Performance or learning goal orientation: Implications for business performance

Norbani Che-Ha a,*, Felix T. Mavondo b,1, Saad Mohd-Said c,2

a Faculty of Business and Accountancy, University of Malaya, 50603 Kuala Lumpur, Malaysia
b Department of Marketing, Faculty of Business and Economics, Clayton Campus, Wellington Rd., Clayton, 3168, Australia
c Faculty of Economics and Administration, University of Malaya, 50603 Kuala Lumpur, Malaysia

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A B S T R A C T
An organization’s long-term effectiveness and efficiency reflect its learning goal or performance goal orientation. Goal orientation concepts originate in psychology of achievement motivation theory. Goal orientations drive the development and deployment of organizational capabilities, such as market orientation and innovativeness, to achieve organizational performance outcomes. Extant research pays little attention to whether or not industry type (services or manufacturing) operates as a significant moderating factor in the relationships among an organization’s capabilities, goal orientation, and performance outcomes. This study addresses this gap. The study results indicate a significant moderating effect of industry type on relationship between goal orientation and performance but not between goal orientation and either market orientation or innovativeness. Goal orientation appears to be more important for service industries than for manufacturing.

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1. Introduction

The ultimate objectives of commercial organizations are to efficiently serve and satisfy customers, and to make a profit (Doyle & Hooley, 1992). These objectives are in line with the desires of the firm’s shareholders and other stakeholders (Doyle & Hooley, 1992; Fiol & Lyles, 1985). A principal antecedent to achieving these objectives is an understanding of the organization’s overall orientation. This research focuses on understanding a firm’s orientation using a goal orientation construct. Research on achievement motivation theory in psychology, subdivides goal orientation into learning goal orientation and performance goal orientation (Ames & Archer, 1988; Dweck, 2000; Dweck & Elliot, 1983). Such goal orientations are instrumental in how an organization determines to deploy its organizational capabilities, such as market orientation and innovativeness, in pursuit of its objective of achieving superior performance. The type of industry (services versus manufacturing) in which an organization operates influences its goal orientation and the resulting deployment of firm capabilities.

The organization of the paper is as follows. The paper first commences with a discussion of achievement motivation theory and its extension from the individual to the organization. The paper proceeds with a discussion of association between market orientation and innovativeness as strategic orientations to business performance (Baker & Sinkula, 1999; Narver & Slater, 1990). The discussion focuses then on industry type as an important moderator in the relationships between goal orientation and strategic orientation and firm performance. Next, the paper presents research methodology, results and discussion. Finally, the paper discusses the contributions of the study noting the limitations and directions for future research.

2. Literature review

2.1. Goal orientation

Achievement motivation theory underpins organizational goal orientation of this study. In developing the achievement motivation theory researchers examine the motivations of students (who had equivalent IQ and performance standards) in solving difficult tasks (Diener & Dweck, 1978, 1980; Payne, Youngcourt, & Beaubien, 2007). Based on the students’ reactions to the task, the researchers divide the students into two groups: “helpless” and “mastery”.

The research characterizes the “helpless” group as being performance goal oriented. These students blame their inability to solve problems on their low skills and the difficulty of the task itself, and give up far too quickly attempts to solve the tasks (Diener & Dweck, 1978, 1980; Elliot & Dweck, 1988; VandeWalle, 1997). Such students also show “denigration of their intelligence, plunging expectations, negative emotions, lower persistence, and deteriorating performance” (Dweck, 2000: p. 6). All of these attributes are due to the students’ perception that they have no control over the outcomes of the problems and they can do nothing to mend the situation (Kuhl, 1981). These characteristics
are congruent with the students' perception that their intelligence is fixed and an uncontrollable attribute (Chen & Mathieu, 2008; VandeWalle & Cummings, 1997).

Consequently, those in the “helpless” group believe that their intelligence has reached its maximum. Additionally, by giving up these students avoid facing continuous failure and a “further documentation of their inadequate ability” (Dweck & Leggett, 1988: p. 258). For this group, “they must look smart and, at all costs, not look dumb” (Dweck, 2000: p. 3). They prefer to be in situations where they can outperform others, and try very hard to avoid negative judgments (Dweck, 2000).

In contrast, instead of trying to demonstrate their competency, the “mastery” group students are persistent in attempting to solve the problems, and they display characteristic of being learning goal oriented (Dweck, 2000). To such students, difficult tasks are opportunities to develop their competency through task mastery (Diener & Dweck, 1980; Kanfer, 1990; VandeWalle, 1997), and difficult tasks present opportunities to explore new ways of performing the tasks (Chen & Mathieu, 2008). This notion is congruent with such students’ perception that their intelligence is not fixed; it is a malleable attribute. The “mastery” students view the development and improvement of their intelligence as being possible through effort and continuous learning (Dweck, 2000). VandeWalle and Cummings (1997) assert that learning oriented individuals believe that their efforts will lead them to success. Such efforts, they note, are “a means for task achievement and a means of developing the ability needed for future task mastery” (p. 391).

