The effects of national culture on market orientation: Conceptual framework and research propositions

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ABSTRACT

Significant research has focused on the market orientation concept and its antecedents in recent years. Nevertheless, the market orientation research provides little information concerning the effects of national cultural values on the market orientation of companies. The conceptual framework presented in this manuscript contributes to the extant literature in international business by investigating the role of national cultural values as factors that shape and modify an organization’s market orientation through its organizational culture. Specifically, using Schwartz’s cultural value dimensions, the authors present a set of propositions regarding the effects of national culture on the internalization of market-oriented values and norms, which in turn positively affect the implementation of market-oriented behaviors. Based on these propositions, implications for practice and future research are discussed.

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1. Introduction

The concept of market orientation has its philosophical foundations in the marketing concept, which refers to the corporate state of mind or a philosophy of business management that is based on the integration and coordination of marketing activities to satisfy customer needs (Felton, 1958). Consistent with Felton’s (1958) early definition, Kohli and Jaworski (1990) introduced market orientation as a term to refer to the organization-wide implementation of market-oriented behaviors (i.e., generation and dissemination of, and responsiveness to market intelligence). Alternatively, Narver and Slater (1990) focus on the cultural aspects of market orientation with an emphasis on values and norms that facilitate the creation of superior value for customers. Since then, market orientation has attracted considerable research attention. In particular, researchers have proposed and tested models that (1) conceptualize and measure firm’s market orientation (e.g., Kohli & Jaworski, 1990; Narver & Slater, 1990), (2) identify its antecedents and consequences (e.g., Gebhardt, Carpenter, & Sherry, 2006; Hult, Ketchen, & Slater, 2005), and (3) investigate the mediators and/or moderators of the market orientation–performance relationship (e.g., Slater & Narver, 1994). Importantly, it has been shown that a firm’s market orientation is an organizational capability that has positive impacts on organizational performance (Hult & Ketchen, 2001; Kirca, Jayachandran, & Bearden, 2005).

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Despite the progress, an important gap in knowledge exists, offering venues for future research. Specifically, despite the growing interest in the factors that affect a firm’s market orientation in recent years (e.g., Gebhardt et al., 2006; Kennedy, Goosby, & Arnould, 2003), little research exists on how the external environment of firms, in particular national cultural values, affects the firms’ market orientation (e.g., Nakata & Sivakumar, 2001; Selnes, Jaworski, & Kohli, 1996). Instead, the extant market orientation research focuses primarily on the effects of internal organizational factors, such as senior management actions (e.g., leadership), structural factors (e.g., centralization), and organizational systems (e.g., reward systems) (Kohli & Jaworski, 1990) based on the assumption that “the degree of market orientation is inextricably linked to organizational structures, systems and processes” (Ruekert, 1992, p. 230). Notably, researchers have examined the extent to which the market orientation–performance relationship is moderated by market, environmental, and technological turbulence, as well as competitive intensity. Nevertheless, these findings have often been mixed (Kirca et al., 2005).

In this paper, we address an important gap in the extant market orientation literature concerning the widely recognized but rather neglected role of the external environment on the extent of firms’ market orientation in a cross-cultural context. Moreover, as further detailed later, we provide a novel conceptualization of the market orientation construct with two dimensions in the present paper; the behavioral component that involves the implementation of market-oriented behaviors (i.e., generation, dissemination, and utilization of market intelligence) and cultural component that represents the internalization of market-oriented values and norms in organizations (i.e., success, innovativeness, flexibility, openness of internal communication, speed, quality emphasis, competence emphasis, inter-functional cooperation, and responsibility) (Homburg & Pflesser, 2000). As such, we investigate the theoretical links involving national cultural values and the internalization of market-oriented values and norms, as well as the implementation of market-oriented behaviors. Since “the success of international marketing strategy is largely dependent on its conformity with the values and beliefs of employees in various host countries” (Deshpande & Webster, 1989, p. 9), our aim is to further explore the compatibility of national cultural factors with an important strategic marketing practice (i.e., market orientation) (cf. Nakata & Sivakumar, 2001; Selnes et al., 1996). Moreover, we posit that the internalization of market-oriented values and norms mediates the relationship between national cultural values and the implementation of market-oriented behaviors. As such, our contribution to the extant international business literature rests on our explicit focus on the intersection of national culture and organizational cultures. In this ways, we also contribute to the growing body of the literature in marketing that examines how to enhance a firm’s market orientation in a global context (cf. Nakata & Sivakumar, 2001; Gebhardt et al., 2006).

