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Customer Mind-Set of Employees Throughout the Organization

Karen Norman Kennedy
University of Alabama at Birmingham

Felicia G. Lassk
Northeastern University

Jerry R. Goolsby
Loyola University of New Orleans

Previous research has provided strong evidence for the benefits of embracing a market orientation, an organizational focus highlighting the needs of customers, and the creation of customer value. This study extends this focus on the customer to the individual worker level. A construct, customer mind-set (CMS), is developed that reflects the extent to which an individual employee believes that understanding and satisfying customers, whether internal or external to the organization, is central to the proper execution of his or her job. In this exploratory study, the authors develop a parsimonious scale for measuring CMS. Relationships between CMS and significant organizational variables are examined to establish CMS's validity and provide some tentative insights into its value to researchers and practitioners. The authors believe the CMS construct will allow for operational-level analysis of the extent to which a customer orientation is embraced throughout an organization, permitting managers to implement targeted improvement strategies.

From the recent marketing literature has emerged a prescriptive theme for success: organizations must (1) instill an organization-wide focus on understanding the requirements of customers; (2) generate an understanding of the marketplace and disseminate that knowledge to everyone in the firm; and (3) align system capabilities internally so that the organization responds effectively with innovative, competitively differentiated, satisfaction-generating products and services (Berry 1995; Day 1994; Deshpandé 1999; Hunt and Morgan 1995; Hurley and Hult 1998; Kohli and Jaworski 1990; Kotler 2000; Narver and Slater 1990; Slater and Narver 1995; Webster 1994). Underlying this theme for success is the importance of creating an organizational culture that is attuned to meeting and exceeding customer requirements. As Webster (1994) summarized, "From top management on, throughout the entire organization, people must commit to a single overriding purpose: to create a satisfied customer" (p. 276).

Although an organizational culture steeped in customer orientation is thought to be critical for success in today's marketplace, executives and researchers lack the ability to document the extent to which such a culture is present throughout the organization, as evidenced by the customer-oriented beliefs held by individuals.[1] If documented, causal relationships could be investigated, prescriptions made, and interventions implemented.

In this article, we investigate the adoption of a customer orientation at the individual worker unit of analysis, which we refer to as having a customer mind-set (CMS). We contend that an examination of the adoption of a customer orientation by individual workers will expand the understanding of how the marketing concept comes alive in organizations and how embracing a customer orientation affects the job environment and performance of workers. Specifically, we (1) explicate CMS, positioning the

construct within marketing literature as an evolutionary advancement of the marketing concept and its implementation; (2) develop a scale that measures the CMS of workers throughout the organization; (3) relate measures of CMS to important job outcomes; and (4) close with implications for marketing theory and practice.

THE CUSTOMER MIND-SET CONSTRUCT

Customer mind-set (CMS) is defined as an individual's belief that understanding and satisfying customers, whether internal or external to the organization, is central to the proper execution of his or her job. Herein, we present the underpinnings of this construct in the context of marketing thought, decompose this multifaceted definition, and explicate its components.

Background

The foundation of CMS is firmly grounded in the marketing concept. Although confusion and disagreement on its details have occurred (e.g., Houston 1986), the marketing concept is a business philosophy founded on the three pillars: customer focus, integrated marketing, and long-term goal attainment. To meet its long-term goals, an organization must identify customers' needs and wants, coordinate a strategic response, and monitor the success of the implementation.

Perhaps because this philosophy is so conceptually compelling, few studies have investigated its veracity per se, and those that have universally exhibited deficiencies in its implementation. Twenty years since its inception at General Electric and a full decade after its widespread advancement in literature and practice, Barksdale and Darden's (1971) study concluded, "In general, respondents cite problems of implementation, rather than inherent weaknesses of the concept, as cause of any failure in application" (p. 36). Nearly two decades later, Kohli and Jaworski (1990) arrived at essentially the same conclusion.

Recognizing these enduring shortcomings of implementation, studies published in marketing literature during the 1990s began to address the critical factors in the adoption of the marketing concept, by investigating "market orientation."[2] Although different views of market orientation were advanced during the decade, Deshpandé (1999) synthesized much of the literature and concluded that market orientation operates at three levels within organizations—as a culture, as a strategy, and as tactics. As a cultural artifact, market orientation focuses attention on the shared values and beliefs that put customers first in the organization; as a strategy, it aids in the ongoing creation of superior value for a firm's customers; and tactically, market orientation assures that cross-functional processes and activities are directed at creating and satisfying customers. This comprehensive view of market orientation provides a rich background for additional research. Specifically, it is the cultural view of market orientation from which we draw inspiration.

A commonality underlying much of market orientation research is the critical nature of instilling a customer focus throughout the organization. Kohli and Jaworski (1990) found, in their interviews with executives, that

> the majority emphasized that market orientation is not solely the responsibility of a marketing department . . . it is critical for a variety of departments to be cognizant of customer needs (i.e., aware of market intelligence) and to be responsive to those needs. (P. 3)

In harmony, and poignantly stated, Webster (1994) declared, "Everyone's job is defined in terms of how it helps to create and deliver value for the customer" (p. 263).

So, while the marketing concept is accepted almost universally as a sound business philosophy, its proper implementation has been problematic. For progress to continue in understanding implementation issues surrounding the marketing concept, we contend that a more complete understanding is needed of how and to what extent all organizational members hold customer-oriented beliefs. Consistent with previous market orientation researchers, we believe that the marketing concept can only be truly achieved in an organization when a customer orientation permeates all operations and is accepted philosophically by all individual workers throughout every level of the organization.

