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Proceedings of the Academy of Marketing Studies

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INTERNATIONAL HEALTHCARE FOR EXPATS: A TECHNOLOGY BASED APPROACH

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ABSTRACT

As organizations expand internationally to compete in the global economy, the healthcare needs of their "expats" increase proportionately. Concerns about access to and the quality of healthcare services are commonly shared by expats. Expats expect quality healthcare coverage and the lack of appropriate international healthcare may result in their decreased productivity. The provision of comprehensive healthcare services for expats similar to those available in their home countries poses a significant challenge for global organizations. Technology innovations, especially those known as telemedicine offer the greatest potential to deliver quality healthcare in the global environment. This paper discusses the role that technology innovation will play in addressing the challenge of providing healthcare services for expats.

INTRODUCTION

The demand for international healthcare is being driven by the globalization of economies (Smith 1997). When organizations send employees from their home country to their international operations (expats), employees expectations of healthcare services, both in quality and access to, are similar to those they are accustomed to back in their home countries. If these acceptable healthcare services are not available, the overall effectiveness of these employees may be impacted. If organizations are going to compete in the global economy, they must provide a comprehensive, modern healthcare system for their employees (Plock 1996).

The failure to provide access to quality healthcare for expats can cause dissatisfaction and may result in poor productivity. Abraham Maslow in his "Hierarchy of Needs" addressed the basic issue managers had to address in order to motivate employees. He broke these into "lower-order" and "higher-order" needs (Robbins 1997). Healthcare can be considered a safety need and is addressed in Maslow's "lower-order" needs. Acceptable healthcare services must be satisfied if the employee is to be motivated. Frederick Herzberg in his "Two-Factor Theory of Work Motivation" described those things that made you feel good about your job and those things that made you feel bad about your job. He called these "motivators" and "hygiene" factors. The "motivators" lead to job satisfaction and motivate employees while the "hygiene" factors cause dissatisfaction when they are absent (Luthans & Hodgetts 1995). Quality healthcare for expats seems to qualify for Herzberg's definition of "hygiene" factors. It should be apparent that the absence of quality healthcare (hygiene) could possibly inhibit or limit the performance of expats. Organizations can resolve these issues associated Maslow's "lower-order needs" and Herzberg's "hygiene factors" through the provision of quality healthcare services for their expats.

The important roles that healthcare plays in human culture are a driving force for international organizations. Future healthcare systems must recognize, maintain, and value human culture while at the same time providing a high quality of healthcare (Kilman & Forslund 1997). International organizations must align themselves in healthcare issues with employees, between the physicians, healthcare providers and insurance companies to ensure the availability and quality of the expats' healthcare services. Merely depending on health insurance companies to provide adequate coverage for their expats will not suffice. In fact, organizations must play an active role in ensuring quality healthcare for their expats. This may include bringing in healthcare providers (managed care) which currently have the have the technology available to provide these healthcare services to their expats (Smith 1997).

Just as global communications has been transformed through the World-Wide Web and the Internet, efforts are being made to build an information infrastructure that will have similar impact on the provision of international healthcare. Clinicians are pioneering Web-enabled healthcare applications that will allow them to function locally, regionally, nationally, and internationally. Hagland (1998) reflects that these systems will provide crucial healthcare information in a manner that will "shrink the miles between the stakeholders in healthcare, while simultaneously improving health status and care delivery and cutting costs." As the use of the World-Wide Web increases dramatically, technology innovation in healthcare can be expected to increase exponentially.

Smith (1997) states that while "no healthcare system in the world is stable," information technology will transform healthcare worldwide. The integrated virtual system developed through technology innovation will allow patients, primary physicians, and healthcare providers to be linked regardless of their locations. Virtual patient records will dramatically impact the ability to provide healthcare in the global economy (Kilman & Forslund 1997). The challenge of this technology innovation is translating the research into innovative products and services (Poste 1997).

TECHNOLOGY INNOVATION

Technology innovation is streamlining the transmission of patient and clinical data (Hoffman 1996). The impact is that the patient can be positioned electronically between his/her primary care physicians and the healthcare provider at their international location. Physicians, nurses and other healthcare professionals are able to have ready access to patient records. As an example, Intermountain Health Care (IHC), a company that has built an integrated delivery system that allows physician systems outside their group (24 hospitals) access to patient data.

George Poste (1997), President, R&D, SmithKline Beecham recognizes "the challenge of translating the remarkable momentum of today's research into innovation products and services" for the healthcare industry. While incremental advances have historically been the routine, the global demands for healthcare require the dramatic advances available through technology innovation. These organizational linkages will require considerable managerial expertise to successfully deal with the varying organizational goals and objectives and cultural differences.

TELEMEDICINE

Magenau (1997) defines telemedicine as "a wide range of medical services delivered from a remote site via electronic networks. It uses telecommunications networks to transmit medical data (i.e., x-rays, high-resolution images, patient records, and videoconference consultations) from on location to another. Such transmission occurs on the Internet, on corporate Intranets, using videoconferencing equipment, and on ordinary telephone lines."

Telemedicine is in its infancy and the cost for its implementation may be expensive. However, technology is improving rapidly and primary care physicians in the near future can be expected to provide medical consultations from affordable and convenient multimedia desktop systems. For example, Sprint Healthcare Systems, Sprint's healthcare-dedicated business unit, recently provided all of Florida Hospital facilities with videoconferencing/telemedicine services. This service allows a cost-effective approach for physicians to perform remote diagnoses and consultations. Ralph Randall, regional client manager for Sprint says, "We will implement technology that changes the way healthcare is delivered and improves the lives of both patients and healthy individuals." This service allows radiologists to read X-rays and includes electronic storage and transmission of ultrasound, electrocardiograms, and other scanned images. It is interactive and allows patients and physicians to work simultaneously on their records to provide necessary treatment (Mycek, 1997).

The U.S. armed forces have effectively used teleconferencing applications to treat military personnel around the world. Through the use of satellites they have provided healthcare services to over seventy remote sites in such remote areas as Rwanda and Somalia. In their estimation, "the military has cut evacuation (of patients) by eighty-five percent because the personnel on the ground feel surer about their diagnoses" (Magenau 1997). While effective, it should be noted that the military does not necessarily operate under the same cost/budget constraints as private providers of healthcare services.

CHALLENGES & CONCERNS

Organizations offering healthcare services across country borders may encounter geographic and legal barriers to the implementation of their services. For example, in the U.S. there are concerns about physicians who regularly consult in states where they do not have a license to practice. Currently, 21 states require out-of-state physicians consulting across state lines to have a license in the state where the patient is located. In support of telemedicine, two years ago, the Federation of State Medical Boards offered legislation that would allow doctors holding an unrestricted medical license in one state to obtain a reciprocal license to provide electronic consultations in other states (Rose 1998). Healthcare attorney Robert Waters, counsel for the Washington, D.C. based Center for Telemedicine Law suggests "that some of the state bills are also projectionist driven as much by economic factors as by any quality concerns" (Anonymous, 1997). Similar medical licensing difficulties may be encountered when providing telemedicine healthcare services across country borders in the global economy.

Why has the implementation of telemedicine not progressed at a faster pace even though healthcare providers are willing to utilize it and patients will benefit from it? There seems to be two main obstacles: 1.) the cost of this technology is extremely expensive and 2.) there has been some resistance to reimbursement from insurance providers (McCue 1997). With the increased power and lower cost of multimedia software and personal computers, the overall cost to deliver telemedicine is expected to fall. Insurance providers are discussing this issue and are expected to consider its acceptance in the near future. Further innovative advances in the use of the Internet are also expected to support the delivery of telemedicine.

There are several other areas of concern. Many healthcare providers are uncomfortable with the privacy of patient information. Access controls and methods of authorization must be designed to limit electronic access to patient records (Kilman & Forslund 1997). As demand grows, there is a continuing shortage of trained network professionals (Janah 1998). Potential problems can also occur resulting from language barriers (Allen & Corcoran 1997). And finally, as with any activity in the global economy, cultural difficulties may be encountered when providing healthcare support throughout the world.

GENERAL DISCUSSION & CONCLUSIONS

Expats are empowered when provided with healthcare information and are given responsibility for their healthcare decisions. Innovations in technology will provide a strategic tool for solving the challenges of international healthcare (Allawi 1997). Organizations will have to play a major role in "unbundling" healthcare services for their expats. This role may include acting as an intermediary between insurance companies, healthcare providers, and their expats. The purpose of this new role of intermediary is to limit or eliminate expats healthcare concerns such as negotiating for coverage or reimbursement for healthcare services.

By establishing a diverse network of technical healthcare alliances, whose partners are both domestic and international, expats can be provided with the level and quality of healthcare services that they both expect and demand. An international effort based on virtual patient records that allows physicians, healthcare providers, and patients to work together offers the ability to provide quality healthcare services in an effective and efficient manner (Kilman & Forslund 1997).

In a global economy that stresses quality and cost, organizations must have motivated employees that are able to perform in an effective and efficient manner. Healthcare for expats represents, in the words of Maslow "a low-order" need that must be satisfied. Technology innovation can be expected to change the international provision of healthcare in a rapid and dramatic fashion. This work provides a mere introduction and should function as a solid theoretical foundation upon which to build future research.

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MARKET ORIENTATION VERSUS PERFORMANCE IN MINORITY AND WOMAN-OWNED SMALL BUSINESS

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ABSTRACT

Market orientation is a strategy for achieving superior business performance. Empirical research has shown it to be effective in both large and small firms. This study examined the market orientation/performance relationship in minority and woman-owned small firms, a population that has not been selected for study in previous research reported in the literature. The study sample consisted of 1040 minority and woman-owned small firms in Central Texas. The study results showed a significant positive relationship between market orientation and performance as measured by sales growth rate and customer retention, but not return on sales(profit). A discussion of the possible causes for the absence of a market orientation/profit relationship is included, along with application to theory, and suggestions for further research.

