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Do Market Oriented Firms Demonstrate Clarity on Their Value Discipline?
Evidence from Illinois Beef Producers

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Abstract

A market orientation has been shown to lead to improved firm performance in a variety of industries (Narver and Slater, 1990; Deshpande *et al*, 1993). In previous research, it has been argued that performance benefits are a result of a greater awareness of the sources of value the product provides to the consumer, without specifically describing how value was created. Treacy and Wiersema (1993) developed the concept of value disciplines, which are three distinctive means of value provision, namely operational excellence, customer intimacy and product leadership. More recently, Narver et al (1998) argued that market oriented firms have a clear understanding of how they provide value to customers, but this assertion has yet to be empirically tested. A new scale was developed and tested to measure the choice and clarity of value discipline. Using a sample of 343 Illinois beef producers, results show that organizational learning, innovativeness, and extreme levels of market orientation contribute to value discipline clarity while moderate levels of market orientation have the opposite effect.

Key words: *Innovation, market orientation, organizational learning, value disciplines*

91 **Introduction**

92
93 Over the past two decades the concept of a market orientation has been
94 extensively developed and tested (Narver and Slater, 1990; Kohli and Jaworski, 1990;
95 Day, 1994a). Findings suggest market oriented firms achieve superior performance
96 driven by their superior ability to market products and services that more accurately
97 match the expressed and latent needs of consumers (Narver and Slater, 1990). The
98 degree of success in matching product to consumer is based on the distinct capability of
99 the market oriented firm in transforming information into knowledge. Firm knowledge is
100 leveraged to tailor the product in a manner which provides superior value relative to
101 available alternatives. Extending this principle, Treacy and Wiersema (1993) argue that
102 the choice of product and customer is not separable. Product choice, and the method of
103 providing value, effectively limits the customer base to a specific group of customers
104 with a harmonious value proposition. To be able to successfully market one's products
105 and services, awareness of the target audience and their specific value proposition is vital.

106 A market orientation has been defined as a business culture which focuses on
107 continuous value creation for the customer (Narver *et al*, 1998). In the search for
108 opportunities to create value, it is extremely important to understand how the product in
109 question fits into the buyer's value chain. Superior awareness allows the market oriented
110 firm to focus on the specific attributes of the product the purchaser actually values
111 (Anderson *et al*, 2006). Greater awareness has been argued to help market orientated
112 firms express "clarity on their value discipline and its value proposition" (Narver *et al*,
113 1998; pg 243). Value discipline clarity enables the market oriented firm to more
114 accurately determine specific attributes they can provide based on their own core

115 competencies. This avoids the pitfall of trying to become all things to all customers. If
116 the firm does not have clarity of focus on a specific value discipline, it could become
117 “stuck in the middle,” where the firm strives to compete on all possible sources of value
118 rather than focusing on one specific area of value (Porter, 1985). Unfortunately, this
119 often leads to the firm being mediocre in all sources of value rather than excellent in any.

120 Value is defined as “... the worth in monetary terms of the technical, economic,
121 service, and social benefits a customer company receives in exchange for the price it pays
122 for a market offering” (Anderson and Narus, 1998; pg. 54). Based on this definition, a
123 firm could provide value to consumers in myriad of ways. Treacy and Wiersema (1993)
124 clarified this discussion by developing the idea of separate value disciplines, which focus
125 on the specific means of providing value. These disciplines include *Customer Intimacy*,
126 *Product Leadership*, and *Operational Excellence*, and each value discipline can be
127 thought of as relating to a singular component of the definition of value.

128 The choice of value discipline to follow is therefore vitally important as it will
129 define both the market as well as the search for resources to build core competencies
130 needed to succeed within the chosen discipline. This choice does not occur within a
131 vacuum, however. While many firms within agriculture have focused on becoming the
132 low-cost leader, strategy heterogeneity has important implications in terms of firm and
133 industry performance. Traditionally, cattlemen as a whole have focused on improving
134 performance through efficiency, and a possible consequence of this lack of diversity has
135 been mediocre performance (see Jones, 2000). This is consistent with the theory that
136 strategy imitation leads to weakened performance for the entire industry (Porter, 1991).

137 Outside of agriculture, strategy and marketing scholars have long argued knowing
138 what customers value is an important resource. Leveraging this knowledge, a firm can
139 build the specific core competencies needed to provide value, and speed of transforming
140 information into knowledge may ultimately be a source of competitive advantage.
141 Unfortunately, a dearth of research has been conducted examining the market orientation-
142 clarity link put forth by Narver *et al* (1998). To test this relationship, a scale has been
143 developed to measure value discipline clarity. Using a sample of Illinois beef producers,
144 we test our value discipline scale based on four components of the value proposition,
145 specifically product quality, channel relationships, pricing and production.

146 The relationship between market orientation and value discipline clarity is
147 important as the location of a firm on the value triangle (relative to competition) has
148 serious implications concerning the ability of the firm to defend their strategy choice (i.e.
149 how they provide value to the customer) long-term. Furthermore, awareness of value
150 disciplines allows for investment in the specific resources needed to build core
151 competencies required to sustain a strategic position within a specific value discipline.
152 The objective of this paper, therefore, is to determine if market oriented firms are more
153 focused on the means of providing value to their customers.

154 **Foundations and Implications of a Market Orientation**

155 In order to continuously provide value the firm must be aware of the buyer's
156 value chain and how the product actually provides value to the customer. Market
157 oriented firms may be better equipped to discover and capitalize on this awareness. A
158 market orientation has been defined as a corporate culture which stresses the continuous
159 creation of customer value (Narver *et al*, 1998). Kohli and Jaworski (1990) go further in

160 defining a market orientation as the managerial actions manifested in the search for
161 market information, the spread of this information within the firm, and the managerial
162 response to the market information. Upon closer examination, it would seem managerial
163 actions are consequences of a market orientation culture within the firm. Firms which
164 have in place a culture that stresses the need to consistently create superior value for the
165 customer – through differentiated products, efficient production, or other means – will
166 actively seek out information as to how to best meet the needs of the market.

167 Focusing on the search for customer value, Narver and Slater (1990) empirically
168 measured market orientation as three singular, but equally important behavioral
169 components, namely a customer orientation, a competitor orientation, and inter-functional
170 coordination. A customer orientation enables the firm to determine what specifically is
171 valued by the customer. While a customer focus allows market oriented firms to
172 determine which products and services are currently valued by the market, a market
173 orientation, however, is more than simply being customer-led (Slater and Narver, 1998).
174 A competitor orientation allows the firm to analyze whether desired attributes are being
175 adequately met by competitors. Taken together, this is akin to a traditional SWOT
176 analysis. A decision on whether to compete directly for this market segment is based on
177 market characteristics and the current capabilities of the firm.

178 Inter-functional coordination refers to the transfer of market knowledge between
179 managerial groups within the firm. The interaction of the three behavioral components of
180 a market orientation is integral to the firm's strategy formulation and implementation
181 process (Homburg *et al*, 2004). Internalizing this valuable information leads highly

182 market oriented firms to a clear understanding of various means to provide value for
183 customers, potentially in a less highly competitive market.