CMS and Its Domain

To establish the domain of CMS, we highlight the value this construct brings to the understanding of customer orientation and distinguish CMS from related research. First, the definition of *customer* is expanded. Second, the value of measuring an employee's belief system is contrasted with examining the predictors and consequences of beliefs. Third, the reasoning and benefits for measuring CMS at the individual level are presented.

Robust definition of customers. Historically, marketing has defined the term *customer* as the external entity receiving the products, services, and benefits of the organization's efforts. The customer orientation research has focused rightly on these external entities.[3] As such, beliefs and behaviors have been examined of various marketing and customer contact personnel, such as marketing executives (Deshpandé, Farley, and Webster 1993; Jaworski and Kohli 1993; Slater and Narver 1994a), service providers (Hoffman and Ingram 1992; Zeithaml, Parasuraman, and Berry 1990), personnel of service firms (Brown, Mowen,

Donavan, and Licata 2002; Lytle, Hom, and Mokwa 1998; Schneider and Bowen 1985; Schneider, White, and Paul 1998), and salespeople (Saxe and Weitz 1982; Siguaw, Brown, and Widing 1994). Nevertheless, if the admonitions of modern scholars are correct, marketing must penetrate even deeper into the organization beyond marketing-related personnel. Even workers removed from direct contact with external customers need to be disposed to understand their indirect impact on these customers.

Systems theory (Senge 1990:3-16) and research surrounding "learning organizations" (Hurley and Hult 1998; Slater and Narver 1995) suggest that when work is structured internally in an interconnected chain, the probability of success is greatly enhanced. Marketing theorists and advocates of internal marketing (Grönroos 1981, 1990; Gummesson 1991) add that these internal processes must be linked for satisfying external customers by satisfying internal customers, those individuals or departments internally who receive the output of one's work. When properly linked, external customers' needs cascade throughout the organization, connected through internal customer requirements (Day 1994; Grönroos 1985, 1990; Hauser, Simester, and Wernerfelt 1996; Mohr-Jackson 1992; Schonberger 1990; Senge 1990). Consistently, for ideal performance, all workers in this internal value chain must understand the expectations and requirements of both internal and external entities that receive the benefit of their work.

CMS as a belief system of all employees. Our conceptualization of CMS is as a belief system embedded in the organization's culture, rather than an element of the firm's climate. The distinction between culture and climate is important to our conceptualization. Marketing researchers, most notably Kohli and Jaworski (1990) and Saxe and Weitz (1982), as well as services/management researchers (e.g., Schneider and Bowen 1985), have primarily focused on work climates, as manifest in the *activities* conducted by the organization and *behaviors* of workers. In contrast, culture, a higher level of abstraction, is constituted by the beliefs and assumptions that underlie the organization (Schein 1999). Climate is the manifest evidence (behaviors and activities) that arises from the culture (beliefs and assumptions) of the organization.

CMS purposefully addresses culture, so that the extent to which the organization and its workers have embraced customer-oriented beliefs can be ascertained. As Schein (1999) asserted,

> What really drives the culture—its essence—is the learned, shared, tacit assumptions on which people base their daily behavior. . . . If you understand those assumptions, it is easy to see how they lead to the kind of behavioral artifacts that you observe. But doing the reverse is very difficult; you cannot infer the assumptions just from observing the behaviors. (Pp. 24-25)

We take the position that measurement of activities and behaviors presents only an indirect picture, at best, of beliefs driving an individual's behavior. That is, an organization can mandate that certain behaviors be conducted, but such edicts do not necessitate that the worker accept the belief underlying the behavior. Nearly everyone has received service from workers who were merely going through the motions of some required activity without caring or enthusiasm. Because beliefs are indicative of the extent to which employees have genuinely embraced a market orientation as an organizational culture, we conceptualize CMS as beliefs that would give rise to the performance of customer-oriented behaviors, both prescribed and innovative, for generating customer satisfaction. It is through this understanding of employees' beliefs that we can begin to understand the essence of an organization's customer-oriented culture (Schein 1999; Smircich 1983).

Certainly, we recognize that investigating *both* the predictors of beliefs, such as personality (cf. Brown et al. 2002), and consequences of beliefs, such as behavior of workers (Saxe and Weitz 1982), is necessary for a comprehensive view of a customer-focused organization. Nevertheless, this research represents an important step in documenting the continuum of causes and effects necessary for a more complete understanding of a customer-focused organization.

An additional departure from other customer orientation research lies in our interest in the beliefs of all the organization's employees, not just marketing employees, service workers, or key executives. If the admonitions of marketing writers today are correct, marketing philosophy should permeate and coordinate all operations. This broader perspective highlights the essence of modern marketing thought, that employees throughout the firm are responsible for delivering customer value.

Unit of analysis. Previous research in market orientation has held the organization as the appropriate unit of analysis, allowing senior executives to assess the organization's current status and researchers to investigate the dynamics between organization-wide constructs (e.g., Deshpandé et al. 1993; Jaworski and Kohli 1993; Kohli and Jaworski 1990; Narver and Slater 1990; Slater and Narver 1994a). Drawing from the view of market orientation as a culture and consistent with our focus on the employee belief system, the analysis of CMS is viewed as an aggregation model. As such, scores of individuals can yield department-level, operational, or unit-level scores, which can then be combined to yield division-level or business unit–level scores, which in turn can be combined to yield company-wide scores. The practice of aggregating scores to yield a higher-level analysis is firmly grounded in

the social and organizational psychology literatures (e.g., Bar-Tal 1990; Crocker and Luhtanen 1990; Gibson, Randel, and Earley 2000; Guzzo, Yost, Cambell, and Shea 1993). Such a measurement method could potentially provide a representation of the extent to which a customer orientation permeates the organization, lead to more managerially useful observations, and add theoretical insights not currently available in market orientation research. In addition, such a measurement approach could yield a more accurate profile of the organization since studies demonstrate that the perceptions of executives routinely differ from that of both operational-level employees and customers (cf. Deshpandé et al. 1993; Lytle et al. 1998). That is, while executives may perceive their organization to be strategically positioned consistent with the doctrine of the marketing concept, operational-level analysis (the level at which customers often interact with the organization and where product quality is created) may show otherwise. In addition, measuring performance at the operational level is certainly consistent with the services marketing literature (cf. Brown et al. 2002; Lytle et al. 1998; Zeithaml et al. 1990).

