# IMPACT OF STRUCTURAL VARIABLES (AUTONOMY, DECENTRALIZATION AND FORMALIZATION) ON MARKET ORIENTATION AND ORGANIZATIONAL PERFORMANCE: A STUDY IN INDIAN RETAIL BANKING SECTOR

By

**BARNABAS NATTUVATHUCKAL**

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*Under the Supervision of*

**Dr. NANDAKUMAR MEKOTH**
(Professor, Department of Management Studies)

Corrections have been carried out.

(M. Jha
Professor of Marketing,
IIM Bangalore
External Examiner)

6/11/2009
Prof. N. Mekoth.
(Guide + Member of Viva Board).

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2008

"The wise man should surrender his words to his mind; and this he should surrender to the Knowing Self; and the Knowing Self he should surrender to the Great Self; and that he should surrender to the Peaceful Self."

**Katha Upanishad 3:13**

# Impact of Structural Variables on Market Orientation and Performance: A Study in Indian Retail Banking Context

**By: Barnabas Nattuvathuckal**

**Supervisor: Nandakumar Mekoth, Reader in Management Studies, Goa University**

**ABSTRACT:** Service organizations constituted of multiple service delivery units are as good as the subunits constituting them. A superior market orientation at subunit levels of such service organizations could be considered essential for their effectiveness due to the salient features of services that demand on-the-spot adaptations to customer requirements. They would as well need superior decision making freedom since a market oriented behavior calls for it. Thus autonomy at service delivery levels becomes essential to ensure a superior market orientation and performance.

Therefore researcher postulated and tested a conceptual model that examined the influence of sub-unit autonomy, decentralization and formalization on market orientation and organizational performance in retail banking context. The model also posited that the direct impact of autonomy on organizational performance would diminish as the unit becomes more market oriented and the impact would be mediated through a superior market orientation. Since a valid and reliable measure was not available for autonomy researcher developed an 18 item scale with three dimensions and established its validity and reliability. To get initial insights into market orientation of retail banks researcher conducted interviews with eight executives at three retail banks. In the process researcher also personally associated with two market-oriented activities at two of these banks. In the survey that followed data were collected from122 branch managers of retail banks with national operation.

Analysis of data revealed that superior personnel autonomy, goal setting autonomy and decentralization positively impacted a market orientation. While formalization discouraged a market orientation it did not impact organizational performance. Though conceptually different, sub-unit autonomy and decentralization displayed similarity in their implications on performance and market orientation. Researcher also found evidences for strong performance implications of market orientation in lower level units of operation in retail banking context.

In summary the content of the thesis could be summarized as follows:

a) Development of a conceptual model on the impact of structural variables on market orientation and organizational performance.
b) Development and validation of a scale to measure organizational autonomy at sub-unit level.
c) Test of the proposed model and that of the mediation role of market orientation in autonomy's influence on performance.

**Key Words:** Market Orientation, Organizational Autonomy, Decentralization, Formalization, Organizational Performance, Scale Development, Mediation, and Retail Banking.

## *DECLARATION BY THE RESEARCH GUIDE*

*This is to certify that the Ph. D. thesis entitled "Impact of Structural Variables on Market Orientation and Performance: A Study in Indian Retail Banking Context" is an original work carried out by Mr. Barnabas Nattuvathuckal under my guidance and that no part of this work has been presented for any other Degree, Diploma, Fellowship or other similar titles.*


*Place: Goa University*

*Date:* 06/11/2009

*(Nandakumar Mekoth)*

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## *STATEMENT OF ORIGINAL AUTHORSHIP*

*I hereby declare that this submission entitled "Impact of Structural Variables on Market Orientation and Performance: A Study in the Indian Retail Banking Context" is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma of universities or other institutes of higher learning, except where due acknowledgement has been made in the text.*


*Place: Goa University* *(Barnabas Nattuvathuckal)*

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Above all I thank God.

# CHAPTER 1: INTRODUCTION

## 1.1. Introduction

Performance of organizations with multiple business units is critically dependent on effectiveness of their performance at sub-unit levels, and it is, therefore important to identify the characteristics of effective and ineffective sub-units (Gelade and Young 2005). Many studies have identified that a superior market orientation leads to effective firm performance (e.g. Slater and Narver 1994, Deng and Dart 1999, Deshpande et al. 1993). However, in a recent meta-analysis Kirca, Jayachandran and Bearden (2005) found that the association of market orientation to organizational performance was lower in services firms than in manufacturing firms. The authors explained their finding drawing arguments from previous research (Varadarajan 1985) and thereby considering market orientation a failure-prevention factor (a "hygiene" factor) in services firms and a success-inducing factor in manufacturing firms and therefore an imperative to ensure survival for services firms. The weaker impact of market orientation on performance in services was attributed to higher levels of customization and on-the-spot adaptations services require due to greater necessity for direct firm-customer interactions (Kirca et al. 2005).