This study acknowledges different interpretations and dimensions of learning and performance orientations in goal orientation. For instance, many highlight on the stability trait of goal orientation that reactions of learning or performance orientation are in tandem with a different set of goals observed in achievement situations (e.g., Ames & Archer, 1988; Diener & Dweck, 1978; Dweck, 1986). Individuals also could have multiple competing goals that will lead them to be high on both learning and performance (Button, Mathieu, & Zajac, 1996) that it is “possible for an individual to simultaneously strive to improve one’s skills and to perform well relative to others” (p. 28). Many also regard performance goal orientation as multidimensional (e.g., Elliot & Harackiewicz, 1996; VandeWalle, 1997). Elliot (1994) for instance, labels performance goal orientation as performance approach goals and performance avoidance goals. These characteristics resemble prove performance goal orientation and avoid performance goal orientation (VandeWalle, 1997). The motivation behind the former is not only to prove the ability but also to gain positive judgment. The latter, on the other hand, is to avoid showing the incompetence and negative judgment.

Relatively recent research extends the framework of performance goal and learning goal orientation to the marketing field but only with respect to salespeople's behavior and performance (Kohli, Shervani, & Challagalla, 1998; Sujan, Weitz, & Kumar, 1994). This study extends that framework to an organization as a whole by viewing the firm's goal orientation as an organizational characteristic in the same way a student's goal orientation is viewed as a characteristic of the student in achievement motivation theory. The principal respondent in this study is the CEO as a representation from the organization. The CEOs face similar challenges as the students and their goal orientation has implications for their personal and organizational outcomes. Hereafter learning goal orientation is referred to as “LGO” and performance goal orientation as “PGO”.

2.1.1. Organizations high on learning goal orientation (LGO)

Organizations high on LGO recognize that their skills and competencies are changeable and improvable through effort, experience, and exploration (Dweck & Leggett, 1988). Such organizations create work environments that are supportive of learning in order to master the skills and capabilities required for organizational effectiveness (Elliot & Dweck, 1988). Organizations high on LGO improve their competencies by taking advantage of new opportunities to acquire new skills and develop deeper knowledge. In addition, these organizations have positive attitudes toward all tasks regardless of difficulties (VandeWalle, 1997). The possibility of success or failure challenges them to continue to improve their learning.

Organizations high on LGO, with their emphasis on skill mastery, engender positive attitudes toward changes in the environment and adjust when confronted by environmental turbulence (Dweck, 2000; VandeWalle & Cummings, 1997). Such attributes suggest that organizations high on LGO have positive perspectives toward long-term success through continuous exploration and experimentation. Exploration involves a motivation to understand the potential future, an investment of resources in advance of market opportunities, and a dedication to improve and develop competences that will serve the organization more effectively in the future. An organization high on LGO will not, however, ignore current circumstances but rather regard such circumstances as challenges in its ongoing effort to manage the future through developing new skills, competences, and possibly redeploying existing resources to meet such challenges (Teece, Pisano, & Shuen, 1997).

2.1.2. Organizations with high performance goal orientation (PGO)

Organizations high on PGO stress demonstration of excellent organizational ability and normatively high performance outcomes vis-a-vis their competitors (Ames & Archer, 1988). As such, an organization high on PGO benchmarks its abilities and success against its competitors and its own performance in previous periods (Nicholls, 1984). Therefore, an organization high on PGO gives attention to high proficiency and high ability compared to others in its industry via exploitation of its existing resources and capabilities. Such organizations do not tolerate market failures since they can jeopardize organizational performance. Therefore, organizations high on PGO focus on tasks they are best at and have done well at in the past. This focus is fundamental to a firm's success and its ability to outperform its competitors.

While organizations high on PGO are productive in the short run, they may be maladaptive to changes in the business environment in the long term. Their focus on exploitation of existing resources and capabilities is closely associated with defender strategies in the Miles and Snow (1978) typology. The primary focus is on efficiency gained from tried procedures, experience and stable environment to outperform current competitors. Therefore, besides exploiting scale and scope economies, these organizations only use technologies well known to them. Organizations high on PGO generate improvement in customer value by refining its current knowledge and improving the techniques in use (Schumpeter, 1961). These organizations seek incremental improvements, and activities consistent with and pertinent to the current systems (Dewar & Dutton, 1986). Wright, Kroll, Pray, and Lado (1995) characterize these organizations’ mindset as inflexible or non-adaptive. Nevertheless, they are potentially effective in stable environments that are less risky and have predictable short-term outcomes. The major weakness of a PGO approach is evident in the face of environmental change. Organizations high on PGO may fail to adapt to changing market needs that could potentially threaten the survival of the organization especially if such change is rapid and turbulent, and the organization's other adaptive mechanisms are weak.