From a managerial perspective, measuring at the individual unit of analysis will allow insight as to the extent to which a customer orientation has permeated the organization. The extent to which operational units have embraced a customer orientation, whether related to internal customers or external customers, can be identified; capacities can be judged; and remedies can be implemented. Thus, training can be tailored to meet the needs of particular units and locations (Lytle et al. 1998), and the effectiveness of leaders' abilities to implement a customer-oriented culture can be evaluated.

CMS and Expected Job Outcomes

While this is the first study to investigate CMS, market orientation has been shown to be positively related to employee job satisfaction (Bateman and Organ 1983; Hoffman and Ingram 1992; Siguaw et al. 1994; M. R. Williams 1992) and employee organizational commitment (Jaworski and Kohli 1993; Kelley 1992; O'Hara, Boles, and Johnston 1991). In addition, research supports that customer orientation provides a firm with a better understanding of its customers, leading to increased performance at both the individual employee and organizational levels (Appiah-Adu 1999; Brown et al. 2002; Dawes 2000; Deshpandé et al. 1993; Han, Kim, and Srivastava 1998; Slater and Narver 1994b). Although much of this previous research has focused attention primarily on salespeople and service workers, we anticipate that alignment of employees' beliefs with the values espoused by the organization will lead to similar positive job outcomes. Hence, we expect that CMS measured with employees throughout the organization will be positively associated with the desirable outcomes of job satisfaction, organizational commitment, and job performance.

In sum, CMS is derived from the marketing concept as well as other marketing and management research streams building on the traditional definition of customers to include both internal and external customers. CMS is conceptualized as a belief system that is embedded in the organization's culture. This belief system is measured at the individual level of analysis where all employees, whether or not they are in a marketing or customer contact position, are assessed. Hence, CMS's domain differs significantly from other constructs currently available in marketing, is conceptually compelling, and is ripe with potential for opening avenues of research.

MEASURING CMS

We sought to create a measure that would facilitate empirical examination of CMS. Following psychometric theory (Churchill 1979; Gerbing and Anderson 1988; Nunnally and Bernstein 1994), a rigorous scale development process was undertaken to develop a measure of the CMS construct. This section of the manuscript outlines the scale development process and presents data supporting the reliability and validity of the CMS scale.

Generation of Scale Items

Having ensured that the domain of CMS is distinct from existing research and based on the conceptualization discussed previously, we hypothesize CMS to be a two-dimensional construct, consisting of internal customer mind-set (ICMS) and external customer mind-set (ECMS). We perceive that each dimension is correlated with the overall customer orientation of the culture, but we view each dimension (ICMS and ECMS) as measuring distinct phenomena.

From our two-dimensional conceptualization, two sets of initial items were generated with guidance from extant literature in related research streams, as well as knowledgeable academics and practitioners. A preliminary set of items was developed for ECMS with inspiration from the marketing concept and market orientation literatures. ICMS items were inspired by the internal marketing literature (Grönroos 1981, 1985, 1990; Gummesson 1991) and the quality management literature (Deming 1986; Garvin 1988; Juran 1988). Executives from two Malcolm Baldrige National Quality Award–winning companies (well-known for their external and internal customer orientations) inspected an initial list of scale items for face validity and domain coverage. Several modifications were made to reflect managerial practice.

Modified scale items were presented to employees covering a wide range of occupational classifications at a large manufacturing company that had recently begun

promoting a customer orientation. Through eight focus groups with employees at all organizational levels, many terms were discovered to pose interpretation problems, in part because the meaning of terms varied across operations. Additional modifications were made to simplify the language and clarify the meaning of terms. With our goal of creating a scale to be used across functional areas of multiple organizations, we were especially mindful of the differences in job requirements, industry norms, and more important, the educational levels of our respondents. In our screening sample, education ranged from third grade to graduate degrees, making the task of item development particularly challenging.

The scales that emerged for empirical testing included 20 internal orientation items and 24 external orientation items. Items for the measurement of the construct were structured as 6-point Likert-type scales with *strongly agree* and *strongly disagree* as anchors. A panel of three marketing and organizational behavior experts not associated with the project was solicited for comments on the remaining items, especially focusing on face validity and sound measurement theory. These experts agreed that the domain of the construct was accurately captured and items had sufficient face validity to warrant progressing to empirical testing and purification.

A preliminary survey was given orally to a broad sample of employees from a different facility of the same manufacturing organization in which initial focus groups were conducted. In carefully reviewing each of the items with these respondents for clarity in interpretation, some items were eliminated and more wording changes were made for clarity.

Phase 1 Data Collection: Empirical Assessment and Initial Purification

From this revised sample of items (see appendix), a questionnaire was developed that included 15 items representing internal ICMS and 16 items developed for ECMS. This version of the survey was administered to all employees of one plant of an agricultural products manufacturer. The company's management selected the specific plant to be surveyed and distributed the questionnaires to the employees via mail. Completed questionnaires were returned by mail directly to the researchers. To ensure stability of empirical analysis, responses were collected from a wide range of employees until 156 questionnaires were returned, meeting Nunnally and Bernstein's (1994) recommendation of five minimum respondents per item.