Market oriented behavior expects organizations to design and implement responses to market information (Jaworski and Kohli 1993). In services, relevant customer information is very often received and responses are often expected to be designed and implemented on the spot by boundary spanning employee or units interacting with customers in service delivery process. Services by their very nature are intangible,

inseparable, variable and perishable. These characteristics of services put pressure on the boundary spanning executives to make on-the-spot adaptations during service delivery. One might argue that any study measuring performance implications of market orientation in services firms should include the boundary spanning units delivering services. A superior decision making freedom for boundary spanning units may be expected to be essential for them to behave in a market oriented manner. Researchers have found organizational autonomy to be related to many variables crucial to organizational effectiveness (Dill 1958, Osborn et al. 1980, Porter 1980, Robins et al. 2002, and Brock 2003). Gebhardt, Carpenter and Sherry (2006) suggested distribution of intra-organizational power, which has similar connotations as decision making autonomy, as an essential, but overlooked, dimension in the creation of a market orientation.

Despite its critical role in enacting a market oriented behavior the boundary spanning operational unit has not received any special attention in market orientation studies in services firms. Therefore, in the current study researchers measured the performance implications of market orientation at the boundary spanning levels in retail banks. The researcher particularly considers the impact of sub-unit autonomy on market orientation and on performance of these units. Along with autonomy researcher also tests the impact of decentralization, a variable that coincides and has already been proposed to have similar impact on market orientation (Brock, 2003); and formalization, a variable that was found to be not significant in previous researches on market orientation and performance.

## 1.2 Background to the Research

### 1.2. a. *Theoretical Background:*

Meta-analysis of 'Market Orientation-Organizational Performance' studies (Kirca et al. 2005) observed that there existed several gaps in knowledge about the implementation of market orientation and the market orientation-performance relationship. Authors suggested that the influence of structural variables like centralization, formalization and specialization on market orientation should be further researched. The present research draws inspiration from this felt need and studies how operational unit level autonomy influence market orientation and organizational performance. While studying autonomy at operational level another theoretical concern arises as to whether autonomy and decentralization are any different. Brock (2003) postulated these as two *different* concepts having *similar* performance implications and practical connotations at lowest level of operation. However this postulation has not yet been empirically supported.

To address the above stated gaps in literature the present study develops and tests a theoretical model at the lowest level of operation in services context that explains 1) The influence of structural variables on organizational performance, 2) The extent to which Market Orientation mediates the influence of organizational autonomy on performance

### 1.2. b. *Practical Background:*

Economic reforms initiated in 1991 changed Indian economy significantly in a span of 15 years. A liberal economy open to global competition as well as encouraging privatization has so far witnessed changes in focuses, strategies and structures in many industries. Growing customer expectations and competition resulted in a shift in many

industries from a predominantly regulated and licensed seller's market to a buyer's market. Growth in demand coupled with increasing competition forced firms in many industries to device unconventional strategies to tap growing market potential. One such strategy that has been adopted by firms in the industry in varying degrees is the implementation of a superior market orientation. Market orientation draws its relevance from marketing concept which stipulates that to achieve sustained success; firms should identify and satisfy customer needs more effectively than their competitors (Day 1994; Kotler 2002). The post reform change dynamics in Indian economy and the resulting realization of a need for market orientation can be observed in the following example.

Banking and financial services have traditionally believed less in Marketing (Howcraft and Durkin, 2003). Some still believe, as observed by an executive in one of the interviews conducted by the researcher, that in financial services 'the customer comes to you and you don't have to go to customers and therefore marketing guys practically speaking don't have to do anything in a bank'. Banks in India traditionally selected gradates based on their general knowledge, quantitative aptitude and English language ability rather than based on business or marketing aptitude. The staff training colleges of banks focused more on technical training in operations and procedures and neglected training in marketing. But today, banking- at least in urban India- has already moved to a predominantly buyers' market under pressure from competition. The industry today has more multi-national corporations and private players than pre-reform. Therefore, there is an increasing realization among bankers for greater market orientation. In practice strategic orientation of the industry has changed heavily into a more market oriented one. Besides the new generation Indian banks like the ICICI

Bank and HDFC Bank and foreign multinationals like the Citibank and the Hong Kong Shanghai Banking Corporation (HSBC) even the public sector veterans in Indian banking like the State Bank of India (SBI) and its subsidiaries have recognized the need for improved market orientation in today's competitive context.