INTRODUCTION

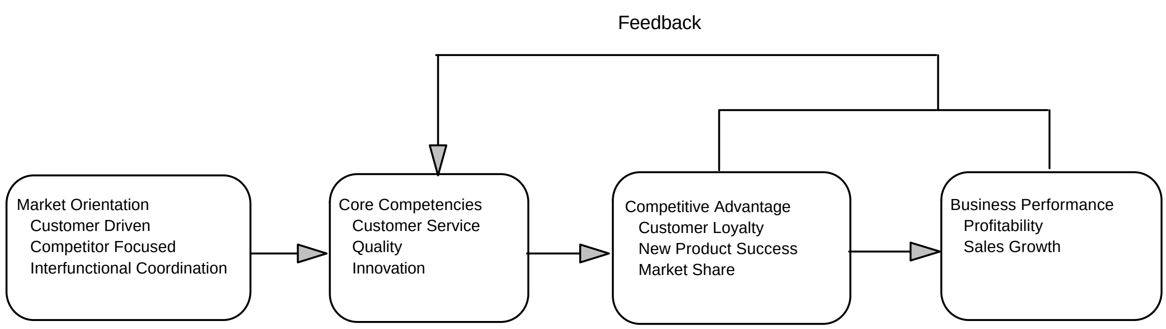
Since the early 1950's, the most prominent marketing philosophy thought to contribute to business success has been labeled the marketing concept, which, in essence, is taking care of customers. While the idea of paying attention to the needs of customers may date from as far back as Adam Smith in the 1700's (Bell and Emory, 1971), the modern marketing concept evolved from the early 1950's as business began a new era following World War II (Barksdale and Darden, 1971; Bell and Emory, 1971; Bennett and Cooper. 1979; Drucker, 1954; McKitterick, 1957; Webster, 1988. As interest in this marketing concept grew among marketing researchers, its definition evolved to include three tenets--customer orientation, integrated effort, and a profit direction. Customer orientation involves paying attention to the needs/wants/desires of customers; integrated effort means integrating the marketing function with all business organizational elements in the process from product design to production to promotion to the after-sale follow up; and profit direction means focusing on profit rather than sales volume as the overall business objective (Barksdale and Darden, 1971; Bell and Emory, 1971; Felton, 1959; McGee and Spiro, 1988; McNamara, 1972).

Kohli and Jaworski (1990) related the terms marketing concept and market orientation--the former being a business philosophy, the latter meaning implementation of the marketing concept. "Hence, a market-oriented organization is one whose actions are consistent with the marketing concept" (Kohli & Jaworski, 1990, p. 1). Market orientation, then, describes the firm that has implemented the marketing concept.

Market orientation is the key to the achievement of superior business performance (Narver and Slater, 1990; Slater and Narver, 1992). The following describes the mechanics of that process. Porter (1985) suggested that the basis for long-run successful business performance is sustainable competitive advantage. Competitive advantage occurs when a business is able to deliver consistent superior value to customers, and it is achieved using one of two strategies: increase benefits to customers in relation to customer's costs, or reduce customer's costs in relation to their benefits (Slater and Narver, 1992). Market oriented companies choose the former strategy (increase benefits) as the means of creating superior customer value (Johnson and Chvala, 1996). To achieve significant competitive differences by emphasizing benefits, the firm must develop core competencies (Prahalad and Hamel, 1990; Slater and Narver, 1992). The firm's core competencies stem from its culture (Slater and Narver, 1992), which is defined by Deshpandé and Webster (1989) as the "values and beliefs" (p. 4) that govern behavior within the firm. Lastly, Slater and Narver(1992) proposed that firms that adopt the proper culture, which they concluded was market orientation, are most likely to achieve "sustaining competitive advantage" (p. 2) which will lead ultimately to better performance. In summary, adopting the correct business culture (market orientation) facilitates development of core competencies, which create sustaining competitive advantage and lead to improved business performance, as illustrated in Figure 1.

Figure 1

Market Orientation, Competitive Advantage, and Business Performance



(Slater and Narver, 1992, p. 2)

The first major empirical studies dealing with the impact of market orientation on business performance were done by Kohli and Jaworski (1990) and Narver and Slater (1990). Both found that firms with high levels of market orientation also had high levels of performance (profitability). The instruments for measuring market orientation developed by these two sets of researchers became the models for further research by others. Of the 15 studies comparing market orientation and performance reviewed by this author, all but two found a positive relationship between market orientation and at least one measure of firm performance; however, most dealt only with large businesses, and none dealt specifically with small minority and woman-owned businesses. Consequently, the results of these studies may not generalize to minority and woman-owned small businesses.

Minority and woman-owned businesses are the "emerging growth companies" of the 90's (McKee and Nelton, 1992). Scott (1983) and Godfrey (1996) indicated that minority and woman-owned firms operate differently than other firms in the pursuit of profit. This supports the contention that research results showing a positive relationship between market orientation and performance for both large and small companies in general may not generalize to minority and woman-owned companies. There are no studies of market orientation's impact on the performance of minority and woman-owned small businesses reported in the literature. This research study examined the impact of market orientation on performance of minority and woman-owned small businesses as a step toward filling the void in the literature.

HYPOTHESES TESTED

The research question is: Does market orientation affect performance in minority and woman-owned small businesses? This question is based on the theory that market orientation is a significant determinant of firm performance (Jones, 1996; Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1992 and 1994 a & b).

Several measures of performance have been used in the various studies. Three commonly used measures are return on sales (ROS), customer retention (CUSTRET), and sales growth rate (SALESGR). ROS is a practical measure because it is easily understood by CEO's and easy to measure (Hendrickson and Psarouthakis (1992), and has been found positively related to market orientation in previous studies (Balakrishnan, 1996; Jones, 1996; Venkatraman and Ramunajam, 1986).

Customer retention is particularly important to small firms, because of the high cost of gaining new customers and because, in the typical business, existing customers account for 65 percent of all sales (Johnson and Chvala, 1996; Jones, 1996). The cost of gaining a new customer is five times the cost of keeping a current one (1985 TARP study cited in Johnson & Chvala, 1996 and Jones, 1996). Kohli and Jaworski (1990) found that market orientation enhances customer retention, and noted that their finding agreed with Kotler's (1988) similar contention (see also Balakrishnan, 1996; Jones, 1996; Narver and Slater, 1990).

The third measure, sales growth rate, was suggested as a valid measure of performance by Venkatraman and Ramanujam (1986), and previous studies have found it positively related to market orientation (Narver and Slater, 1994-a; Jones, 1996)

Jones (1996), in his study of 311 small firms in South Florida, used return on sales, customer retention, and sales growth rate as performance measures, because they are all particularly important for small firms. He found these variables positively related to market orientation.

Based on the foregoing discussion, return on sales, customer retention, and sales growth rate were used to measure business performance in this study. All were expected to be positively related to market orientation. Hence, the following hypotheses were tested.

H1 There is a significant positive relationship between market orientation and return on sales (ROS) in minority and woman-owned small firms.

H2 There is a significant positive relationship between market orientation and customer retention rate (CUSTRET)in minority and woman-owned small firms.

H3 There is a significant positive relationship between market orientation and sales growth rate (SALESGR) in minority and woman-owned small firms.

METHODOLOGY

The scale (Table 1) chosen for measuring market orientation in this study was developed by Deshpandé and Farley (1996). They synthesized the 44 items on the three most commonly used market orientation scales (Narver & Slater, 1990; Deshpandé, Farley, & Webster, 1993; Kohli, Jaworski, & Kumar, 1993) into a 10-item scale believed to be a simpler but still predictive measure of market orientation (Deshpandé & Farley, 1996). This new scale drops the non-customer-related activity components (e.g., gathering information about competitors) found in the Narver and Slater (1990) and Kohli et al. (1993) scales, and focuses on satisfying customers, the "cross-functional activities devoted to satisfying target market needs" ((Deshpandé & Farley, 1996, p.14).

Table 1
Summary Scale for
Market Orientation

The statements below describe norms that operate in businesses. Please indicate your extent of agreement about how well the statements describe the actual norms in your business. (Circle one number for each line.)

		Strongly disagree	**Disagree**	**Neither agree nor disagree**	**Agree**	**Strongly agree**
		1	2	3	4	5
1.	Our business objectives are driven primarily by customer satisfaction.	1	2	3	4	5
2.	We constantly monitor our level of commitment and orientation to serving customer needs.	1	2	3	4	5
3.	We freely communicate information about our successful and unsuccessful customer experiences across all business functions.	1	2	3	4	5
4.	Our strategy for competitive advantage is based on our understanding of customers' needs.	1	2	3	4	5
5.	We measure customer satisfaction systematically and frequently.	1	2	3	4	5
6.	We have routine or regular measures of customer service.	1	2	3	4	5
7.	We are more customer focused than our competitors.	1	2	3	4	5
8.	I believe this business exists primarily to serve customers.	1	2	3	4	5
9.	We poll end-users at least once a year to assess the quality of our products and services.	1	2	3	4	5

10.	Data on customer satisfaction are disseminated at all levels in this business on a regular basis.	1	2	3	4	5

(Deshpand and Farley, 1996, P.19)

Respondents rated their firm for each of the 10 market orientation items on a Likert-type scale ranging from one to five, where 1 equals "strongly disagree" and 5 equals "strongly agree".

In addition to simplifying market orientation measurement, Deshpandé & Farley's (1996) new scale led to a simpler definition of market orientation as "the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment" (p. 2). This simplification was perceived to be a possible advantage in this study of small businesses.

The Deshpandé & Farley (1996) scale has not been widely used; hence, there is no reliability or validity data available other than that reported in their 1996 study. They reported a Cronbach alpha of .89 for reliability. This study found a similarly favorable Cronbach alpha of .85, which exceeds the minimum acceptable value of .70 recommended by Hair, Anderson, Tatham, and Black (1995) and Nunnally (1978).

Deshpandé & Farley (1996) demonstrated validity of their 10-item scale through correlation analysis. Content and face validity were confirmed in this study during pre-test interviews. The six pre-test respondents were unanimous in agreeing that the 10 questions adequately measured the extent of "behaviors and processes related to continuous assessing and serving customer needs" (Deshpandé and Farley, 1996, p. 14), which is how Deshpandé and Farley describe the activities associated with market orientation.

In developing their 10-item scale, Deshpandé and Farley (1996) factor analyzed 44 items from three different market orientation scales, and selected the 10 items with the highest loadings on the first factor. Hence, one would expect to find a one-factor solution in subsequent studies. The factor analysis in this study yielded two factors, one dealing with customer-oriented actions and one dealing with firm strategy to achieve a customer-oriented posture (Table 2). Respondents apparently perceived market orientation as having two customer-oriented components, actions and strategy.