184 Market orientated firms have been found to have superior performance across a
185 wide range of industries and cultures (Narver and Slater, 1990; Deshpande *et al*, 1993;
186 Pelham, 1997). By offering products which uniquely meet the specific needs of
187 customers, firms have been able to see increased returns as well as improved success
188 rates of new products. While Pelham (1997) questioned the performance implications of
189 a market orientation in commodity industries, Narver and Slater (1990) found a U-shaped
190 relationship between market orientation and performance. That is, firms with low and
191 high levels of market orientation outperformed business units with average levels of
192 market orientation. While this dichotomous relationship may provide short-term
193 performance benefits to both extremes of market orientation; the benefits to highly
194 market oriented firms may be more sustainable as their focus is not solely on the product,
195 but rather on the specific needs of the market (Day, 1999).

196 More recently, Menguc and Auh (2006) found the dynamic capability of
197 identifying opportunities to create value increased with both market orientation and
198 innovation. The development of similar dynamic capabilities could be the reason
199 underlying the results of Langerak (2003), who found the positional advantage (cost or
200 differentiation advantage) of the firm increased with the level of market orientation. By
201 the adoption of a customer and competitor orientation, market oriented firms were found
202 to outperform less market oriented rivals. Dynamic capabilities developed through a
203 market orientation have also been shown to improve new product advantage and launch
204 success (Langerak *et al*, 2004). This success, however, may be limited to those firms

205 with a proactive form of market orientation (see Narver *et al*, 2004 and Atuahene-Gima
206 *et al*, 2005).

207 The divergent forms of market orientation and the consequences of each have
208 important ramifications in terms of value discipline clarity. As shown in the results of
209 Atuahene-Gima *et al* (2005) firms with a responsive market orientation need to be
210 extremely market oriented to successfully develop and launch new products. Conversely,
211 proactive market oriented firms may see performance and new product launch success at
212 lower levels of market orientation. Further, proactive market oriented firms may be able
213 to determine opportunities for discontinuous leaps in the customer's value proposition,
214 thereby transforming the firm from one who is driven by the market to one that is driving
215 the market (Jaworski *et al*, 2000; Kumar *et al*, 2000; Tuominen *et al*, 2004).

216 While much research has been done on the subject of market orientation,
217 unanswered questions remain. Many of these studies examine the market orientation-
218 performance link and attribute success to providing superior value relative to that of rival
219 firms. The question is how do market oriented firms provide superior value? Is their
220 method of value provision clearly defined relative to rival firms? Secondly, are firms
221 with a proactive market orientation more apt to be on the vanguard of value provision in a
222 specific industry? This study hopes to enlighten the discussion regarding the clarity of
223 value provision, while also examining if extreme levels of market orientation are
224 necessary in order to perform the clarification task adequately.

225 **Theoretical foundations of Value Disciplines**

226 Treacy and Wiersema (1993) developed three distinct value disciplines firms can
227 implement. Each value discipline is based on the specific value proposition for the

228 product in question. This development is an extension of Porter's (1985) work on
229 competitive advantage where firm strategies are grouped into two generic categories
230 (low-cost and differentiation) in conjunction with two types of market focus (broad and
231 narrow). Porter argues value creation must first begin with an assessment of how the
232 product fits into the buyer's value-chain. Depending on several factors, buyers may
233 prefer a product with standardized attributes at a lower cost or a product with augmented
234 attributes which garner a premium price. Superior value is created when the difference
235 between perceived value and the cost of acquisition is greater than the value created by
236 alternative products.

237 Treacy and Wiersema (1997, pg xiii) point out that the choice of value discipline
238 "...defines what a company does and therefore what it is." The question remains, what is
239 value discipline clarity and why is it important? Value discipline clarity refers to a
240 singular focus on a specific discipline the firm uses to provide value to the customer.
241 Treacy and Wiersema (1993) argue firms should focus on one source of value provision
242 for the customer while maintaining industry standards in the remaining components.
243 With a clear focus on the means of providing value, the firm can begin to build the
244 resources and competencies needed to meet this objective. Unfocused firms do not have
245 a clear understanding of the 'how' underlying the concept of value creation. As such,
246 they are not able to develop and strengthen important competencies and their disjointed
247 efforts dilute the company's offering.

248 Amassing the core competencies needed to meet the minimum requirements of
249 each customer through a singular product is either impossible or prohibitively expensive.
250 Therefore, Treacy and Wiersema (1997) argue, firms should choose one value discipline

251 and build core competencies around achieving that goal. They go on to develop four
252 ‘Rules of Competition’ (1997, Ch 2).

253

254 **Rule 1:** Provide the best offering in the marketplace by excelling in a specific
255 dimension of value.

256

257 **Rule 2:** Maintain threshold standards in other dimensions of value.

258

259 **Rule 3:** Dominate your market by improving value year after year.

260

261 **Rule 4:** Build a well-tuned operating model dedicated to delivering unmatched
262 value.

263

264 **The Development of a Valid Measure of Value Disciplines**

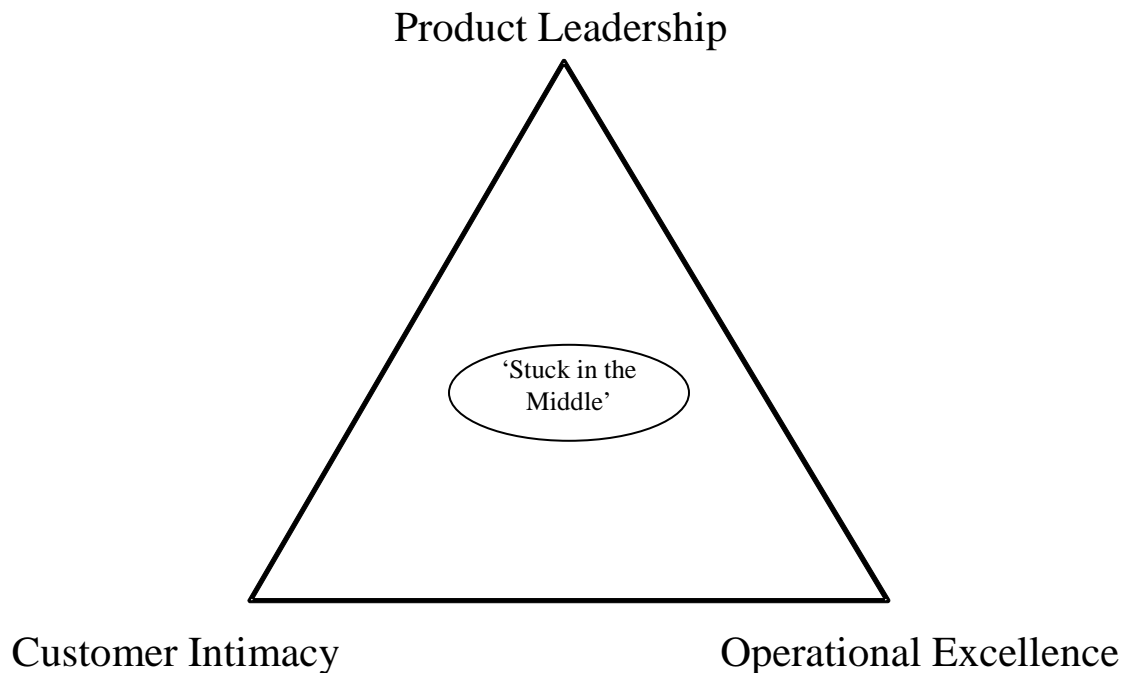
265 In order to measure value discipline clarity, a scale was developed as no existing
266 scale could be found following a thorough search of the literature. Each value discipline
267 is hypothesized to be a one-dimensional construct measuring the means in which a
268 product’s value proposition fits within the buyer’s value chain. Four components of the
269 value proposition were used, including pricing, product quality, production practices, and
270 relationship building within the channel. This resulted in a multi-item scale measuring
271 each value discipline.