The paper is organized as follows. In the next section, we provide a brief summary of the extant literature with emphasis on the concept of market orientation and its development in organizations. Then, the conceptual framework and a series of research propositions are offered. The paper concludes with a discussion of implications for practice and future research.

2. Theoretical framework

Conceptually, research on market orientation can be broadly categorized into two broad perspectives, a behavioral and a cultural perspective. Whereas the behavioral perspective describes market orientation in terms of specific behaviors related to generation and dissemination of and responsiveness to market intelligence, the cultural perspective is related to more fundamental cultural characteristics of the organization, such as market-oriented norms and values (Day, 1994; Homburg & Pflesser, 2000). Examining the nature, antecedents and consequences of information processes at the organizational level, the behavioral perspective emphasizes the market information-processing capabilities of the firm (Kohli & Jaworski, 1990; Sinkula, 1994). Drawing upon the organizational learning literature (Huber, 1991; Senge, 1990), this view suggests that market orientation is strongly related to a learning orientation, which enables the firm to make sense of its environment and to focus on its markets (i.e., all stakeholders and constituencies including customers and competitors) and provides it with a sustainable competitive advantage (Baker & Sinkula, 1999; Jaworski & Kohli, 1996).

Alternatively, the cultural perspective describes market orientation as a deeply rooted and pervasive organizational culture that creates or enhances the necessary values, norms and behaviors for the creation of superior value for customers (Narver & Slater, 1990). From this perspective, market orientation is a distinct organizational culture with a fundamental, shared set of beliefs, norms and values that put the customer at the center of the firm’s strategies and operations (Deshpande, Farley, & Webster, 1993). According to Homburg and Pflesser (2000), market-oriented organizational cultures share the following basic values that support a market orientation: success, innovativeness, flexibility, openness of internal communication, speed, quality emphasis, competence emphasis, inter-functional cooperation, and responsibility.

Consistent with the extant market orientation literature, we conceptualize the implementation of market-oriented behaviors as the enactment of tangible actions and behaviors that involve the generation and dissemination of, and responsiveness to market intelligence in an organization (Kohli & Jaworski, 1990). As such, market orientation implementation primarily concerns organizational behaviors that enhance the market information-processing capabilities of a firm (Baker & Sinkula, 1999; Sinkula, 1994). The internalization of market-oriented values and norms captures the cultural aspects of market orientation (e.g., Narver & Slater, 1990). Market orientation internalization ensures a common understanding of and adherence to market-oriented values and norms, which emphasize an organization-wide commitment to the creation of superior value for customers. As such, the internalization of market orientation involves a cultural indoctrination that leads to an organizational mindset in which employees view market orientation as part of their organizational identification (Gebhardt et al., 2006).
3. Research propositions

As detailed subsequently, we posit that national culture primarily affects the internalization of market-oriented values and norms, which mediates the effects of national culture on the implementation of market-oriented behaviors. Thus, and consistent with the extant market orientation and organizational culture literatures that suggest values drive behaviors (Schein, 1985; Trice & Beyer, 1993), the present study posits that values supporting market orientation enable organization to implement market-oriented behaviors (Homburg & Pflesser, 2000). The theoretical framework presented in Fig. 1 depicts the relationships that are proposed in the present paper. Theoretical rationale for each of these relationships is provided subsequently.