Table 2 (D-F)
Rotated Factor Matrix N = 197
Total Sample--All Business Types

Variable	Factor 1	Factor 2
Variance Explained	**43.8**	**14.3**
Eigenvalue	**4.38**	**1.43**
ITEM 6	**.856**	
ITEM 5	**.808**	
ITEM 10	**.800**	
ITEM 9	**.679**	
ITEM 2	**.570**	

ITEM 3	**.567**	
ITEM 1		**.855**
ITEM 4		**.734**
ITEM 7		**.543**
ITEM 8		**.707**

Business performance was measured subjectively using return on sales (ROS), customer retention (CUSTRET), and sales growth rate (SALESGR). While objective measures (actual data) are preferable, if available; small business owners/managers are often reluctant to provide that information. Managers' subjective perceptions of performance have been found to be well-correlated with actual performance (Dess and Robinson, 1984). In addition, as noted by Narver and Slater (1990, p. 27), "subjective measures of performance commonly are used in research on private companies" (see also Balakrishnan, 1996).

Respondents in this study were asked to rank their firm's position in relation to their key competitors in each of the three areas of firm performance on a Likert-type scale from one to seven, where 1 equals "<10%" and 7 equals "86-100%" (Table 3). To illustrate, if a CEO believed the firm's return on sales was greater than 60 percent of its key competitors, the rating would be a 5 on the scale.

Table 3

Annual Performance

Please rate how well your business has performed relative to all of your key competitors.

For example:
If you believe that your sales growth is greater than that of approximately 60% of all key competitors, rate yourself a 5 for Sales Growth.

If you believe that your Return on Sales (net income divided by total sales) is greater than 30% of all key competitors, rate yourself a 3 for Return on Sales (ROS).

1	**2**	**3**	**4**	**5**	**6**	**7**
0-10%	**11-25%**	**26-40%**	**41-55%**	**56-70%**	**71-85%**	**86-100%**

	Rating	
Customer Retention	_______	
Sales Growth	_______	
Return on Sales (ROS)	_______	**(Net income divided by total sales)**

The population surveyed for this study consisted of minority and woman-owned small businesses in the Austin metropolitan area of Central Texas, and included all of the 1040 businesses listed in the June, 1996 *Austin Minority Business Guide*. All businesses were certified by the city of Austin as either minority (562) or woman-owned (478). Minority categories included Black, Hispanic, Asian Pacific, and Native Americans as defined by the Texas General Services Commission

(GSC Rules, 1996). The woman-owned category included Caucasian as well as minority owners. For this study, "Small business" was defined as firms with fewer than 100 employees and no more than $10 million in annual sales.

The survey questionnaires were mailed to all 1040 firms with a cover letter explaining the study and a stamped, self-addressed envelope for return. Follow-up phone calls were made to each firm to encourage response. These calls identified 258 businesses that were either no longer operating (242) or were no longer minority or woman-owned (16). This reduced the total survey population from 1040 to 782.

A total of 216 questionnaires were returned for a 27.6 percent overall return rate. Of those, 19 were not usable, thus the usable responses totaled 197, or 25.2% of the adjusted population. A response rate of 25% is relatively high, considering the fact that mail survey response rates over 30% are rare and are frequently as low as 5-10% (Alreck & Settle, 1985).

Most firms in the sample were services (117, see Table 4). The number of employees ranged from 0 to 99, with a mean of 11; 53% of the firms had five or fewer employees (Table 5). Sample business ages ranged from 1.5 to 73 years, with a mean of 11.8. The majority (60%) had been in operation for 10 years or less (Table 6). Ethnic group and gender distribution are shown in Table 7.

Table 4
Sample Profile
Types of Business

Business Type	Number	Percent of Sample
Manufacturing	17	8.6%
Wholesaling	9	4.6%
Services	117	59.4%
Retail	16	8.1%
Construction	24	12.2%
Other	14	7.1%
Total	197	100%

Table 5
Sample Profile
Employee Data

Range: 0 - 99 Mean: 11.2

Number of Employees	Frequency	Percent of Total
0	12	6.1%
1-5	93	47.2%
6 - 10	45	22.%
11 - 20	23	11.7%
20 - 50	13	6.6%
51 - 99	11	5.6%
Total	197	100%

Table 6
Sample Profile
Business Age in Years

Range: 1.5 - 73 Years	Mean: 11.8 Years	
Age (Range)	Number of Firms	Percent of Sample
1 - 5 Years	53	26.9%
5.5 - 10 Years	66	33.5%
10.5 - 20 Years	54	27.4%
>20 Years	24	12.2%
Total	197	100%

Table 7
Sample Profile
Ethnic Group and Gender Distribution

	Female	Male	Gender Missing	Total	Percent of Total
Black/ African American	6	13	2	21	10.7%
Hispanic	11	44	3	58	29.4%
Asian/Pacific Islander	3	4		7	3.6%
American Indian/ Alaskan Native	2	1		3	1.5%
Caucasian	103	0		103	52.3%
No ethnic Group	5			5	2.5%
Totals	130	62	5	197	100%

RESULTS

The three hypotheses were tested using ordinary least squares regression. The analysis (Table 8) showed a significant positive relationship between the degree of market orientation demonstrated by minority and woman-owned small businesses and performance, as measured by customer retention (CUSTRET) and sales growth rate (SALESGR); thus hypotheses H2 and H3 were supported. However, the analysis showed no significant relationship between market orientation and return on sales (ROS); hence, hypothesis H1 was not supported.

Table 8
Regression Analysis
Market Orientation/ Dependent Variables
Hypotheses 1-3

Hypothesis	R	Adj R	DF	Sum of Sq	Mean Sq	F Value	Sig F	Beta Coeff	Sig T
H1 MARKORD/ROS	.0007	-0.005	1	.3165	.3165	.1197	.7300	.0070	.7300
H2 MARKORD/CUSTRET	.0332	.0278	1	13.523	13.523	6.206	.0136	.0440	.0136
H3 MARKORD/SALESGR	.0320	.0267	1	16.136	16.136	5.957	.0156	.0480	.0156

CONCLUSIONS

"Being market oriented can never be a negative" (Slater & Narver, 1994-a, p. 54). This conclusion was based on several studies they completed in large companies that showed a positive relationship between market orientation and firm performance. This study supports that claim, based on results in a population not reported as having been studied before--minority and woman-owned small businesses. Although not strong, the results in this study show a significant positive relationship between market orientation and firm performance as measured by sales growth and the retention of customers, but no relationship between market orientation and profitability (return on sales). A discussion of appropriate conclusions based on these findings follows.

The significant positive relationship between market orientation and customer retention was expected, based on previous studies and reports in the literature (see Kohli and Jaworski, 1990; Balakrishnan, 1996; Jones 1996; Narver & Slater, 1990). Deshpandé and Farley (1996) described market orientation as "the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs-assessment" (p. 14). We can conclude from the results of this study using the Deshpandé and Farley (1996) Summary Scale for Market Orientation that implementing those processes and practicing those activities do in fact improve customer retention in minority and woman-owned small businesses.

The significant positive relationship between market orientation and sales growth rate was expected, based on previous studies and reports in the literature. Narver and Slater (1994-a), in their study of 117 strategic business units of two Fortune 500 companies, found sales growth to be positively related to market orientation. Jones (1996), in his study of 311 small firms in South Florida, also found a significant positive relationship between market orientation and sales growth rate. The results of this study, using the Deshpandé and Farley market orientation measurement scale, showed that the sales growth rate of minority and woman-owned small firms is significantly and positively related to the firms' degree of market orientation. The firms that embraced a market-oriented strategy enjoyed greater sales growth than those that did not.

A significant positive relationship between market orientation and return on sales (profitability) was expected in this study, based on previous reports in the literature (see Balakrishnan, 1996; Hendrickson and Psarouthakis, 1992; Jones, 1996; Venkatraman and Ramunajam, 1986).

The fact that this study showed no significant relationship between market orientation and profitability is of concern, but is not entirely surprising. Three of the 12 studies examining the market orientation/profitability relationship reviewed by this author also found no positive relationship (Paul, 1994; Atuahene-Gima, 1996; and Slater & Narver, 1996). For example, the Slater & Narver (1996) study found a significant positive market orientation/sales growth relationship, but none for return on investment. Their explanation for this apparent anomaly (results differed from their 1994 study and the 1990 Narver & Slater study) included the possibility that managers were deliberately trading profit for growth as a short term strategy to increase potential for greater long term profit. They also suggested the lack of a market orientation/profit relationship could be due to the myriad types of firms and industries in the sample, compared to those in their earlier studies. Their 1990 and 1994-a studies dealt with SBU's of large corporations; their 1996 study involved small to medium firms. Both of these possible explanations are plausible in this study. We can only guess at the possibility of the strategy explanation, since that was not measured in this study, but the disparity in types of business represented in the sample is real (six major categories in this study). Additionally, the majority of firms in this study had annual sales under $1 million, which means they are probably significantly smaller than those in the Slater and Narver samples.

Another possible explanation for the failure to demonstrate a positive market orientation/return on sales relationship is confusion regarding pricing. "Pricing is one of the most important yet least understood of all managerial duties" (Scarborough & Zimmerer, 1996, p.271). Price is a powerful determining factor in how much profit a firm achieves (Boone & Kurtz, 1998). In many cases, small business owners/managers have no formal policy for setting prices, hence they end up underpricing their goods and/or services, with the resulting diminished revenue and profit, as well as cash flow problems (Scarborough & Zimmerer, 1996). A good indicator of underpricing in a small business, according to Scarborough and Zimmerer (1996) is increasing sales volume without commensurate growth in profit. This could be the phenomenon demonstrated by the firms in this study.

Scarborough & Zimmerer (1996) pointed out that most products and services have a price range, which is acceptable to customers, rather than one ideal price. The acceptable price range is the area between the highest price customers will pay and the lowest price the firm can accept based on its cost structure (Scarborough & Zimmerer, 1996). If a firm sets prices on the low side of the range, the likely result is solid sales growth and happy customers who keep coming back, but full profit potential is not achieved. Conversely, setting price at the high end of the acceptable range will also result in solid sales growth and happy customers who stay with the firm, but will yield greater profits. This, of course, assumes that the price range is such that the price elasticity of demand for the product or service remains relatively constant over the range.