Most marketers, as we observe of late in Indian retail banking, are convinced that a superior market orientation has many positive implications. In expectation of these positives firms make efforts to implement a market orientation. In most cases a market oriented strategy pays back in superior innovation, employee satisfaction and in turn superior financial performance and business growth. Number of empirical studies has proved that a superior market orientation reflects in superior firm performance. Therefore firms, especially in competitive markets, wholeheartedly adopt a market orientation as a strategic orientation and an imperative that should guide all activities of an organization in achieving long term organizational goals.

However, practitioners of marketing have always been concerned what factors would facilitate a superior market orientation. For example, Researchers have identified various antecedents of market orientation including top management emphasis, risk aversion, interdepartmental conflict and connectedness, and organizational systems like formalization, centralization, departmentalization and reward systems (Kohli and Jaworski 1993). In the current research autonomy a structural variable is tested at service delivery unit level as an additional antecedent to market orientation and performance. Salient characteristics of services such as simultaneity, inseparability and therefore the need for on-the-spot adaptations to customer demand provide reasons to believe that operational autonomy will have high market orientation and performance implications in services industry.

Changes in strategic orientation have to be followed by necessary structural adjustments. Indian Banks have also made structural changes in the process of implementing a market orientation strategy. What structures are supportive of a market orientation and performance? Do greater operational autonomy and decentralization enable superior performance? Do they help service delivery units to be more market oriented? Answers to these questions will be relevant to decision makers.

### 1. 3. Research Problem and Hypotheses

A research question that clearly emerges from the above said theoretical and practical contexts is "Whether a more autonomous operational level unit is also more market oriented and therefore better in performance?"

Firms that follow different business strategies adopt different structural designs (Walker and Ruekert 1987). Structural variables like formalization, centralization and specialization have been particularly found important in shaping organization's or department's performance (Vorhies and Morgan 2003). Structural variables were also found to be of importance in market orientation literature. Centralization, formalization and departmentalization were identified to be among other antecedents of market orientation (Kohli and Jaworski 1993). Literature provides direction to further examine the role of structural variables on market orientation and organizational performance (Kirca et al. 2005). In the current study organizational autonomy is treated along with decentralization and formalization to assess their influence on Market Orientation and performance. The definitions of these variables, the proposed relationships among them and the resultant hypotheses are given below.

**1. 3. a. *Market orientation:***

Definition of Market Orientation is deeply embedded in the Marketing Concept. Marketing Concept, first developed in the 1950s, holds that;

a. All areas of the firm should maintain a customer focus.

b. All marketing activities should be coordinated

c. Long time profits, not just sales, should be the organizational goal.

Market Orientation's conceptual content had divergent development. The foremost contributors to this development were Narver and Slater (1990), Kohli and Jaworski (1990) and Deshpande, Farley and Webster (1993). In their April 1990 Journal of Marketing article Kohli and Jaworski formally defined Market Orientation as being a one dimensional construct consisting of three organization wide activities ; market intelligence generation, dissemination of this intelligence across departments and the responsiveness to intelligence. As per this definition market orientation entails (1) one or more departments engaging in activities geared toward developing an understanding of customers' current and future needs and the factors affecting them, (2) sharing of this understanding across departments, and (3) the various departments engaging in activities designed to meet select customer needs. Due to the intuitive logic of approach and due to the easiness of measurement later scholars adopted this definition for Market Orientation research (e. g., Bhuian 1997; Cadogan et al. 2002; Diamantopoulos and Hart 1993; Homburg and Pflesser 2000; Kwon and Hu 2000; Pitt, Carvana and Berthon 1996; Pulendran, Speed and Widing 2000; Raju, Lonial and Gupta 1995; Vorhies and Harker 2000). In almost all these studies researchers were particularly concerned about measuring the performance implications of market orientation.