The present conceptual framework draws upon the extant literature that focuses on the interactive effects of organizational cultures and national cultures (e.g., Aycan, Kanungo, & Sinha, 1999; Tayeb, 2001; Hofstede, Neuijen, Ohavy, & Senders, 1990). Our approach emphasizes that “national cultures and organizational cultures are phenomena of different orders” and “organizational cultures are partly pre-determined by nationality” (Hofstede et al., 1990, p. 313; Hofstede & Peterson, 2000). Specifically, organizations are complex systems operating within dynamically interacting environmental forces. Managing such complex systems requires an in-depth understanding of the influence of both internal and external environments of organizations. The internal environment of an organization is represented by its internal work culture (e.g., market-oriented values and norms), whereas the external environment is represented by market characteristics, nature of industry, resource availability to name a few (Aycan et al., 1999). As such, organizational actions and structures are embedded in a context characterized by social and cultural meaning systems, which act as written and unwritten rules of proper social conduct in the environment (DiMaggio & Powell, 1983; Granovetter, 1985). Therefore, the norms and values shared and internalized by the members of an organization located in a given country need to be consistent with the general value and belief systems in that country, because the value system of the organization is a sub-system of the more generalized values of the country in which firms are embedded (Erez & Earley, 1993; Parsons, 1956). A country’s national culture should exert strong pressures on organizations that operate in that country to internalize values and norms that are consistent with values and norms dominant in that particular country. Therefore, the theoretical arguments presented here suggest that the surrounding national culture is important as an external source of influence on the internalization of market oriented values and norms (cf. Nakata & Sivakumar, 2001; Selnes et al., 1996).

A number of conceptualizations have been offered in the literature to identify and measure dimensions of national cultures (e.g., Hofstede, 1980; Schwartz, 1994; Schwartz & Bilsky, 1987, 1990). The present study employs the culture-level value types developed by Schwartz (1994). This perspective has been preferred primarily because Hofstede’s (1980) dimensions are based on work-related values that might create confounding effects on the findings due to the nature of this study that assesses another set of work-related values and norms (i.e., market-oriented values and norms). Recently, Schwartz (1994) has developed a new theory of culture-level value dimensions in efforts to overcome the limitations of previous research. The Schwartz cultural value dimensions have been shown to exhibit both external and internal validity in a series of studies that surveyed value preferences of 60,000 individuals in 63 countries. Specifically, this stream of research identifies the conceptual dimensions necessary to define human values, as well as the content domains of values that distinguish people from different cultures at the country-level (Schwartz, 1994). Defining values as desirable, trans-situational goals that vary in importance and that serve as guiding principles in people’s lives, Schwartz and his colleagues’ culture-level dimensions reflect the basic issues or problems that societies confront in order to regulate human activity in the society (i.e., relations between individual and group; assuring responsible social behavior; the role of humankind in the natural and social world). The cultural adaptations that evolve to resolve each of these societal issues constitute the cultural value dimensions that include conservatism, intellectual autonomy, affective autonomy, hierarchy, egalitarianism,
harmony, and mastery (Schwartz, 1994; Smith & Schwartz, 1997). Table 1 presents the seven culture-level dimensions, as well as the representative values for each dimension.

According to Schwartz (1994), the conservatism dimension is likely to be important in societies based on close-knit harmonious relations, in which the interests of the person are not distinct from those of the group. The conservatism dimension of national culture emphasizes maintaining the status quo, propriety, and avoidance of actions or inclinations of individuals that might disturb the traditional order. The conservatism dimension of the national culture should affect the internalization of a market-oriented values and norms negatively because highly conservative cultures are primarily concerned with maintaining social order, security, and respect for tradition (Sagiv & Schwartz, 2000; Schwartz, 1994). As such, market-oriented values and norms, such as innovativeness and flexibility, are less likely to be accepted and internalized in organizations from these cultures because they are less consistent with those values and norms that are dominant in the national culture (cf. Nakata & Sivakumar, 2001). Furthermore, in conservative cultures based on close-knit harmonious relations, the group is the dominant structure and most actions are evaluated in terms of their effects on other people and on the group as a whole (Sagiv & Schwartz, 2000). Since conformity, consideration of others, and subordination of personal preferences are also upheld in conservative cultures, individuals in these cultures should see success and speed as less important organizational values. Accordingly, the first proposition concerning the effects of national culture on the internalization of market orientation is as follows:

P1: The internalization of market orientation is negatively related to the extent to which a country ranks high on the conservatism dimension of national culture.

