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# Who's the driver and who's the passenger in the luxury industry?

- A study of how internal factors influence a company's marketing strategy

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## Abstract

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Today, it is important for companies to deliver superior customer value in order to be successful on the market. There are two different ways of achieving this advantage; a company can either follow a market driven approach or a market driving approach. The difference between these two approaches is that a market driven company listens to the customers' demand and create superior customer value of their needs. On the contrary, a market driving company reshapes the market and offer new superior needs to customers that will be seen as a need by them. Furthermore, there is a gap of the influence the internal factors have on the market driven and the market driving approach. Therefore, the aim of this study is to provide an insight of how the three internal factors, structure, financial resources and organization culture, influence the two approaches in the luxury industry.

A survey was conducted in order to gather data from different companies worldwide. Both explanatory and exploratory research strategies were used when the collected data was analyzed. Explanatory research was used to test the hypothesis and explain the research question. Exploratory research was used to further understand how the internal factors influence a company's marketing strategy.

The result of this dissertation indicates that the three internal factors were not significantly connected with market driven or market driving approach. However, it can still be argued that the internal factor structure somehow is correlated with the market driven approach. Furthermore, the findings of this dissertation can be interesting for people who seek to investigate in both the concept of market orientation and how the internal factors influence it.

**Keywords:** Market orientation, market driven approach, market driving approach, internal factors, structure, financial resources, organizational culture, luxury industry

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# 1. Introduction

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*This chapter starts to present background followed by problem formulation and research purpose. Next, research question is presented followed by limitation and finally the outline is presented.*

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## 1.1 Background

In the early 1990s, researchers introduced a new marketing concept called market orientation. Firms slowly started to move away from being product-oriented and instead adopted market orientation, as an attempt to get more successful. The new concept, market orientation, grew stronger and is today a common term within the marketing field (Schindehutte, Morris, & Kocak, 2008). Furthermore, today researchers stress the importance of market orientation in order for a company to keep its long-term profitability and competitive advantage (Day, 1994; Jaworski, Kohli, & Sahay, 2000; Kohli & Jaworski, 1990; Kumar, Scheer, & Kotler, 2000, in Chen, Li, & Evans, 2012). According to Kotler and Armstrong (2004), firms need to step away from a product-oriented approach and instead gain understanding of the importance of the basic market needs, which companies do if they are market orientated. Jaworski *et al.* (2000) state that market orientation is a way for a company to understand the market, and it either creates a new need for the customer or responds to the already existing demand at the market.

However, market orientation contains of two different approaches: a market driven approach and a market driving approach. Both involve a focus on consumers, competitors and broader market conditions (Jaworski *et al.*, 2000, in Schindehutte *et al.*, 2008). However, market oriented firms have advantages on the market since they deliver superior customer value and, therefore, outperform other less market oriented competitors (Deshpande, Farley, & Webster, 1993; Jaworski & Kohli, 1993; Narver & Slater, 1990, in Vorhies, Harker, & Rao, 1999).

Companies that use a market driven approach, understand and react to what already existing customers want and respond to the stakeholders (Chen, Li, & Evans, 2012; Vorhies, Harker, & Rao, 1999); in other words, these companies build superior customer value, which is a primary goal for market driven firms (Day, 1994; Narver & Slater, 1990, in Vorhies *et al.*, 1999). Furthermore, Jaworski *et al.* (2000) state that firms that are market driven need to “hear the voice of the customer“ (*ibid*, p.45) in order to succeed with the market driven approach. Companies that are successful with this approach and have listened to the voice of the customers are for example Sears, P&G and AT&T (Schindehutte *et al.*, 2008).

Dell Computer is a well-known company, which operates after a market driven strategy. Dell works after a build-to-order strategy, which means that Dell is able to customize the products faster than the competitors. The ability to make the products directly after the customers' needs has led to an impressive growth since the company started in 1984. Dell has built a strategic relationship with suppliers and customers; therefore, the company can offer flexibility in order to respond to the competitors' pressure and distinctive capabilities. With help of this strategy, Dell has been excellent in meeting customers' value requirements (Cravens, Piercy, & Prentice, 2000).

On the contrary, Jaworski *et al.* (2000) claim that companies that use a market driving approach step outside from the voice of customers and change the structure and/or change the roles and the behaviors of the players in the market. A market driving company creates new markets, evolves new channels, raises service to newer and higher levels, and changes the rules of the rivalry game (Kumar, Scheer, & Kotler, 2002 in Schindehutte *et al.*, 2008). It is not necessary that the customers know what their needs are; instead the market driving firm creates the needs and preferences before the customers are aware of that it is a need. Companies that have been successful in doing this are for example IKEA, Swatch, Dell and Starbucks (Schindehutte *et al.*, 2008). However, Dell is a company that has been successful in using both approaches during the years and it is a good example of a company that is successful in market orientation.

An example of a company and founder, which from the beginning in the 20<sup>th</sup> century was creative and innovative and formed new needs for customers, was Coco Chanel (Marber, Torres, Wellen, & Yoon, 2008). As Richard Collasse, President of Chanel in Japan states "she suggested what clothes and accessories the ideal woman of the future should wear, and how she should live her life. She was a person whose influence went beyond clothing to impact the very lifestyles of women" (*ibid*, p.221). Coco Chanel as a company has continued with that spirit in mind and seeking new adventures when they further develop their products to stay as a market driving company on the market. At the same time as the company works in an innovative way to lead women onwards, the company maintains a traditional culture established during the founder's time (*ibid*).

In both a market driven and a market driving approach it is important to pay attention to the product in order to achieve superior customer value (Jaworski *et al.*, 2000). However, there are other aspects as well that needs to be focused on in order to stay competitive in the industry, such as relationship strategies, value chain organization, and collaborative relationships between



customers and across functions (finance, operations, marketing and so on) (Cravens *et al.*, 2000).

Nevertheless, during the last 25 years, there have been enormous changes in the nature of market and marketing, which influence the way companies use these approaches (Stoelhorst & van Raaij, 2004). There is a lot of literature on research of market orientation (Schindehutte *et al.*, 2008), but almost none is made within the luxury industry. However, it is in this luxury industry most of the fashion is born, and this result in several market driving companies operate within this industry. Gucci, Chanel and Burberry are all good examples of successful market driving companies within this industry (Marber, Wellen, & Yoon, 2008; Moore & Birtwistle, 2004). Furthermore, it is a large and expanding industry (Caniato, Caridi, & Castelli, 2011), which makes this industry interesting to investigate.

### ***1.2 Problem Formulation***

Nowadays, there are several studies that investigate whether a firm is market driven or market driving (Jaworski *et al.*, 2000). There are also a lot of studies on how external factors influence a company's marketing strategy (Coglianese, Howard-Grenville, & Nash, 2008). This is enhanced by Gunningham *et al.* (2003) who claim that external factors such as; community, location, economic sector, and interaction with critical external players influence market orientation (Coglianese *et al.*, 2008). On the contrary, how internal factors influence a company's choice of marketing strategy has received markedly less empirical attention as well as theoretical attention (*ibid*). Hence, there is a gap in our understanding of the ways the internal factors influence market orientation. Furthermore, there is also a lack of empirical studies within this field. Therefore, this dissertation aims to provide more studies in this field in order for us to enhance our knowledge and understand how market orientation is influenced by the internal factors. The internal factors are presented later on in this chapter.

Miles and Snow (1978) claim that strategy is about adjusting the relationships between an organization and its environment; the internal structure must suit the strategy if the adjustment will be successful. Also, it is important that a company has a clear strategy in order to meet good performance. The strategy for each company is customized to fit that single company in order to reach the goals and policies of the company (*ibid*). However, earlier empirical studies suggest that internal factors matter (Andersson & Bateman 2000; Egri & Herman 2000; Sharma 2000; Bansal 2003, in Coglianese *et al.*, 2008). Furthermore, authors also state that internal factors such as, managers' commitment, perceptions and leaderships, organizational culture and subcultures, (Forbes & Jermier 2002; Howard-Grenville 2006; Howard-Grenville 2007, in Coglianese *et al.*,

2008) and different organizational structures (Delmas & Toffel 2005, in Coglianesse *et al.*, 2008) all influence the actions made by the company. Therefore, this dissertation investigates how a company's market orientation is affected by: structure, organization culture and financial resources. Each of them is introduced in the following paragraphs.

The first internal factor that is investigated is *structure*. According to different studies, depending on what kind of company it is, different structure, such as decentralization and centralization, is more or less suitable as structure for a company that pursues market driven or market driving approach (Pertusa-Ortega, Molina-Azorín, & Claver-Cortés, 2010; Schuff & St. Louis, 2001). Centralization means that the organization is driven from the top of the company (Avlonitis & Gounaris, 1999), while decentralization works the opposite way; the decisions are made on a lower level in the company. Furthermore, the structure decides how the company is supposed to make decisions through the whole organization. Also, the choice of structure is influenced depending on if a company is market driven or market driving. For example, Martins and Terblanche (2003) suggest a company that have a high level of rules and policies, such as a centralized company has, prevents innovations, which in turn results in difficulty for the company to be market driving. However, none of the studies that were found have investigated how the structure influence market driven and market driving approaches in the luxury industry. Furthermore, the previous authors generalize that a company that is centralized has a market driven approach and the opposite for a market driving company, thus there is a lack of studies if the theories are applicable on the companies in the luxury industry as well. Therefore, this internal factor is interesting to study because it plays a big role for the company's choice of market driven and market driving strategy.

The second internal factor that is examined is the *financial resources*. Naranjo-Valencia *et al.* (2011) argue that financial resources are important when a company's strategy implements. A lot of studies have also showed that there is a difference in skills and resources of a market driven company and a market driving company (Lieberman & Montgomery, 1998; Murthi, Srinivasan, & Kalyanaram, 1996; Robinson, Fornell, & Sullivan, 1992; Schoenecker & Cooper, 1998, in Naranjo-Valencia *et al.*, 2011). A company with larger financial resources is more likely to be more innovative and then pursue a market driving strategy (since it is expensive for a company to maintain this approach) than a company with smaller financial resources. Furthermore, there is a lack of studies, which investigate how important it is for a luxury company to have large financial resources. Since these differences, financial resources are both interesting and important to take

into account, in terms of how internal factors influence market driven and market driving approach (Naranjo-Valencia *et al.* (2011)).