However, meta-analysis of these market orientation-performance studies revealed a weaker association between the constructs in services context in comparison to manufacturing context (Kirca et al. 2005). These earlier studies considered market orientation a strategic orientation at firm level and did not take into account the lowest level of operation while measuring the constructs. Salient features of services sector demand a consideration to lowest level units of operation while studying performance implications of market orientation. Therefore the present study is operationalized at the service delivery unit level wherein researcher measures performance implications of Market Orientation at retail bank branches, and propose that;

**H1: the higher the market orientation of a branch, the better its performance.**

**1.3. b.** ***Structural variables:***

Structure follows strategy (Chandler, 1962). Firms that follow different business strategies adopt different structural designs (Walker and Ruekert, 1987). Structural variables like formalization, centralization and specialization have been particularly found important in shaping organization's or department's performance (Vorhies and Morgan, 2003). Structural variables were found to be of importance in market orientation literature as well. For example, organizational variables like centralization, formalization and departmentalization have been identified among other antecedents of market orientation (Kohli and Jaworski, 1993). Literature provides direction to further examine the role of structural variables on market orientation and organizational performance (Kirca et al.2005). Therefore in the current study organizational autonomy is considered along with decentralization and formalization to assess their influence on Market Orientation and performance.

### 1. 3. b. 1. *Autonomy*

Autonomy is defined as the degree to which one may make significant decisions without the consent of others (Brock 2003). Brock also suggested that the construct might be analyzed at different levels.

1. Autonomy of individuals within an organization
2. Autonomy of organization or its sub-unit

An organization may be rated according to its degree of autonomy. It is especially relevant in the case of units falling as a part of a large organization, or a fraternity that is a part of national fraternity and could be studied in relation to their performance. In the present study autonomy is treated as the autonomy of a sub unit within an organization i.e. branch of a bank.

Autonomy at operational unit level can be of particular importance in services firms because services are inseparable from the service provider, require direct customer interaction and require adaptations at the point of delivery (Zeithaml et al. 2008). A superior market orientation of these operational units might anticipate a higher level of autonomy since market orientation is all about designing and implementing responses based on market information. This higher level of autonomy and market orientation would in turn result in superior unit performance. Hence;

**H2: Higher the autonomy greater the market orientation and performance of branches.**

### 1. 3. b. 2. *Decentralization*

Centralization refers to whether decision authority is closely held by the top managers or is delegated to middle and lower level managers. Centralized structures are primarily found to be useful in stable and noncomplex environments (Olson, Walker

and Reukert1995). In contrast decentralized organizations are found to be good in generating innovative ideas from a variety of groups within the organization and more effective in non-routine and complex environments. A market oriented behavior may be expected to demand a decentralized decision making system. Banking industry in India is gradually shifting from a stable non complex business environment to more complex environment due to privatization and globalization. Decentralization is identified to be an antecedent of market orientation and is one among the structural variables inversely influencing performance (Kohli et al. 1993). Therefore;

**H3: Higher the decentralization, higher the market orientation and performance of the branches**

**1. 3. b. 3.** ***Autonomy vs. Decentralization***

Though autonomy and decentralization may coincide and have similar connotations, they often differ and imply varying organizational outcomes. We may affirm that given reliable and valid measures, effective market orientation for a decentralized unit will differ from that for an autonomous unit, and similarly for a centralized versus a low autonomous organization. That would mean autonomy and decentralization are different and that centralization and low autonomy are different. Centralization/decentralization can be measured by asserting the level at which the decisions are made and autonomy by the extent of decisions that can be made at a given position or person. However, Brock (2003) postulated that decentralization and autonomy at operational level would practically mean the same. In other words these are two different concepts but would have similar implication or practical connotations while treated at the lowest level of operation in any organization. In the present study where autonomy is measured at the branch level this postulation is tested. Hence;

**H4: There is no significant difference between decentralization and branch autonomy.**

**1. 3. b. 4. *Formalization***

Formalization refers to the existence of norms and the extent to which norms have to be strictly adhered to. It refers to the degrees to which rules define roles, authority relations, communications, norms and sanctions, and procedures (Hall, Hass and Johnson 1967). Formalization is reported to have inverse relationship to information utilization (Deshpande and Zaltman 1982). Since banks deal with money of the public and are regulated by Central Bank scope for higher levels of formalization exists. In the present study researchers seek empirical evidence for the association of formalization with market orientation in the context of retail banking. Hence;

**H5: Higher the formalization, lower the market orientation of the branch.**

However, contrary to postulation, Jaworski and Kohli (1993) did not find any significant relationship between formalization and market orientation. They gave an alternate interpretation that the emphasis on rules is less relevant than the precise nature of the rules in an organization. Hence it is possible for firms to device and to enforce rules that facilitate market orientation rather than hinder it.