The second and third dimensions of Schwartz' conceptualization (i.e., intellectual and affective autonomy) are related to autonomy, whether individuals comprising a culture are viewed as autonomous, bounded entities who find meaning in their own uniqueness, entitled to pursue their own individual interests, and encouraged to express their own internal preferences.
and feelings (Sagiv & Schwartz, 2000; Smith & Schwartz, 1997). Schwartz (1994) distinguishes intellectual autonomy from affective autonomy. Whereas the intellectual autonomy dimension refers to the desirability of individuals' pursuing their own ideas and intellectual directions independently (i.e., curiosity, broadmindedness, and creativity), the affective cultural value dimension involves the individual's independent pursuit of positive, affective experiences for themselves (i.e., pleasure, exciting life, and varied life).

We propose that high-autonomy cultures promote market-oriented values and norms because such cultures are relatively open to change and diversity, and they value curiosity, broadmindedness, and creativity (Sagiv & Schwartz, 2000). Furthermore, because high-autonomy cultures also treat their members as independent actors with their own interests, preferences, and abilities, organizational members in these cultures can be expected to praise values such as novelty, variety, and individual gratification (Sagiv & Schwartz, 2000; Schwartz, 1994). Moreover, it could be argued that affective autonomy may lead to the internalization of market orientation, since from a cultural perspective a firm's market orientation provides superior value in satisfying needs and wants of consumers (Narver & Slater, 1990). Managers who value pleasure, exciting life, and varied life (i.e., values associated with affective autonomy) will be more inclined to provide the same to their customers in their efforts to achieve a differentiated advantage. Accordingly, national cultures that rank high on intellectual and affective autonomy should be more likely to internalize market-oriented values and norms, such as innovativeness and flexibility, emphasis on quality and competence, as well as success, than low-autonomy cultures. Therefore:

P2: The internalization of market orientation is positively related to the extent to which a country ranks high on the intellectual and affective autonomy dimensions of national culture.

Hierarchy is the fourth of Schwartz's (1994) value dimensions. This dimension emphasizes the reliance of a society on hierarchical systems of ascribed roles to ensure responsible behavior that preserves the social fabric. In hierarchical cultures characterized by unequal distribution of power, roles, and resources, people highly value social power, authority, and humility. In addition, in such cultures, people are socialized and sanctioned to comply with the obligations and rules attached to their roles. Furthermore, Sagiv and Schwartz (2000, p. 420) also suggest that organizations in hierarchical cultures are likely to emphasize chains of authority, to assign well-defined roles in a hierarchical structure, and to demand compliance in the service of goals set from the top.

Accordingly, market-oriented values and norms, such as inter-functional cooperation, innovativeness and flexibility, and openness of internal communication should be less consistent with values and norms dominant in hierarchical cultures (i.e., social power, authority, and humility). Because people in hierarchical cultures are socialized to commit to hierarchical relationships by emphasizing the importance of social power and authority in order to preserve the social fabric, values and norms dominant in organizations in such cultures can be expected to emphasize order, rules, and regulations, which stress control of surveillance, evaluation, and direction. As such, market-oriented values and norms, such as inter-functional cooperation, innovativeness and flexibility in decision-making, and openness of internal communication are less likely to be accepted and spread in hierarchical national cultures. Therefore:

P3: The internalization of market orientation is negatively related to the extent to which a country ranks high on the hierarchy dimension of national culture.

According to Schwartz (1994), the fifth cultural dimension is the egalitarianism defined as the emphasis on the transcendence of selfish interests in favor of voluntary commitment to promoting the welfare of others. Characteristic values of egalitarianism include equality, social justice, responsibility, and honesty. Since “others” include peers, subordinates, and supervisors in an organizational context, people in organizations in highly egalitarian cultures are likely to express egalitarianism by acknowledging the importance of cooperative negotiation among members who influence organizational goals (cf. Sagiv & Schwartz, 2000). Therefore, people in high egalitarian cultures are intrinsically motivated to contribute to organizational goals (i.e., welfare of group members and society, as well as profitability) because they feel concern for everyone’s welfare. Accordingly, high egalitarianism can be expected to positively affect the internalization of market orientation. Specifically, market-oriented values and norms, such as success, inter-functional cooperation, and responsibility of employees can flourish rapidly in organizations in egalitarian national cultures because people in such cultures are socialized to internalize a commitment to voluntary cooperation with others and to feel concern for everyone’s welfare in the organization (Schwartz, 1994). Accordingly:

P4: The internalization of market orientation is positively related to the extent to which a country ranks high on the egalitarianism dimension of national culture.