272 Uni-dimensionality of each specific value discipline measure is necessary in order
273 to properly ensure that the scale is clearly measuring a specific value discipline. Uni-
274 dimensionality is further important as it is hypothesized value discipline clarity is
275 analogous to closeness to the border of the value triangle developed by Treacy and
276 Wiersema (1993). It is important to note, however, that the firm’s choice of value
277 discipline is not binding as it can differ across product lines or regions. As firms can
278 employ strategies for long-term profit within each individual value discipline, we present

279 *Operational Excellence, Customer Intimacy, and Product Leadership* as an equilateral
280 value triangle (Figure 1) similar to Treacy and Wiersema (1997, pg 45).

281
282

Figure 1. The Value Triangle



283
284
285

Choice of value discipline was measured using a framework similar to Miles and
286 Snow (1987) in their development of strategy typologies. Specifically, producers were
287 shown three statements relating to a particular value discipline. Each statement was
288 framed in a manner that removed any ambiguities about which value discipline it was
289 referring to, stopping short of identifying the value discipline by name (See Appendix A).

290 Within each component of value, producers were asked to assign a total of 100 points
291 among the three statements depending on which statement fit their operation best.

292 The livestock industry was chosen as a setting for this study as there is growing
293 evidence, anecdotally at least, that all three value disciplines are employed by U.S.

294 cattlemen. Historically, commodity beef producers operated with a strategy focused

295 increasing production efficiency. This was driven by firms not possessing much, if any,
296 control over prices received. Success within this value discipline may be driven by
297 economies of size or scope while providing a standardized product for downstream
298 channel partners. In search of improved financial performance, a growing number of
299 cattlemen are moving towards more aligned production channels (Mulroney and
300 Chaddad, 2005). This growth of production and marketing alliances, along with direct
301 marketing via farmer's markets points to a shift away from an operational excellence
302 (OE) value discipline to one with an increasing focus on customer intimacy (CI).

303 Producers operating within the CI value discipline focus on discovering unmet
304 customer needs and delivering tailored solutions leveraging close relationships built
305 through repeated transactions. Channel relationships can be valuable sources of
306 information and could allow producers to rapidly meet the specific requirements of
307 consumers and potentially earn premium prices² for doing so. The value of relationships
308 can also be seen at the aggregate level as various production alliances endeavor to market
309 products using in-store promotions where actual producers interact with consumers or
310 through the provision of producer profiles on alliance websites.

311 A product leadership (PL) value discipline is demonstrated through the rapid
312 development or adoption of new technologies (i.e. genetics, tenderness EPDs³,
313 traceability) that aid in the successful implementation of new and innovative production
314 strategies. Some alliances may operate within a product leadership value discipline as
315 they continually search for new products to market containing various attributes ranging

² A price differential that reflects the value of the business relationship or the information transferred in the transaction.

³ Expected Progeny Differences (EPDs) are utilized by producers to predict probable differences in specific characteristics of future offspring from a specific animal.

316 from grass-fed to natural, to sustainable.⁴ Even with the increasing segmentation of the
317 beef market, there are still a considerable amount of producers who operate anonymously
318 through the commodity market and an operational excellence value discipline.

319 *Sampling Frame and Data Collection*

320

321 The sampling frame for this study consists of producing members of the Illinois
322 Beef Association in 2007. The membership list was examined and obvious commercial
323 businesses not directly involved in beef production were removed from the population. A
324 total of 1,570 informants received a mailing which included a letter from the researchers
325 outlining the study and a questionnaire. A reminder card followed two weeks after the
326 initial mailing. A second questionnaire was mailed to non-respondents after a subsequent
327 two weeks. A total of 343 usable responses were received after two waves of mailings,
328 yielding a response rate of 21.8%. Respondents were active in both the cow-calf and
329 feedlot segments of the production channel with an average of 77 calves raised and 495
330 head of cattle fed out in each respective group.⁵ Survey respondents had, on average, 32
331 years of experience in the cattle business. Nearly 25% of respondents (80 out of 343)
332 indicated that they participate in some form of alliance production.

333 *Construct validity and reliability*

334 Following the development of the value discipline scale, it was tested for both
335 validity and reliability. Content validity is a qualitative measure used to assess the
336 clearness of the scale as well as the ability of the scale to measure the concept in
337 question. This was assessed using both academics and practitioners who read and

⁴ For example, see the case of Country Natural Beef described in Campbell, D. (2006).

⁵ Some producers operate in both segments. Averages were taken from firms who feed out at least 50 head of cattle and who raise at least 20 calves.

338 commented on the clearness of the scales. Construct validity was measured through a
 339 Confirmatory Factor Analysis (EFA) approach. In this method, the goal is to explain the
 340 correlation between the observed variables and the underlying latent structures (Bollen,
 341 1989). In this case, the underlying latent variables are the specific value disciplines.

342 1)
$$x = \Lambda_x \xi + \delta$$

343 The structural equation depicted in (1) can further be described in matrix form as:

344 2)
$$\begin{bmatrix} x_1 \\ x_2 \\ x_3 \\ x_4 \\ x_5 \\ x_6 \\ x_7 \\ x_8 \\ x_9 \\ x_{10} \\ x_{11} \\ x_{12} \end{bmatrix} = \begin{bmatrix} \lambda_{11} & 0 & 0 \\ \lambda_{21} & 0 & 0 \\ \lambda_{31} & 0 & 0 \\ \lambda_{41} & 0 & 0 \\ 0 & \lambda_{52} & 0 \\ 0 & \lambda_{62} & 0 \\ 0 & \lambda_{72} & 0 \\ 0 & \lambda_{82} & 0 \\ 0 & 0 & \lambda_{93} \\ 0 & 0 & \lambda_{103} \\ 0 & 0 & \lambda_{113} \\ 0 & 0 & \lambda_{123} \end{bmatrix} \begin{bmatrix} \xi_1 \\ \xi_2 \\ \xi_3 \end{bmatrix} + \begin{bmatrix} \delta_1 \\ \delta_2 \\ \delta_3 \\ \delta_4 \\ \delta_5 \\ \delta_6 \\ \delta_7 \\ \delta_8 \\ \delta_9 \\ \delta_{10} \\ \delta_{11} \\ \delta_{12} \end{bmatrix}$$

345 The reason underlying these measures is that if a survey item (x_i) measures a
 346 specific construct (ξ_i) it is reasonable to assume a change in the latent construct would
 347 lead to a change in the measurement item. Factor loadings which represent these
 348 relationships (λ) are shown to be greater than 0.618 which would signify that the items are
 349 measuring the scale intended (Table 1). Variance extracted for all value disciplines is
 350 greater than 50% indicating that the variance explained by the scale is greater than the
 351 variance that is attributed to measurement error (Fornell and Larcker, 1981).