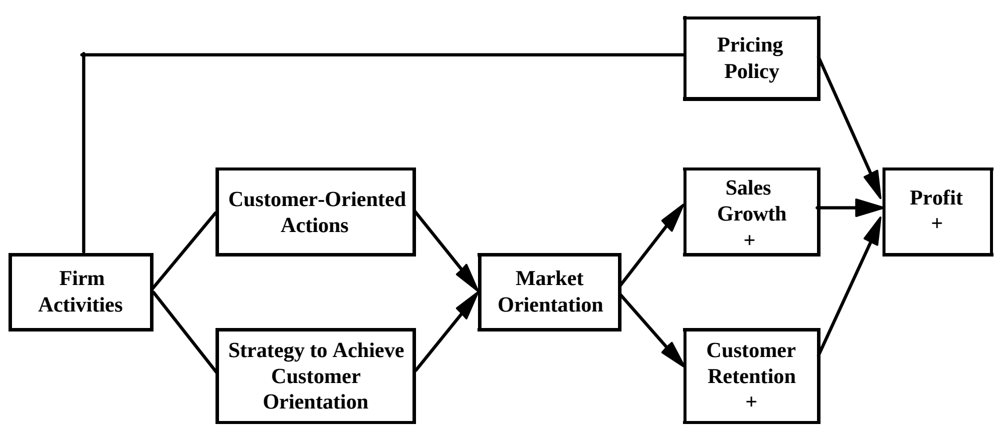
A common mistake of small business owners is failure to take into account the many factors that should be considered in pricing decisions (Maynard, 1997). Additionally, according to Maynard (1997), small firms often don't have a good grasp of the actual costs involved in delivering a product or service; hence, they are unable to establish realistic margins. For example, Maynard (1997) notes that the small firm may fail to include in pricing decisions consideration of the cost of inventory, indirect labor, and returns handling; or may customize an order to please the customer, but fail to include the customizing cost in the price. The end result is underpricing the firm's products or services and failure to achieve maximum profit potential. As Calvin (1994) noted "few businesses fail from overpricing, but many fail [or at least reduce profit] from underpricing" (p. 9). The failure, attributed to small businesses in general, to employ more sophisticated pricing techniques, which results in the above-described phenomenon of setting prices at the low profit end of the acceptable price range, is a possible explanation for the failure in this sample population to show that market orientation improves profit. If true, it indicates that market orientation alone may not be enough. It must be coupled with a well-thought-out pricing policy to realize maximum profits. Cort (1992) expressed it well when he said, regarding small businesses: "Your company probably knocks itself out to give customers what they need, when they need it [market orientation]. But when it's time to charge for your services, you may not know how to determine their value to the customer" (p. 20).

One might describe this proposed relationship between pricing and market orientation along the lines of Herzberg's (1968) motivation-hygiene theory. Herzberg said there are certain factors (hygiene factors) associated with a job (such as good pay and working conditions) that, if not present, will cause the workers to be dissatisfied and thus poor prospects for motivation. If the factors are present, according to Herzberg, the workers will not be motivated to work harder, they will simply be no longer dissatisfied and, hence, ready to be motivated by some other force (motivator). Herzberg's motivators include factors such as achievement, recognition, and the work itself. One might say, then, that market orientation is a "hygiene" factor that, when absent, hinders the ability to maximize profit. When present, market orientation doesn't increase profit by itself, it simply removes an obstacle to profit and sets the stage for increasing profits to occur. The "motivator" in this model is a pricing policy that will maximize profit. A suggested model for this concept of the relationship between market orientation, pricing policy, and small business profitability performance is shown in Figure 2.

Figure 2

Market Orientation/Pricing Policy Model

Minority and Woman-Owned Small Firms



STUDY RESULTS APPLICATION TO THEORY

Marketing theory holds that degree of market orientation and firm performance are positively related. This has been demonstrated to be true in 13 of the 15 studies reviewed by this author. The studies included both large and small firms; but none have been reported using minority and woman-owned small businesses, which are said to be the "emerging growth companies" of the 90's (McKee & Nelton, 1992). This study contributes to the theory by demonstrating once again that market orientation improves performance. It further contributes by extending the theory's application specifically to a population that has not been reported as being studied before, minority and woman-owned small firms. Because the sample population studied was relatively small and not geographically diverse (limited to the metropolitan area of Austin, Texas) results may not generalize to all minority and woman-owned small firms. Nevertheless, the study results provide a valuable addition to the literature.

A second contribution of this study lies in the finding that while market orientation was positively related to performance, as measured by sales growth and customer retention, it did not influence financial performance as measured by return on sales. The implication of this finding is that market orientation may not, by itself, make the firm profitable. It is proposed that being market oriented "sets the stage" for profitability, but proper pricing policy may then be the facilitator that makes it happen. It is suggested that a business can have satisfied and loyal customers and growing sales volume, but if pricing policy sets prices at the low end of the range customers will accept, profit commensurate with the other performance measures will not be achieved. It is proposed that this phenomenon is more common with smaller firms which may be less-informed on the techniques of pricing. This, in fact, has been shown to be the case in this author's two years experience as a business counselor in the Central Texas Small Business Development Center, as well as nine subsequent years of "ad hoc" business counseling in association with the Greater Killeen Chamber of Commerce and Central Texas College.

SUGGESTIONS FOR FURTHER RESEARCH

Larger studies of geographically-diverse minority and woman-owned small firms would serve to confirm that the results of this study generalize to the total population.
Longitudinal studies of the market orientation and performance relationship in minority and woman-owned small firms would overcome the limitations of the cross-sectional study and should lead to more specific and accurate assessments. Inclusion of market orientation assessments by customers as well as firm owners/managers in future studies would provide a more balanced and more accurate view of the real strength of the firm's market orientation posture. Studies of small firms' market orientation and performance relationship in combination with pricing policy would be fruitful in explaining why some firms show a positive market orientation and performance relationship except for profitability.

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RESOURCE LEVERAGING: COMPETITIVE STRATEGIES FOR SME's IN THE GLOBAL MARKETPLACE

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ABSTRACT

Building upon Hamel and Prahalad's (1993) idea of strategy as stretch and leverage, this paper investigates how a smaller, less resourceful competitor can successfully out-maneuver a stronger opponent, and offer maneuvering as an additional leverage method. For smaller and mid-size firms, the conclusions from this analysis should offer strategic insights that are particularly appropriate, given these companies' often limited resources and larger competitors. In the global marketplace, it is particularly critical that business enterprises be able to compete against numerically stronger foes. Even multinational giants may find themselves in a qualitatively inferior position when entering a local market dominated by well-established relationships and networks. Unfortunately, much of the strategic literature on global business overlooks this important issue of resource imbalance. With this paper, it is hoped that interest will be ignited in the study of how resource imbalance can be overcome in the global marketplace. The idea of maneuvering was developed by McLarney and Chung (1994) in their analysis of the Battle of Midway and its strategic implications for business. McLarney and Chung's arguments are expanded in this paper and their model is applied to a contemporary business setting. The efficacy of their model is evidenced by its successful application to a real-world smaller business enterprise competing in the world market.

INTRODUCTION

The traditional view of strategic planning, that of resource allocation, has often been criticized as being insufficient to inform strategic management requirements. Hamel and Prahalad (1993) offered the idea of strategy as stretch and leverage, as a way to expand on the conventional perspective of fit and allocation. Refinements to the strategic planning process along these lines led to the Battle of Midway being used to analyze strategic maneuvering in the face of significant resource deficiencies (McLarney and Chung 1994). These authors noted that even the idea of leveraging one's resources is not necessarily adequate to offset quantitative and qualitative resource deficiencies that companies often face in the competitive marketplace. How could a smaller enterprise hope to compete with a multinational giant, against overwhelming odds in managerial talents, capital resources, technological know-how, and so on? This problem is compounded in the global marketplace, where resource imbalance is common. Indeed, even multinational giants could find themselves in an inferior position when trying to enter a local market dominated by layers of well-established relationships and networks. The literature on global strategies however tend to pay more attention to grander schemes of strategy, and neglect the problems one faces when resource imbalance is a hurdle. McLarney and Chung (1994) proposed an expanded view of resource leveraging, specifically to address the question of absolute resource imbalance. They presented the idea of maneuvering of resources as a "sixth arena" to complement Hamel and Prahalad's (1993) framework. This expanded view of strategic planning is used in this paper to study the global marketing efforts of ABC Exports, a privately-owned company engaging in live-stock exports. The organization has been disguised as requested by the management team. It will be referred to as ABC Exports, and its CEO as Mr. Smith.

The classic tale of David and Goliath tells the story of how one small boy with a leather sling defeated a giant. This tale is repeated in many stories of the underlying triumphing over enormous odds. The question that these tales beg is: *How did they do it?* They also raise the question of: *Why did the giant fall?* This paper begins to explore those questions. The objective of this paper is first to demonstrate that, as Chaffee (1985) suggests, strategy is multidimensional as well as situational. Second, some of the "givens" in strategic management are re-examined, by examining a case study in which the outcomes are, at least on the surface, surprising and seem to go against conventional wisdom. Third, this paper's contribution will be measured by whether it produces resonance with the reader, and by doing so, adds to the general body of knowledge of strategy. In particular, it is hoped that the emergent themes from this analysis will provide managers of smaller and mid-size enterprises some useful new ways of contemplating their strategies, and to recognize that indeed, we can do more with less. And fourth, by presenting a series of propositions, future research directions are suggested that may be taken to further our knowledge about effective strategizing under adverse conditions. And with that, the strategic planning community may be better able to arrive at generalizations to guide the process.

CONCEPTUALIZATION

The effective and efficient allocation of resources underpins the very essence of strategic management (Porter 1980). Hamel and Prahalad (1993) argue that while organizations must ultimately find a fit between its resources and the opportunities it seeks, it is in the finding of that fit that strategy is created. Specifically, they contend that "...the concept of stretch supplements the idea of fit, leveraging resources is as important as allocating them..." (p.77). With this said they propose that there are several ways, "arenas," in which organizations can achieve resource leverage with the aim of increasing resource productivity. Table I summarizes their five arenas and the weapons of choice to be used in those arenas (the sixth arena was developed by McLarney and Chung 1994).