The third and final internal factor that is investigated is *organizational culture*. Narver and Slater (1990) state that organizational culture is a part of internal factors, which influences a company's market orientation (Jyoti & Sharma, 2012). It has a big influence since it includes how employees interact within the company. Furthermore, if the employees act negative towards the company, it will not be able to perform that well. However, it is not easy to change a company's culture (Coglianese *et al.*, 2008); therefore it is important that the organization is efficient and achieves the company's visions and goals. However, previous studies show that organizational culture influences a company's market driven and market driving approach in general industries, but none investigated in what way organizational culture influences companies in the luxury industry. Therefore, organizational culture will be studied in order to investigate how it influences market driven and market driving approach of a company in the luxury industry.

The luxury industry has changed a lot during the last decade and the demand for the products within the industry has changed enormously as well; today everyone is demanding more luxury, and not only wealthy people purchase these products anymore (Luzzini & Ronchi, 2009). Besides, the luxury products are more accessible today; customers can purchase them from all over the world such as through the brands' flagship stores, department stores, online and also cheaper through websites such as eBay. Even though the industry has been affected by economic crises the last years, customers still demand luxury products and the customer-to-customer market has grown enormously. This growing interest for luxury products has resulted in an emerging industry, which has not gained much empirical attention. Since the lack of information within this field, this research was made to investigate how the three internal factors influence a company's market driven or market driving approach within the luxury industry.

### ***1.3 Research purpose***

The purpose of this study is to investigate how three internal factors influence a company's marketing strategy in order to be market driven or market driving in the luxury industry. Through theories, surveys and analysis, this dissertation fills the existing gaps, in order to provide a clearer view within this field.

### ***1.4 Research question***

How do the internal factors influence a company's marketing strategy in order to be market driven or market driving in the luxury industry?

### ***1.5 Limitations***

This dissertation is limited to the three previous mentioned internal factors since we find them most influencing as well as interesting. However, in order to prevent losing credibility, the chosen factors are investigated in depth. Also, only internal factors are investigated; instead of also investigate external factors, since there is a larger lack of studies of the influence of the internal factors.

### ***1.6 Outline***

This dissertation consists of six chapters. The first chapter presents the background, problem, purpose, research question and theoretical limitations. This is followed by chapter two in which the reader is introduced to the research philosophy, research approach, choice of methodology, and finally the choice of theory. In chapter three the theoretical literature is reviewed and the theories used to create a model and hypothesis. Chapter four presents the research design, data collection, and the operationalization. Chapter five consists of the empirical findings, which are analyzed and discussed. In chapter six, which is the last chapter, the conclusion of the dissertation, practical implications and suggestions for future research are presented.

## 2. Research Method

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*This chapter presents the choice of method of this dissertation. First an introduction is presented followed by research philosophy and research approach.*

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### 2.1 Introduction

This dissertation is based on Saunders, Lewis and Thornhill's (2009) research model 'onion', which suggest that the research process works like an onion and every layer has to be peeled off one at the time in order to reach centre: data collection and analysis (*ibid*). As can be seen on the figure below, there are a lot of layers before the centre is reached. However, the most important layers are presented in more detail in this chapter.

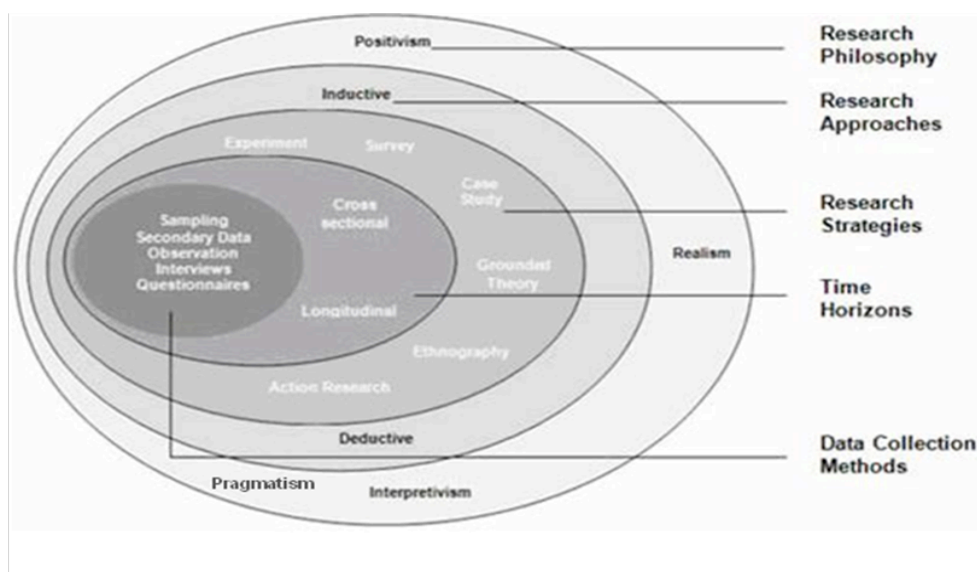


Figure 1 The Research 'Onion'

(From: Saunders *et al.*, Research methods for business students, p.138, 2009)

### 2.2 Research Philosophy

The first layer that is introduced is research philosophy. According to Saunders *et al.* (2009) it contains of four major parts; *positivism*, *realism*, *interpretivism* and *pragmatism*. However, only positivism is explained since this is the philosophy that this dissertation follows. *Positivism* lets the researcher implement the philosophical stance of the natural scientists. Furthermore, the goal of this approach is to create hypothesis with help of the existing theories in order to make law-like generalizations (*ibid*). As mentioned before, this dissertation follows a positivistic philosophy to make generalizations of how the internal factors influence a company's market driven and market driving approach in the luxury industry. Furthermore, through theories and previous research produced by scientist, hypothesis are created and tested in order to conclude the collected data.

### **2.3 Research Approach**

The second layer of the research onion is research approach. Furthermore, there are two different approaches, which are the opposite of each other: *deductive* and *inductive*. However, only *deductive* approach is explained since this is the approach this dissertation follows. The *deductive* approach investigates the subject through already existing theories in order to create hypothesis and research strategy to test whether hypothesis match with the collected data (*ibid*). Since this dissertation is based on collected scientific studies and theories in order to create hypothesis that are tested in practice, a deductive approach was used.

### **2.4 Choices of Methodology**

The purpose of this dissertation is to examine how the internal factors influence a company's marketing strategy in order to be market driven or market driving in the luxury industry. In order to investigate this, hypothesis based on theories were used. Furthermore, these were tested through a survey in order to conclude whether the internal factors influence. This results in that the research followed a positivistic approach. Furthermore, an explanatory research strategy was used. Explanatory research was used to test the hypothesis and explain the research question. Finally, the survey was distributed, by email including a link to the survey, on one occasion, which gave the research a cross-sectional time horizon (*ibid*). Finally, the result of the survey was then analyzed with help of the statistical program SPSS.

### **2.5 Choices of Theories**

The aim of this dissertation is to investigate how internal factors influence a company's marketing strategy in the luxury industry. With use of previous research methods the aim is also to apply existing research in a new field of study. For the reader's understanding an introduction about market orientation initially presented, followed by a deeper introduction of two different approaches: market driven and market driving approach. Jaworski *et al.*'s (2000) model was used as the main theory to explain the two strategies, since they are the main authors within market orientation. Furthermore, to make the theory more understandable, the three internal factors are represented separately for each approach (market driven and market driving). Since this dissertation is limited to the luxury industry, this field is also investigated. However, a survey was used in order to analyze how the internal factors influence a company's marketing strategy.

### 3. Literature Review

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*This chapter starts to present market orientation in general, followed by a narrow presentation of the market driven approach and the market driving approach. Next, the three internal factors are presented followed by a presentation of the luxury industry, which this dissertation is limited to. Last, the hypothesis and the model are presented and the chapter ends with a short summary.*

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#### 3.1 Market Orientation

The primary objective of market orientation is to deliver superior customer value (Farrell, 2000). Furthermore, Narver *et al.* (1998) state that when market orientation is created within a company, it must be understood by the whole organization that market orientation is not a set of processes and activities but it is a fundamental part of the company. Therefore, in order to succeed with the implantation of the strategy, each employee must understand that the whole purpose of the company is to develop superior value for the customers (*ibid*). Furthermore, according to Jyoti and Sharma (2012), market orientation is the most effective form that creates superior value for the buyers. Also, a firm that is market orientated has as main purpose to understand customers' spoken and hidden needs and develop superior solutions for those needs (*ibid*). Market orientation is divided into two different approaches, which are presented in the following paragraphs.

##### 3.1.2 Two Approaches: market driven and market driving

The literature presents two different approaches of market orientation: the market driven approach and market driving approach. According to Jaworski *et al.* (2000), a company that pursues a market driven strategy listens and reacts to the behaviors and preferences of players within a given market structure. Furthermore, market driven companies listen to the customers' demand and create superior customer value of their needs, instead of stepping outside the voice of the customers and reshape the market (Jaworski *et al.*, 2000). Burt, Elg, and Tarnovskaya (2008) explain it in other words, that companies form their offer to current customer needs.

On the contrary, the same authors state that a company that pursue a market driving strategy influence the structure of the market and/or behavior of market players into a new direction, which give these companies competitive positions of the business (Jaworski *et al.*, 2000). These companies reshape the market and offer new superior needs to customers, which will be seen as a need even if the customers were not aware of the product's existence (*ibid*). However, according to Harris and Cai (2002) market driven and market driving approaches are complementary to each other since both strategies represent market orientation, and both approaches are effective in

achieving superior competitive advantage (Tuominen, Rajala, & Moller, 2004 in Chen, Li, & Evans, 2012). Therefore, any given company can represent both strategies (Burt *et al.*, 2008). Furthermore, each strategy is explained in the following sections.