Both scales were purified by examining item-total correlations, coefficient alpha, and factor analysis results to determine the internal consistency of the items and their dimensionality. For the ICMS scale, factor analysis suggested a two-factor solution based on scree plots and the "eigenvalue greater than 1" heuristic. As had arisen in the initial focus groups, the interpretation of terms internal to the organization appeared somewhat inconsistent. Scale items containing these problematic terms surfaced with low factor loadings and cross-loadings. These items were deleted, yielding a seven-item ICMS scale (Cronbach's $\alpha = .92$).

For ECMS, factor analysis yielded a three-factor solution based on scree plots and the "eigenvalue greater than 1" rule. Again, some terms used posed interpretation problems, causing the emergence of Factors 2 and 3 with numerous items cross-loading. The first factor was kept as representative of the ECMS construct, yielding a seven-item scale. Item-total correlations indicated that one item should be deleted, leading to the final six-item scale (Cronbach's $\alpha = .87$).

Phase 2 Data Collection: Psychometric Properties

Cautious of the organization-specific interpretation of words contained in some scale items, a sample of professionals from a wide range of organizations was drawn to further ensure the robustness of the scale and to validate measurement characteristics. Data from two cross-sectional samples of marketing and quality professionals were collected. Our reasoning for obtaining responses from these groups was, in addition to being generally informed respondents, marketers are specifically knowledgeable in external customer orientation and quality professionals are especially cognizant of internal customer concerns. Combined, the two samples yielded insight into potential complications inherent in the scale items and allowed for an assessment of psychometric properties.

Data were collected by using self-administered questionnaires mailed to a sample of 610 marketing and 265 quality professionals taken from membership rolls of two professional associations, the American Marketing Association and a regional association of the American Society for Quality. Marketing professionals returned 138 usable questionnaires, yielding a response rate of 23 percent; quality professionals returned 135 usable questionnaires representing a 51 percent rate.

Nonresponse bias was investigated as recommended by Armstrong and Overton (1977). A variety of demographic characteristics as well as responses from the CMS scales of the first mail wave and the second mail wave respondents of the marketing and quality professionals were compared. The *p* values of the *t* tests and cross-tabulation chi-square analyses revealed no statistically significant differences between earlier and later respondents ($p < .05$).

The measurement properties from previous analyses were generally supported with this sample of marketing and quality professionals. Three items within the ICMS scale that exhibited very high correlation coefficients suggests redundancy and can potentially indicate

multicollinearity. Not only did these items correlate highly with each other, but all three items correlated highly with the other four items that comprised the ICMS scale (*r* > .80). A close inspection of these three items suggested that little marginal benefit was gained by their inclusion. Since parsimony is generally virtuous, especially in scales to be used in organization settings, the decision was made to delete the three items from the ICMS scale.

The following discussion examines the final six-item ECMS scale and a four-item ICMS scale.

Assessment of Unidimensionality

As recommended by Gerbing and Anderson (1988), confirmatory factor analysis was conducted using LISREL 8.3 to test for unidimensionality of the final CMS scales. In both samples of marketing and quality professionals, a model was examined that included both the ECMS and ICMS scales. The lambda (λ) factor loading estimates of the multi-item scales are presented in Table 1. An examination of the results reveals that all scale items have significant lambda values and acceptable goodness-of-fit measures. Therefore, for both samples, unidimensional scales are indicated. After unidimensionality was investigated, reliability was assessed.

Assessment of Reliability

The deletion of several items discussed previously gave rise to the recalculation of reliability for both the ICMS and ECMS scales for the samples of both the marketing and quality professionals and is reported in Table 1. Based on Nunnally and Bernstein's (1994) recommendation of scale reliabilities above .70, the CMS scales for the business sample are acceptable. However, to improve scale consistency, item-total correlations were investigated to determine if additional items should be deleted, with results indicating no additional items should be eliminated.

Assessment of Discriminant and Nomological Validity

We assessed discriminant and nomological validity through relationships with constructs conceptually linked to CMS. In examining the pattern of correlations among variables that conform to theoretical relationships, we seek evidence of construct validity as described by Cronbach (1970) and Kerlinger (1973).

Discriminant validity. The CMS scales were compared to a version of the widely researched Sales Orientation Customer Orientation (SOCO) scale (Hoffman and Ingram 1992; Saxe and Weitz 1982), using the combined samples of marketing and quality professionals (*N* = 156).

TABLE 1
External and Internal Customer Mind-Set (CMS): Confirmatory Factor Analysis Results for Marketing and Quality Professionals

	Marketing Professionals		Quality Professionals	
External CMS				
Item 1	.83	(11.80)[a]	.79	(10.33)[a]
Item 2	.88	(13.08)	.95	(13.33)
Item 4	.76	(10.30)	.47	(4.90)
Item 8	.88	(12.82)	.71	(8.63)
Item 11	.83	(11.35)	.68	(7.10)
Item 13	.92	(13.69)	.91	(12.04)
Internal CMS				
Item 4	.90	(13.27)	.92	(13.75)
Item 7	.92	(13.86)	.98	(15.40)
Item 8	.85	(12.65)	.89	(12.73)
Item 15	.83	(12.01)	.81	(11.36)
χ^2	97.63		123.75	
p value	.000		.000	
GFI	.88		.85	
NFI	.92		.92	
CFI	.94		.93	
Reliability	.86 (6) .87 (4)		.85 (6) .91 (4)	
N	138		133	

NOTE: Item numbers are keyed to scale items presented in the appendix. GFI = Goodness-of-Fit Index; NFI = Normed Fit Index; CFI = Comparative Fit Index.
a. The first number represents the LISREL estimate for the item, and the number in parentheses is the *t*-value associated with the item.