TABLE 1
METHODS OF LEVERAGING RESOURCES

ARENA OF RESOURCE LEVERAGE	WEAPONS OF CHOICE
CONCENTRATING	o convergence o focusing
ACCUMULATING	o extraction o borrowing
COMPLEMENTING	o blending o balancing
CONSERVING	o recycling o shielding
RECOVERING	o expediting o pre-empting
MANEUVERING	o flexibility o co-ordinating

Adapted from Hamel and Prahalad (1993)

The first "arena of resource leverage" which is the *concentration* of resources, which involves the centering of resources on the organization's key strategic goals. The next "arena" is *accumulation* of resources in an efficient and effective manner. *Complementing* one type of resource with another is the third "arena" offered by Hamel and Prahalad. *Conserving* resources wherever possible is the next "arena" of leverage. The final "arena" is the timely *recovery* of the resources from the marketplace.

The sixth "arena" found in Table I has been developed from an analysis of the Battle of Midway (McLarney and Chung 1994). This is termed the *maneuvering* of resources. Here flexibility and coordination join forces to allow organizations to garner greater resource productivity. This sixth method of resource leveraging complements and supplements the five other techniques offered by Hamel and Prahalad.

In the following section, we briefly present the idea behind this sixth arena, that of the maneuvering of resources. The reader is encouraged to refer to McLarney and Chung (1994) for a fuller account of their conceptualization.

MANEUVERING OF RESOURCES

> By any ordinary standard, they were hopelessly outclassed...They knew little of war. None of the Navy pilots on one of their carriers had ever been in combat. Nor had any of the Army fliers...Their enemy was brilliant, experienced and all-conquering...They had no right to win. Yet they did, and in doing so they changed the course of a war. (Lord 1967, pp.ix-x)

On June 4, 1942, a rag-tag US fleet, comprising what remained of the Pacific Fleet after Pearl Harbor only six months before, engaged a quantitatively and qualitatively superior Japanese fleet near Midway Island. At the cost of one aircraft carrier and one destroyer, the US fleet sank all four participating enemy carriers as well as a heavy cruiser. More important, the Japanese lost some three hundred first-line planes and most of their battle-hardened, skilled pilots. After Midway, the Japanese Navy dropped their plans to invade Australia and Southeast Asia and instead remained on the defensive for the balance of the war (Smith 1966).

The outcome of Midway was more than a physical victory for the Americans. For despite the loss of ships, planes, and manpower, the Japanese Navy retained a superior force. Yet Midway marked a symbolic end to the streak of Japanese victories, and this, more than anything else, boosted American morale. Admiral Nimitz, in a communiqué after the battle, said (Potter 1976, p.107):

> Pearl Harbor has now been partially avenged. Vengeance will not be complete until Japanese sea power is reduced to impotence. We have made substantial progress in that direction. Perhaps we will be forgiven if we claim that we are about midway [pun intended] to that objective.

From an analysis of the Battle of Midway, McLarney and Chung (1994) proposed a sixth arena of resource leveraging, to complement Hamel and Prahalad's model. This method of leveraging resources was drawn specifically from the experiences at the Battle of Midway. This technique, however, is not restricted to military use and is seen in many organizations as well. The maneuvering of resources to increase their productivity is directly related to their allocation, but it is more than simply putting resources in their place. Maneuvering requires both flexibility and co-ordination. The battle plans drawn up by the two sides for the Battle of Midway were at opposite ends of the flexibility spectrum. The Japanese plans, constructed solely by "senior management" (Admiral Yamamoto and his staff) were rigid in the extreme. They did not have any contingencies for the possibility of the American fleet not being at Pearl Harbor. Also they were underpinned by the mistaken assumption that the element of surprise was theirs. The U.S. battle plans were as flexible as the Japanese were rigid. Their plans were an exercise in participative decision making, with all fleet commanders having an input. Also the American commanders in the theater had much more flexibility to act and at the same time they had the element of surprise this time.

Maneuvering also requires co-ordination. For effective resource leveraging to take place the resources must be in balance with one another, moving in concert with each part, and their movements must be perfectly timed. For the Americans, these elements of the maneuvering of the Pacific Fleet were crucial to their victory. All ships were focused on the target, Midway. They sailed towards the enemy in balance and united, in contrast to the Japanese who had their forces dispersed and their main battleship, Yamato, removed from the battle. And overall their timing was far superior to the Japanese. Time and again the Japanese were caught by surprise. Whether it was being caught with their planes being re-armed, or the miscalculation by the Japanese high altitude patrol, the Americans were "in the right place at the right time."

MANEUVERING IN ACTION: ABC EXPORTS

ABC Exports has been in existence since January 17th 1977. Since its inception, ABC has been one of the leaders in livestock exports, particularly swine, beef cattle, dairy cattle, sheep and goats. In July 1992, ABC Exports established a sister company in the United Kingdom - ABC-Europe. Through this venture ABC has been able to better serve its customers as a global genetic source. ABC-Europe specializes in swine exports, but is also the leading exporter of all types of animals from Europe.

ABC's primary goal is to supply the highest quality animals at the most competitive price. Furthermore, they aim to provide superior service both before and after shipment to guarantee a satisfied customer. ABC supplies genetics for all species through live animals, embryos, or semen. They continually exceed their customers expectations through a rigid selection process, health testing, final inspections, and follow-up service. This ensures a satisfied customer and ABC's growth through word of mouth sales and repeat customers. ABC is the most preferred livestock exporting business in North America.

ABC Exports is headed up by Mr. Smith. He began his career as Assistant Superintendent of Markets for the Illinois Department of Agriculture in charge of export promotion. Later he was General Manager of Illinois Produce International. The company is set up with cross functional teams. All teams have members with either administrative, technical or regional expertise. There are four technical experts. They each specialize in a particular animal species. The regional experts, of which there are three, specialize in a specific region of the world (Europe, Latin America, Asia). Finally, there are four administrative experts. They range in expertise in finance and accounting to marketing and administration.

STRATEGIC ANALYSIS

As was noted earlier in this paper, we have chosen to use the framework developed by Hamel and Prahalad to analyze the global success of ABC Exports. We will be drawing upon their resource leverage framework which was represented in Table 1. This framework identifies five basic ways which organizations can leverage their resources: concentrating, accumulating, complementing, conserving, recovering. Returning to Table 1, one will recall that we have built upon the work of Hamel and Prahalad and developed a sixth "arena of resource leverage," that being **maneuvering**. We shall next proceed to analyze each of the essential elements of this hybrid framework. Each element will be analyzed with specific reference to ABC. Table 2 summarizes how the resource leverage framework relates to the strategic deployment of the resources of ABC over the past twenty years.

TABLE 2
ABC EXPORT'S METHODS OF LEVERAGING RESOURCES

ARENA OF RESOURCE LEVERAGE	WEAPONS OF CHOICE
CONCENTRATING	o all staff o cattle & swine focus
ACCUMULATING	o information & technology o "beg, borrow & steal"
COMPLEMENTING	o participative decision making o empowerment
CONSERVING	o "stick with knitting" o selective focus
RECOVERING	o rely on strength o ABC-Europe
MANEUVERING	o innovation o technology/databases

Adapted from Hamel and Prahalad (1993)

We begin with a discussion on the first "arena of resource leverage" which is the *concentration* of resources. The point here is to centre on the organization's key strategic goals. The next "arena" is *accumulation* of resources in an efficient and effective manner. *Complementing* one type of resource with another is the third "arena" we will examine. Next we discuss how *conserving* resources wherever possible is also an "arena" of leverage. Going beyond conservation, we then look at their timely *recovery* from the marketplace. And last, we examine the *maneuvering* of resources, the "arena" where flexibility and co-ordination join forces to allow organizations to garner greater resource productivity.

Concentration of Resources Hamel and Prahalad's (1993) concept of leverage (and stretch) was positioned as an alternative to the traditional corporate strategy of fit. This idea of leveraging resources is argued as being as important as their allocation (Penrose 1959). Specifically, Hamel and Prahalad contend that "leveraging what a company already has rather than simply allocating it is a more creative response to scarcity" (1993, p.78).

The first process by which an organization can leverage its resources is by concentrating them on key strategic goals of the organization. For resource leveraging to be successful, the resources of the organization must converge on a strategic focal point. This *convergence,* according to Hamel and Prahalad, "requires an intent that is sufficiently precise to guide decisions...converging resources around an amorphous goal is difficult if not impossible..." (1993, p.79). With regards to ABC Exports, this has meant a gathering of all their resources to achieve one goal: being the number one exporter of cattle and swine from the United States. This convergence of resources has allowed them to achieve this goal. In 1982, they became the largest cattle export supplier from the U.S.A. to the Orient. 1985 brought the accolade of the number one exporter of breeding swine from the United States. This trend continued when in 1990 ABC was acknowledged as the largest exporter of pure-bred swine from North America. Finally, 1995 saw the firm reach the goal of top exporter of dairy cattle from the U.S.A. Over the past twenty years, ABC Exports has consistently applied this concept of convergence to leverage their resources. Having only one goal, to be Number One, has allowed them to have a point of convergence and to win.

The concept of convergence allows organizations to keep their resources "on the right track." It, in essence, averts the possibility of the deviation of resources from the strategic goals. The concept of *focus,* on the other hand, helps organizations to make sure all their resources are "on the right track." Focus ensures that the organization's resources are not attenuated over time. For ABC Exports, this focus is on the export of cattle and swine specifically. This focus ensures that their resources are not scattered. This is especially evident when we turn back to the staffing at ABC. Their technical experts are in the fields of dairy science, beef cattle, and swine respectively. This concentration of expertise prevents the dilution of ABC's scarce resources into all animal species.