### **3.1.2.1 Market Driven Approach**

A market driven company pursues a reactive business strategy that addresses the expressed needs of the customer and adapt its offerings to the needs (Mohr & Sarin, 2009). Thus, a market driven company must, in every aspect, put the customer first (Jaworski *et al.*, 2000). However, for a market driven company, stability is important in its strategy. The approach is based on competitive price and high quality products directed to a narrow segment within the market. A market driven company strives aggressively to prevent competitors from entering the market and perform after customers' needs (Snowdon & Stonehouse, 2007; Miles & Snow, 1978). Furthermore, a market driven company ignores the innovative markets and new trends outside its playing field. Instead, there is a focus on a growth through market penetration and perhaps some limited product development (Miles & Snow, 1978). Furthermore, Kumar *et al.* (2000) and Tuominen *et al.*, (2004) state that a market driven company relies heavily on adaptive learning and focus on incremental innovation. However, a market driven company can create offers to meet its customer needs through conduct market experiments and the ability to learn from the results (Slater, 2001, in Sandberg, 2007). Kumar *et al.* (2000) support previous authors and suggest that a successful market driven company always starts with thorough market research, investigate customers' needs and with that information provide products/services with more value than those of its competitors. Also, according to Miles and Snow (1978) a market driven company uses to be perfectly capable of responding to today's world.

Furthermore, Slater and Narver (1998) state that in some cases the need is a statement of the customer moderately general. However, it can be some underlying problems with existing products or services, which the company needs to predict what kind of solution the customer really wants or needs. Thus, the company then needs to act quickly and offer the new solutions to the customers (Tuominen, *et al.*, 2004). This prediction is important for a company that wants to be successful (Narver, 1998 in Sandberg, 2007). According to McKenna (1989) a market driven strategy is more reliable and cost-efficient than a market driving strategy. Therefore, it is natural that several companies prefer this approach since it is feasible and can take place without jeopardizing their competitive advantage. Also, if a company recognizes customer's needs in an early phase, its chances of success will increase (Sandberg, 2007).



### **3.1.2.2 Market Driving Approach**

According to Miles and Snow (1978) a market driving company, on the other hand, operates in a more dynamic environment than a market driven company. The main capabilities are to find and exploit new products and market opportunities, and these factors are more important than high profitability. A market driving company's products and markets are not limited to any specific group (*ibid*). It proactively reshapes, educates and also leads the customers towards new directions on the market (Kumar *et al.*, 2000; Narver, Slater, & MacLachlan, 2004, in Chen *et al.* 2012). However, Johnson *et al.* (2003) agree with previous researchers and add that the essential notion of market driving is to shape customers' behavior proactively by identifying and exploiting opportunities outside existing market preferences and structures. Furthermore, a market driving company must sustain competitive advantage in order to create new markets and fundamentally modify markets (Schindehutte, *et al.*, 2008; Carrillat, Jaramillo, & Locander, 2004, in Chen *et al.*, 2012). Therefore, the primary goal of a market driving company is to influence the evolution of its industry, rather than passively respond to the customer needs (Beverland, Ewing, & Matanda, 2006). Also, many of the market driving companies invest heavily in individuals and groups who scan the environment for potential opportunities to compete within the market (Miles & Snow, 1978). However, these kinds of companies are frequently the creators of changes in their respective industry and that is also their major tool to gain edge over competitors. The main purpose is to be effective and have a low degree of routines so they can be able to respond to the demand of tomorrow's world, in the level that the world of tomorrow is similar to that of today (*ibid*).

However, Hills and Sarin (2003) argue that the market driving strategy is defined in different ways between some authors. Some define it as an emerging form of the marketing concept within the existing market orientation model, while others define it as a new and distinct marketing paradigm in its own right (Burt *et al.*, 2008, p.941). Furthermore, Chen *et al.* (2012) argue that there are two ways of drive a market. Kumar *et al.* (2000) suggest that a market driving company must engage in to delivers a leap in customer value, for example through an implementation of a unique business system. On the contrary, Jaworski *et al.* (2000) propose that a successful market driving company tries to influence the market players' behavior (such as developing "new to the world" products) or the market's structure (such as eliminating competitors in the value chain) in order to create competitive advantages (Chen *et al.*, 2012).

Furthermore, Berghman and Matthyssens (2006) argue that a market driving company not only focuses on the customers but also on additional stakeholders such as channel members, competitors and industry regulators. Also, Johanson and Mattsson (1985) emphasize, that a market driving company considers the whole range of industry participants who take distinctive positions and have acquisition to a variety of valuable resources in the marketplace. Furthermore, Kumar *et al.* (2000) claim that vision is what a market driving company is guided by and not customer demand, since a market driving company needs to create the customers' demand and not follow it. Therefore, a market driving company is interested in educating customers in order to increase sales. This leads to that a market driving company entails more risk and uncertainty than a market driven company, since a market driving company seeks to, at all times, meet new customer demand, markets, methods and ideas (Carrillat *et al.*, 2004).

### 3.1.2.3 Model Market Driven – Market Driving

The model below, created by Jaworski *et al.* (2000), explains the differences between market driven and market driving strategy.

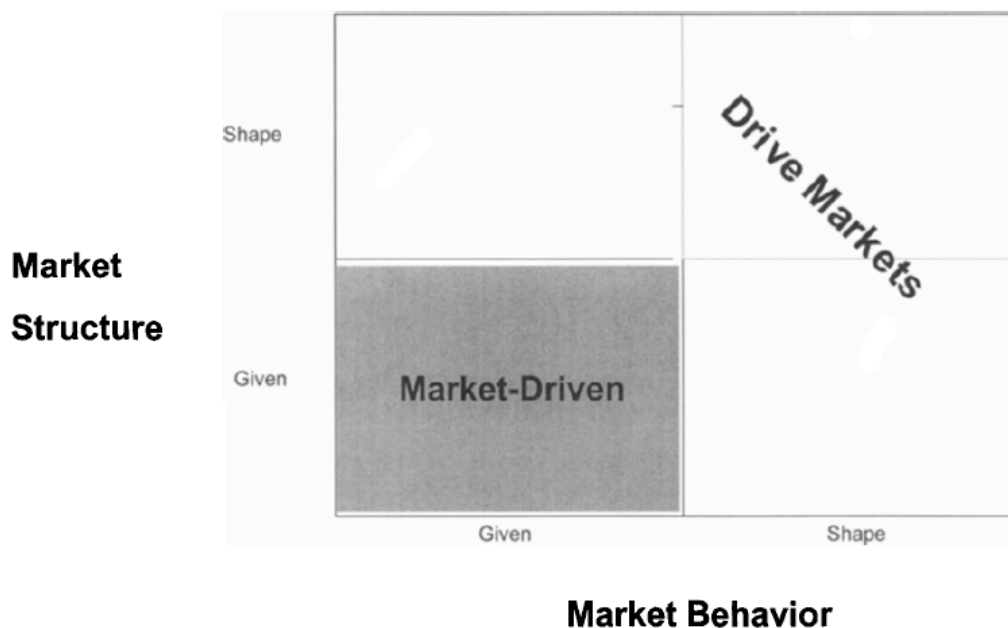


Figure 2 Two forms of market orientation

(From: Jaworski *et al.*, Market driven Versus Driving Markets, p.46, 2000)

According to Jaworski *et al.* (2000) two dimensions compose the model in figure 2: market (industry) structure and market behavior. As can be seen in figure 2, Jaworski *et al.* (2000) claim

that a company that operates as market driven, accept the market structure as “given” and do not try to eliminate and/or change the role of existing industry players. Contrary to market driven, the figure shows that a market driving firm change the composition of the players, and the roles and functions performed by various players in the industry (Alderson, 1957; Jaworski *et al.*, 2000). Furthermore, a market driving company forms the market (customer) behavior, by new innovative products (Tuominen *et al.*, 2004). If a company with a market driven approach wants to change the market structure, in order to meet the customer demand, it needs to contribute to a more market driving structure according to the model in the figure.

Harris and Cai (2002) state that both approaches are a complementary to each other (Tuominen *et al.*, 2004, in Chen *et al.*, 2012); therefore, any given company can represent both strategies (Burt *et al.*, 2008). However, the model seems to only take two external factors into account, market structure and market behavior, although there must be more factors, both external and internal factors, to consider in decision making of which marketing strategy to use. The external factors take factors outside the company into account, but there are also factors inside the company, internal factors, that need to be taken into account in a decision making process.

Furthermore, the internal factors are explained and investigated in order to provide the reader with a deeper understanding. First an introduction of the internal factors is presented followed by a presentation of each internal factor in the following order: *structure*, *financial resources* and *organizational culture*.

### **3.2 Introduction of internal factors**

A company’s internal factors are important during decisions making, even though external factors are important too. However, external factors influence a company’s actions on environmental issues, on the contrary it is internal factors that shape whether and how the external conditions will be taken cared of (Lyles & Mitroff, 1980; Dutton & Ashford, 1993, in Coglianesse *et al.*, 2008). Furthermore, there is a lack of studies about how internal factors influence a company’s corporate behavior, although a collection of recent empirical work, propose that internal factors matter (*ibid*). Internal factors can for example represent: structure, financial resources and organizational culture.

However, the first internal factor, a company’s structure, explains how the company is driven, for example through centralization, which is driven from the top of the organization, or through decentralization, which is the opposite of centralization (Bergadaá & Thiétart, 1996).

Nevertheless, there is often more than one layer of structure in a company, and sometimes it is mixed (Wilkins & Ouchi, 1983, in Bergadaá & Thiétart, 1996). The second internal factor, financial resources, is an important factor regards a company's marketing strategy; a market driving company requires more resources than a market driven company, since a market driving company needs resources for innovation, which can be expensive (Naranjo-Valencia *et al.*, 2011). The third internal factor is organizational culture, which is according to Coglianesi *et al.* (2008) a "System of meanings and norms that shape daily actions and interactions within a company, for example, the way things are done." (*ibid*, p.8). Furthermore, the next section explains the first internal factor, structure.

### **3.2.1 Structure**

According to Martins and Terblanche (2003) the structure of a company influences the degree to which creativity and innovativeness are encouraged by the company; and market driving companies has showed in studies that they are more innovative than market driven companies (Kerin *et al.*, 1992; Langerak & Hultink, 2008; Robinson & Fornell, 1985, Zhou, 2006, in Naranjo-Valencia *et al.*, 2011). In addition, Martin and Terblanche (2003) also claim that a company that has a high level of rules and policies, such as a centralized company has, prevents innovations which in turn results in difficulty for the company to be market driving (Martins & Terblanche, 2003). Zdunczyk and Blenkinsopp (2007) agree with previous author by argue that a decentralized company allows information flow in all directions within the firm, which results in eases dissemination of innovative ideas, and therefore the company can easier pursue a market driving strategy.