**1. 3. c. *Organizational Performance***

Many attempts to define and measure organizational performance have drawn uniformly negative conclusions about the concept. All measures from Etzioni's goal based approach (1964) to Kaplan and Norton's Balanced Score Card (1992) have been vulnerable to criticisms. Some researchers considered organizational performance as an "untidy concept" and even argued that the concept is not researchable, and should

reside only as a conceptually rather than empirically relevant construct (Hannan and Freeman, 1977). However, Performance is the most studied dependent variable in organizational literature. In the present study researcher measures business performance through subjective assessment of sales growth, market share and overall performance of bank branches in comparison to competition in the territory of operation. Market orientation of branches is postulated to have direct impact on their performance. Market orientation is about sourcing relevant market information, disseminating the information within the organization to relevant individuals and groups and designing and implementing responses based on the information. Such an orientation is expected to result in superior customer satisfaction which in turn could result better performance. Researchers have reported positive impact market orientation has on organizational performance (Narver and Slater 1990; Lusch and Laczniak 1987). In the present study this impact is tested at the boundary spanning operational unit levels in service organizations. Therefore the hypothesis to be tested is;

**H6: Higher the Market Orientation of a branch, better its Performance**

### 1. 4. Proposed Model

The stated relationships among variables (hypotheses) are developed into a conceptual model. The model primarily has three independent variables classified as the structural variables. They are organizational autonomy, decentralization and formalization. Market orientation is treated a variable dependent on structural variables and as an independent variable directly impacting as well as carrying the impact of organizational autonomy on organizational performance. As is the case in most management research organizational performance is treated as a final dependent

variable. The validity of this model is proposed to be tested and interpreted in the present research. The conceptual model is presented in figure 1 below.

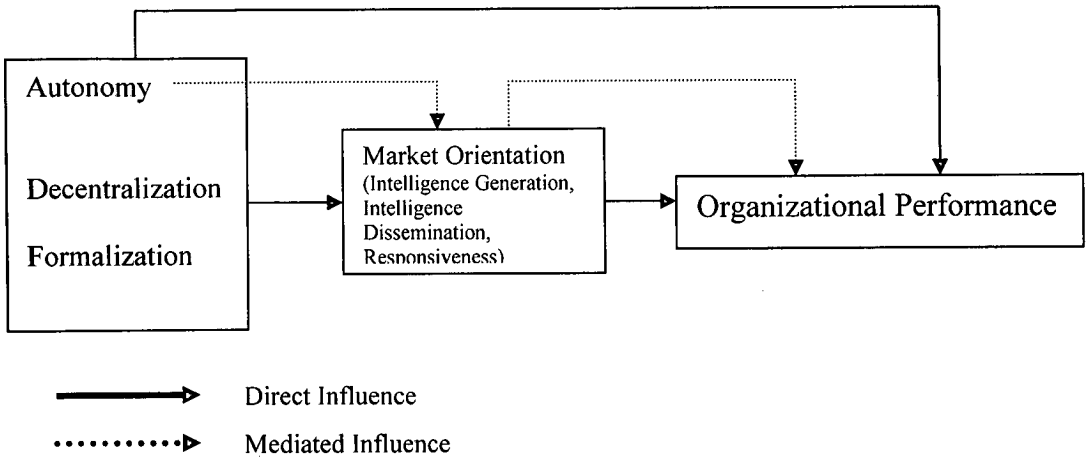


**Figure 1.1: Proposed Conceptual Model**

## 1. 5. Objectives of the Study

The broad objectives behind testing the proposed model in the current study are two:

a. To contribute to the existing body of knowledge in market orientation domain about the impact of structural variables on market orientation and performance

b. To suggest practically relevant measures as to what structural variable related decisions would facilitate a superior market orientation and performance in retail banking.

These broad objectives can be further detailed into the following sub-objectives

c. To ascertain whether the decision making freedom (autonomy)of bank branches have any impact on their Market orientation and in turn on their performance

d. To ascertain the impact of decentralization on market orientation and organizational performance in retail banking context

e. To ascertain the impact of formalization on market orientation and organizational performance in retail banking context

f. To establish whether autonomy and decentralization have similar performance implications

g. To assess the impact of market orientation on organizational performance in the retail banking context in India so as to propose the importance of market orientation in services context.

h. To contribute insights, through discussion, that would facilitate decision making related to market orientation and performance in the retail banking context.