> *Accumulation of Resources* Hamel and Prahalad's second method of leveraging resources is through the efficient accumulation of them. Organizations are seen as a reservoir of resources, experiences, and contacts (Andrews 1980). It is the truly successful organizations which are able to extract knowledge and productivity from this reservoir. For Hamel and Prahalad, this *extraction* takes place when "employees" extract value from every contact they have with clients, competitors, and other stakeholders: "...the ability to maximize the insights gained from every experience is a critical component of resource leverage" (1993, p.80).

For ABC Exports, this has meant moving from a very simple export business in the late 1970's to a very sophisticated operation. In the early days of the firm, the main focus was on the export of animals, which roughly meant getting the cattle or swine from the US to the client. The selection, health testing and final inspections of the animals drove the business. In the 1970's, the transportation of animals was quite crude at times, with many animals expiring during their journey. In fact, many of the exporters at that time built in a 5-10% death rate during transport into their bids. For ABC, this was unacceptable so they began to investigate the major causes of the high fatality rates. What they discovered was appalling and fairly simple to fix: the mortality rates were primarily attributed to de-hydration and overcrowding in the pens. Beginning in the late 1970's ABC worked to develop "in-plane" watering systems and expanded metal penning systems. In 1982 ABC became the first exporter to own and develop its own ventilation equipment for planes flying out of Miami

International Airport. These three innovative systems reduced the overall stress on the animals and improved airflow. In sum, this reduced mortality in-transport rates drastically. ABC used every resource at its disposal to ensure that in addition to being the number one exporter of cattle and swine from the United States, they are also the number one exporters with the lowest in-transport mortality. They knew that in order to achieve the first goal they must also achieve the second. Experience, competencies and knowledge were extracted from every possible source.

The accumulation of resources is also achieved through *borrowing*. This means borrowing from other organizations and people be they clients, competitors or any other stakeholders. Hamel and Prahalad add, however, that "...borrowing involves not only gaining access to the skills...but also internalizing those skills..." (1993, p.80). They also argue that borrowing works best then the "borrower" is hungry and aggressive rather than complacent. Complacency sometimes leads to the borrower giving up skills rather than acquiring them. They term this phenomenon “negative leverage” and warn against falling victim to it. For ABC Exports, this borrowing is best exemplified by its development of production programs for a number of private firms as well as governments around the globe. In 1977, ABC was contracted to potentially supply Holstein Dairy Heifers to a farm in Hungary. They were initially involved in only supplying the cattle, but over the course of a year, they had helped with the development of a production program for the dairy herd in Hungary. Equipped with the “borrowed” knowledge they went on to develop production programs with private industry in Spain for dairy production in 1979. They did not restrict themselves to dairy production, but went on to develop programs in beef production (Government of the Philippines 1983), swine production (Dominican Republic, 1983), and sheep production (Government of Rajasthan, Jaipur India 1993). In the development of these programs, ABC Exports ties their clients to them so that they not only develop the production programs but also supply the animals (through live animals, embryos or semen).

> *Complementing Resources* The third method of leveraging resources suggested by Hamel and Prahalad is by complementing one type of resource with another to create a higher order value. One approach to complementing resources is through the *blending* of resources: "...by blending different types of resources in ways which multiply the value of each, management transforms its resources while leveraging them" (Hamel & Prahalad 1993, p.81).

This blending may take place at a technical or at a functional level. The recent popularity of cross-functional teams in organizations attests to the belief in the efficacy of this concept. Mr. Smith believes in the idea of blending resources in order to increase the value of each one and the whole. He works closely with his staff and effectively they jointly have control of the operation. For ABC, their strength is in their people. The firm has collected a set of people with specific technical or regional expertise. The combination of these individuals means that the clients are served by teams who can not only provide them with the best animals available, but also the most appropriate animals for their location in the world. This assures that the client is completely satisfied. ABC’s teams always consist of a regional expert (Asia, Latin America or Europe) and a technical expert (dairy science specialist, beef cattle specialist or swine specialist) and an International Veterinary Consultant.

The other approach to complementing resources is through the *balancing* of these resources. Hamel and Prahalad stress that any organization is like a three legged stool. In order for the organization to be stable and strong each one of the legs must be the same length: "...if any of the legs is much shorter than the others, the company will be unable to exploit the investments it has made in its areas of strength" (1993, p.81). In other words, an organization will not be able to fully leverage its available resources if it does not have a balance and control over its various dimensions. The three legged stool that is ABC consists of technical, regional, and administrative expertise. It is able to leverage its meagre resources (11 people) through cross-functional teams as mentioned previously. These teams work to the goal of complete client satisfaction through top notch inspections and health screening, expert selection based upon regional constraints, and seem-less order processing and follow-up.

> *Conserving Resources* The fourth "arena" of resource leverage offered by Hamel and Prahalad is the conserving of resources. They suggest that by conserving resources wherever possible organizations can create leverage. It is through recycling and shielding resources that conservation is achieved. *Recycling* is seen as a re-using of resources: "...the more often a given skill or competence is used, the greater the leverage..." (1993, p.82).

This is best exemplified for ABC Exports through the saying “sticking with your knitting”. Once they developed the air ventilation, watering, and metal pen systems for air transport of swine in 1982, they stuck with what they knew and used the same technological innovations for the transportation of beef and dairy cattle and sheep. They simply adapted the systems to the different animal’s requirements. The same stick with-it-ness is also shown in the use of the dairy production program developed for the Hungarian Government. This program was used as a template for future production programs for various governments around the globe.

The *shielding* of resources is also a way of achieving leverage through conservation. Shielding is the most similar to military tactics of all the other leverage techniques: "...the goal is to maximize enemy losses while minimizing the risk to one's own forces..." (1993, p.83). This means not engaging in a full frontal attack, to reconnoitre enemy territory, and to use the enemy's forces to your advantage. In essence, it is using the strategy of "entrepreneurial judo" (Drucker 1985). ABC has done an excellent job of shielding their resources by concentrating on the export of cattle and swine. This does not open them up to attack form other animal exporters. If they were to greatly expand their product line, they would be exposed to more risky ventures. It should be noted here that in 1993 ABC Exports did venture into the exporting of sheep to India. There are further discussion on-going at ABC to expand into sheep exports with the success of the India contract. Mr. Smith is loath to move beyond cattle and swine, as they are the two most profitable species for animal exporters. The specialization in cattle and swine protects the resources by not spreading them too thin. Cattle and Swine exports represent the two most profitable lines for animal exporters with sheep coming a very distant third. ABC conserves its resources by only concentrating on the most profitable exports.

> *Recovering Resources* Hamel and Prahalad's final method of leverage resources is found through the recovery of these resources. The most leverage is achieved if the resources are recovered from the marketplace in the shortest possible time: "...the more rapid the recovery process, the higher the resource multiplier..." (1993, p.83).

This means that organizations which can perform functions faster than their competitors will have a leverage advantage. Organizations which have a faster turn-around-time with their products and technology are also able to use recovery as a means of leveraging resources. These organizations are able to recover their resources, re-organize them and then put them quickly back into the melee. This allows them to *pre-empt* their competition. The opening of ABC-Europe in 1992 was initiated to get a jump on the competition. ABC-Europe allows the firm to reduce client response time. They are able to process orders more quickly and greatly cut down on client service time. This office also enabled ABC to move their regional expertise closer to their client. This enabled them to gain the upper hand with their competition. In keeping with their pre-emptive strategy, ABC is looking to open ABC-Asia in the near future.

> *Maneuvering Resources* As was mentioned in the Conceptualization Section of this paper, we have developed a sixth "arena of resource leverage." (McLarney and Chung 1994)

This method of leveraging resources was drawn specifically from the experiences at the Battle of Midway. This technique, however, is not restricted to military use and is seen in many organizations as well. Specifically, it can be seen in the remarkable global success of a small Mid-West firm. The maneuvering of resources to increase their productivity is directly related to their allocation, but it is more than simply putting resources in their place. Maneuvering requires both *flexibility* and co-ordination. ABC has increased its flexibility through cross-functional teams, innovations in technology, and a regional office. As was mentioned previously, their cross-functional teams give ABC a complementary resource base. Teams of technical, regional, and administrative experts work together to meet client needs. They are able to quickly pin-point client issues and solve the problem. The teams are also able to draw on one another's expertise as well as creativity, thus giving the client better service. Whether the problem is administrative or technical, the team is there for the client to come up with solutions. This flexibility as enabled ABC Exports to attain their goal of being the number one exporter of cattle and swine from the United States.

On the innovation front, ABC's developments have moved them into the premier position in the world. Their development of ventilation, hydration, and penning systems have given them very solid ties to their clients. The ventilation, hydration, and penning systems were first developed for cattle, but had the built in flexibility to be adapted for swine and latter for sheep. The systems were developed for 747 aircraft, but again have the flexibility for adjustment for other sizes of planes. While the equipment has not been used for rail or truck transport (as these mode of transport are more short-haul), there are plans on the books for a rail car hydration and penning system for the 21st century.

Finally, ABC-Europe, is probably one of the best examples of resource flexibility at work. This office is now able to serve clients better in Europe, the former Soviet Union, the Middle East, and Africa. Their response time to clients has been dramatically reduced since ABC-Europe opened in 1992. This center of regional expertise has moved ABC into the number one spot for dairy cattle exports.

Maneuvering also requires *co-ordination*. For effective resource leveraging to take place the resources must be in balance with one another, moving in concert with each part, and their movements must be perfectly timed. ABC has achieved this through satellite tracking of their shipments, computer databases on clients, suppliers, and competitors, and on-line client assistance. The satellite tracking systems allow ABC Export's to keep their clients up to the minute with their shipments. Since ABC either deals in live animals or frozen embryos/semen, it is vital that the shipments be made in a timely manner. Satellite tracking enables them to co-ordinate the various transportation systems they use to ensure on-time delivery.

ABC's databases on clients, suppliers and competitors helps them keep up to date on their clients, the latest innovation, or a strategic move of a competitor. All ABC teams keep current file on all clients which allows them to service current clients more efficiently. Instead of carrying a variety of files, the teams just access the client database of all information. Current and past sources of supplies are also kept on the database. In this way if a client prefers a certain breeder, ABC will have current information on that supplier. Finally, their competitive database lets them assess any strategic maneuvering from their competitors. These computer databases help co-ordinate the strategic thrust of ABC.