352
 353

354 **Table 1. Value Discipline Construct Validity**

Item	Variance Extracted	Factor Loadings		
		Customer Intimacy	Product Leadership	Operational Excellence
Customer Intimacy	68.98%			
We are able to set or negotiate above market prices due to our close relationships		0.803		
We try to develop individual business relationships		0.872		
Through our close relationships with customers, we adopt practices to ensure our product meets customer specs		0.814		
Product Leadership	55.65%			
We are continuously developing new technology that provides us a price advantage			0.618	
We are recognized as a leader in innovation of new beef production technologies and are able to establish product differentiation			0.801	
Innovative technologies allow for the screening and selection of animals through the production process to ensure quality			0.803	
Operational Excellence	73.52%			
We are unable to influence prices we receive so we rely on increasing efficiency				0.800
We are generally aware of exactly who our customers are and do not establish relationships with them				0.906
We only invest in minimum process control systems				0.863

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356

357 Internal consistency for the value discipline scale was tested using a split-sample
 358 method suggested by Churchill (1979). Reliability analysis was conducted on the first
 359 sample and was repeated on the second sample. Following initial purification of the
 360 scales, construct reliability was tested on the full sample. The items measuring
 361 production practices did not have item-to-total correlations exceeding the threshold
 362 recommended by Streiner and Norman (1995) and were removed from the scales. From
 363 the remaining items, coefficient alphas for each value discipline exceed 0.60, the
 364 threshold suggested by Nunnally (1978) for exploratory research (Table 2).

Table 2. Value Discipline Reliability Analysis

Item	Sample 1 N = 195		Sample 2 N = 148	Combined Sample N = 343	
	Cronbach Alpha	Item-to-Total Correlation	Cronbach Alpha	Cronbach Alpha	Item-to-Total Correlation
Customer Intimacy	0.729		0.794	0.761	
We are able to set or negotiate above market prices due to our close relationships		0.498			0.558
We try to develop individual business relationships		0.599			0.657
Through our close relationships with customers, we adopt practices to ensure our product meets customer specs		0.563			0.572
Product Leadership	0.573		0.650	0.604	
We are continuously developing new technology that provides us a price advantage		0.276			0.313
We are recognized as a leader in innovation of new beef production technologies and are able to establish product differentiation		0.422			0.474
Innovative technologies allow for the screening and selection of animals through the production process to ensure quality		0.451			0.472
Operational Excellence	0.792		0.822	0.805	
We are unable to influence prices we receive so we rely on increasing efficiency		0.525			0.576
We are generally unaware of exactly who our customers are and do not establish relationships with them		0.718			0.738
We only invest in minimum process control systems		0.677			0.656

365

366 **The Effect of Market Orientation on Value Discipline Clarity**

367 *Drivers of Value Discipline Clarity*

368 It is hypothesized that a market orientation could lead the firm to a specific means
369 of providing value to the market. A customer orientation generates market intelligence as
370 it relates to buyers and the value proposition of the product in question. Armed with this
371 knowledge, firms can begin to improve the value the product provides. A competitor
372 orientation focuses resources to assess the value proposition being provided by rival
373 firms, and whether the firm should compete directly with a similar product offering based

374 on market conditions, core competencies, and other factors. As firms become more
375 market oriented, or as the culture of market orientation becomes more ingrained in the
376 day-to-day activities of the firm, we would expect increased clarity on how the product
377 offering provides value to the customer. As such, the following hypotheses are
378 presented:

379 *H1a: Market Oriented firms express clarity on their value discipline.*

380

381 *H1b: As market orientation increases exponentially, value discipline clarity increases.*

382 Innovation can be seen through a variety of prisms. It is often thought that
383 innovative firms continuously develop new products and services, but this is only one
384 method to create superior value for the customer. Combined with a market orientation,
385 firms can utilize innovation to create products and services that are currently not being
386 offered by rival firms (Han *et al*, 1996). Less technological, Nelson and Winter (1982)
387 characterize innovations simply as a change in routines. Within this characterization, any
388 number of innovations can be used to create value for buyers. Increased communication
389 between segments in the beef industry was an issue that was singled out in the 2005
390 National Beef Quality Audit (NCBA, 2005). Increased communication could lead to
391 increased value for downstream partners if the communication leads to superior value
392 relative to the traditional, anonymous transactions between segments. A move to direct
393 marketing could also be seen as an innovation as there was a shift from arms length
394 transactions to one based more on relationship development between the parties of the
395 transaction. Therefore, we present the following hypotheses:

396 *H2: Innovative firms express clarity on their value discipline.*

397

398 Entrepreneurial firms have long been in search of opportunities to create value
399 where others see none. To create profit opportunities, entrepreneurial firms recombine
400 resources to capture unrealized value. Alvarez and Businetz (2001), in describing
401 entrepreneurship within the framework of the resource based view, indicate that
402 "...entrepreneurship is about cognition, discovery, pursuing market opportunities, and
403 coordinating knowledge that lead to heterogeneous outputs" (pg 757). This definition is
404 strikingly similar to the behavioral definition of market orientation developed by
405 Jaworski and Kohli (1993) who state that a market orientation is comprised of
406 intelligence generation, intelligence dissemination, and the firm's response to the market
407 intelligence.

408 Entrepreneurship within agriculture has focused on the ability for agropreneurs to
409 recognize and react to profit opportunities. Using a simulation model, Ross and
410 Westgren (2006) were able to find positive and significant returns to entrepreneurs in the
411 pork industry. These excess rents were based on the firm's ability to recombine
412 resources in such a manner to create a product which was valued by the market. Firms
413 that are able to determine where opportunities for value creation lie will be better able to
414 focus their attention on the means for providing continuous value for the market in the
415 future. As such, we hypothesize the following:

416 ***H3:** Entrepreneurial firms express clarity on their value discipline.*

417
418 Slater and Narver (1995) argued that the firm's ability to learn faster than their
419 competition may be their only source of competitive advantage. This may be especially
420 true in agriculture where the majority of innovations put into practice by producers are
421 either easily imitated or substituted. The lack of ex post limits to competition eliminates
422 the ability of the firm to extract rents from the implementation of new technologies.

423 Furthermore, organizational learning has been found to be an antecedent to the
424 development of a market orientation (Day, 1994). A culture which values learning and
425 questions the status quo of the firm will be one that continually searches for the creation
426 of superior value. This culture is likely related to the level of education the manager has
427 attained. The search for superior value and the firm's commitment to learning lead us to
428 our next hypotheses, namely:

429 *H4a: Firms with a learning orientation express clarity on their value discipline.*

430

431 *H4b: As the education level of management increases, so does value discipline clarity.*

432

433 Traditionally, agricultural firms focused on increasing production efficiency as a

434 means of increasing profits. As producers of standardized products subject to

435 homogeneous grades and standards, the only way to improve profits and increase buyer

436 value is to produce the undifferentiated product at the lowest possible price. This is a

437 natural fit for an OE value discipline. Furthermore, producers can increase the perceived

438 value by augmenting the standardized product to decrease the cost of ownership.