2.1.3. Goal orientation and organizational orientations

This study extends the areas of investigation by seeking to understand the implications of goal orientation on two key organizational orientations: market orientation and innovativeness. These orientations capture organizational approaches to their markets and innovativeness. To some extent, senior management influences these mindsets and they could lead organization to success. A brief review of the orientations follows in the following sections.
2.2. Market orientation

Market orientation, according to Desphande and Farley (1998, p. 213), is the “pillar upon which the modern study of marketing is based.” The genesis of this construct is from research into the importance of customers to business success (e.g., Cano, Carrillat, & Jaramillo, 2004; Drucker, 1954; Kirca, Jayachandran, & Bearden, 2005; Lafferty & Hult, 2001; and Levitt, 1960). Narver and Slater (1990) operationalized the measurement of market orientation by incorporating the constructs of competitor orientation and inter-functional coordination into customer orientation. They define the concept as “the organization-culture that most effectively and efficiently creates the necessary behavior for the creation of superior value for buyers and, thus continuous superior performance for the business” (Narver & Slater, 1990, p. 21). The inclusion of such constructs represents the need for continuous learning and sharing of knowledge by organizational members to understand their customers and competitors and the importance of integrating the various functions in the organization in delivering customer value. This notion of fostering a long term understanding of the firm’s customers is consistent with LGO.

In contrast to the market orientation of an LGO organization, a PGO organization focuses on examining the strengths and weaknesses of current and potential competitors leading to an understanding of its competitors’ capabilities and strategies that might impede or enhance a PGO organization’s chances of serving its customers (Narver & Slater, 1990; Narver, Slater, & Tietje, 1998). An organization high on PGO benchmarks current best practices to ensure that its offerings are distinct from its competitors and to create the perception of the firm’s superiority over its competitors (Balakrishnan, 1996). This notion does not imply less attention to market orientation since market orientation is reactive. The fundamental difference is the assumptions made about the customers. LGO assumes the customer needs are continuously evolving in response to environmental changes while PGO assumes the customer needs are static and the environment is relatively stable and perhaps benign.

Prior research shows positive empirical evidence of a strong positive relationship between market orientation and business performance (Cano et al., 2004; Ellis, 2006; Kirca et al., 2005; Kohli & Jaworski, 1990; Narver & Slater, 1990; Slater & Narver, 2000). Such research uses a number of different performance measures: relative return on assets (Narver & Slater, 1990); long run financial performance (Ruekert, 1992); gains in market share (Kohli & Jaworski, 1990); sales growth and profitability (Pelham & Wilson, 1996; Slater & Narver, 1994); and return on investment (Slater & Narver, 2000); product innovation and successful introduction of new products (Hult & Ketchen, 2001; Slater & Narver, 1994).

Additionally, other positive findings link market orientation to customer satisfaction that then encourages repeat purchases (Kirca et al., 2005; Kumar, Subramanian, & Vaucher, 1998); stronger channel relationships (Siguaw, Brown, & Widing, 1994); and boosting employee morale, satisfaction and commitment (Jaworsk & Kohli, 1993; Siguaw et al., 1994). All of these positive outcomes arising from market orientation suggest a strong link between market orientation and LGO.

While the prevailing view is that market orientation relates positively to performance, some studies have not found this relationship. Gonzalez-Benito and Gonzalez-Benito (2005) and Langerak (2003) who undertook meta-studies of research linking market orientation to performance respectively found no support for 65% and 48% for the 10-year period up to 2002.

Because of contradictory findings several researchers examine factors that might moderate the relationship between market orientation and business performance. Such research finds that market or environment turbulence (i.e. competitive intensity and technological turbulence as the most common moderators) moderate that relationship. Kirca et al. (2005) list most of research on such moderators and the significant, non-significant and negative results. According to that compilation, studies on general market turbulence have five significant, six non-significant, and two negative results; and competitive intensity research has twelve non-significant and five significant results. In contrast, technological turbulence research has eight non-significant and two negative results, and only one significant result. Additionally, the listed research finds that market growth, buyer power, and demand uncertainty moderate the relationship between market orientation and business performance, but these are the least studied (Kirca et al., 2005). A service firm’s close interaction with customers opens up opportunities for the firm to learn more about its customers so that it can offer innovative solutions to the customer. This customer adaptation approach is in line with the underpinnings of market orientation.

Market orientation seeks to fulfill customer needs and requires that a service firm customize its offerings. This concept is in contrast to manufacturing firms that generally employ product standardization (Anderson, Fornell, & Rust, 1997). Because of the importance of market orientation as a predictor of business performance, this study seeks to test the impact of goal orientation on market orientation. Because prior research does not look at industry type, this study examines them as a potential moderator. H1: LGO relates positively to market orientation. H2: PGO relates positively to market orientation.

2.2.1. Innovativeness

Organizational innovativeness is the source of new products, processes, and managerial practices (Hurley & Hult, 1998; Lukas & Ferrell, 2000). Innovativeness contributes to greater productivity and cost efficiency (Damapour & Evan, 1984); improved product quality, durability, uniqueness and efficiency (Li & Calatone, 1998; Song & Parry, 1997) and most importantly organizational competitive advantage (Atuahene-Gima, 1996).