Their on-line client assistance goes further to help ABC to co-ordinate its actions in satisfying client needs. Clients can simply dial in to an on-line system which will help them with simple technical problems. It also allows them to leave messages for their client team. These messages are then relayed directly to the client team. This on-line system has gone a long way to improving already good client relations.

RESEARCH IMPLICATIONS

This paper presents the findings of one case study. The findings here support McLarney and Chung's (1994) study of the Battle of Midway. These two different case studies, pertaining to scenarios at different time periods, both support the idea of maneuvering of resources as a viable means of resource leveraging. Other researchers may wish to study other cases to arrive at other findings. Would investigations into other similarly turbulent decision-making environments yield similar findings? If so, we would achieve greater confidence of the results presented here. Alternatively, it may also be fruitful to test the model under different situations and see how we may better refine the model itself. Along these lines, other researchers may examine other contemporary scenarios and identify whether some of the model parameters may have changed over time. If anything is generalizable at all, it would be insights that each reader experiences. Confidence in the validity of our findings will increase if other studies are able to replicate the ethos of the present analysis. To the extent that quantitative analysis is possible, confirmatory findings will add further credence to the arguments raised here.

MANAGERIAL IMPLICATIONS

For practising managers, this paper points out some of the dangers that may often be overlooked. For example, the need to establish a thorough search for and dissemination of competitive and market intelligence is clearly demonstrated. We hope that as a minimum we have alerted readers to the fact that resource superiority does not guarantee victory. Indeed, following McLarney and Chung (1994), we have sought to demonstrate that even *absolute* resource imbalance can be overcome. Using the idea of maneuvering of resources, managers can attempt to leverage their resources so that they can do more with less. The ABC case study, which supports the earlier findings from the Battle of Midway, demonstrates how resource maneuvering can be implemented and how it can help an enterprise to compete in the global marketplace. And in the process, we hope to begin to address our concern that the strategy literature does not do an adequate enough job studying global strategy in a situation of resource imbalance. The manager is also reminded of the negative consequences of being blinded by previous success. If nothing else, this is step one in preventing managers from being so blinded. As Hamel and Prahalad (1993, p.76) have commented, "long-term competitiveness depends on managers' willingness to challenge continually their managerial frames." We discuss the importance of instilling a strong sense of "meaning" throughout the organization, and suggest maximum flexibility as the way to deal with chaotic and turbulent environments. All the while we stress that what is important is what goes on in people's minds, that reality is a social construction and not necessarily as represented by pages of statistics.

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HIGH ASPIRATIONS AND LOW EXPECTATIONS OF GENERATIONS XERS: THE CHALLENGE FOR MARKETERS AND IMPLICATIONS FOR BUSINESS EDUCATION

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ABSTRACT

Generation Xers, the 46 million Americans between the ages of 20 and 33 coming of age in the 1980s and 1990s, are dramatically different than preceding generations in terms of attitude, language, culture, lifestyle orientation, and aspirations (Burandt 1997; Morrison 1997). Comprising the second largest birthgroup in American history, today's young adults expect to work hard, play tough, and receive substantial monetary and material rewards for their efforts, but not necessarily in the traditional ways. Generation Xers plan to follow their own rules to reach their goals. They prefer working on their own to working for someone else; they are ready to buy and willing to spend heavily on items that denote status (Morrison 1997; "X, It Appears Never Marked the Spot" 1997). Many of the products and services purchased by Generation Xers are purchased for what they do for them, how the products and services make them feel, and for how they may change the way they are perceived by their peers (Reese 1997). These attitudes, as well as other characteristics of Generation X, are what has made this group one of the most talked about and analyzed target market groups in recent years and has presented numerous challenges for marketers and business education alike.

TRANSPORTATION BUYER'S PERCEPTIONS OF ENTREPRENEURIAL CUSTOMER-SEEKING EXPRESS DELIVERY COMPANIES

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Brent Whitaker, Southeast Missouri State University

ABSTRACT

With inventory-carrying costs rising and shipments shrinking in size, transportation buyers are beginning to tap package express carriers for routine deliveries and a host of new services (Minahan 1998). Although survey results indicate the importance of price sensitivity among small entrepreneurial firms when selecting express delivery companies, it is not a major determining factor. Clearly, dependability/quality of service is the overall most important factor among those surveyed when selecting an express company. In addition, survey results dispelled the notion that companies tend to ship more with UPS because of the perceived cost savings. Survey results also indicate that express companies are not viewed as being the same in terms of meeting its customers' needs. More than a third of the respondents reported that UPS's competitors are now receiving a larger share of their respective company's business.

INTRODUCTION

Small-package carriers are not just for emergencies anymore. With inventory-carrying costs rising and shipments shrinking in size, transportation buyers are beginning to tap package express carriers for routine deliveries and a host of new services (Minihan, 1998) while, at the same time, the number of small businesses, as measured in business tax returns, in the United States is increasing – 57 percent since 1982. As of 1996, there were approximately 23.3 million non-farm businesses, of which 99 percent are small by size standards set by the U.S. Small Business Administration (SBA). These include corporations, partnerships and sole proprietorships – all of whom are transportation buyers (*The Facts About Small Business,* 1997).

This particular information certainly has not gone unnoticed by the express delivery companies. Federal Express (FedEx), United Parcel Service (UPS), Rapid Parcel Service (RPS), and the U.S. Postal Service are all seeking to tap into the ever increasing customer base represented by smaller entrepreneurial firms. Traditional marketing strategies which focused primarily on big businesses with large shipping volumes, are expanding to include smaller entrepreneurial firms who may ship only 3-5 packages a week. Currently, both UPS and Fed Ex offer free shipping software designed just for these small accounts. The software can be delivered directly to the customer or downloaded from each company's web site. In addition, FedEx is encouraging their couriers to seek out and refer sales leads for their account executives to further develop, regardless of shipping volume. Leads that turn into productive accounts generally earns the courier incentive pay.

As competition builds for these entrepreneurial customers, express delivery companies are striving to differentiate themselves from their competitors by delivering the best possible service and by developing closer customer relationships. This is becoming more difficult, however, as each express company is looking more and more alike. UPS, who for many decades handled only ground freight, launched their air service after witnessing FedEx's success in the overnight market. FedEx is now slowly moving into the ground business initially with the introduction of their Express Saver (3 day) service and, more recently, with the acquisition of Caliber System, Inc.. Caliber System, Inc. is made up of five companies which includes both RPS and Roberts Express, the nation's largest ground-based expedited carrier. This acquisition positions FedEx for head-to-head competition with UPS on air as well as ground freight.

According to Minahan (1998), "Growing demand for deferred services has package carriers rushing to buy, build, or borrow the trucks and terminals necessary to support such time-specific services. The reason? It costs a heck of a lot less to send a package over the road than in the air. And, with nearly 65 percent of all shipments traveling less than 700 miles, trucks can be used to deliver to many domestic locations within two days. Carriers who can develop a reliable ground network will be able to cut costs and improve profits significantly" (Minahan, 1998).

In addition to business structure and marketing strategy, price differentials are also becoming less of an issue. FedEx has, for the most part, had the reputation of having higher rates than other express companies. This is due primarily to the company starting out in the overnight business which is more expensive to manage when compared to the costs of a ground company such as UPS. However, as these two companies have grown and developed, pricing differences have narrowed significantly. For example, the rates for a letter shipped the same distance within a specific Midwestern market, although not identical, are very competitive.

TABLE I

Service	**UPS**	**FedEx**
Next Business Day by 8:00 a.m.	$36.50	$37.50
Next Business Day by 10:30 a.m.	$11.50	$12.50
Next Business Day by 3:00 p.m.	$10.00	$10.75
Second Business Day	$5.75	$7.25

*Data provided by UPS and FedEx web sites.

With a wide-range of delivery and data management services, small package carriers are appealing transportation partners for shippers hoping to get high-value goods off the stockroom shelves and into the hands of customers. And, as the lines continue to blur between these types of entrepreneurial express companies, superior service and customer focus, which embraces the needs of other entrepreneurial and small business firms, will become an even more important strategy for the future for these express companies. For these reasons this study was initiated to ascertain the perceptions of various entrepreneurial and small business firms concerning express delivery companies and services provided.

HYPOTHESIS

It is believed that entrepreneurs/small business owners are primarily concerned with price when deciding which delivery company to utilize. Entrepreneurs generally have limited funds in which to not only start, but to generally grow their businesses. One would possibly conclude, as well, based on current rate structures, that the average small business would tend to ship more with UPS as their rates appear more reasonable. FedEx, on the otherhand, would be viewed as a premium service company with a premium price and would perhaps be utilized only on the most critical shipments. It is also believed that express companies are viewed as fairly generic in terms of services offered, therefore, in the scheme of things, small entrepreneurial businesses wouldn't necessarily expect the royal treatment by express companies which is usually reserved for high volume customers. Furthermore, it is believed that most entrepreneurial firms have diversified the distribution of outgoing packages among more express companies since the recent UPS strike. Companies who shipped virtually all their freight with UPS during the strike were severely hampered. In addition, they quickly ascertained that FedEx and RPS were not willing to jeopardize their current loyal customers' freight in order to take on what would normally be UPS freight. FedEx and RPS turned many of these so-called prospective customers away as their capacity was limited also.