The sixth and seventh dimensions of Schwartz’s conceptualization of national culture involve the harmony and mastery. The present conceptualization does not posit any theoretical relationship between the internalization of market orientation and harmony, which emphasizes fitting harmoniously into the environment (i.e., unity with nature and protecting the environment). However, it is argued that national cultures high on the mastery dimension more readily internalize market-oriented values and norms because such cultures praise dynamism, competitiveness, strong orientation toward achievement and success (Sagiv & Schwartz, 2000). Specifically, mastery values (i.e., ambition, success, daring, and
competence) promote active efforts to modify one's surroundings and get ahead of other people through active self-assertion in order to attain personal or group goals (Schwartz, 1994). In high-mastery cultures, people actively seek to master and change the natural and social world, to assert control, and exploit it in order to further personal or group interests (Smith & Schwartz, 1997).

Accordingly, national cultures high on the mastery dimension should facilitate the internalization of market orientation in organizations. More specifically, a positive association should be expected between the dominant values in high-mastery cultures (i.e., ambition, success, daring, and competence) and market-oriented values at the organization-level, such as success, quality and competence, and speed because such values and norms are instrumental in asserting control in the environment, and in exploiting it in order to further personal or group interests. Therefore, the last proposition concerning the effects of national culture on the internalization of a market orientation is as follows:

\[ P_5: \text{The internalization of market orientation mediates the relationship between national cultural values and the implementation of market orientation.} \]

4. Discussion and implications

Reflecting a distinct source of competitive advantage that differentiates a firm from its competitors, market orientation is a core organizational competence that enhances organizational performance (Day, 1994; Hult & Ketchen, 2001). Accordingly, a considerable amount of research in strategic marketing literature has been devoted to understanding how market orientation can be adopted and developed in organizations. The conceptual framework presented in this paper contributes to the extant literature in market orientation by investigating the role of external organizational environment (i.e., national cultural values) as factors that shape and modify an organization’s market orientation. As such, we provide a set of external factors that have not been previously considered in the literature to better understand how market orientation can be implemented in various cultural contexts.

Importantly, and consistent with the growing body of literature in marketing, we integrate the behavioral and cultural perspectives in the market orientation literature by incorporating in our model the distinction between the behavioral aspects (i.e., implementation of market orientation) and cultural aspect of market orientation (i.e., internalization of market orientation) (cf. Gebhardt et al., 2006; Homburg & Pflesser, 2000). This distinction enables us to propose a mechanism (i.e., the internalization of values and norms) through which national cultural values affect the implementation of market-oriented behaviors. Specifically, and consistent with organizational culture and market orientation literature, we propose that the national culture permeates into an organization through its organizational culture (i.e., Erez & Earley, 1993; Hofstede et al., 1990; Tayeb, 2001). As such, we investigate the role of national culture in the internalization of market orientation, and provide useful insights concerning the cultural aspects of effective implementation (Kennedy et al., 2003).

The extant literature on the relationship between national values and norms (i.e., national cultures) and organizational values and norms, and behaviors tends to be descriptive in nature. This paper is among the few attempts to provide insights into the issue of why market orientation adoption shows variance around the globe (cf. Deshpande & Farley, 1998, 1999). This paper proposes a theoretical framework aimed at explaining the variations in organizational values and practices by linking them to the characteristics of their respective socio-cultural environments. Using Schwartz’s value dimensions, we provide fresh perspectives on how societal and organization-level cultures interact to affect the implementation of market-oriented practices in organizations (cf. Aycan et al., 1999). As such, this paper focuses on an important but under-researched issue: how do national culture and organizational culture interact to shape and modify the implementation of organizational practices? In this respect, we provide useful theoretical and managerial insights, as detailed subsequently.