Businesses operating in dynamic environments, with rapid changes in demand, short product life cycles and products that are easy for others to copy, must be capable of continuous learning (Matusik & Hill, 1998). Such firms must nurture a process of innovation that provides for continuous learning about new products, must be able to respond to customer needs, and, most importantly, must keep ahead of their competitors (Han, Kim, & Srivastava, 1998; Hurley & Hult, 1998; Lukas & Ferrell, 2000). These capabilities for managing change in dynamic environments are in line with the LGO mindset.

Organizations seeking to distinguish themselves from their competitors must not restrict themselves to innovations within the organizational boundaries but must embrace innovations from the external environment in order to “prevent rigidity, encourage inventive serendipity, and check their technological developments against those of competitors” (Matusik & Hill, 1998: p. 683). To do so, market intelligence is important because it permits an organization to anticipate and act on changes in the external environment ahead of competitors (Day, 1994). Innovativeness is a mindset supportive of learning, experimentation and challenging the status quo. This mindset relates to LGO and is consistent with PGO.

Research shows that innovativeness results in superior business performance on dimensions such as managerial effectiveness and processes efficiency (Damapour, 1996; Subramanian & Nilakanta, 1996); increased productivity improvement; and cost savings. Other research shows that innovation leads to improved return on equity (Damapour & Gopalakrishnan, 2001), and superior sales revenue, gains in market share and profit relative to competitors (Baker & Sinkula, 1999). These positive outcomes suggest that innovativeness is a source of competitive advantage. While innovation is important to sustainable competitive advantage for any organization, it is particularly crucial to service organizations where processes are easy for competitors to replicate (Agarwal, Erramilli, & Dev, 2003). Openness to new ideas is the essence of innovativeness and thrives in a culture that promotes the generation of new ideas and a constant search for improvement in an organization’s current products, processes and practices (Lukas & Ferrell, 2000). Service organizations require to be innovative to keep ahead of the rapidly
changing customer needs and sustain a competitive advantage (Agarwal et al., 2003). The nature of PGO organizations that give more attention to exploitation of current resources for high proficiency and surpassing others may be inconsistent with an innovative culture (Chen & Mathieu, 2008).

Because innovativeness is an important characteristic of organizations and is often associated with performance, this study investigates the relationship with goal orientation and the possible moderating role of industry type. H3: LGO relates positively to innovativeness. H4: PGO relates negatively to innovativeness.

2.3. Moderating role of industry type

The type of industry in which an organization operates (service or manufacturing) influences the strategies and activities the organization employs. Intangibility, inseparability, heterogeneity and perishability are characteristics of services. These characteristics distinguish manufacturing industries from service industries since in manufacturing the products are tangible and generally standardized, there is separation between production and consumption in time and space; customers can judge the products before purchase; and physical transfer of ownership of the products is possible. However, the distinctions are not clear-cut since increasingly many goods come with some service component and vice versa (Vargo & Lusch, 2006).

While some elements of the service offering, such as the tangible components, policies and the management of demand and supply, are not difficult for others to copy; the core activities of these organizations, such as professionalism and expertise of employees in dealing with customers, and effective delivery systems, however, are value adding and differentiate one service firm from another. Cronroos (1982, p. 38–9) elaborates on this idea by noting “the consumer influence on the service offering is twofold. The consumer himself takes part in the production process and, consequently, has an impact on what he gets in return. On the other hand, the other customers simultaneously buying or consuming a service also influence the service offering.” The direct involvement and close interaction between the customers and the service provider suggest that the service sector is far more labor intensive than the manufacturing sector which is often more capital intensive.

Because of these characteristics, service firms need to make tangible the intangible evidence of service performance to their customers. Such evidence may include developing strong brand equity, coming up with the intangible evidence of service performance to their customers. Such efforts have to become fast learners and adapt to competitive offerings and differentiate one service firm from another. Cronroos (1982, p. 1988). Several studies also indicate a strong link between learning culture and marketing effectiveness (e.g., Baker & Sinkula, 1999; Lukas & Ferrell, 2000) and financial performance (e.g., Jaworski & Kohli, 1993; Narver & Slater, 1990).

H9: LGO relates positively to (a) marketing effectiveness and (b) financial performance. H10: Industry type moderates the relationship between LGO and (a) marketing effectiveness and (b) financial performance such that the relationship is stronger in the service industry than in the manufacturing industry.

Performance goal orientation stresses superior performance against competitors based on efficiency and avoidance of error (Dweck, 2000). This notion allows the organization to deliver superior services to customers through offering better products and services in stable environments at acceptable quality and price. This characteristic is in contrast with the idea of developing world-class service delivery where “operations not only have to continually excel, but also organizations have to become fast learners and adapt to competitive offerings and customers’ ever evolving needs” (Bateson & Hoffman, 2011 p. 116).

H11: PGO relates positively to (a) marketing effectiveness and (b) financial performance. H12: Industry type moderates the relationship between PGO and (a) marketing effectiveness and (b) financial performance such that the relationship is stronger in the manufacturing industry than in the service industry.