The CMS scales measure individual employees' beliefs concerning external and internal customers, while the dimension of the SOCO scale we included was designed to measure customer-oriented behaviors of salespeople. SOCO was deemed the most appropriate scale to assess discriminant validity because of its use in previous research (cf. Hoffman and Ingram 1992) and its design for use with individual employees.

The refined CMS scales were assessed for validity using LISREL 8.3. SOCO and the two CMS scales were included in a single analysis, hypothesizing a three-factor model (ECMS, ICMS, and Customer Orientation). Each scale item loaded on its appropriate latent constructs as hypothesized. Measures for each scale item exhibited convergent validity, since all lambdas were large and significant, with all *t*-values exceeding 2.00, with the exception of one SOCO scale item.

In addition, a null model, with all items loading on a single latent variable, was investigated and compared with the three-factor model. The three-factor model produced a Goodness-of-Fit Index (GFI) of .79, an Adjusted Goodness-of-Fit Index (AGFI) of .76, and a chi-square of 668 with 517 degrees of freedom. The null model produced a GFI of .68, an AGFI of .64, and a chi-square of 1210 with

527 degrees of freedom. A chi-square improvement in variance explained by the three-construct model was 542 units over the null model,[4] suggesting that the scales are tapping fundamentally different phenomena (Sharma 1996). In addition, the same analysis was conducted to discriminate the two dimensions of CMS from each other.[5] The chi-square difference between the two-factor model and the null model supports that ECMS and ICMS are measuring different phenomena.

Finally, to assess discriminant validity, the combined sample of marketing and quality professionals was used to examine the correlation coefficients between the SOCO Customer Orientation scale and CMS scales. SOCO significantly correlates with the CMS scale. Product-moment correlation coefficients are .31 and .34 with internal CMS and external CMS ($p < .000$), respectively, as would be expected, since each scale is measuring related phenomena. Yet, the correlation coefficients are not sufficiently high to suggest any undue overlap. Taken together, these results support the discriminant validity of the scales.

Nomological validity. To assess nomological validity, job satisfaction (Churchill, Ford, and Walker 1974) and organizational commitment (Mowday, Steers, and Porter 1979) were measured based on established instruments for all samples. Measuring individual job performance posed some obstacles. Because of the nature of our measurement process (survey instrument, confidentiality agreements on the job site with company employees, and cross-sectional professional groups), it was necessary to measure perceived job performance. An eight-item scale developed by the researchers to match the needs of the research was used. Similar self-report performance measures have been used in other such contexts and have support in the sales and services literature (cf. Behrman and Perreault 1982; Brown et al. 2002; Hackman and Lawler 1971; Netemeyer, Boles, McKee, and McMurrian 1997; Oliver and Anderson 1994; Saxe and Weitz 1982). As previously stated, we expected that these three measures—job satisfaction, organizational commitment, and perceived job performance—would be positively associated with CMS.

Our findings support nomological validity. Using the combined sample of marketing and quality professionals, all of the product-moment correlation coefficients between ECMS and ICMS were significantly related to job satisfaction (.24 and .27, respectively), organizational commitment (.28 and .24, respectively), and perceived job performance (.57 and .69, respectively). That is, employees who believe that it is important to satisfy internal and external organizational customers have higher levels of organizational commitment, job satisfaction, and job performance. Thus, CMS is positively correlated with favorable job outcomes, which further supports its nomological validity.

Phase 3 Data Collection: Predictive Validity

A strong test of the CMS scales' validity would be the detection of changes in CMS in a population where a change is known to have occurred. A final data set was collected using employees of a pharmaceutical manufacturing firm about to begin customer orientation training. Since an overriding purpose of the scale is to measure perceptions of employees at all levels of an organization, the sample seemed suitable for assessing the overall qualities of the final, refined scale. The questionnaire was group administered by one of the researchers to 260 employees of whom 233 returned usable questionnaires, representing a response rate of 90 percent. The researcher who administered all surveys assured anonymity to all employees and collected all surveys directly from employees. Scores were aggregated by functional areas, and no unit information was reported if it consisted of less than three employees. Hence, employees could respond candidly.

To examine the predictive validity of the scales, questionnaires were administered at two points in time approximately 1 year apart. Prior to the first data collection, employees at this firm had not undergone any training in customer orientation; the organization had a reasonably advanced customer focus and quality focus in manufacturing. In an effort to advance the customer orientation further, executives commissioned a 2-day, off-site training session through which all employees were rotated. The purpose of this training was to instill in employees the importance of serving internal and external customers through teamwork and continual improvement processes. During the intervening year, this organization systematically rotated their employees through these training sessions that addressed such topics as identifying internal and external customers, understanding customer requirements, implementing continual improvement processes, and instilling teamwork. At Time 2, after the entire workforce had completed these training sessions, the ECMS mean ratings had risen from 4.60 to 5.08, and the ICMS mean ratings had risen from 4.55 to 5.33. These results reflect that both ECMS and ICMS scores are significantly different over time ($t = -6.39, p < .001; t = -11.03, p < .001$, respectively) and indicate that the scale is able to detect differences in the direction predicted and is supported by current research. For example, Bennett, Lehman, and Forst (1999) found that employees who participate in quality training reported significantly more customer orientation than those who were untrained. In addition, the managers with whom we worked attested to the increased focus on customers that changed after employees completed the training session. Thus, it appears that the ICMS and ECMS scales were able to capture measured increases in customer orientation due to training.