One explanation to why it is harder for a centralized company to be market driving, is the long information transmission in the hierocracy. This can sometimes result in important information loss (Woolridge & Floyd, 1989, in Bergadaá & Thiétart, 1996), which can create ambiguity, conflicts and stress (Dubinski *et al.*, 1990, in Bergadaá & Thiétart, 1996). Furthermore, employee's motivations use to be lower in a centralized company, since they are not able to be as innovative as employees in a decentralized company. On the other hand, a mix of centralization and decentralization is good for a company, since the two different structures have different advantages. Centralization is important for increasing coordination among operational units, which are spread apart and for achieving coherence and economies of scale. While the decentralization is necessary for improving sensitivity to local conditions in a competitive market (Bergadaá & Thiétart, 1996). However, Eriksen (2006) states that organizational structure can

influences competitive strategy, but it will not directly influence a company's performance. Furthermore, it is the strategy that influences the company's performance since the strategy directly influences costs and revenues. There are a lot of studies that can confirm what Eriksen suggest, by Beard and Dess (1981), Ebben and Johnson (2005), Edelman, Brush and Manolova (2005), Spanos and Lioukas (2001), and White (1986) among others (Pertusa-Ortega, Molina-Azorín & Claver-Cortés, 2010). The next section will explain the third internal factor, financial resources.

### **3.2.2 Financial Resources**

Naranjo-Valencia *et al.* (2011) state that financial resources are of highly importance when a company's strategy implements. Houston (1986) agrees with previous authors and argues that it is specifically important when implementing a marketing concept, which requires major resource commitment (Ennew, Sinclair, & Qu, 2005). Naranjo-Valencia *et al.* (2011) also state that innovation costs are much higher than imitation costs because it is more expensive to develop new products that do not exist on the market yet than to improve existing products. Furthermore, a company that has less financial resources is more likely to provide the market with already existing products. Then the company can avoid unreasonable costs associated with basic scientific investigation and the evolution of new technologies and instead adopt competitor's ideas and technology. While a company that has more financial resources is more likely to offer new innovative products or services to the market before its competitors (Kerin *et al.*, 1992, in Naranjo-Valencia *et al.*, 2011). This theory is also supported by researchers such as Laforet (2008).

Moreover, studies show that a market driven company and a market driving company have different skills and resources (Lieberman & Montgomery, 1998; Murthi, Srinivasan, & Kalyanaram, 1996; Robinson, Fornell, & Sullivan, 1992; Schoenecker & Cooper, 1998 in Naranjo-Valencia *et al.*, 2011). Furthermore, a market driving company has larger assets of skills than a market driven company has, such as superior capabilities and competences (Lieberman & Montgomery, 1998, in Naranjo-Valencia *et al.*, 2011), intense research and development, internal financial resources (Schoenecker & Cooper, 1998, in Naranjo-Valencia *et al.*, 2011) and design and culture (Droge, Calantone, & Harmancioglu, 2008, in Naranjo-Valencia *et al.*, 2011). However, Zhou (2006) argues that a market driving company needs more of the previous mentioned resources than a market driven company needs. Since a market driving company has to create new markets, shape consumer preferences and sometimes also change the basic behavior of consumers in order to drive the market. Without these extra resources a market driving company would not be able to be a proactively company (Naranjo-Valencia *et al.*, 2011).

On the contrary, a market driven company delivers superior customer value through introducing improved products to the market in order to serve the customers better (Shankar, Carpenter, & Krishnamurthi, 1999 in, Naranjo-Valencia *et al.*, 2011). This strategy involves less research costs since the existing products on the market provide the market driven company with information of its product development (Schnaars, 1994, in Naranjo-Valencia *et al.*, 2011). Furthermore, Ottesen and Grønhaug (2007) state that if a company has absence of its financial resources it will get limited of how much the company is able to influence its market. Therefore, a company that suffers of these limitations is most likely to operate as a market driven company (*ibid*). However, this company can be as successful as a market driving company since the market driven company operates with not as big need of financial resources as a market driving company does (Naranjo-Valencia *et al.*, 2011). The next section investigates the third and final internal factor, organizational culture.

### **3.2.3 Organizational Culture**

According to Narver and Slater (1990) organizational culture is part of the internal factors, which influences a company's market orientation (Jyoti & Sharma, 2012). The organization culture concept is a system of meanings that operate within an organization and that form its employees' daily actions (Gregory, 1983; Smircich, 1983; Meyerson & Martin, 1987; Schein, 1992, in Coglianesi *et al.*, 2008). To emphasize, according to Douglas (1978) and Smircich (1983:342), a culture is not entirely exchangeable; it is something an organization "is" rather than something that it "has" (Coglianese *et al.*, 2008). Furthermore, it is not as easy to change a company's culture as to change a company's mission and value statements, or adopting a new program, this because culture is implanted in the everyday actions that people take through the company. For example, the formal structure in a company describe who does what, while the culture influence how it is done, and many of the cultural norms are tactics within the company (Coglianese *et al.*, 2008). However, culture in general, helps explain a variety of organizational actions, whether they are encouraged by internal or external events (Allison & Philip, 1999; Snook, 2000; Howard-Grenville, 2007, in Coglianesi *et al.*, 2008).

Furthermore, according to Carrilat *et al.* (2004) the role of organizational culture is in the two marketing approaches a transformational leadership of articulate a vision and supports the values and goals of the firms' members. The organizational culture in facilitate shared values and behavioral norms (Burt *et al.*, 2008). Companies need to focus on the development of suitable organizational culture or structure that fit the company's vision (Covin & Slevin, 1991, in Chen *et*

*al.*, 2012). According to Hills and Sarin (2003) employees in a market driven company seek to not introduce changes among industry participant beyond the customer and perhaps the competitors. Also, the market driven company needs to directly adopt the customers' needs while it changes and is strongly dependent on exploitative learning, which arise within existing market boundaries (Kyriakopoulos & Moorman, 1998, in Hills & Sarin, 2003). Since the organization culture influence the employee behavior, it is an important factor that has a significant influence on innovation (Carmeli, 2005). Hartmann (2006) states when the employee has accepted the innovation as a fundamental value of the organization, it will make them feel more involved in the business (Naranjo-Valencia *et al.*, 2011). However, employees in a market driven company can work more individually, since they are not required to be as innovative as employees in a market driving company (Hills & Saurin, 2003). According to Hills and Sarin (2003) the employees in a market driving company shares values and norms that facilitate innovation and changes. Furthermore, Kumar *et al.* (2000) states that a market driving company encourages teamwork, creativity, and experimentation. However, different organizational cultures are required depending on the strategic orientation of the firm (Naranjo-Valencia *et al.*, 2011). Next, luxury industry is presented, which was the industry this study was limited to.

### **3.3 Luxury Industry**

Today, the luxury industry has experienced a steady growth during the last decade (Altagamma, 2008, in Caniato, Caridi, & Castelli, 2011) and is one of the most attractive and profitable industries (*ibid*). Bain and Company (2008) state the luxury industry will continue to grow regardless of today's financial crisis, mainly in emerging countries such as Korea and China. Furthermore, Danziger (2005) claims that marketing gurus state that "consumers everywhere at every income level want more luxury" (Caniato *et al.*, p.622, 2011), which means that it is not only wealthy people who demand luxury products. This has resulted in a larger interest for companies to expand their brand to enter and compete in the luxury market. Therefore, the market now consists of companies that offer both low price products and high end products (*ibid*). Since more companies have chosen to enter the luxury market the competition has grown tougher (Moore & Birtwistle, 2004). According to Christopher (2007) it is no longer enough to only have a strong commitment to brand reposting and consolidation to achieve successful marketing efforts alone for a long-term stability. Today, the luxury market's customers require also superior value. Nueno and Quelch (1998), advocate that a company's internal factors, such as design and communication management to customer service (Castelli and Brun, 2009), need to be efficient in order to stay successful in the luxury industry (Caniato *et al.*, 2011). Ferdows, Lewis and Machuca

(2004) state that a company that announce themselves as “trend setter” cannot use the same strategy as the Spanish fashion company Zara, which relies on being a “fast follower” by speeding up its operations in order to quickly adapt to market trends.

However, luxury is associated with high end products from the industry that gives the purchaser/user a certain confidence and feeling of exclusivity (Lipovetsky and Roux, 2003; Davide Luzzini, 2009 in Kyung Hoon, Eunju, Bing, & Yoosun, 2012). Furthermore, Nueno and Quelch (1998) state that an owner of luxury products has an increased social status, since it is considered universally as good taste in the global economy. However, there are several definitions of luxury brands. McKinsey (1990) suggest that luxury brands refer to products that have a ratio of the highest price and quality in the market (Kyung *et al.*, 2012). Vigneron and Johnson (1999) on the other hand, propose that luxury products are of the highest degree of prestigious brand comprehend several physical and psychological values. Furthermore, the luxury industry has both “fashion sensitive” products (such as apparel, shoes, bags and accessories), and less fashion-sensitive products (like furniture, cars, watches and yachts) (Caniato *et al.*, 2009). Even though there has been an enormous growth in the luxury industry consumption, there is still a scarcity of research in this area.

### **3.4 Conclusion of the Literature Review**

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*The following sections were created in order to provide a clearer view for the reader of how everything comes down to a final model. First a short presentation of each approach is presented followed by how each of the three internal factors influences the approaches. Each section ends with a hypothesis.*

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#### **3.4.1 Market Driven Approach**

According to Jaworski *et al.* (2000) the market driven strategy is about learning, understanding, and responding to stakeholder perceptions and behaviors within a given market structure. Hills and Sarin (2003) claim that a market driven company needs to listen to the customers in order to adapt its offer and to be able to satisfy customers’ needs (Chen, Li, & Evans, 2012). However, according to Barret (2001), a market driven firm must prioritize the customer first throughout the entire organization; “the goals and objectives, the strategy, the culture, and the structure” (*ibid*, p.2), in order to pursue a market driven strategy successful. Hayes and Wheelwright (1984) agree to previous author and state that the internal factors play a big role in order to be a successful market driven company (Chan, 2005).