3. Study method and measures

The sample for the study was drawn from the Malaysia Productivity Corporation database. A random sample of 1500 businesses was chosen. This sample provided 223 useable responses. In order to minimize measurement error and to improve questionnaire content and readability, the questionnaire was pre-tested using several academicians and managing directors. From the feedback received, most of the respondents had a favorable attitude to the content, structure and design of the questionnaire. Some also suggest for changes to the wording and language in the questionnaire in order to better suit the business culture and the context of the study in Malaysia.

Managing directors/general managers of firms were the key informants. The questionnaires were sent by mail to the companies. The mail survey used a structured questionnaire with questions largely on a 7-point Likert scale. The survey questionnaire was chosen because of the need for anonymity and privacy of respondents, low cost, and simplicity (Dillman, 1991). The response rate was about 25% after adjusting for “return to sender”, “cannot participate as a matter of company policy” or “business ineligible for the study” or “respondent is
on business out of the country. The constructs of the study use 7-Point Likert-type scale; mainly from “(1) strongly disagree” to “(7) strongly agree”; except for “Innovativeness” where the scale was “(1) not at all” to “(7) very extensive”; and for “Business performance” where the scale was from “(1) decrease of more than 20%” to “(7) increase of more than 20%”.

Ames and Archer (1988) and Button et al. (1996) provide a basis for nine measurements for LGO and PGO. Measurements for “Market orientation” are from Narver and Slater (1990) and Slater and Narver (1996) with seven items each for “Customer orientation” and “Inter-functional coordination”, and four items for “Competitor orientation”. Pennings’ (1991) typology of organizational innovation is the primary source for developing the measures for “Innovativeness”. Other sources, for example are from Baker and Sinkula (1999) on product innovation, Manu and Srim (1996), Wong and Saunders (1993) and Damapour and Gopalakrishnan (2001) on process innovation, and Fritz (1996) on managerial innovation. Twelve items measure “Business performance”; six items are for Marketing effectiveness (achievement of overall increase in market share, achievement of marketing objectives, achievement of customer satisfaction, achievement relative to major competitors, achievement of sales volume growth and expansion into foreign markets) and another six items for Financial performance (overall profitability, return on investment, return on assets, overall financial performance and the overall profitability relative to competitors).

Table 1 contains items of the measures and their respective individual-loadings and were all above 0.5 (the cut-off point recommended by Hulland, 1999).

Table 2 shows the results for internal consistency, average variance extracted, and the correlation matrix for the measures. The study uses composite reliabilities as Fornell and Larcker (1981) propose as indicators of the internal consistency. All measures of internal consistency are above 0.8 demonstrating high reliability of the measures (Hulland, 1999). The results in Table 2 show that the square root of the average variance extracted (AVE) compared to correlations of the latent variables were all higher establishing adequate discriminant validity. The model fit statistics are: $\chi^2 = 254 \ df = 144 \ Cmin/df = 1.76, \ GFI = .89, \ NFI = .91, \ TLI = .95, \ CFI = .95, \ RMSEA = .05$.

Because the same respondents answer both independent and dependent variables, it is necessary to check for common method variance to ensure this technique does not contaminate the findings.