439 Preconditioning cattle for the feedlot is one method cattlemen can use to increase

440 downstream buyer value within an OE value discipline. However, these opportunities are

441 generally dependent on the speed of imitation by rivals. If the pricing mechanism shifts

442 from price premiums for the provision of the attribute to a price discount for non-

443 provision, then value will again be measured solely on acquisition costs. Hence, we

444 hypothesize:

445 *H5: Managers with a cost focus experience clarity on their value discipline.*

446

447 Along with the behavioral and cultural components, the length of time a firm has

448 been present in the market may also contribute to value discipline clarity. As firms grow

449 and mature, how the product offering fits into the buyer's value chain may become

450 clearer. This clarity can be useful in developing new products or services which can
451 continue to provide superior value for consumers. Firms in their infancy may chase the
452 latest trends in the hopes of earning premium prices without fully understanding the
453 reason for the price premium. While experience may overcome this pitfall, it could also
454 be a hindrance if it leads to a single-minded focus on the current needs of the market as
455 opposed to identifying latent needs. A tunnel vision approach to current customers may
456 provide short-term benefits, while hamstringing the firm's future opportunities as limited
457 attention has been paid to develop the capabilities needed to meet future needs of the
458 market (Hamel and Prahalad, 1991; Leonard-Barton, 1992). These shortcomings, while
459 severe, may not necessarily cause the firm to be unclear on how its current product
460 provides value for the customer. What social embeddedness may cause, however, is the
461 potential of a product in the future to no longer meet the threshold standards of the
462 market. Therefore, we present the following hypothesis:

463 ***H6: Managers with more experience express clarity on their value discipline.***

464

465 ***Independent variable measure development***

466 Measurement scales from previously published research in the marketing
467 literature were identified and used to construct the independent variables used in this
468 study. These measurement scales were previously intended for management teams of
469 large corporations so the wording of items was modified to fit an agricultural audience.
470 Following modification, the measurement scales were pre-tested by two distinct groups.
471 First, University of Illinois Extension personnel were asked to read through the
472 questionnaire and identify any potentially difficult items and provide comments for their
473 improvement. Following the initial pre-test, a group of beef producers participating in
474 the Illinois Farm Business Farm Management association were sent a questionnaire and

475 asked to read through the survey and comment on any remaining ambiguities. Following
476 this informative feedback, items that were most problematic were revised or removed
477 from the questionnaire.

478 All independent variables were constructed using multiple-item scales on a six-
479 point Likert scale. The scale used to measure market orientation included items used in
480 the original MKTOR scale first developed by Narver and Slater (1990) as well as the
481 scale used in Narver, Slater and MacLachlan (2004). In this 19-item scale, a firm's
482 market orientation is comprised of their customer and competitor focus as well as the
483 coordination of market knowledge within the firm. The market orientation scale is a
484 hybrid scale as it measures both the reactive and proactive forms of market orientation.
485 To measure organizational learning, 11 items from Farrell and Oczkowski (2002) were
486 used. These items sought to measure the 'learning culture' of the farm business. The
487 entrepreneurial tendency was measured with a 5-item scale used in Matsuno, Mentzer
488 and Oszomer (2002). The indicators measured the inclination of managers to use
489 innovative marketing strategies to improve performance or whether they chose to 'play it
490 safe' when it comes to forming solutions to management problems. Innovation was
491 measured using a 5-item scale tested by Hurley and Hult (1998). Similar to the
492 entrepreneurship scale, the innovation scale measured the penchant for managers to
493 utilize innovative strategies to solve problems on the farm. The final independent
494 variable measures the cost focus of the firm. A cost focus was measured using a
495 combination of scales developed by Homburg, Workman and Krohmer (1999) and Kotha
496 and Valdamani (1995) and consisted of 5 items. The scale measured the manager's focus
497 on production efficiency and cost reduction as a means of improving performance.

498 Internal consistency of the independent variables was tested using factor analysis
499 with varimax rotation in SPSS to ensure the scales were measuring a distinct construct
500 within the sampling frame of this study. Factor loadings and item-to-total correlations
501 were used to purify the scales. Worthington and Whittaker (2006) suggest to only retain
502 those items where factor loadings are greater than 0.32. Factor loadings can be thought
503 of as regression coefficients. That is, the amount by which the indicator variable will
504 change for a one unit change in the underlying latent variable. Indicators below the
505 threshold were removed from further study. Item-to-total correlations less than 0.2 were
506 also removed in accordance to Streiner and Norman (1995) as they are likely to be
507 measuring a different construct from the other items in the scale.

508 The lowest factor loading reported is 0.547 for the fourth question in the cost
509 focus scale (Table 3). Further, all item-to-total correlations and factor loadings are well
510 above established thresholds. Cronbach alphas are all shown to be above 0.70, the cutoff
511 for confirmatory research (Nunnally, 1978). Variance extracted for each scale is also
512 shown to be above 50% for all latent constructs. As the extracted variances are above
513 50%, this demonstrates the variance accounted for by the scale is larger than the variance
514 due to measurement error (Fornell and Larcker, 1981).

Table 3. Independent Variable Reliability Analysis

Scale	Items	Alpha	Variance Extracted	Mean	Std Dev	Corrected Item- to-Total Correlation	Factor Loadings
<i>Customer Focus</i>		0.756	0.5872				
	Cust1			3.94	1.202	0.650	0.849
	Cust2			3.78	1.103	0.614	0.820
	Cust4			3.92	1.252	0.360	0.556
	Cust5			3.74	1.268	0.600	0.803
<i>Coordination</i>		0.756	0.5847				
	Coord1			3.38	1.486	0.523	0.731
	Coord2			3.94	1.312	0.523	0.732
	Coord3			3.85	1.227	0.619	0.810
	Coord4			4.16	1.117	0.576	0.782
<i>Competitor Focus</i>		0.857	0.5422				
	Comp1			3.74	1.391	0.548	0.664
	Comp3			3.78	1.267	0.581	0.693
	Comp4			4.13	1.279	0.522	0.639
	Comp5			3.14	1.359	0.664	0.772
	Comp6			2.99	1.289	0.707	0.805
	Comp8			3.96	1.234	0.628	0.748
	Comp9			3.80	1.270	0.709	0.814
<i>Learning</i>		0.782	0.6169				
	Learn2			4.83	0.906	0.617	0.807
	Learn3			4.92	0.965	0.692	0.867
	Learn4			4.91	0.965	0.673	0.851
	Learn5			4.31	1.058	0.403	0.593
<i>Entrepreneurship</i>		0.704	0.6304				
	Ent2R			3.29	1.106	0.513	0.791
	Ent4R			3.27	1.164	0.596	0.846
	Ent5R			3.74	1.192	0.462	0.742
<i>Innovation</i>		0.740	0.7183				
	Innov1			4.55	1.020	0.502	0.865
	Innov2R			4.69	1.180	0.567	0.721
	Innov3			4.58	0.925	0.552	0.817
	Innov4R			5.23	1.049	0.350	0.898
	Innov5R			4.86	1.129	0.560	0.786
<i>Cost Focus</i>		0.728	0.5106				
	Cost1			5.01	0.896	0.649	0.845
	Cost2			4.98	0.938	0.580	0.806
	Cost3R			4.88	1.128	0.377	0.598
	Cost4			4.01	1.288	0.358	0.547
	Cost5			4.59	0.990	0.575	0.730

515

516 ***Discriminant Validity***

517 Discriminant validity was checked to ensure items were measuring only one

518 distinct construct. Discriminant validity was examined using a method outlined by

519 Fornell and Larcker (1981). They argue discriminant validity is present when the
 520 variance extracted of the scale is greater than the square of the correlation between
 521 constructs (Table 4). Together, the results offered in Tables 1-4 demonstrate that each
 522 construct is measuring only one concept as it relates to value disciplines and the factors
 523 which may contribute to how clearly a firm expresses their value discipline.