### **3.4.2 Structure in Market Driven Approach**

According to Martin and Terblanche (2003) a market driven company is often controlled by a centralized structure, which has a high degree of rules and policies, that makes the company less innovative (Naranjo-Valencia *et al.*, 2011). It takes longer time to transmit information through a centralized structure and it makes it harder for employees to feel as a part of the company and to be innovative (Woolridge & Floyd, 1989, in Bergadaá & Thiétart, 1996). Although, a market driven company needs to update in order to continuous process improvement within the organization to serve the customers' needs (Barrett, 2001). According to Cravens and Shipp (1991) a market driven company needs to scan the environment, establish adaptive and flexible organizations, and persuade strategic partnership with stakeholders. Also, the organization's leaders need to share important information to the employees to succeed in the market (Barrett, 2001). Furthermore, a market driven company has sometimes a mix of centralized and decentralized control within the organization since the mix works well for some companies (Bergadaá & Thiétart, 1996). Anyhow, an organization's structure must be designed to support the strategy and goals, at the same time as they strive to put the customer first (Barrett, 2001). This leads to the following hypothesis:

Hypothesis 1 (H1): *Emphasis on centralized structure will lead to pursuit of market driven approach.*

### **3.4.3 Financial Resources in Market Driven Approach**

Naranjo-Valencia *et al.* (2011) argue that a company with less financial resources is more likely to pursue a market driven strategy since imitation costs are less expensive than innovation costs. In this way, the company avoids unreasonable costs associated with basic scientific investigation and the evolution of new technologies and instead adopts competitor's ideas and technology with additional value to the customer (Kerin *et al.*, 1992, in Naranjo-Valencia *et al.*, 2011). Barret (2001) support previous authors' view and mean that gathering information is a key activity for a market driven company. Furthermore, a company with less demand of research and development and more demand of gather information results in a market driven company that deliver superior customer value by introducing improved products to the market in order to serve the customer better (Shankar, Carpenter, & Krishnamurthi, 1999, in Naranjo-Valencia *et al.*, 2011). Also, Ottesen and Grønhaug (2007) claim that if a company has absence of its financial resources it gets limited of how much the company is able to influence its market and therefore the company is more likely to be a market driven company. This leads to the following hypothesis:

Hypothesis 2 (H2): *Availability of financial resources will have a negative correlation with pursuit of market driven approach.*

#### **3.4.4 Organizational Culture in Market Driven Approach**

It is important for a market driven company to put the customer first throughout the organization, which means that the organizational culture need to support the values and behaviors to live out the strategy. Furthermore, employees have to behave after the organizations values and the market orientation (Barrett, 2001). According to Wiersema (1996), it is important for a market driven company's culture to link its distinctive behaviors, beliefs and mind-sets together in order to be successful in the market driven area (Barrett, 2001). Furthermore, a market driven company seeks not to introduce changes among industry participant beyond the customer and perhaps the competitors. In contrary, it needs to be quick to directly adapt to the customers' needs while it changes (Hills & Sarin, 2003). However, Kyriakopoulos and Moorman (1998) claim that a market driven company is strongly dependent on exploitative learning, which arise within existing market boundaries. According to Hills and Sarin (2003) employees in a market driven company works more individually since the do not need to be that innovative. This leads to the following hypothesis:

Hypothesis 3 (H3): *Emphasis of a more individual organizational culture will lead to pursuit of market driven approach.*

### **3.5 Market Driving Approach**

According to Jaworski *et al.* (2000) market driving is about changing the composition and/or roles/behavior(s) of players in a market. A market driving company is generally new entrant to an industry and by delivering a leap in customer value through a unique business system; it is able to gain more sustainable competitive advantages. Through high risk, a market driving company gains the ability to revolutionize an industry and maximum vast rewards (Kumar *et al.*, 2000). However, Kumar *et al.* (2000) study shows that internal factors influence the market driving strategy and therefore they are important to consider when a market driving strategy is implemented.

#### **3.5.1 Structure in Market Driving Approach**

A market driving company is often decentralized, in other words, employees of a company are allowed to make own decisions without asking the managers, which results in more motivated employees (Bergadaá & Thiétart, 1996). However, a company with a decentralized structure

allows information flow in all directions within the organization. This has been proved in several studies (Kerin *et al.*, 1992; Langerak & Hultink, 2008; Robinson & Fornell, 1985, Zhou, 2006, in Naranjo-Valencia *et al.*, 2011), that it is easier to pursue a market driving strategy when the employees can obtain innovation information faster from all directions (Zdunczyk & Blenkinsopp, 2007). Also, decentralization makes it easier for improving local conditions in a competitive market (Bergadaá & Thiéat, 1996). This leads to the following hypothesis:

Hypothesis 4 (H4): *Emphasis on decentralized structure will lead to pursuit of market driving approach.*

### **3.5.2 Financial Resources in Market Driving Approach**

As was mentioned earlier, a market driving company needs more financial resources than a market driven company needs. The reason is because a market driving company needs more financial resources in order to serve the market with new innovative products or services before its competitors (Kerin *et al.*, 1992, in Naranjo-Valencia *et al.*, 2011).

Furthermore, a market driving company has large assets of skills, such as superior capabilities and competences (Lieberman & Montgomery, 1998, in Naranjo-Valencia *et al.*, 2011), intense research and development and internal financial resources (Schoenecker & Cooper, 1998, in Naranjo-Valencia *et al.*, 2011), however all these skills are needed in order to drive the market. Zhou (2006) support previous authors and further argue that a market driving company needs all previous mentioned resources, since a market driving company has to create new markets, shape consumer preferences and sometimes also change the basic behavior of consumers in order to drive the market to a new extent. This leads to the following hypothesis:

Hypothesis 5 (H5): *Availability of financial resources will have a positive correlation with pursuit of market driving approach.*

### **3.5.3 Organizational Culture in Market Driving Approach**

Organizational culture is important in every company and has a significant influence on innovation, and that is further on important in a market driving company (Carmeli, 2005). According to Hartmann (2006) employees feel more involved in the business when they have accepted the innovation as a fundamental value of the company (Naranjo-Valencia *et al.*, 2011). Furthermore, Kumar *et al.* (2000) state that a market driving company encourages teamwork, creativity, and experimentation, while it also shares culture values and norms that

facilitate innovations and changes (Hills and Sarin, 2003, in Burt *et al.*, 2008). However, good culture is important for a market driving company since it can stimulate the most innovative behavior among the employees of the organization (Ahmed, 1998; Ekvall, 1996; Martins & Terblanche, 2003; McLean, 2005; Mumford, 2000, in Naranjo-Valencia *et al.*, 2011). This leads to the following hypothesis:

Hypothesis 6 (H6): *Emphasis of a more team-oriented organizational culture will lead to pursuit of market driven approach.*

### 3.6 Summary

In this study, market driven and market driving approaches and the influence by the internal factors are displayed with a model (Figure 3). The model illustrates the three internal factors that were investigated earlier in this chapter. Further, the model shows that the internal factors influence market driven and market driving approach. All internal factors are argued to have an impact on the different approaches. Furthermore, the aim of this dissertation can be illustrated as displayed in figure 3.

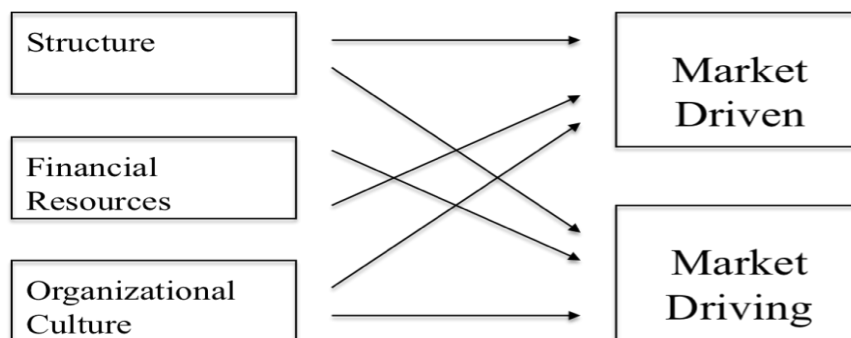


Figure 3 Internal factors influencing market driven and market driving approaches

The figure shows all the three internal factors that are investigated on the left side. On contrary, the two different approaches, market driven and market driving, can be seen on the right side in the figure. By using this model as a guideline, the dissertation will explain how the internal factors influence market driven and market driving approach in the luxury industry. In addition, it is the companies' perceived view of the influence of internal factors that are presented according to this model.

## 4. Empirical Method

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*This chapter starts to present research design and research strategy followed by: time horizon, data collection, sample collection, operationalization, reliability, validity, generalisability and finally response rate.*

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### 4.1 Research Design

Saunders, Lewis and Thornhill (2009) state that there are three different ways to conduct the research. The three research designs are: exploratory, descriptive and explanatory. This dissertation has used an explanatory study to investigate the casual relationships between the independent and dependent variables. By using this research design, scientific articles were collected in order to explain an accurate picture of the situation and primary data were tested statically in order to conclude whether internal factors influence a company's marketing strategy in the luxury industry. By testing the collected data statistically through correlations, a clearer view of the relationship between the variables were accomplished (*ibid*).

### 4.2 Research Strategy

The research strategy consists of seven different strategies: experiment, survey, case study, action research, grounded theory, ethnography and archival research. Since this dissertation followed the survey strategy, this is the only one that is further explained. The survey strategy followed a deductive approach (*ibid*). Companies often use this strategy, since it is a fast way to collect a lot of data in a short timeframe, at the same time as it is economical. Furthermore, the result from this data was used to explain relationships between variables and also produce a model of these relationships. An advantage of using a survey strategy is that the researcher is in charge of the whole process, which gives the researcher more control. Furthermore, the information that is gathered through a survey strategy, gives the researcher more independency since the data is customized to answer the research question (*ibid*).

This dissertation follows the survey strategy since the data were gathered through questionnaires. The data that were collected is valuable, in order to be able to statistically analyze the relationships between the different variables, in this case the relationships between the internal factors and the market driven and the market driving approach. Furthermore, this dissertation used the Likert Scale. Every question included a scale from 1-7 in order to give the respondent a possibility to choose the most accurate answer.

### **4.3 Time Horizon**

Research can be either cross-sectional or longitudinal. Cross-sectional research is used when a particular phenomenon is studied at a certain time (*ibid*). Also, a cross-sectional study is often used when relationships between different variables are studied. Longitudinal research is used when a change or development is studied during a longer period of time (*ibid*).