### Table 1

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Loading</th>
<th>t-values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Learning goal orientation</strong></td>
<td>Success in our company is defined based on improvement in learning the process.</td>
<td>.68</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Within the company, mistakes are viewed as part of continuous improvement.</td>
<td>.67</td>
<td>8.78</td>
</tr>
<tr>
<td></td>
<td>Management is interested in how employees gain knowledge.</td>
<td>.66</td>
<td>8.66</td>
</tr>
<tr>
<td></td>
<td>Our company encourages employees to improve their skills.</td>
<td>.72</td>
<td>9.26</td>
</tr>
<tr>
<td></td>
<td>Employees are encouraged to try different approaches in solving a difficult task.</td>
<td>.72</td>
<td>9.29</td>
</tr>
<tr>
<td><strong>Performance goal orientation</strong></td>
<td>Satisfaction is achieved through acquiring high proficiency.</td>
<td>.62</td>
<td>1.00</td>
</tr>
<tr>
<td></td>
<td>Management is interested in how employees are performing against the target.</td>
<td>.63</td>
<td>7.64</td>
</tr>
<tr>
<td></td>
<td>It is important to be perceived as the best at what we do.</td>
<td>.68</td>
<td>8.05</td>
</tr>
<tr>
<td></td>
<td>Employees are encouraged to be fairly confident on the success of the task before commencement.</td>
<td>.64</td>
<td>7.73</td>
</tr>
<tr>
<td></td>
<td>Recognition by others on our accomplishment is crucial to the company.</td>
<td>.64</td>
<td>7.67</td>
</tr>
<tr>
<td></td>
<td>Our overall performance is evaluated relative to others in the industry.</td>
<td>.60</td>
<td>7.28</td>
</tr>
<tr>
<td><strong>Market orientation</strong></td>
<td>Customer practices</td>
<td>.85</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Our business objectives are driven by customer satisfaction.</td>
<td>.80</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Our customers are important sources of new product and service ideas.</td>
<td>.73</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Our strategy for competitive advantage is based on understanding customer needs.</td>
<td>.83</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We systematically and frequently measure evolving customers’ needs.</td>
<td>.79</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Our company measures customer satisfaction systematically and frequently.</td>
<td>.75</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Our company pays close attention to after sales service.</td>
<td>.61</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We believe in creating superior value for customers.</td>
<td>.71</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Competitor practices</td>
<td>.83</td>
<td>15.41</td>
</tr>
<tr>
<td></td>
<td>We share information about our competitors’ strategies within our company.</td>
<td>.84</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We respond quickly to competitor actions which threaten us.</td>
<td>.69</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Managers across different sections frequently discuss competitors’ strategies.</td>
<td>.70</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Inter-functional coordination</td>
<td>.88</td>
<td>16.96</td>
</tr>
<tr>
<td></td>
<td>All our business departments/sections work together in an integrated manner to serve the needs of our customers.</td>
<td>.83</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Everyone in our business understands their contribution to customer value.</td>
<td>.75</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We communicate information about our successful and unsuccessful customer experiences across all departments.</td>
<td>.83</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We share resources and ideas with other departments in the company.</td>
<td>.79</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We share market research information with other departments in the company.</td>
<td>.75</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We coordinate goals and objectives across all departments.</td>
<td>.71</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Departments share resources to ensure efficient resource utilization.</td>
<td>.75</td>
<td>-</td>
</tr>
<tr>
<td><strong>Innovativeness</strong></td>
<td>Managerial</td>
<td>.86</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Management constantly seeks to develop new ideas.</td>
<td>.75</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Our company invests in applied research and development.</td>
<td>.60</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Innovative ideas are rewarded in our company.</td>
<td>.85</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>People are encouraged to perceive innovation as an opportunity.</td>
<td>.74</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Management rewards individuals for innovative ideas.</td>
<td>.80</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Process</td>
<td>.89</td>
<td>17.45</td>
</tr>
<tr>
<td></td>
<td>We constantly use technology to enhance productivity.</td>
<td>.82</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We regularly invest to update our plant and equipment.</td>
<td>.84</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We constantly benchmark our production system to world class standard.</td>
<td>.76</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Work practices are continuously reviewed to enhance productivity.</td>
<td>.68</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Product</td>
<td>.87</td>
<td>16.99</td>
</tr>
<tr>
<td></td>
<td>We train our people in emerging industry technology.</td>
<td>.60</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Our new products have caused significant changes in the industry.</td>
<td>.74</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We are prepared to introduce a totally new product even though it is risky.</td>
<td>.80</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We constantly modify our products to better serve our customers.</td>
<td>.57</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>We prefer to be the first in the market with new products/services.</td>
<td>.52</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Where competitors bring in new products, we imitate very quickly.</td>
<td>.71</td>
<td>-</td>
</tr>
</tbody>
</table>
Lindell and Whitney (2001) propose the use of the “marker” variable method to assess the potential impact of common method bias. This study utilized the procedure implemented by Malhotra, Kim, and Patil (2006). To avoid capitalizing on data, the marker variables in this case were the lowest and second lowest correlations were used. This method is a conservative approach. The study uses the lowest correlation (.20) as the marker variable and this step results in only one correlation becoming non-significant. Using the second lowest correlation (.23) only, two correlations became non-significant. These results suggest that common method variance is not a problem in this data.

4. Results and discussion

4.1. LGO and marketing effectiveness

To test the relationship between LGO and marketing effectiveness (Fig. 1), this study develops a model for LGO with organizational size (sales volume) and organizational age as control variables, LGO as the focal variable, and industry type (services versus manufacturing) as the potential moderator. The interaction of interest is for industry type is not significant (β = −.23, t-value = −1.22; see Table 4). The interaction between PGO and industry type is significant (β = .49, t = 2.22, p < .05). This result suggests that industry type is a pure moderator (Sharma et al., 1981). Slope analysis shows that the regression coefficient for service industry was significant (β = .63, t-value = 4.13, p < .00) but was not significant for the manufacturing industry (β = .13, t-value = .92) (Fig. 2).

These findings suggest that PGO associates positively with achievement of marketing objectives and the relationship is stronger in the service industry than it is in the manufacturing industry. This result suggests that although services are generally not standardized and new ways to enhance customer value. On the other hand, in the manufacturing sector, a focus on learning may actually distract from efficiency, which is often gained by using tried, and tested production approaches.

4.2. PGO and marketing effectiveness

PGO relates significantly to marketing effectiveness (β = .36, t-value = 3.42, p < .00) and industry type is not significant (β = −.23, t-value = −1.22; see Table 4). The interaction between PGO and industry type is significant (β = .49, t = 2.22, p < .05). This result suggests that industry type is a pure moderator (Sharma et al., 1981). Slope analysis shows the regression coefficient for service industry was significant (β = .63, t-value = 4.13, p < .00) but not significant for the manufacturing industry (β = .13, t-value = .92) (Fig. 2).