In addition, the psychometric properties of the scale were further investigated by examining correlation

TABLE 2
External and Internal Customer Mind-Set (CMS): Confirmatory Factor Analysis Results for Company Employees

	Company Employees Pretraining		Company Employees Posttraining	
External CMS				
Item 1	.74	$(12.34)^a$	.79	$(14.01)^a$
Item 2	.52	(7.98)	.76	(13.24)
Item 4	.71	(11.59)	.85	(15.72)
Item 8	.48	(7.30)	.80	(14.16)
Item 11	.56	(8.49)	.80	(14.32)
Item 13	.70	(11.52)	.79	(14.02)
Internal CMS				
Item 4	.76	(13.25)	.85	(15.82)
Item 7	.88	(16.37)	.92	(18.39)
Item 8	.75	(13.11)	.90	(17.63)
Item 15	.78	(13.64)	.88	(16.94)
χ^2	59.46		73.56	
p value	.00120		.00001	
GFI	.95		.94	
NFI	.94		.96	
CFI	.97		.98	
Reliability	.73 (6) .81 (4)		.89 (6) .89 (4)	
N	233		235	

NOTE: Item numbers for CMS scale are keyed to scale items presented in the appendix. GFI = Goodness-of-Fit Index; NFI = Normed Fit Index; CFI = Comparative Fit Index.
a. The first number represents the LISREL estimate for the item, and the number in parentheses is the *t*-value associated with the item.

TABLE 3
Kruskal-Wallis Mean Rank by Department

		Pre-Training	
		ECMS $\chi^2 = 15.99$ df = 8	ICMS $\chi^2 = 20.27$ df = 8
Departmental Unit	n	$p = .041^a$	$p = .008^a$
Compounding	39	106.03	120.13
Molding	63	107.39	97.88
Finishing	52	117.16	114.41
Drum Cure	13	98.65	109.38
Quality Assurance	9	146.06	143.94
Maintenance	20	78.68	94.85
Shipping Receiving	4	178.25	196.25
Other Production	4	115.13	137.75
Management	31	130.72	145.17

		Post-Training	
		ECMS $\chi^2 = 17.10$ df = 8	ICMS $\chi^2 = 14.65$ df = 8
Departmental Unit	n	$p = .029^a$	$p = .066^a$
Compounding	38	94.00	101.91
Molding	67	117.95	122.63
Finishing	61	118.43	113.01
Drum Cure	10	144.65	159.35
Quality Assurance	3	126.50	138.83
Maintenance	21	85.90	89.43
Shipping Receiving	2	195.75	110.50
Other Production	6	94.92	73.17
Management	20	140.80	128.77

a. The Kruskal-Wallis *H* Statistic was used to determine statistical differences between departments. This nonparameteric test was used because of the small sample sizes.

coefficients between scale items and by conducting confirmatory factor analysis using data collected from both the pre- and posttraining groups (see Table 2). Analysis of the correlation between CMS and perceived job performance provides additional support for predictive validity. Significant correlations between ECMS and ICMS and job performance were found with the posttraining company data (.55 and .48, respectively).[6] Thus, for this sample, a significant positive correlation was found between CMS and performance. That is, employees who possess high levels of external and internal CMS are better performers. The results of these analyses support the stability of the scales across multiple samples and contexts.

Use of CMS Data

Throughout the scale development process, an important goal was to produce a managerially relevant measure to assess the beliefs of employees throughout the organization related to customer orientation. In discussions with managers of all the organizations with which we worked, one area of particular interest to them was the ability to identify organizational units of strength within the value-generating chain as well as to detect departments where the linkages may be weaker. By first delineating these

work units, managers believed they could then assess unit characteristics for guidance in planning ongoing training.

As an example of how the CMS data were used by the pharmaceutical manufacturer, managers examined aggregated data to identify areas within the organizational unit most in need of training and coaching. As expected, measurable differences were detected (see Table 3). On the basis of these data aggregated from each of the major work units, the management of this organization implemented interventions, including extensive training and managerial shifts. In our postmeasurement processes, the impact of the training was evaluated and additional interventions were planned. The leaders of the organization found the instrument and resultant assessments useful in determining differences between operational units. As seen with this organization, the CMS scale can help management gauge the extent to which teams, departments, or other organizational units have embraced a customer orientation.

Summary

Taken together, data indicate this parsimonious, but robust, scale exhibits psychometric properties necessary to support the empirical investigation of CMS for academic researchers and practitioners. In the final section, we discuss the implications of CMS for researchers and practitioners.

DISCUSSION

The purpose of this research was to explicate CMS and to develop a reliable, valid, and parsimonious scale that facilitates the empirical investigation of this construct. Defined as an individual employee's belief that understanding and satisfying customers, whether internal or external to the organization, is central to the proper execution of his or her job, CMS is applicable for workers at all levels of the organization. As such, our work has implications for both marketing theory and practice but also has limitations. Each is discussed in turn.

Contributions to Marketing Research

While the marketing concept has been accepted virtually de rigueur in business philosophy since the 1960s, implementing its tenets has eluded organizations and has occupied a significant portion of marketing's academic literature. There is little doubt that the customer orientation literature has greatly advanced the understanding of implementing the marketing concept and has offered insights into the veracity of its proper implementation. We contend this orientation is best implemented when employees view organizational entities, both internal and external to the firm, as having requirements that must be met. When the requirements of each successive organizational member are met and ultimately linked with external customers, the organization can truly be said to have a customer orientation. Furthermore, we argue that the likelihood of success is enhanced, perhaps necessitated, by this cascading of customer needs from recipient to provider throughout the organization.

We are optimistic that measuring CMS will open new avenues of theory and research currently unexplored. Notably, an individual unit of analysis will allow researchers to investigate the impact of embracing a customer orientation upon individual performance and decision making. Differences in degree of CMS should affect the ability of workers to make customer-based decisions, which should, in turn, improve performance since knowledge structures affect the decision-making ability of workers (e.g., Brown et al. forthcoming; Szymanski 1988). As an important component of the knowledge structure of workers, CMS could assist researchers in understanding decision-making processes of all workers.

