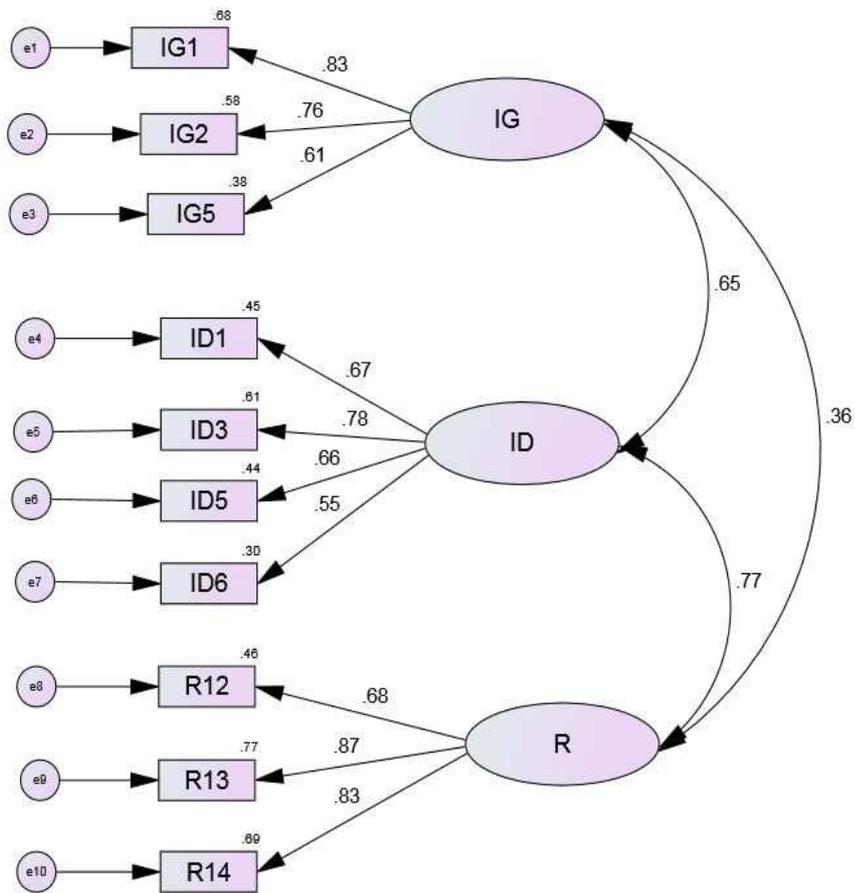
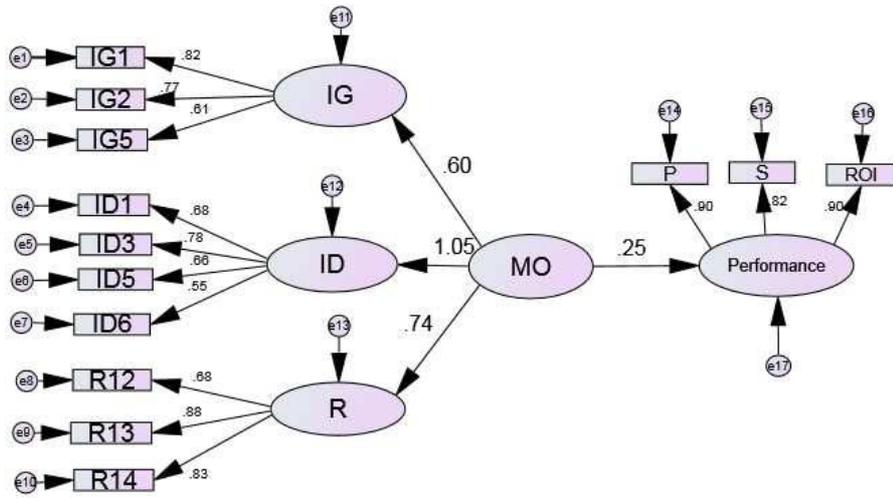