These findings suggest that PGO associates positively with achievement of marketing objectives and the relationship is stronger in the service industry than it is in the manufacturing industry. This result suggests that although services are generally not standardized efficient service delivery is still important.

4.3. LGO and financial performance

The model on LGO and financial performance indicates that LGO relates significantly to financial performance (β = .32, t-value = 2.60, p < .01) and industry type is not significant (β = −.23, t-value = −1.19). The interaction effect between LGO and industry type is significant (β = .68, t-value = 2.67, p < .01).

Results from a slopes analysis (Fig. 3) indicate a significant relationship between LGO and financial performance for the service sector (β = .69, t-value = 4.04, p < .001) but no significant relationship for the manufacturing sector (β = .01, t-value = .04).

These results suggest that in service industries LGO relates positively to financial performance hence, exploratory knowledge is critical for long-term success. Thus, a focus on continuous learning permits adaptability to changing environmental contingencies. LGO permits the organization to seek new emerging opportunities and to uncover latent customer needs. The findings for the manufacturing sector suggest that LGO may not yield the same benefits as in the service sector. This finding partly explains the emphasis in manufacturing industries on technical efficiency where the outcomes are easier to predict, and an emphasis on risk minimization.

4.4. PGO and financial performance

The model on PGO and financial performance (Fig. 4) indicates that PGO relates significantly to financial performance (β = .35, t-value = 3.30, p < .01) and industry type is not significant (β = −.27, t-value = −1.47, p = .14). The interaction effect between PGO and industry type is significant (β = .53, t-value = 2.30, p < .05). The results from a slopes analysis (Fig. 2) indicate a significant relationship between PGO and financial performance for the service sector (β = .64, t-value = 4.19, p < .001) but no significant relationship for the manufacturing sector (β = .11, t-value = .67). These results suggest that in service industries PGO relates positively to financial performance. The findings for the manufacturing sector suggest that PGO may not yield the same benefits as in the service sector. This finding is counter-intuitive. In that PGO would be strongly related to financial performance in manufacturing since it is easier to reap efficiency benefits through standardization, long production runs and reduction in unit costs. The findings suggest that efficiency promoting activities

Table 2
Correlation matrix and descriptive statistics of measures.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Learning goal orientation</td>
<td>.69</td>
<td>.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Performance goal orientation</td>
<td>.70</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Market orientation</td>
<td>.63</td>
<td>.63</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Innovativeness</td>
<td>.52</td>
<td>.53</td>
<td>.79</td>
<td>.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Marketing effectiveness</td>
<td>.20</td>
<td>.23</td>
<td>.27</td>
<td>.39</td>
<td>.91</td>
<td></td>
</tr>
<tr>
<td>6. Financial performance</td>
<td>.20</td>
<td>.23</td>
<td>.27</td>
<td>.37</td>
<td>.90</td>
<td>.92</td>
</tr>
<tr>
<td>Internal consistency</td>
<td>.81</td>
<td>.80</td>
<td>.88</td>
<td>.90</td>
<td>.98</td>
<td>.98</td>
</tr>
<tr>
<td>Cronbach’s alpha</td>
<td>.83</td>
<td>.83</td>
<td>.95</td>
<td>.96</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td>Mean</td>
<td>5.66</td>
<td>5.66</td>
<td>5.40</td>
<td>4.96</td>
<td>3.59</td>
<td>3.44</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>.76</td>
<td>.83</td>
<td>1.12</td>
<td>1.25</td>
<td>1.41</td>
<td>1.43</td>
</tr>
<tr>
<td>Standard error</td>
<td>.05</td>
<td>.05</td>
<td>.07</td>
<td>.08</td>
<td>.09</td>
<td>.09</td>
</tr>
</tbody>
</table>

* Average variance extracted.
are critical for service delivery and can offer competitive advantage especially if there are not many benefits to be gained through differentiation.

4.5. LGO and PGO and innovativeness

To examine the impact on innovativeness, this study develops models using LGO and PGO as focal variables and industry type as a potential moderator (Fig. 5). The results show that the relationship between LGO and innovativeness is highly significant ($\beta = .86$, t-value $= 8.98$, p$. < .00$) and the model explains a decent proportion of the variance in innovativeness (27.7%). Equally, the relationship between PGO and innovativeness is strong ($\beta = .77$, t-value $= 8.94$, p$. < .00$) and explains 28% of the variance in innovativeness. Interaction with industry type in both models shows no significant relationship.

Evidence suggests that the relationship is stronger for the service industry than for the manufacturing industry as the regression coefficients show in Table 5. This result suggests a strong significant relationship between LGO and innovativeness in the service industry than in manufacturing industries. This finding is consistent with the notion of exploration, which may generate new products or market opportunities. On the strong relationship between PGO and innovativeness, the result partly due to the measure of innovativeness incorporating process innovativeness that aligns with manufacturing industries. Perhaps examining a more fine-grained measure of innovativeness would more accurately reflect the relationships across industries.