524
 525

Table 4. Discriminant Validity

	CUST_FOC	COMP_FOC	COORD	LEARN	ENTRE	INNOV	COST
CUST_FOC	0.5872						
COMP_FOC	.550**	0.5422					
COORD	.571**	.608**	0.5847				
LEARN	.268**	.236**	.334**	0.6169			
ENTRE	.150**	.132*	.192**	.197**	0.6304		
INNOV	.244**	.151**	.252**	.479**	.349**	0.7183	
COST	.257**	.239**	.273**	.475**	.163**	.531**	0.5106

a. Diagonals show variance extracted. Numbers under the diagonal reflect the 2-tailed Pearson correlation.

b. ** represents significance at 0.01 level. * represents significance at 0.05 level.

526
 527

528 Results

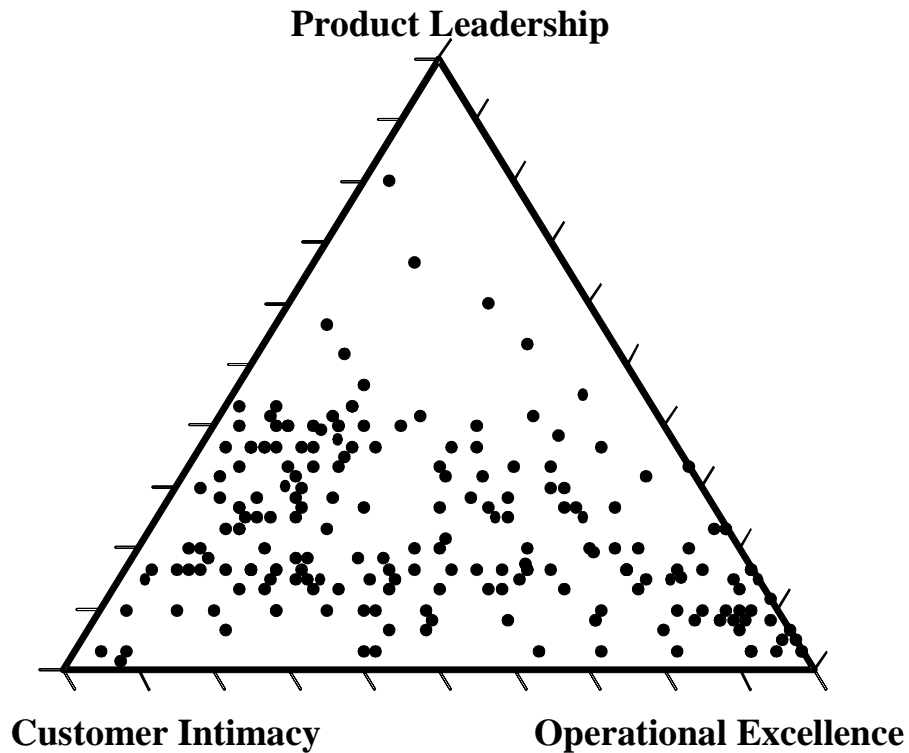
529
 530

Empirical Model

531 Following validity checks, a ternary plot (Figure 2) was created using an Excel
 532 program (Graham and Midgley, 2000) to show the strategy choice of Illinois producers.
 533 Ternary plots are commonly used when analyzing the components of a 3-item mixture
 534 when the sum of the components must equal 1. To obtain the coordinates for the ternary
 535 plot, the averages across value disciplines were used (e.g., the average customer intimacy
 536 score for quality, pricing, and relationship building was used to obtain the customer
 537 intimacy coordinate). Value discipline clarity was calculated as the minimum distance
 538 from the coordinate to a boundary of the value triangle employing a half-taxi metric
 539 (Miller, 2002).

540

541 **Figure 2. The Value Disciplines of Illinois Beef Producers**



542
543

544 The sum of retained items for each measurement scale was used to comprise the
545 independent variables. Scales were centered by subtracting the mean from each item.
546 This was done to prevent multicollinearity when both the individual scale and the square
547 of the scale were used. It was hypothesized that the firm's clarity on their chosen value
548 discipline would be a function of their market orientation (MKTOR), the square of their
549 level of market orientation (SQRMKTOR), their innovativeness (INNOV), their focus on
550 learning (LEARN), their level of entrepreneurship (ENTRE), as well as their cost focus
551 (COST). Experience as measured by years involved in producing beef and a dummy
552 variable where 0 = no college degree and 1 = college degree were also included as
553 control variables.

554

555 **Empirical Results**

556 An ordinary least squares (OLS) regression analysis was applied to test the stated
 557 hypotheses. Similar to the sample for reliability analysis, the OLS regression utilized a
 558 sample of 344 Illinois beef producers. While the sample includes producers within the
 559 cow-calf and feedlot segments, as well as alliance and non-alliance production practices,
 560 a pooled sample was initially tested. The results are presented in Table 5.

561 Six of the eight independent variables have significant coefficients, with four of
 562 the six significant at the 0.05 level. Neither education nor the level of entrepreneurship
 563 had any discernable effect on value discipline clarity, or lack thereof, as shown by the
 564 insignificance of the coefficient. The insignificance of these variables could be caused by
 565 many factors. As this sample covers only one year firms could be in various stages of an
 566 entrepreneurial shift in value discipline, clouding the ability to ascertain the effect of
 567 entrepreneurship on clarity.

568
 569

Table 5. The Effect of Market Orientation on Value Discipline Clarity

	MKTOR	SQRMKTOR	LEARN	ENTRE	INNOV	COST	Experience	College	Constant
Expected Sign	-	-	-	-	-	-	-	-	
Unstandardized Coefficients	0.190*** (.044)	-0.006** (.002)	-0.378* (.201)	0.219 (.197)	-0.363** (.173)	0.361** (.172)	0.055* (.030)	-1.007 (1.036)	15.05*** (1.661)
Standardized Coefficients	.241	-.142	-.119	.062	-.140	.137	.097	-.052	
t-statistic	4.305	-2.704	-1.882	1.111	-2.102	2.098	1.851	-.972	9.060
Significance	.000	.007	.061	.267	.036	.037	.065	.332	.000
N = 343, r-squared = .129, adjusted r-squared = .108									

570
 571

572 The effect of a market orientation on value discipline clarity is opposite of the
 573 proposed hypothesis. The positive sign indicates that as firms' increase their market
 574 orientation, their focus on a single value discipline lessens. Again, this could be caused

575 by having only one year of data. A plausible explanation could be that firms who have
576 just begun to develop their market orientation have shifted their focus, possibly to an
577 entirely different value discipline. The square of market orientation, however, has a
578 negative coefficient, as hypothesized. Here, highly market oriented firms are able to
579 increase their focus on a specific value discipline.

580 Firms with a learning orientation were also shown to express clarity on their value
581 discipline as shown by the negative coefficient. This fits with the statement by Slater and
582 Narver (1995) who challenged that a firm's only true source of competitive advantage is
583 their ability to learn faster than their competitors. Conversely, experience seemed to
584 make unclear the specific value discipline of the firm. This is contrary to the stated
585 hypothesis but may provide preliminary evidence to demonstrate the adverse effects of
586 social embeddedness within changing markets.

587 The negative coefficient on firm innovation confirms hypothesis 2. The results
588 indicate innovative firms are able to modify routines and practices in order provide
589 products which more closely fit into the buyer's value chain. Innovation does not have to
590 be technological, however, as can be seen through the positive coefficient on the cost
591 focus variable. Similar to the experience results, a cost focus has long been the dominant
592 strategy in agriculture. Firms who are focused solely on cost efficiency may, as Day
593 (1999) argues become oblivious to the market and lose sight of their product's ability to
594 maintain industry standards, thereby decreasing the value the buyer places on this
595 product.