This dissertation followed the cross-sectional studies, first, since a specific phenomenon was studied at a particular time. Second, since this timeframe of this dissertation was limited to fifteen weeks; therefore, the cross-sectional approach was appropriate for this dissertation.

### **4.4 Data Collection**

Saunders *et al.* (2009) introduce two different types of data: primary data and secondary data. However, there is a lack of information of the influence the internal factors have on a company's marketing strategy in the luxury industry. Therefore, it is necessary to gather information of this matter. A survey was then conducted in order to collect primary data.

By using a survey, a large amount of participants can be reached in a short timeframe and the chances of a large response rate increases. The measurements used in this survey were developed by Wemby (2011) for another research; however, most of the questions were still relevant for this research as well. However, some of the questions have been modified to align with this dissertation.

Saunders *et al.* (2009) stress the importance of carefulness when distributing a survey in order to not cause harm for the company. However, the survey was distributed in a way where the companies stayed anonymous in order to respect the companies' privacy.

### **4.5 Sample Selection**

Saunders *et al.* (2009) explain two sampling techniques: probability or representative sampling and non-probability or judgmental sampling. A probability sampling is more appropriate for this dissertation since a survey was used in order to gather answers from the respondents. The survey was sent out to the companies and then each company internally selected who answered it; however, the preferred respondent was a manager from either the marketing or public relations department.

The group that is chosen to make the sample selection in is called people (*ibid*). In this case the people, who received the survey, were limited to companies that offer products with the highest

prices and qualities in the market. In other words, the companies that were selected for this study offer products that are desired by many but only attained by few in higher price ranges. Also, all the chosen companies provide their customers with a certain confidence and feeling of exclusivity when the customers purchase their products. However, to make sure that the respondent had enough knowledge about the company's marketing strategy; managers from specific departments were asked to answer the survey.

#### ***4.6 Operationalization***

Saunders *et al.*, (2009) claim that surveys are the most common measurement within business and management research. The survey for this dissertation (see appendix 1) was developed for a previous study by Wemby (2011). However, some of the questions have been modified to align with this dissertation. The advantage of using a previously used measurement is that it is already tested and proved to measure the phenomena in a correct way. The questionnaire consists of three parts; control questions, independent variables and dependent variables. The control questions consisted of open and multiple choices questions, and the independent and dependent variables were measured on a 7-point likert scale; ranging from most uncharacteristic of my company to most characteristic of my company. The independent and dependent variables were measured by the two market approaches and the internal factors. This was done to gain a better understanding about the relationship between the market strategy and the internal factors in the luxury industry. Also, the questionnaires that were sent out to the following industries: fashion, automotive, liquor, interior and other.

##### ***4.6.1 Control Questions***

The first part of the survey, question 1 to 6, consisted of control questions (demographic). The demographic factors were: gender, age, education, year the company was established, numbers of employees and what position the respondent possess. However, none of these factors were part of the theoretical framework, but are still important variables to consider when they are part of the investigations.

##### ***4.6.2 Dependent Variables***

Question 8 to 18 in the survey consisted of dependent variables. These were: market driven and market driving. The measurement was taken from Wemby's (2011) and was modified to align with this study. The questions were about how their competitors influence the companies' marketing strategy, how much they listen to their customers and how innovative they are. The respondents' answers were measured on a 7-point Likert scale, and the questions together

measured in which grade the companies pursued market driven or market driving approach.

#### **4.6.3 Independent Variables**

Questions 7 and 19 to 24 in the survey were independent variables, which were tested against the dependent variables: market driven and market driving. These independent variables were: organizational culture, structure and financial resources. Also, the measurements for these variables were taken from Wemby's (2011) previous study and were modified to align with this study. However, question 7 measured in what grade the company's employees were individually demanding or team oriented, which belongs to the organizational culture variable. Question 19 to 21 measured in what degree the companies are centralized (the companies' structure) and question 22 to 24 measured how the companies use their financial resources to improve their strategy. The respondent's answers were measured on a 7-point likert scale, and the questions together measured in which grade the company is centralized, how the company culture is and how the financial resources are used.

#### **4.7 Reliability**

According to Sanders *et al.* (2009) there are different errors that can decrease the reliability of the dissertation. These are: subject or participant error, subject or participant bias, observer error and observer bias (*ibid*). In order to prevent subject or participant error, a survey was sent out through the web, which gives the respondent an alternative to answer the survey whenever the occasion is suitable for him/her. This method prevents the respondent to give answers, which are influenced by the occasion. Furthermore, there are also disadvantages with using a survey because sometimes the respondent answers the survey in an overly positive way, which means that the survey will not yield consistent. Since the respondents in this survey stayed anonymously, they are more likely to give answers that reflect how they actually feel, since the respondents do not feel that they must give answers that satisfy the boss.

However, using a survey with a 7-point Likert scale decreases the risk of observer issues since an interviewer is not needed. Both authors were present during the procedure of conducting and analyzing the survey with help of statistical programs, which decrease the risk of human errors such as misinterpretation.

#### **4.8 Validity**

The validity of the study concerns whether the study measures what it is supposed to measure (*ibid*). Furthermore, the relationships between the different variables should have a causal



relationship. There are many different factors that can threaten the validity and restrain the outcome of the study; however, in this dissertation “testing” is the main threat (*ibid*). Since the preferable respondents are managers at either marketing department or public relations department, the answers could be questionable because people who work high up in the hierarchy like to talk well about the company. According to Saunders *et al.* (2009) this is called “the good news” syndrome. However, some respondents have higher positions in the company such as CEO, where the “good news” syndrome could be even more common. Saunders *et al.* (2009) mean that this phenomenon can limit to whether which degree the result is generalizable; if the result is able to be applicable to other studies.

#### **4.9 Generalizability**

Generalizability is sometimes referred to external validity. Moreover, if the research is applicable in other research settings, such as organizations, then it is possible to generalize (Saunders *et al.*, 2009). However, the result of this dissertation could be generalizable since we believe that the result could be applied in other similar industries as well, since there consist both market driven and market driving companies in all kind of industries. Hence, it needs to be applied with caution since there could be factors in the result that do not match with every single industry, since this study has taken part in one specific industry.

## 5. Result

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*This chapter presents the findings of this research. It starts to present response rate followed by Cronbach's Alpha test and Kolmogorov-Smirnov's test. Then the two correlation tests are presented followed by the regression tests. Finally a conclusion of the analysis is presented.*

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### 5.1 Response Rate

The response rate of this survey was 19 out of 352 participants, which equals 5.4 percent. There were both small and large companies within the luxury industry that participated in this survey; the smallest company had 1 employee and the largest had more than 5400 employees. Furthermore, 73.7 percent of the respondents were men and 26.3 percent of the respondents were women. Furthermore, in the following sections, arguments for the chosen tests and results are presented.

### 5.2 Cronbach's Alpha

Cronbach's Alpha test has been conducted in order to test the reliability of the questions that measure the same phenomena with many statements. If the test had a high number, the questions were measuring the same concept and if the test had a low number, the questions were not measuring the same phenomena and were therefore not reliable. Furthermore, the threshold is 0.7 in order to achieve an accepted value for reliability (Pallant, 2010). However, since the test is new and untested, alpha value could be lower and still accepted. Next, the different alpha values for each internal factor is reviewed.

Market driven, which was one of the two dependent variables of this dissertation, was measured through five different statements. The alpha value of these statements was 0.768 which is an accepted alpha value. These statements have been computed into one variable that was used to determine the degree of market driven. However, market driving, the other dependent variable of this dissertation, was measured through six different statements. These statements had an alpha value of 0.395 which is not acceptable. Therefore, another test was conducted in order to understand which variable was not measuring the same phenomena. It was then discovered that statement 9 (Appendix 1) measured something else and had an unclear relation to market driving approach. In order to only have statements that actually measure the market driving phenomena and have a reliable investigation, question 9 was removed from the analysis. Without statement 9, market driving had an alpha of 0.498 which is accepted.

Structure, financial resources and organizational culture were the independent variables of this dissertation. Each internal factor was measured through three different statements. Structure had an alpha of -0.108 which means that the statements of structure did not measure the same phenomena and therefore is the alpha not accepted. Structure had therefore to be kept as three individual statements in order to provide a reliable investigation. Furthermore, the next internal factor, financial resources had an alpha of 0.650. This is an acceptable value and this means that the different statements of financial resources measured the same phenomena. Next internal factor, organizational culture, had an alpha of 0.659 which is an acceptable value too. As a result, organizational culture and financial resources had acceptable alpha values and were considered reliable while structure was not. However, the response rate of the survey was 19, which means that the alpha value would probably be higher if the number of respondents would be larger. Since the group is small the Cronbach's Alpha has only been tested once on each internal factor. Below, the Cronbach's Alpha test is presented in table 1. After the table of the Cronbach's Alpha test, Kolmogorov-Smirnov test is presented.

Table 1 Result from Cronbach's Alpha test

<b>Variable</b>	<b>Cronbach's Alfa</b>	<b>Distribution</b>
Market Driven Approach	.768	Accepted
Market Driving Approach	.498	Accepted
Structure	-.108	Not Accepted
Financial Resources	.650	Accepted
Organizational Culture	.659	Accepted

### **5.3 Kolmogorov-Smirnov Test**

In order to find out whether the variables are normally distributed, a Kolmogorov-Smirnov test was conducted. Four out of seven variables showed significance for being non-normally distributed and the other three were not significant and were therefore normally distributed. However, since more variables were non-normally distributed, a Spearman correlation test was chosen in order to test correlation between the variables. The reason why a Spearman test was chosen for all variables was most because more variables were non-normally but also since it is more coherent to have the same test for all variables. Furthermore, the variables from the Kolmogorov-Smirnov test can be seen in table 2 on the next page. Next, the correlation is reviewed follow by the results from the tests.

Table 2 Result from Kolmogorow-Smirnov test

<b>Variables</b>	<b>Asymp. Sig (2-tailed)</b>	<b>Distribution</b>
Market Driven Approach	.007	Non-normally
Market Driving Approach	.200	Normal
Structure (Centralization 19)	.133	Normal
Structure (Centralization 20)	.000	Non-normally
Structure (Centralization 21)	.013	Non-normally
Financial Resources	.200	Normal
Organizational Culture	.060	Non-normally

#### 5.4 Correlation Test

Since the Kolmogorov-Smirnov test indicated that more variables were significant, a Spearman's correlation test was made in order to test the hypotheses. The correlation test showed how strong the relationship was between the different variables. In other words, the test showed how correlated the variables are. Furthermore, the correlation coefficient was either positive or negative. If the correlation coefficient is positive, it means that when one variable increases, the other variable increases too. On the other hand, a negative correlation coefficient means that when one variable increases the other variable decreases. Findings from the Spearman's correlation test can be seen in the table below.