## 1. 6. Outline of the Report

The first chapter of this thesis – i.e. the current chapter- introduces the research problem with its theoretical and practical relevance. It also explains the logic behind the choice of services sector and particularly Indian retail banking industry for operationalizing the study. The chapter also accounts the relationships among the variables under consideration and the resultant hypotheses. These linkages among variables are built into a theoretical model.

The second chapter comprehensively discusses in detail the relevant existing literature and academic debate on the research problem in consideration. Researcher draws from past research findings across the world to find support for the postulations and propositions made in present research.

Third chapter of this thesis details the research methodology adopted in the present study. The chapter explains the logic behind the choice of research paradigm, research design used and research tools used for capturing relevant data and for analyzing the same.

Fourth chapter contains analyzed output of the study with interpretations. Output of analysis is presented in the same order as the hypotheses are stated. The interpretation following the output comments to what extent the analysis supports the hypothesis tested and the analytical model proposed.

Conclusions on the research questions, conclusions on research problem, implications for theory, implications for practice, and directions for future research are discussed in the fifth or final chapter.

## 1.7 Delimitations of Scope and Key Assumptions

a. Units of analysis for the current study are organizational sub-units at boundary spanning levels and not the entire organization. Specifically in this case the unit of analysis is the branch of a bank and not the entire bank. Therefore, conclusions from the study will have to be seen applicable within the purview of the branches and not the entire organization.

b. Market orientation could be defined in many other ways than the one accepted for this study. Definitional differences might result in differing implications for the same construct. In definition and measurement market orientation is treated as market oriented behavior. The other prominent view of market orientation as an organizational cultural construct is not considered for the current study. Rational for accepting or rejecting specific definition is detailed in the following chapter on literature review.

c. Banking industry belongs to services sector. Though the industry shares features common to other services businesses findings in banking

industry need not necessarily be directly extendable to other services businesses.

d. The empirical study is conducted in Karnataka, India. All respondents were drawn from the state of Karnataka in India and therefore a limited geographic scope. However, all banks in India operate within the broad policies laid down by the Central Bank of the country and most of the banks have national operations resulting in almost the same banks competing in majority of states. Therefore findings of this study could be considered viable for generalization across different states of India.

e. The study assumes that subjective measurement of structural variables under study in the current context is more relevant. In the case of market orientation-performance relationship the subjective measures are assumed not to differ significantly from objective measures. Rationales behind these assumptions are explained in the following chapter.

f. As the data on autonomy, market orientation and organizational performance were gathered from the same group of respondents i.e. branch managers the element of common method variance should be accounted for. Practical difficulty in gathering information on various branches from higher levels in all the banks studied prompted the researcher to collect all data from the same source.

# CHAPTER 2: REVIEW OF EXISTING KNOWLEDGE IN THE AREA

## 2.1. Introduction

In the previous chapter the need for services organizations to allow lower level unit autonomy to become more market oriented was suggested with specific reference to banking industry in India. Besides, relationships between structural variables and market orientation and that between market orientation and organizational performance were proposed to be tested. While past researches have identified relevant antecedents of market orientation and proved that superior market orientation leads to better organizational performance the current research interest is to test the above said relationships considering autonomy as an antecedent to market orientation which is considered highly relevant in services context. This chapter provides an elaborate account of the existing literature on the variables under study and of what is already known about the relationships among these variables.

## 2.2. Market Orientation

### 2.2. a. *Definitions of Market Orientation*

Market Orientation's conceptual content had divergent development. The foremost contributors to this development were Narver and Slater (1990), Kohli and Jaworski (1990) and Deshpande, Farley and Webster (1993). Their definitions of Market Orientation are deeply embedded in the Marketing Concept. Marketing Concept, first developed in the 1950s, holds that;

a. All areas of the firm should maintain a customer focus.

b. All marketing activities should be coordinated

c. Long term profits, not just sales, should be the organizational goal.

*First*, in their April 1990 Journal Of Marketing article Kohli and Jaworski formally defined Market Orientation as a one dimensional construct consisting of three organization wide activities ; market intelligence generation, dissemination of this intelligence across departments and the responsiveness to intelligence. Due to the intuitive logic of approach and due to the easiness of measurement many scholars have adopted this definition for Market Orientation research (e.g., Buian 1998; Cadogan et al 2002; Diamenatopoles and Hart 1993; Homburg and Pflesser 2000; Kwon and Hu 2000; Pitt, Carvana and Berthon 1996; Pulendran, Speed and widing 2000; Raju, Lonial and Gupta 1995; Vorhies and Harker 2000).