596

597

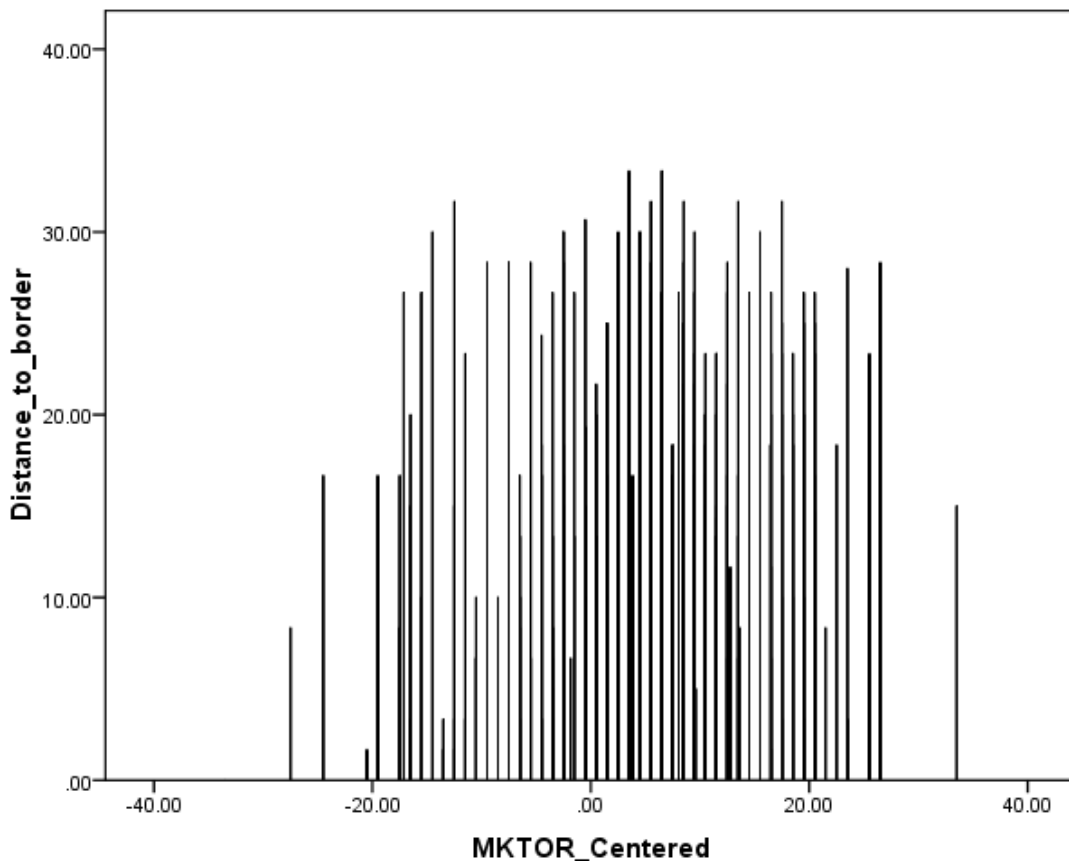
598 **Discussion**

599 The objectives of this study were to develop a value discipline scale and to
600 determine if market oriented firms were more explicit in how they provided value to
601 customers. Findings were mixed, leading to a need for careful discussion as to the
602 importance of a market orientation in determining value discipline clarity. Results
603 indicate moderately market oriented firms are not explicit in their self assessment of how
604 they provided value to downstream partners or customers. In fact value discipline clarity
605 decreased, as interpreted by the positive coefficient, as market orientation increased.
606 This result contradicts our hypothesis as well as that of Narver *et al* (1998). An
607 important consideration is that our measure of market orientation measures only the
608 quantity, *not the quality*, of the market oriented behaviors of the firm (Day 1994b).
609 Furthermore, as this is the first attempt to measure the market orientation-value discipline
610 relationship, additional research is warranted.

611 The square of market orientation was found to influence value discipline clarity.
612 As market orientation was measured using a centered scale, careful interpretation is
613 needed. High squared market orientation values are associated with firms with extreme
614 levels of market orientation. In this case, producers with both extremely high and
615 extremely low levels of market orientation were shown to clearly express their choice of
616 value discipline. A possible explanation may be that firms with extremely low levels of
617 market orientation may operate within the operational excellence value discipline, and
618 through social embeddedness, focus solely on producing a low-cost product. Almost by
619 default, they express clarity on their value discipline as they feel controlling costs is their
620 only means of increasing profit.

621 In combination, these results seem to be consistent with the U-shaped relationship
622 between market orientation and performance found by Narver and Slater (1990) as well
623 as the market orientation-new product success results from Atuahene-Gima *et al* (2005).
624 In these studies, researchers observed initially that an increased market orientation led to
625 decreasing performance up to some point. Only after a firm achieved a high level of
626 market orientation did increased performance or launch success result. The relationship
627 between market orientation and value discipline clarity may be explained similarly
628 (Figure 3).

629 **Figure 3. Market Orientation and Value Discipline Clarity**



630
631
632 Narver and Slater (1990) argue highly market oriented firms should focus on
633 determining customer needs, and the most efficient method to meet these needs. Beef

634 producers with extremely high levels of market orientation may be displaying the
635 characteristics presented by Narver *et al* (1998) such as value discipline clarity, market
636 leading as opposed to following, and seeing themselves as service providers. By
637 focusing on current and future customer needs, highly market oriented firms may be able
638 to effectively remove themselves from the ‘commodity’ market even while participating
639 in it. Through a market orientation, they are able to alter their specific product offering to
640 provide attributes which are a source of value for downstream partners as well as final
641 customers.

642 ***Managerial implications***

643 Slater (1997) said “...superior performance accrues to firms that have a customer
644 value-based organizational culture (i.e., a market orientation), complemented by being
645 skilled at learning about customers and their changing needs and at managing the
646 innovation process, and that organize themselves around customer value delivery
647 processes” (pg. 164). Firm profit is therefore a function of market knowledge, customer
648 awareness, and the innovation needed to capitalize on this knowledge, which has been
649 shown in empirical studies (see Narver and Slater, 1990; Baker and Sinkula, 1999; Farrell
650 and Oczkowski, 2002). Firms with improved information sources may find opportunities
651 to leverage superior information into improved market knowledge which eventually may
652 become a source of sustainable competitive advantage.

653 Earlier research examining the market orientation-performance link focused on
654 the broad definition of ‘value’ without specifically answering ‘how’ the firm created
655 value for the customer. This paper presents opportunities to begin answering the question
656 of ‘how’ a firm might provide superior value and thus achieve superior performance.

657 Without awareness of the ‘how’ of value creation, the strategy of creating value is at risk
658 of becoming a generic strategy similar to Porter’s (1985) differentiation and low-cost
659 strategies. Specifically, the firm needs to focus on how value is created, not an abstract
660 concept of value. Through improved awareness of the specific of value discipline vis-à-
661 vis rival firms, highly market oriented and innovative firms will be able to determine the
662 appropriate strategic response.

663 Results point to opportunities for highly market oriented and innovative firms.
664 Given superior knowledge of how value is provided vis-à-vis rival firms, highly market
665 oriented firms may be able to focus on improving the means of value provision by
666 increasing core competencies. Further, highly market oriented firms may be able to not
667 only map how they fit into the value triangle, but how their close competitors fit as well.
668 Competitor mapping may be invaluable if the firm is considering an investment in
669 resources which could be leveraged in the creation of further value.