Of course, these admonitions are empirical questions subject to investigation, using our parsimonious scale developed in multiple contexts. Our rigorous methods ensure that the meaning of each item can be interpreted across a wide range of organizational settings with employees of varying degrees of marketing sophistication and educational levels. On the basis of the availability of such a scale, we are hopeful that academic researchers will use CMS as an avenue for furthering research. We believe that the most fruitful avenues relate to investigating cultural shifts within organizations and the impact of these shifts on customer satisfaction and performance. Secifically, the following hypotheses could be investigated:

Hypothesis 1: The CMS of employees in an organization will be positively associated with external customer satisfaction and organization financial performance.

Based on the extensive literature and research on market orientation (Kohli and Jaworski 1990; Narver and Slater 1990), as the cultural disposition of the organization moves toward a customer orientation, performance should also increase in terms of financial results and external customer satisfaction. The more deeply customer satisfaction is embedded into the organization culture, the greater the focus will be toward ensuring that the needs of customers are met and those activities that do not yield value are eliminated from the organization. With empirical support, such research could further our understanding of how marketing efforts yield value to the marketplace and are translated into profits.

Hypothesis 2: The CMS of individual work units in an organization will be positively associated with the work unit's performance and internal customer satisfaction.

Research on market-driven organizations (Day 1994; Webster 1994), the Nordic School of Marketing (Grönroos 1981), satisfaction of service workers (Schneider and Bowen 1985), and organization culture and climate (Schein 1999) all infer that a focus on internal customers should increase employee satisfaction and performance. Since satisfying internal customers requires understanding performance expectations and having a desire to meet or exceed those expectations, workers should extract greater meaning from their work, finding more value in knowing that they are satisfying fellow workers and contributing to the welfare of the organization.

Hypothesis 3: CMS will be positively associated with individual employee productivity and inversely associated with employee turnover rates.

The literature on service culture (Schneider and Bowen 1985; Webster 1994) also infers that in addition to aggregate scores, individual productivity levels will rise with CMS scores, as higher CMS scores should be associated with increased attention to detail and elimination of non-value-adding activities. The combination of higher performance and increased satisfaction should manifest in lower turnover rates. If supported, such research could provide insights into worker motivation previously undiscovered.

Contributions to Marketing Practice

CMS can yield insights currently unavailable to practitioners. In setting the direction and values of the organization, executives must understand the beliefs that underlie the desired customer-oriented behaviors in the organization. Once work units in the organization with lower levels of CMS are identified, interventions can be instituted, so that beliefs can be changed and performance enhanced. When an organization is totally aligned in an integrated chain of effort targeted at satisfying external customers, the organization should produce higher levels of satisfaction, while being more efficient and cost-effective, as non-value-adding effort is systematically eliminated.

CMS scales will allow managers an opportunity to assess the extent to which a customer orientation has permeated the organization. Determining which operational units have embraced a customer orientation, whether related to internal customers or external customers, could help managers judge the departmental capacities as well as design and implement remedies. Training can be tailored to meet the needs of particular units and locations. The effectiveness of leaders to implement a customer-oriented culture can be gauged.

CMS provides a structure for aligning all organizational efforts toward satisfying external customers, while ensuring that the requirements of internal processes are being met in subsequent operations. Measuring CMS at the level of individual employees allows researchers to create a composite score for the organization by aggregating data and creating a composite index at different levels of analysis. Organizations could create weighted index ICMS and ECMS scores, based on the nature of the task being evaluated. For example, customer service representatives would be expected to have greater weight placed on ECMS scores, since a primary function of their work is to address external customers' needs, whereas maintenance workers would have a greater focus on ICMS, since their core competency is to serve internal customers. Such an indexing process might capture an accurate view of the extent to which both external and internal customers are being appropriately served.

Through such an aggregation and weighting process, a more robust representation of the extent to which a customer orientation permeates the organization could be obtained, providing insights related to the various hierarchies of the organization, which are currently not available from research on market orientation. Nevertheless, comparing results from organization-wide CMS measures and those from top managers, such as from MARKOR, could be enlightening.

Limitations

Although reliability and validity of the measure were demonstrated, additional research is needed to further validate the scale. All data were collected using a single measurement instrument, which increases the potential for method artifact biasing analyses across constructs. We anticipate that the CMS instrument will be administered in a questionnaire format similar to one investigated in this research. Future researchers should be counseled to ensure that other measures, such as profitability, customer satisfaction, and productivity measures, arise from instruments using different methods collected from several sources.

In addition, demand artifact could have biased our research, in that managerial support of the research and training to increase customer orientation in one study clearly communicated to workers its importance. This obvious importance could have biased the responses of workers, especially in posttraining measurements. However, one desired effect of training is to affect employee beliefs, and although no one can ever know for certain, the managers with whom we worked attest to the increased focus on customers as a result of training and managerial communication. Hence, while we may have seen some demand artifact, the scores on items changed as would be predicted and desired by management.

We observed the anticipated relationships between CMS and the desirable job outcomes of organizational commitment, job satisfaction, and job performance to support nomological validity. Additional research is needed to investigate these relationships across a variety of organizational contexts including services businesses and manufacturing firms. Indeed, much research is needed to understand better both antecedents and consequences of CMS.

APPENDIX
CMS: An Inventory of Scale Items for Measuring Customer Mind-Set

External CMS (ECMS)

I believe that . . .