A *second* approach to Market Orientation was presented by Narver and Slater. In their October 1990 Journal of Marketing article Narver and Slater defined Market Orientation as "the culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and thus, continuous superior performance for business." They further elaborated that Market Orientation has five components: customer orientation, competitor orientation, inter-functional coordination, a long term focus and a profit focus. They also provided measure of Market Orientation. Many researchers later adopted Narver and Slater's conceptualization and measurement approach to Market Orientation.

In a *third* effort Deshpande, Farley and Webster in 1993 argued Market Orientation and customer orientation as synonymous concepts and defined customer orientation as an organizational culture i.e. the set of beliefs that puts the customer's interest first, while not excluding those of all other stake holders, such as owners, managers and employees, in order to develop a long term profitable enterprise. Their notion of Market Orientation as a culture has found acceptance among many recent authors.

### 2.2. b. *Outcomes of Definitional Differences*

Though market orientation is at the centre of the marketing thought, the disagreements on the conceptual content of market orientation construct as captured in different definitions give way for confusion. These definitional disagreements push market orientation studies into two concerns.

1. Different studies, many adopting different definitions of Market Orientation, have come to very different conclusions about the role Market Orientation has in determining business performance. For E.g. In some studies firms with high Market Orientation are actually outperformed by their less market oriented counter parts.
2. Because of these differences on what Market Orientation is, there are also differences in recommendations about how firms should go about modifying their Market Orientation Levels.

Thus managers are confused about what Market Orientation is (Day 1999) and many experience enormous difficulties in implementing and maintaining a Market Orientation (Harris, 1999). Cadogan (2002) presented a holistic picture of Market Orientation concept that integrated multilevel conceptualization of Market Orientation as given in the following paragraphs.

The above three perspectives differ in terms of extent of the market orientation's cultural context. One view takes a philosophical perspective that considers Market Orientation as an intangible organizational state of mind which emphasizes customer oriented values, norms and beliefs, market and customer focus and customer commitment. In this view Market Orientation is more an 'intangible' concept- only the consequence of which are behavioral. Thus the outcome of market oriented philosophy

is organizational behavior which should be consistent with the cultural values held by the firm and which then feeds into the firm's performance (Deshpande, Farley and Webster 1993; Narver and Slater 1990).

Kohli and Jaworski (1990) took a behavioral stand on Market Orientation and placed less emphasis on the state of mind or philosophy side. Their definition focused the information processing activities that underpin Market Orientation. According to them business is market oriented to the degree that it gathers market intelligence, disseminates that intelligence, and also analyses and responds to that intelligence. Jaworski and Kohli (1996, p 121) provide some justification for adopting this behavioral perspective.

"An organization may believe something is important, but fail to act on its belief for a variety of reasons (e.g. resource constraint). Thus from a manager's perspective, it may be more important to focus on what an organization actually does than what it feels is important. The choice between focusing on values/beliefs or activities/behaviors is an important one, with direct implications for ....implementing organizational change interventions."

Thus, according to behavioral school adoption of a marketing concept as a philosophy doesn't necessarily mean that the firm will be market oriented in behavior. "Asking managers whether they are customer focused is not good enough; asking them what they do about it is preferable" (Pulendran and Speed 1996). Thus for these researchers marketing concept is a business Philosophy and Market Orientation means specific activities required for the implementation of that philosophy.

As an outcome of differences in conceptualization, studies of Market Orientation-Performance relationship gave differing results. Where Market Orientation was

considered a cultural phenomenon results showed no or negative relationship; but where Market Orientation was treated as a behavior results showed positive relationships.

Therefore Cadogan (2003) attempted to integrate these definitions of Market Orientation as follows;

1. Most Abstract level of culture: - Market oriented values and beliefs. Marketing concept as a guiding philosophy. ( Expressed in most organizations' mission statements)
2. Second level: - Norms for Market Orientation that guide behaviors in specific contexts. (Largely found in policies, procedures and rules followed in decision making process and implementation.)
3. Third level: - Market Oriented artifacts; provide symbolic representation of Market Orientation in the form of stories, arrangements, rituals and language used within the firm. (Like stories about founders, success or failure stories of the past as in the case of HDFC's H T Parekh, or SCB's promotional success)
4. Fourth level: - Market oriented behavior; generation, dissemination and response to market information. (I.e. strategy making and implementation.)