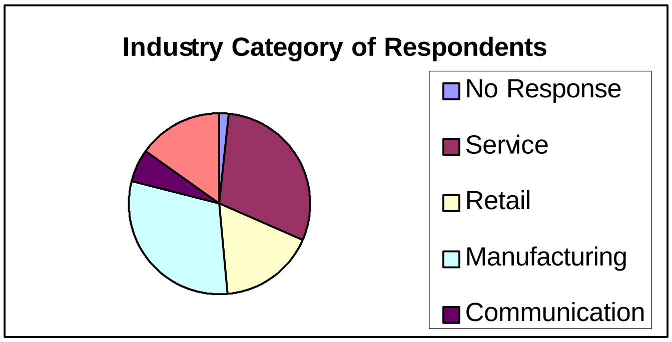
DATA COLLECTION

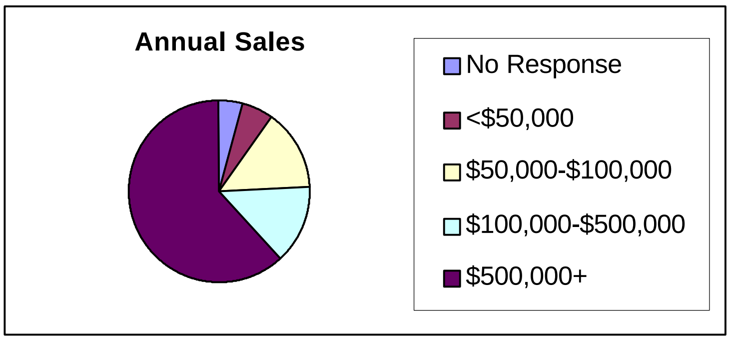
One hundred-fifty questionnaires were mailed to small/entrepreneurial firms known to use express delivery companies on a regular basis. The questionnaire contained seven questions focusing on important characteristics, performance, customer focus, and market share of express delivery companies. Question one asked what factors determine the selection of an express company. Question two asked which express company was perceived to be the most interested in meeting their company needs. Question three asked respondents to rate the service received from the express companies. Question four was a multi-part question which dealt with market share. First, respondents were asked to identify the company which currently receives the majority of their company's overnight shipping. To evaluate the effect of the UPS strike on shipping selections each company was also asked which express delivery companies now receive a larger share of their shipments because of the recent strike. Finally, respondents were asked to indicate their respective industry category from a list of choices, and size in terms of annual sales. A self-addressed postage paid return envelope was included.

DATA SUMMARY

Of the 150 surveys mailed, 93 were completed and returned for a 62 percent response rate. Nearly 30 percent (28) of the respondents categorized their business as manufacturing, 29 percent (27) in the service industry, 17 percent (16) in retail, 15 percent (14) in communications/computing, and 6.5 percent (6) in "other" industries.

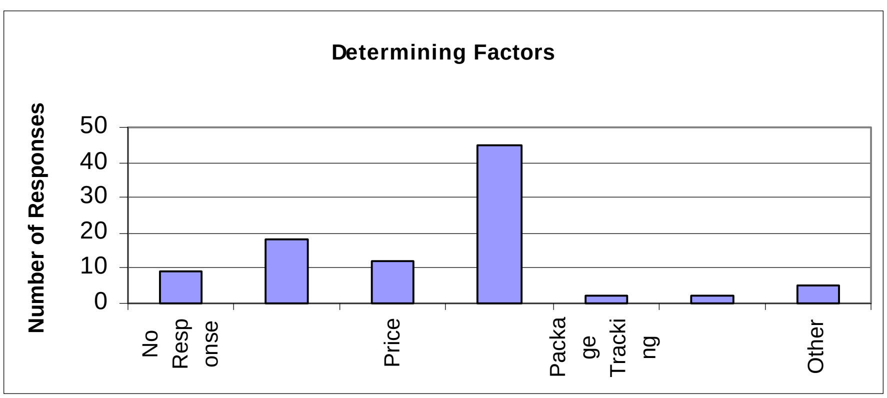
In terms of business size, approximately 66 percent (61) of the small/entrepreneurial firms surveyed reported annual sales in excess of $500,000. Twenty-eight percent (26) of these

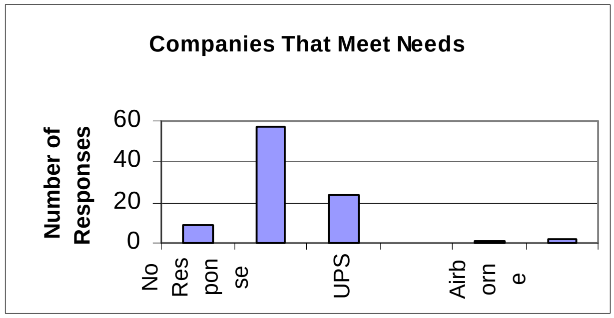


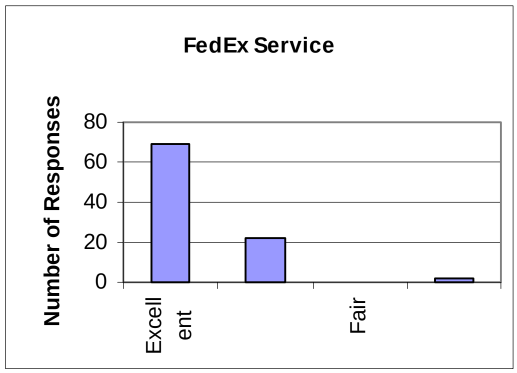


businesses noted having sales in the $50,000-$500,000 range while only 6.5 percent (6) of the firms had sales of less than $50,000.

When determining the selection of an express delivery company nearly 50 percent of the respondents cited dependability/quality of service as the most influential factor. Approximately 19 percent (18) of the respondents indicated that their customers decided which company to use for their shipping needs. Of all respondents, only 12.9 percent (12) reported price as being the most important deciding factor.



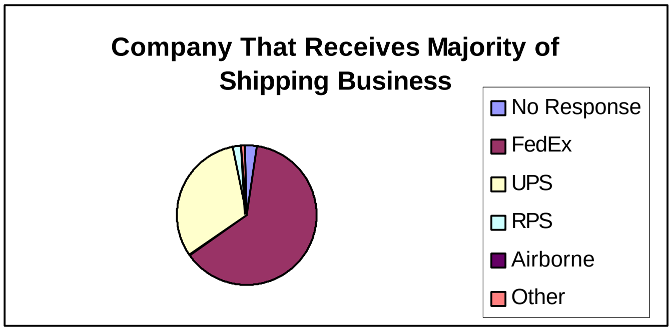


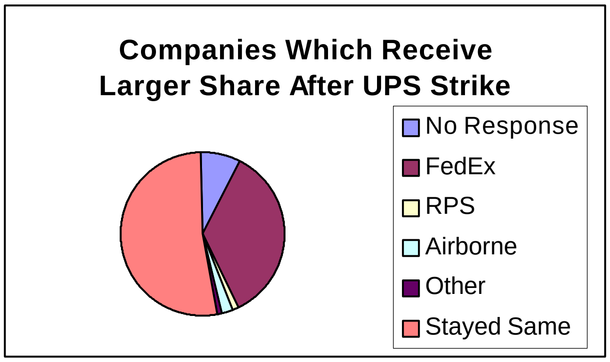


In terms of the company that seemed the most interested in meeting respective company needs, 61.3 percent (57) of the respondents selected FedEx while 24.7 percent (23) of the respondents selected UPS. The remaining responses were dispersed among Airborne and "Other" companies.

When asked which company gets the majority of their respective shipping business, 61.3 percent (57) indicated FedEx. And, when specifically asked then to rate the service of FedEx, of its users, an overwhelming 91 percent rated it as excellent or good. Only two responses indicated that FedEx's service needed improvement.

The final question dealt with how the UPS strike in August of 1997 had affected their company's shipping habits. Fifty-two point seven percent (49) of the firms indicated they hadn't changed their shipping habits at all. Thirty-four point four percent (32) respondents, however, noted that FedEx now receives a larger share of their shipping business as a result of the strike. Only four respondents indicated RPS, Airborne, and "Other" companies as receiving a larger share of their shipping business.





ANALYSIS

Further analysis of the data indicate some interesting relationships. For example, of the firms with less than $500,000 in annual sales, 13 percent indicated that UPS was the most interested in meeting their needs. This particular percentage increases to 33 percent among those firms with greater than $500,000 in annual sales. It is possible that UPS has chosen to focus their efforts on establishing closer relationships with larger companies. In addition, of those respondents who said that UPS is most interested in meeting their needs, a convincing 71 percent reported that their shipping habits stayed the same after the UPS strike. This segment of the sample population, more or less, represents loyal UPS customers. However, this indicates that at least a quarter of these same respondents made the decision to diversify their shipping business and lessen their dependence on UPS. Arkansas based Baldor Electric Company, as recently reported in *Business Week*, is keeping 10 percent of its shipping business with UPS competitors now that the strike is over. Keith Newman, Baldor's transportation manager indicated, "We don't want to have all our eggs in one basket again anytime soon" (Harris 1997). This shift in market share is further verified by UPS officials who say that, even now, volume levels have not returned to pre-strike levels. "UPS said it has lost 16,400 full-time and part-time jobs since May 1996, a trend it blames on a four percent decline in business" (*CNNfn*, 1997).

Further comparisons of the findings indicate additional information concerning how loyal UPS customers have different viewpoints than do loyal FedEx customers. In the table that follows, "loyal" refers to those respondents who selected the company they believed to be most interested in meeting their needs. The data indicate how their priorities differ.

TABLE II

Determining Factors	Loyal UPS Customers	Loyal FedEx Customers
Price	21%	9%
Service	25%	63%

Loyal UPS customers are more price sensitive and less concerned about service than loyal FedEx customers. This would explain why FedEx customers have been willing to pay more for shipping in the past.

The final analysis concerns the importance of focusing on the customer. A significant correlation exists between customer focus and market share. Of the 61.3 percent (57) of the respondents who indicated that FedEx was most interested in meeting their needs, 51.6 percent (48) provided them the majority of their business. Similarly, of the approximate 16 percent (24) who selected UPS, 21.5 percent (20) provided them the majority of their business. The data verifies the need to develop a close, win-win relationship with customers, no matter what size.

CONCLUSION

In conclusion, survey results indicate the importance of price sensitivity among small entrepreneurial firms when selecting express delivery companies, however, it is not a major determining factor. Clearly, dependability/quality of service is the overall most important factor among those surveyed when selecting an express company. Pricing as a factor was a distant third among the factors identified. This may well be explained, in part, by the narrowing price differentials among express companies over recent years. In addition, survey results dispelled the notion that these companies tend to ship more with UPS because of the perceived cost savings. Results of the survey indicate respondents placing the majority of their shipping business with FedEx over UPS by a 2-1 margin. Survey results also indicate that express companies are not viewed as being the same in terms of meeting its customers' needs. FedEx is perceived to be outperforming all other express companies in the important area of customer focus. And finally, the issue concerning the increased distribution of shipping business due to the UPS strike was strongly supported by the survey. More than a third of the respondents reported that UPS's competitors are now receiving a larger share of their respective company business. Further research is recommended in order to validate these results.

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