Table 3 Spearman's correlation test

<b>Variables</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
1. Market Driven	5.3053	1.26731						
2. Market Driving	5.3053	0.97152						
3. Centralization 19	4.05	2.041	.088*	.141				
4. Centralization 20	3.42	1.805	.462	.985	.942			
5. Centralization 21	5.05	1.682	.464	.482	.375	.028		
6. Financial Resources	5.0175	1.17312	.573	.277	.175	.213	.738	
7. Organizational Culture	4.6692	0.89348	.357	.896	.720	.369	.356	.548

n = 19

\* p < .1

Furthermore, the three hypothesis regarding market driven approach are presented in the next section followed by the three hypothesis regarding market driving approach.

##### 5.4.1 Testing the Market Driven Hypothesis

The *first* hypothesis was whether emphasis on centralized structure is positively related to market driven approach. As was mentioned earlier in this chapter, structure did not have an acceptable

alpha and therefore each statement was measured separately against market driven. The correlation test showed that the first statement (19 in appendix 1) that measured structure had a significant correlation (0.088). Also, the correlation coefficient was positive at a level of 0.408. This means that centralization's presence has a positive relation to market driven companies in the luxury industry. However, the second and third statement (20 and 21 in appendix 1) that measured structure had a correlation of 0.462 and 0.464 which means that there were no significant relations between these variables. The correlation coefficient was low, 0.179 on both of the statements. This indicates that the presence of centralization somehow has a relation to market driven companies in the luxury industry, since there is one out of three statements of structure that has significant correlation. However, it is not strong enough to claim that the hypothesis is supported and therefore it must be rejected.

The *second* hypothesis was whether the availability of financial resources is negatively correlated with the pursuit of market driven approach. The correlation test indicates that there is no significant relationship between the variables (0.573). Furthermore, the correlation coefficient was low, the score was 0.138. Therefore, the presence of having availability of financial resources has no significant correlation with market driven approach in the luxury industry.

Whether emphasis of a more individual organizational culture would lead to pursuit of market driven approach was the *third* hypothesis. The correlation test showed a score of 0.357 which means that there was no significant relationship between the variables. Moreover, the correlation coefficient showed a negative number of -0.224. These numbers implicate that the presence of emphasizing a more individual organizational culture within a company has no significant correlation with market driven approach and is also negative related to the approach. Below, the results of the hypothesis for the market driven approach are presented in table 4.

Table 4 Supporting or not supporting the hypothesis for the market driven approach

<b>Hypothesis - Market Driven Approach</b>	<b>Result</b>
H1: <i>Emphasis on centralized structure will lead to pursuit of market driven approach.</i>	Not supported
H2: <i>Availability of financial resources will have a negative correlation with pursuit of market driven approach.</i>	Not supported
H3: <i>Emphasis of a more individual organizational culture will lead to pursuit of market driven approach</i>	Not supported

#### ***5.4.2 Testing the Market Driving Hypothesis***

The *fourth* hypothesis was whether emphasis on decentralized structure leads to pursuit of market driving approach. As same as above, the three statements of structure were measured separately against market driving approach. However, none of these three statements had any score of significant correlations in the test. The first statement had a correlation of 0.141 and the correlation coefficient had a positive score of 0.351. The second statement had a correlation of 0.985 and a negative correlation coefficient of -0.005. The third statement had a correlation of 0.172 and a positive correlation coefficient of 0.482. However, even though some of the statements had strong correlations coefficient, the result is still that the presence of emphasizing decentralized structure within a company has no significant correlation with market driving approach in the luxury industry.

Whether the availability of financial resources is positively correlated with pursuit of market driving was the *fifth* hypothesis. The correlation test showed a score of 0.277 which indicates that there is no significant relationship between the variables. Furthermore, the correlation coefficient was positive on a level of 0.263. This results in that the presence of availability of financial resources has no significant correlation with market driving approach in the luxury industry.

The *sixth* hypothesis was whether emphasizing of a more team-oriented organizational culture leads to pursuit of market driving approach. However, the correlation test indicates that there was no significant relationship between the variables (0.896). Moreover, the correlation coefficient showed a low negative relation of -0.032 and therefore, the hypothesis could not be accepted. This means that the presence of emphasizing of a more team-oriented organizational culture has no significant correlation with market driving approach in the luxury industry.

The findings of Spearman's correlation test showed that 5 out of 6 internal factors had no significant correlation with either market driven or market driving approach. However, one of the three statements of structure had a significant correlation with market driven. More specific, it was the first statement: Only few actions can be done without previous authorization from the branch management. It scored within 90% certainty level and was therefore supported. However, the hypothesis of structure was not supported, since only one statement out of three had a significant correlation and therefore, it is not strong enough to be supported. Also, none of the other internal factors had reasonable values in the correlation test and the hypotheses were therefore not supported. On the next page, the results of the hypotheses of market driving approach are summarized in table 5 followed by an introduction of the regression test that was made.

Table 5 Supporting or not supporting the hypothesis for the market driving approach

<b>Hypothesis - Market Driving Approach</b>	<b>Result</b>
H4: <i>Emphasis on decentralized structure will lead to pursuit of market driving approach.</i>	Not supported
H5: <i>Availability of financial resources will have a positive correlation with pursuit of market driving approach.</i>	Not supported
H6: <i>Emphasis of a more team-oriented organizational culture will lead to pursuit of market driven approach.</i>	Not supported

### **5.5 Regression Test**

The correlation test showed that one statement had significant correlation while the others had not. However, with a regression test it is possible to prove that the research is statistically significant. Furthermore, with a regression test it was possible to investigate the influence the internal factors have on market driven and market driving approach. All dependent and independent variables were taken into account as well as the control variable gender. Since gender was included, it was also possible to investigate if there were any differences between females and males. However, since this research consists of two dependent variables; two regression tests have been conducted.

Furthermore, the regression tests showed a couple of different values: VIF values and Durbin-Watson values. According to Djurfeldt *et al.* (2009), these tests are used in order to investigate if the independent variables influence each other which in turn give the model a higher significance value than it is supposed to have. Next, the regression test of market driven approach is reviewed followed by a review of the regression test of market driving approach.

#### **5.5.1 Regression Test of Market Driven Approach**

The first regression test was made with the dependent variable market driven. The regression analysis can be reviewed in table 6. The regression analysis was made within a 90 % confident interval. The result shows that the model is not significant. Furthermore, none of the variables are significant either. Also, the regression test shows how much each independent variable subsidizes to the dependent variable. The standardized beta coefficients show which internal factor that contributed most. The first and third statements (19 and 21 in appendix 1) of structure contributed the most (0.344 and 0.376). This implies that these two statements have the strongest unique contribution of market driven approach, when the total of differences of all the other variables are accounted. Financial resources had a beta coefficient of 0.214 followed by organizational culture (0.167) and the second statement (20 in appendix 1) of structure (-0.089). Furthermore, in order to

find out how much R squared would drop if that variable would be excluded from the model, the beta values have been squared (Pallant, 2010). If the test shows a large beta value, it means that it has a stronger explanation of the variance of market driven. Furthermore, the standard error shows the variance between the calculated and actual value. These numbers can be found in table 6 below. Also, the control variable did not show any significance. Since the model was not significant there was no reason of investigate VIF values and Durbin-Watson any further. Next, the regression test of market driving is reviewed.

Table 6 Result of regression analysis for market driven approach

<b>Variables</b>	<b>Std. B</b>	<b>Std. Error</b>
Structure (Centralization 19)	.344	.172
Structure (Centralization 20)	-.089	.229
Structure (Centralization 21)	.376	.228
Financial Resources	.214	.288
Organizational Culture	.167	.371
Adj. R <sup>2</sup>	.050	

### ***5.5.2 Regression Test of Market Driving Approach***

The second regression test was made with the dependent variable market driving. The regression analysis can be reviewed in table 7. Furthermore, the regression analysis was performed within a 90 % confident interval. However, even on this test, the model was not significant. None of the variables were significant either. As was mentioned before, the standardized beta coefficients showed which internal factor contributes the most. In this case it was financial resources that contributed the most (0.343). This means that financial resources had the strongest unique contribution of market driving approach, when the total of the differences of all the other variables are accounted. Furthermore, the model shows standard error, which shows the variance between the calculated and actual value. These values can be found in table 7 below. Also, the control variable showed no significance. Since this model was not significant either, there was no reason of investigate VIF values and Durbin-Watson any further.



Table 7 Result of regression analysis for market driving approach

<b>Variables</b>	<b>Std. B</b>	<b>Std. Error</b>
Structure (Centralization 19)	.237	.133
Structure (Centralization 20)	-.172	.177
Structure (Centralization 21)	.344	.176
Financial Resources	.343	.222
Organizational Culture	.173	.287
Adj. R <sup>2</sup>	.036	

## 5.6 Summary of Analysis

This summary consists of the analysis that was made previous in this chapter. It will start with a summary of the two correlation tests followed by a summary of the two regression tests.

Only one out of three hypotheses was proved to have a positive significant correlation to market driven and none had positive significant correlation to market driving approach. Furthermore, it was only the first statement (19 in appendix 1) of structure that had an impact on market driven and showed a significant relationship with that approach. This statement had a significant correlation of that a market driven company is more likely to operate by a centralized structure in the luxury industry. However, even though it was only one statement that indicated correlation out of three, it should still be taken into consideration since other studies support this finding. Martin and Terblanche (2003) are two authors that support the finding and they state that market driven companies often operates by a centralized structure. However, since only one statement out of three showed significant correlation, this dissertation cannot prove any further to this matter. Hence, this dissertation indicates that there probably is a correlation between structure and market driven approach, since one of the statements had a significant correlation. However, this is not something this research can statistically prove, since not all the statements had a significant correlation.