670 These results also provide opportunities for underperforming firms which find
671 themselves in the middle of the value triangle. With improved information,
672 underperforming firms can determine the proper method for competing in the chosen
673 market based on their current capabilities. This may entail further investment in, or
674 refinement of, their core competencies and the degree that these match the chosen
675 strategy. Strategy refinement may allow the firm to remain on (or move toward) the
676 vanguard of value provision within a specific value discipline. Conversely, increased
677 awareness may signal an opportunity for improved performance through a shift to a less
678 competitive landscape (Kim and Mauborgne, 2005).

679 Within the beef industry specifically, and agriculture in general, awareness of
680 one's own value discipline as well as the value discipline of close competitors may be
681 important as more and more alliances are formed in search of improved performance.
682 For independent producers, awareness of their value provision may allow them to select
683 the appropriate value chain based on shared values. Value discipline awareness may also
684 have strategic benefits for new entrants. Depending on the characteristics of the market,
685 new entrants may choose to compete by providing products which are not in direct
686 competition (in a value discipline sense) with those of already established firms. Rather
687 than competing directly on innovation capability, for instance, new entrants may see
688 better opportunities through the provision of more direct relationships via a customer
689 intimacy framework.

690 *Theoretical Implications*

691 Value discipline clarity, therefore, may be a moderating factor in the ability to
692 transform a market orientation into firm performance. Firms with increased clarity may
693 be better able to generate information relating to new sources of value for consumers.
694 This information may lead to the more rapid development of new offerings which deliver
695 attributes which more closely meet the latent and expressed needs of the market.
696 Furthermore, a high market orientation combined with elevated levels of
697 entrepreneurship and innovation may enable the firm to migrate from a highly
698 competitive position (i.e. commodity beef) to a niche where market size and customer
699 relationships, once established, provide significant barriers to entry.

700 While the performance benefits of becoming more market oriented are well
701 established even in commodity markets (see Micheels and Gow, 2008), there may be

702 other benefits as well. If market oriented firms are able to move to a less competitive
703 market, or closer to the border of the value triangle in highly competitive markets, they
704 may benefit from occupying a more ‘defendable’ position relative to rival firms. Firms
705 along the border of the value triangle may be what Kohli *et al* (2000) describe as *market-*
706 *driving*, whereas market oriented firms not on the border of the value may be *market-*
707 *driven*. Market driving firms are characterized by their ability to anticipate changes in
708 the market ahead of their competitors or simply creating market changes themselves.
709 Market driven firms, however, are more reactive in nature and are thus not able to
710 achieve any first-mover advantages which may accrue to their market driving
711 counterparts. This perceived disadvantage may be potentially offset by second-mover
712 advantages such as lower search and implementation costs.

713 ***Limitations and Future Research***

714 This study, while being the first to test the relationship between market
715 orientation and value discipline clarity, has some limitations. First, the sample includes
716 only one year of data on market orientation and value disciplines for Illinois beef
717 producers. As the creation of a market orientation and the choice of value discipline is a
718 dynamic process, a longitudinal study may elucidate the relationship between market
719 orientation and the choice of value discipline. Internal consistency and reliability of the
720 value discipline scale exceeded the thresholds for exploratory research, but further
721 refinement of the scale is warranted. Purification of the value discipline scales, as well as
722 the inclusion of other components of the producer value proposition would be worthwhile
723 endeavors for future research.

724 This preliminary research contributed to the market orientation literature as well
725 as the agricultural economics literature by developing a scale to quantify a firm's choice
726 of value discipline. Future research may examine differences in relative importance of
727 innovation, entrepreneurship and market orientation across value disciplines, as well as
728 determining whether there are differences in performance across value disciplines. These
729 potential research agendas have broad policy and managerial implications as agriculture
730 moves forward in an ever-changing customer-driven marketplace.

731 **Conclusions**

732
733 The objectives of this study were 1) to develop a measure to quantify value
734 discipline choice and clarity, and 2) to determine if a market orientation increased value
735 discipline clarity. A scale to measure a firm's choice of value discipline was developed
736 and tested using a sample of 343 Illinois beef producers. Results indicate highly market
737 oriented firms are clearer in their means of value provision. Firms which can clearly
738 define how they provide value may be more precise in their development of the specific
739 capabilities needed to provide continuous superior value for customers.

740 Results show that highly market oriented beef producers express clarity on their
741 value discipline, partially confirming the hypothesis of Narver *et al* (1998). In doing so,
742 a new scale was developed to measure the firm's choice of value discipline. This scale
743 was constructed in a manner similar to Miles and Snow's (1987) strategy typologies.
744 Following the development of their scale, much research was done on the differences
745 between *analyzers*, *prospectors*, *reactors*, and *defenders*. Research examining the
746 cultural differences and performance outcomes of firms within the different value
747 disciplines could provide fruitful opportunities for other scholars.

748 As a growing number of firms eschew the commodity market in favor of a more
749 differentiated approach, it will become increasingly important to know exactly how to
750 provide the most value relative to the competition. The search for value within these
751 highly competitive markets may lead to dramatically different methods of sustaining
752 superior value creation. The choice of appropriate methods and the requisite core
753 competencies will depend on the specific value discipline of the firm. As channels of
754 communication evolve within once adversarial value-chains, market oriented firms will
755 be better positioned to create a valuable product based on specific relationships, product
756 innovations, or low cost of acquisition and ownership.

757

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APPENDIX A. The Value Discipline Scale

These questions relate to different components of your beef operation. Each item contains three descriptions of marketing strategies. Please distribute 100 points among the three descriptions depending on how similar the description is to your beef operation. There is no one right answer and please use all 100 points. Most beef producers will be a mixture of those described.

For example...

<i>Marketing</i>	<i>Strategy 1</i>	<i>15</i>
	<i>Strategy 2</i>	<i>60</i>
	<i>Strategy 3</i>	<i>25</i>
		<hr/> <i>100</i>

15 Pricing

S1 We are able to set or negotiate above market prices for our cattle as we have established close relationships with our customers and fully understand their specific requirements. _____

S2 We are continuously developing or adopting new technology that provides us a short term competitive market and price advantage. _____

S3 Due to being unable to influence current market prices, we strive to continually become more efficient in an effort to reduce costs. _____

100

16 Production

S1 We are continuously developing new and innovative technologies that provide our farm with product, production or marketing advantages. _____

S2 We willingly modify production practices to meet our customers specific product requirements, even if it increases our costs. _____

S3 We are seen as a leader in production efficiency by our neighbors and peers due to our continuous efforts to produce efficiency gains. _____

100

17 Relationship building

S1 We try to develop individual business relationships with each of our customers and attempt to produce products that meet each of their specific requirements. _____

S2 As producers and marketers of commodity beef through independent auctions, we are generally unaware of exactly who our customers and buyers are and see little value in establishing relationships with them. _____

S3 As we are recognized as a leader in innovation and early adoption of new beef production technologies, we are able to gain access to valuable customer markets and establish product differentiation. _____

100

18 Quality

S1 Through our close relationships with lead customers, we willingly adopt production practices, processes and certification systems to ensure our product meets customer specifications and supports their marketing brand. _____

S2 We only invest in meeting the minimum required level of certification and process control systems that are signalled through the pricing mechanism or mandated by regulatory agencies. _____

S3 Through the adoption and use of innovative technologies, we are able to screen and select animals while tracking them through the production process to ensure optimal final product quality in the market. _____

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