4.1. Managerial implications

From a managerial perspective, knowledge regarding the effects of cultural factors on the internalization and implementation of market orientation should be most valuable for multinational companies (MNC, hereafter) headquarters
and subsidiary managers that would like to activate the marketing concept in a global context (Nakata & Sivakumar, 2001). Specifically, MNC headquarters and subsidiary managers must be aware of the presence of two layers of values and norms that they should take into consideration, when implementing market-oriented behaviors at their subsidiaries. The extant market orientation literature only provides specific guidelines regarding the effects of internal organizational factors, such as interdepartmental connectedness, centralization, formalization, and top management emphasis. Our framework suggests that, unless organizational values, as well as the dominant national cultural values are taken into account, the impact of internal organizational factors on the internalization and implementation of market orientation might be misunderstood.

More specifically, the present framework suggests that a market orientation might be more effectively implemented in the subsidiaries of MNC that operate in countries that rank high on autonomy (e.g., Switzerland, France, Spain, and Germany), egalitarianism (e.g., Portugal, Italy, Spain, and Denmark), and mastery dimensions (e.g., China, U.S., Japan, and Zimbabwe) of national culture because these subsidiaries are more likely to present favorable local organizational environments since they are under strong pressures to internalize market-oriented values and norms. On the other hand, managers should expect to face challenges in implementing a market orientation in subsidiaries that operate in countries that rank high on the conservativism (e.g., Malaysia, Bulgaria, and Singapore) and hierarchy dimensions of national culture (e.g., Thailand, Turkey, and Israel) since these subsidiaries are less likely to have internalized market-oriented values and norms due to their unfavorable organizational environment for market orientation. In other words, we argue that the effects of internal organizational factors (e.g., interdepartmental connectedness, centralization, formalization, and top management emphasis) on the implementation of market orientation are curtailed unless organizations operate in favorable national cultural environments that enhance market-oriented values and norms.

### 4.2 Future research directions

One obvious direction for future research concerns the need to validate the propositions discussed in this paper empirically. In particular, future research should focus on the effects of the interactions between the dimensions of national cultural values on the internalization of market-oriented values and norms. Given the scope and nature of the study, a number of issues need to be taken into consideration in efforts to increase the reliability and validity of findings. For instance, and as detailed above, national culture has been defined as a set of basic, dominant, or preferred value orientations for solving the shared human problems that societies must confront in order to regulate human activity (Schwartz, 1994). This perspective is common to other value based conceptualizations of culture such as Hofstede’s (1980) Cultural Frameworks. It is an etic perspective that assumes that values are universal and researchers can identify cultural similarities and differences with some dimensions that represent these sets of values. From this perspective, the culture is an objective reality out there and researchers can assess its value for different countries or groups.

In measuring the national culture and its effects on other focal constructs, researchers have several alternatives. First and probably the most common approach involves what Lenartowicz and Roth (1999) refer as use of proxies, in which researchers define cultural groupings from sample characteristics. Therefore, researchers might collect data from firms in different countries and then, use geographical location of the firm as a proxy for firm’s culture. However, this approach requires caution, because such proxies only serve to classify and therefore, the culture measure is nominal. The second approach in assessing culture involves collecting data concerning national cultural values directly from firms (direct value inference). Researchers can assess the values of key respondents from firms using Schwartz’s questionnaire (cf. Aycan et al., 1999). Third approach is the indirect values inference and it involves using the findings of major value based surveys as benchmarks (e.g., Schwartz, 1994). However, in this case, collecting data from individual firms in different countries does not directly assess cultural characteristics but it is assumed that the sample studied corresponds directly to the sample from which the benchmarks are taken. One way to overcome with the problems associated with this approach is to ensure that the research sample characteristics are congruent with the benchmark samples.

Since the market orientation scale with its three dimensions (i.e., generation, dissemination, and responsiveness) that corresponds to the implementation of market orientation in the present conceptualization has been extensively used in the extant literature, substantial scale development efforts may not be critical for this construct. However, the measurement of the extent of internalization of market orientation might be more challenging. Although Homburg and Pflesser’s (2000) eight dimensions of market-oriented values and norms (i.e., success, innovativeness and flexibility, openness of internal communication, quality and competence, speed, inter-functional cooperation, responsibility of employees, and appreciation of employees) might be employed to operationalize the internalization of market orientation construct, disagreements regarding the conceptualization and measurement of organizational values and norms should be taken into consideration (Denison, 1996).

### References