![Fig. 2](performance_goal_orientation.png)  
**Fig. 2.** Performance goal orientation and marketing effectiveness.  

![Fig. 3](learning_goal_orientation.png)  
**Fig. 3.** Learning goal orientation and financial performance.
4.6. LGO and PGO and market orientation

Fig. 6 shows a model that examines the impact of LGO and PGO on market orientation with LGO and PGO as focal variables and industry type as a potential moderator. The results show that the relationship between LGO and market orientation is highly significant ($\beta = .93$, t-value $= 11.81$, $p < .001$) and the model explains a large proportion of the variance in market orientation (34%). The model for PGO and market orientation is significant ($\beta = .83$, t-value $= 11.75$, $p < .001$) and explains 40.5% of the variance in market orientation. Both models show no significant interaction with industry type, as such industry type has no significant relationship with market orientation. This result is consistent with extant literature where market orientation is important in organizational performance across all industries.

Evidence suggests that the relationship is stronger for the service industry than for the manufacturing industry as the regression coefficients in Table 5 indicate. The strong relationship between LGO and PGO with market orientation suggests an area not previously investigated that is whether goal orientation is an antecedent of market orientation. This result is consistent with extant literature where market orientation is important in organizational performance across all industries.

Thus, industry type is a major moderator of the relationship between organizational goal orientation and organizational performance. An extension of this conceptualization is the close relationship between goal orientation and organization's attitude with respect to exploration and exploitation (Levinthal & March, 1993). Exploration and exploitation, however, may be the polar extremes with a variety of combinations in between.

Results from the examination indicate that mindsets of organization help to determine organizational performance. In service industry in order to be proactive in delivery of superior customer service, organizations need to support and nurture a culture of exploring learning. This mindset is consistent with LGO. PGO mindset, on the other hand, that value operation efficiency at times may find it useful especially in providing standardization of services. However, operation efficiency is not the answer for the sustainable competitive advantage in services or even in manufacturing. Besides the importance of LGO, the results also highlight the role of innovativeness; such that regardless of industry the business is in, they need to find ways to innovate. Innovation is openness to new ideas and new ways of doing things, and it is important in meeting customers’ needs.

In manufacturing industries in Malaysia, the emphasis appears to be on capitalizing the existing resources. Such industries adopt exploitation because the results are more certain and important sunk costs, in the form of plant and equipment, and skills of the employees, that affected the continued survival of the organization. The focus on efficiency also arises from the relative ease of measuring and comparing the firm performance against competitors or prior periods. Technology among competitors is generally comparable and relative performance standards are generally understood making such comparisons more approachable. These approaches are consistent with performance goal orientation.

Organizations in service industries face different challenges. Services are difficult to standardize and deliver because of the close interaction with the customer (which may determine the customer's evaluation of the outcomes) hence the concept of co-production. Efficiency, although highly desirable, is generally not a high priority in

<table>
<thead>
<tr>
<th>IV</th>
<th>DV</th>
<th>Manufacturing</th>
<th>Service</th>
</tr>
</thead>
</table>
| LGO | Marketing effectiveness | .04 (.19) | .66 (3.85)**
| PGO | Marketing effectiveness | .13 (.92) | .63 (4.13)**
| LGO | Financial performance | .01 (.04) | .60 (4.04)**
| PGO | Financial performance | .11 (.67) | .64 (4.19)**
| LGO | Innovativeness | .84 (6.11)** | .88 (6.73)**
| PGO | Innovativeness | .69 (3.51)** | .87 (7.44)**
| LGO | Market orientation | .93 (8.25)** | .93 (8.59)**
| PGO | Market orientation | .78 (7.58)** | .90 (9.32)**

***p < .001.
the service sector. Since services are by nature generally intangible, comparisons across competitors are not easy. These and other characteristics of services imply that exploration is more important than exploitation in achieving organizational objectives. The characteristics of services also force companies to continuously seek to learn how to provide ongoing satisfaction to customers. Thus, a learning goal orientation shows a significant relationship to marketing effectiveness and financial performance for service firms.

6. Limitations and suggestions for future research

Prior research does not emphasize the role of industry type as an important moderator. The results presented here suggest that this gap in extant research requires more attention. While this research examines organizational goal orientation from polar ends (LGO versus PGO), recognition that a balance between the two could lead to superior performance consistent with the concept of ambidexterity (O’Reilly & Tushman, 2007). While achieving ambidexterity is difficult, the investment in such a capability would appear to be an optimum strategic posture.

The findings of this research may differ from prior studies given that the context represents a developing country. Specifically, manufacturing in Malaysia is mainly for export market and related to component manufacturing for Japanese and US companies. This condition perhaps limits the need for exploration by Malaysian manufacturing companies since the manufactured components have to fit into existing products. As a result, the focus of manufacturing in Malaysia is almost entirely on efficiency and relatively low cost manufacturing. Furthermore, quality of the products that is largely determined by the importers restricts the opportunities for exploration. These factors may explain the findings of the research and perhaps suggest new areas for further investigation.

References

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