Figure 2: Results of Confirmatory Factor Analysis



Chisquare=81.460, p-value=.000, GFI=.929, CFI=.943, RMSEA=.085

Figure 3: Structural Equation Model of Market Orientation and SME Performance



Chisquare=159.598, p-value=.000, GFI=.901, CFI=.926, RMSEA=.087

Table 1: Participant and Company Profiles of Chinese SME included in the Sample (n=214)

Respondent Profile	%/ \bar{x}	Company Profile	%/ \bar{x}
Current job title/rank		Total no of employees	
• Chief Executive	0.5	• Under 10	6
• Marketing Manager	11	• 10 to 49	16
• Marketing Analyst	3	• 50 to 99	11
• Sales Representative	36	• 100 to 499	22
• General Business Manager	13	• 500 to 999	18
• Other	37	• 1000+	27
Industries of companies		In-house marketing training program	
• IT	66	• Yes	55
• Electronics	12	• No	45
• Logistics	9		
• Environmental protection	5		
• Other	8		
Average no. of years employed by the current company	4+	Total compensation	
		• less than \$20,000	52
		• \$20,001-40,000	31
		• \$40,001-50,000	6
		• \$50,001-60,000	3
		• \$60,001-70,000	6
		• \$70,001-80,000	4
		• \$80,001-90,000	-
		• \$90,001-100,000	.5
		• More than \$100,000	
Average no. of years of business experience	8+	Average Revenue growth past 3 years	
		• Less than 1%	4
		• 1-3%	12
		• 4-6%	28
		• 7-9%	16
		• 10-12%	12
		• More than 12%	29
Age		Average Market share past 3 years	
• Less than 25	22	• Less than 1%	17
• 26—35	64	• 1-3%	17
• 36—45	13	• 4-6%	17
• 46—55	2	• 7-9%	13
• 55+	0.5	• 10-12%	8
		• More than 12%	29
Gender		Average ROI past 3 years	
• Male	65	• Less than 1%	5
• Female	35	• 1-3%	16
		• 4-6%	24
		• 7-9%	21
		• 10-12%	11
		• More than 12%	23
Education			
• High school or less	7		
• Some college	23		
• College degree	51		
• Graduate	19		
• Other	.5		

Table 2: Measurement Scale, Retained Items, Mean & Cronbach's Alpha

Dimensions/items*	Mean	Alpha
Intelligence Generation (IG)		.77
IG1. In our business unit, we meet with customers at least once a year to find out what products or services they will need in the future.	4.35	
IG2. Individuals from our service department interact directly with customers to learn how to serve their needs better.	4.26	
IG5. We survey end users at least once a year to assess the quality of our product and service offerings.	3.95	
Intelligence Dissemination (ID)		.75
ID1. A lot of informal talks in this business unit among employees concerns our competitors' tactics or strategies.	3.88	
ID3. Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments.	3.79	
ID5. When something important happens to a major customer market, the whole business unit knows about it within a short period of time.	3.82	
ID6. Data on customer satisfaction and/or dissatisfaction are disseminated at all levels in this business unit on a regular basis.	3.48	
Responsiveness (RES)		.83
R12. We are quick to respond to significant changes in our competitors' pricing structures.	3.46	
R13. When we find out that customers are unhappy with the quality of the service they get, we take corrective action immediately.	3.63	
R14. When we discover that customers would like us to modify a product or service, the departments involved make concerted efforts to do so.	3.62	

*A 5-point scale was used where 1=strongly disagree and 5=strongly agree.

Table 3: Overall Model Construct Means (\bar{x}), Standard Deviations (SD), Average Variance Extracted (AVE) and Construct Intercorrelations

	\bar{x}	SD	IG	ID	Responsiveness	Performance
<i>Overall Model AVE</i>			0.55	0.45	0.64	0.76
IG	4.19	0.949	0.74			
ID	3.74	0.926	0.643	0.67		
Responsiveness	3.57	1.017	0.361	0.768	0.80	
Performance	3.47	0.994	0.188	0.202	0.394	0.87

Note: The square roots of AVEs are shown in diagonals (bold). Correlations for each construct in the mode are in the lower half of the table. All correlation coefficients are significant at the .05 level except IG \leftrightarrow P. All construct intercorrelations (except ID) are less than the corresponding square root of the AVEs.