1. I must understand the needs of my company's customers.[a]

2. It is critical to provide value to my company's customers.

3. I know my company's customers.

4. I am primarily interested in satisfying my company's customers.

5. Understanding my company's competitors is important to doing my job.

6. I know the difference between my company's products/services and its competitor's products/services.

7. I understand how my company's products/services are sold.

8. *I must understand who buys my company's products/services.*

9. We take corrective action immediately to make customers happy.

10. The departments here work together to meet customer specifications.

11. *I can perform my job better if I understand the needs of my company's customers.*

12. My company exists primarily to serve its customers.

13. *Understanding my company's customers will help me do my job better.*

14. The more I know the marketplace, the more I understand what's going on in the company.

15. My work affects customer satisfaction of my company's customers.

16. The success of my company is largely determined by its ability to satisfy its customers.

Internal CMS (ICMS)

I believe that . . .

1. My work group must cooperate with other work groups to satisfy customers.

2. Companies would perform a lot better if employees communicated more.

3. All employees need to understand how their job fits into the overall operation.

4. *Employees who receive my work are my customers.*

5. It is important to understand the needs of employees who receive my work.

6. Employees could do their job better if feedback was given more often.

7. *Meeting the needs of employees who receive my work is critical to doing a good job.*

8. *It is important to receive feedback from employees who receive my work.*

9. It is important to understand what is expected of me by employees who receive my work.

10. I ensure that employees who depend on my work output communicate with me.

11. A process exists to help me understand what's expected from my work output.

12. It is important to satisfy employees who receive my work.

13. I value feedback from employees who receive my work output.

14. I would change my job task to help other employees do their job better.

15. *I focus on the requirements of the person who receives my work.*

a. Items in italics are included in the final scale.

NOTES

1. As will be discussed later, some scales are available that tap the customer-oriented behaviors and perceptions of employees in specific marketing-related occupations, such as Sales Orientation Customer Orientation (SOCO) (Saxe and Weitz 1982) and in service organizations, with SERVQUAL (Parasuraman, Zeithaml, and Berry 1988) and SERV*OR (Lytle, Hom, and Mokwa 1998). Scales are also available that measure executives' perceptions of organization customer-oriented behaviors and culture (Narver and Slater 1990; Kohli, Jaworski, and Kumar 1993). In addition, research from organizational behavior has also examined orientations of service organizations (Schneider and Bowen 1985). We will discuss further how our research differs from previous research.

2. Consistent with Day (1994); Deshpandé (1999); Deshpandé, Farley, and Webster (1993); Shapiro (1988); and Slater and Narver (1995), market orientation will be used interchangeably with customer focus, customer orientation, and market driven.

3. Such items as "In this business unit, we meet with customers at least once a year to find out what products or services they will need in the future" and "When something important happens to a major customer of [the] market, the whole business unit knows about it within a short period of time" characterize the external customer focus of the Market Orientation Scale developed by Kohli et al. (1993).

4. Because the model was investigated without allowing customer mind-set (CMS) dimensions nor the SOCO construct to correlate, the fit statistics are not used here to judge the overall fit of the constructs in a confirmatory sense. The fit indexes are merely used for comparison purposes.

5. Using the posttraining company data, a null model, including all 10 external customer mind-set (ECMS) and internal customer mind-set (ICMS) items loading on a single latent variable, was investigated and compared with a two-factor model where the ECMS (six items) and ICMS (four items) items loaded on their respective latent variable. The two-factor model produced a Goodness-of-Fit Index (GFI) of .91, an Adjusted Goodness-of-Fit Index (AGFI) of .83, and a chi-square of 118 with 30 degrees of freedom. The null model produced a GFI of .69, an AGFI of .51, and a chi-square of 526 with 35 degrees of freedom. A chi-square improvement in variance explained by the two-factor model was 408 units over the null model, which suggests that the two dimensions are measuring different phenomena (Sharma 1996).

6. Since CMS and perceived job performance measures were both self-report data, common-method variance was investigated by creating a model with ICMS and ECMS as indicators of job performance (L. J. Williams and Anderson 1994). One model was estimated by adding a same-source factor to the indicators of all the model constructs, the model with method effects (Model 1). A second model was investigated where the same-source factor loadings were constrained to zero, the model without method effects (Model 2). The fit indexes for Model 1 were $\chi^2 = 623.92$, $df = 119$, Comparative Fit Index (CFI) = .87. The fit indexes for Model 2 were $\chi^2 = 683.16$, $df = 132$, CFI = .85. The difference in fit between these two models was significant ($\chi^2_{\text{diff}} = 59.24$, $df_{\text{diff}} = 13$, $p < .01$), which suggests that the same-source factor is significant; however, the indicator loadings to the latent factors all remained significant. So while it is indicated that common method variance is present, the relationships are still found to be positive and significant.

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ABOUT THE AUTHORS

Karen Norman Kennedy is an assistant professor of marketing at the University of Alabama at Birmingham. She earned her Ph.D. from the University of South Florida. Her research interests include customer orientation and cultural change in organizations, as well as the evolving role of customers and employees in today's marketplace. Her work has been published in the *Journal of Personal Selling and Sales Management*, the *Journal of Services Marketing*, *Industrial Marketing Management*, and the *Journal of Marketing Education*.

Felicia G. Lassk is an assistant professor in the Marketing Group of Northeastern University. She received her Ph.D. from the University of South Florida. Her research interests include customer orientation, salesperson job involvement, and measurement issues. Her articles have appeared in the the *Journal of Personal Selling and Sales Management*, *Industrial Marketing Management*, and the *Journal of Marketing Education*, among others.

Jerry R. Goolsby is the Hilton/Baldridge Eminent Chair of Music Industry Studies at Loyola University New Orleans. He received his Ph.D. from Texas Tech University. His research interests include issues related to market orientation and its implementation, customer and employee relationships, and sales interactions. His work has been published in the *Journal of Marketing*, the *Journal of Marketing Research*, the *Journal of the Academy of Marketing Science*, and other marketing journals.