On the other hand, the correlation between structure and market driving was not significant at all. None of the statements that measured if market driving companies were more likely to be decentralized in the luxury industry had any positive significant correlation. However, there are many previous studies that show that a market driving company actually is more likely to be decentralized (Kerin *et al.* 1992; Langerak & Hultink, 2008; Robinson & Fornell, 1985, Zhou, 2006, in Naranjo-Valencia *et al.* (2011). For example, Zdunczyk and Blenkinsopp (2007) mean that a decentralized structure of a company increases the possibility of operating by a market

driving strategy since the information can flow in all directions within the organizations. However, this research could not prove any of these findings, however, the possibility of that it could still be significant correlated is not excluded since there were only 19 respondents of this survey.

The other internal factors, financial resources and organizational culture, did not have any significant correlation to neither market driven nor market driving approach in the luxury industry. However, according to Naranjo-Valencia *et al.* (2011), a company with less financial resources is more likely to pursue a market driven strategy, because imitation costs are less expensive than innovation costs. However, this research cannot give further proof for these findings. On the contrary, a market driving company in the luxury industry needs more financial resources in order to both cover the imitation costs and be the first company to serve the market with new innovative products (*ibid*). Also, Zhou (2006) mean that a market driving company has high expenses since skills such as, intense research and development, and superior capabilities competences are very expensive for a company to obtain. Therefore, a market driving company must have a large asset of financial resources (Naranjo-Valencia *et al.* (2011). However, none of these findings can be supported by this research.

Regarding organizational culture, previous studies show that employees in a market driven company is more likely to work individually since they do not need to be as innovative as market driving companies (Hills & Sarin, 2003). However, this research cannot put any further proof to this finding since organizational culture was not significant correlated with market driven approach. On the contrary, Kumar *et al.* (2000) claim that teamwork, creativity and experimentation are encourages by market driving companies. Furthermore, Naranjo-Valencia *et al.* (2011) argue that good organizational culture is important for market driving companies since it can stimulate the most innovative behavior among the employees. However, since the organizational culture did not have a significant correlation with market driving approach, none of these findings were supported by this research.

The main purpose of this dissertation was to investigate whether internal factors influence a company's marketing strategy in the luxury industry. By testing the correlation between each internal factor with market driven and market driving approach, the correlation test showed that only one internal factor had somehow a correlation to the market driven approach. Hence, both the

regression tests that were made showed that none of the internal factors significant influenced market driven or market driving approach.

The result did not turn out as expected and it was only structure that somehow was correlated to market driven of all variables. However, one reason to why only one statement was positive significant correlated to market driven could be because some companies nowadays has a structure that consists of a mix of both centralization and decentralization. This means if the respondents actually operate by a mixed structure, the survey would have needed to consist of statements that address these situations too. However, it could also be that with a larger response rate the existing statements would have shown a significant result. Furthermore, the most surprising of the result was that organizational culture was negative correlated to both of the approaches. One can only guess why this was the result. However, one reason could be that companies are both team-oriented and individually demanding today which is not in line with the theory of this research. For example employees begin to work individually with a project/task, and then in the end work as a team, or the other way around in order for the company to get more successful. If this is the case, maybe the dual market strategy, a mix of market driven and market driving approach, ought to be considered in this dissertation as well.

The main reason to why the correlation tests and regression tests did not turned out as expected could be because of the low response rate. Also, the low response rate could be the reason to why none of the hypotheses were significant. Since the number of respondents of the survey influence the results. However, since the correlations test and regression tests were not significant, this dissertation is not statistically significant.

## 6. Thesis Conclusion

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*This chapter starts to present the conclusion of the thesis followed by practical relevance and theoretical contribution. Next social reflection is presented followed by critical view and the chapter ends with the future research.*

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### 6.1 Summary of Dissertation

The aim of this dissertation was to investigate how internal factors influence market driven approach and market driving approach. This was formulated in to the following research question:

*How do the internal factors influence a company's marketing strategy in order to be market driven or market driving in the luxury industry?*

The research question was based on consisting studies. The theoretical framework was based on Jaworski *et al.* (2000) model and theory since they are the main authors within this field. Furthermore, three internal factors, structure, financial resources and organizational culture, were chosen to be further investigated how they influence the market driven and market driving approach.

Furthermore, a model (Figure 4) was created based on the investigated theory. The model provides an overview of how the internal factors influence the market driven and market driving approach. However, the new model that can be seen below, had to be modified since the hypotheses were not positively significantly correlated. The line in the model below is incomplete since only one out of three statements of structure had a positive significant correlation towards market driven approach. The line indicates that there is a positive correlation, not a significant correlation.

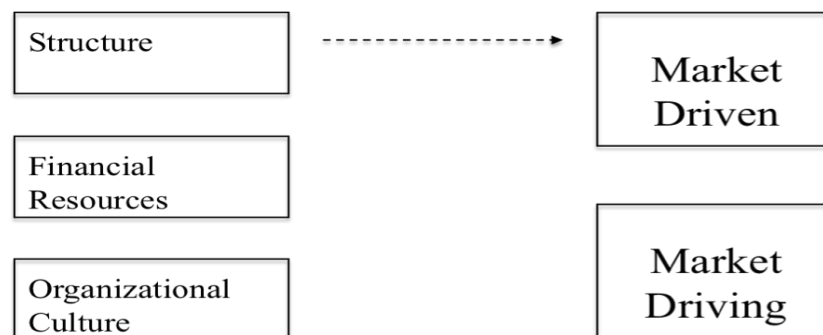


Figure 4 The relationship between internal factors and market driven and market driving approaches

A quantitative approach with a survey to collect data was used in this dissertation. The collected data was then analyzed with the help of SPSS in order to test the hypotheses. The variables were tested with Spearman's correlation tests and regression tests to investigate if there were any relations between the independent variables (structure, financial resources and organizational culture) and dependent variables (market driven and market driving approach). The result was not as expected; the test could not prove any relations between the variables. Only one of the statements that measured structure had a positive correlation towards market driven approach in the luxury industry. Furthermore, this is not enough to generalize that there is a significant relation between structure and market driven, since the other two statements had no significant correlation. Hence, one finding was surprising, organizational culture was negative correlated to both market driven and market driving approach. However, since there was no significant relationship between the internal factors and market driven and market driving approach, the research question cannot be answered accordingly and the research is therefore not statically significant.

## **6.2 Theoretical Contribution**

The result of this dissertation could not prove any significant relationships between the three internal factors and market driven and market driving approach in the luxury industry; however this dissertation could still be considered of academic value. Since, with a larger response rate the findings of this dissertation could have been highly different.

## **6.3 Methodological Contribution**

The measurement used for this dissertation was created by Wemby (2010), but some of the questions have been modified to align with this dissertation. The questionnaire consisted of 24 questions to measure how the internal factors influence market driven and market driving approach in the luxury industry. Even though the result was not as expected, this necessarily does not mean that the question was formulated wrong. With a larger response rate, the result of this dissertation could have turned out differently. Hence, with larger participations the chances of receiving a significant relation between the variables are higher.

## **6.4 Practical Relevance**

Even though there were no correlation between the variables, this subject could be interesting to investigate further since there is a lack of studies within this field. However, there is still a need for future investigations and this dissertation could be used as a base for those studies. Also, this dissertation might inspire other scholar to investigate about this field.

## **6.5 Ethical Reflection**

Ethical issues can occur when conducting research. In this case, the main ethical issues concern the data collection, since the respondents are not aware of how the data is handled. However, the ethical issues have been taken into account during this study. There was a cover letter attached to the survey with information of how the data was handled. The cover letter stated that the answers would be handled with carefulness and that the respondent would stay anonymous. Also, our contact information was written in the email in case the respondent had any questions or concerns. The result was electronically measured, so no one could distort the result.

## **6.6 Further Research**

There is a lack of studies done within this field. Further research could be done in numerous ways in order to better understand this subject. For example, a similar research would be interesting to conduct with a larger response rate in order to make generalizations. It would also be interesting to make this research within another industry and then investigate if there is any difference between the industries. Also, another way of conducting this research in the future would be if other variables were added, such as dual strategy and more internal factors. Moreover, since the response rate of this dissertation indicates difficulties to reach out to the companies in the luxury industry, another procedure is to conduct a case study instead of using a quantitative approach. Finally, there are several different ways of conducting research in the future regarding this field.

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# Appendix 1 – Survey

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## **Control Variables**

1. Male/Female
  2. I am \_\_\_ year old
  3. Education: Bachelor/Master/Other/None
  4. The company I work was established in (year)
  5. Number of employees (full time) at the company is
  6. Please indicate what position you possess
- 

## **Independent Variables – Culture**

7. When defining your company, to what degree do the following characteristics describe it: Team-oriented/Collaborative/People-oriented/Individually demanding/Supportive/Fair/Competitive
- 

## **Dependent Variables – Strategy: Market Driven approach and Market Driving approach**

8. We follow what our competitors do in order to remain competitive (Market Driven)
  9. We watch what our competitors do, but our actions are not influenced by our competitors (Market Driving)
  10. We actively venture outside of our core product(s), and offering other services as well (Market Driving)
  11. We constantly try to improve current technologies or techniques to meet immediate needs of customers (Market Driven)
  12. We constantly innovate and develop new technologies or techniques to find new solutions for our customers (Market Driving)
  13. Our strategy for competitive advantages is based on the understanding of customers' current needs (Market Driven)
  14. Our strategy for competitive advantage is based on uncovering and satisfying customers' latent (future) needs through proving to customers that they need these new solutions. (Market Driving)
  15. We conduct market research systematically and frequently in order to know what customers' current needs and preferences are (Market Driven)
  16. We work closely with our customers in order to recognize changes in customer behavior and preferences in advance (Market Driving)
  17. We constantly listen to our customers in order to be able to satisfy customers' needs (Market Driven)
  18. We constantly think about new solutions and more valuable offerings that may fill needs that customers will have in the future (Market Driving)
- 

## **Independent Variables – Structure**

19. Only few actions can be done without the previous authorization from the company management
20. An individual who would like to take his own decisions within the company would find a stimulating environment
21. Every decision taken by a subordinate has to have the supervisor's approval before being implemented

## **Independent Variables – Financial resources**

22. The company has a large amount of resources available in the short run to fund our initiatives
  23. The company has a lot of resources at the discretion of management to fund new strategic initiatives
  24. The company is able to obtain resources at short notice to support new strategic initiatives
- 

Wemby, 2011, *The Relationship between Organisational Features and Market Orientation*, Master Thesis, Kristianstad University