The above conceptualization recognizes Market Orientation as multifaceted and therefore in theorizing one should say the precise level about which one is theorizing. Because, the antecedents causing 'values and beliefs' need not be the ones causing 'behaviors'. In the current study researcher adopts the behavioral definition of market orientation since the current research is concerned about what is being practiced rather than knowing what is proposed to be practiced.

### 2.2. c. *Focuses of Market Orientation*

Although most scholars agree that Market Orientation is the implementation of marketing concept, they don't agree on what the concept of 'implementation' really means. Different researchers define implementation in different ways. All definitions don't place equal weighting on the core elements of marketing concept; customer focus, long term profitability and coordinated marketing.

*Customer Focus*

Among them all marketers agree that a Market oriented firm adopts or implements a customer focus either in value system or in behavior.

*Profit Focus*

Researchers like Deng and Dart (1994), Dobni and Luffman(2000) Gray and Sheelag (1998) and Thirkell and Davis (1998) conceptualized Market Orientation as involving a strong profit focus component. However, Kohli and Jaworski (1990) in line with Levitt (1969) objected strongly to viewing profitability as a component of Market Orientation. Levitt said "it is like saying that the goal of human life is eating" Kohli and Jaworski viewed profitability as a desirable outcome of a business and Market Orientation as a way of achieving a business's desired outcomes.

Though Narver and Slater originally included 'long term horizon' and 'profit emphases as decision criteria in their definition of Market Orientation, they later dropped them as they found it difficult to operationalize the idea of profit orientation into the definition of Market Orientation. Two main reasons to exclude profit emphasis;

1. Firms that seek to balance profits with sales growth would be less market oriented than firms seeking profits at the expense of sales.

2. Including a profit focus to Market Orientation's domain greatly reduces the utility of Market Orientation concept for not-for-profits.

Therefore if a study has based its assessment of Market Orientation in part on firm's level of profit focus, the result of the study should be ignored, since Market Orientation has been assessed as the basis of something other than the concept itself. This argument gives further reason to accept the behavioral definition of market orientation for the current research.

*Inter-functional Coordination*

Though Narver and Slater included 'inter-functional coordination' as a component of their Market Orientation definition which is more of a culture many authors disagreed. Kohli and Jaworski in their behavioral definition did not mention inter-functional coordination but considered it as an antecedent (interdepartmental connectedness and interdepartmental conflict) and thus external to Market Orientation. Hunt and Morgan (1995 p. 11) also excluded coordination from Market Orientation definition because they believed coordination helped implementation and an implementation factor should not appear in definition. However, if Market Orientation is seen as a culture consisting of values, norms, artifacts and behaviors coordination can be considered as a component of the market oriented culture which can act as an antecedent to market oriented behavior.

*Additional focuses.*

Besides customer, profit and coordination focus many other focuses have been proposed as components of Market Orientation. The most widely recognized among them is the 'competitor orientation' dimension. In one way marketing concept implies a competitor focus. Because marketing concept is considered to be a method by which

a firm can achieve sustainable competitive advantage (SCA), i.e. ability to offer better value to customers in comparison to competition. Kohli and Jaworski (1990) included competition in their behavioral definition by arguing that a market oriented firm generates, disseminates and responds to competitor information also. Beyond this the authors also agreed that a market oriented firm should generate, disseminate and respond to all information about market in which the firm operates or may potentially operate in, and that the information should cover the whole range of exogenous factors which may influence customer's needs and wants, now and in the future. Thus the focus is broadened from customers and competitors to business in different industries, suppliers, regulatory forces, technological changes and host of other environmental factors.

**2.2. d.** ***Need for Market Orientation***

The needs and expectations of customers continuously evolve over time. Therefore there is a need for a business organization to understand and respond to the evolving customer needs. This helps the business to survive and grow over time. The company has to come out with superior quality products and services to meet the customer needs. Customer needs may change rapidly in a highly technologically turbulent environment. Fast changing technology makes the products obsolete fast. In a highly competitive environment competitors come out with better products and services at competitive prices. A firm has to keep track of the competitive environment and also respond to market place with competitive offerings. As far as a firm is concerned employee satisfaction is also a key variable to be considered. Market orientation is posited to improve employee satisfaction by enhancing the organizational commitment of the employees.

### 2.2. e. *Features of Market Orientation*

According to Shapiro (1988) Market orientation encompasses all the aspects of a company. In other words it is the responsibility of all the departments to contribute to being market oriented. It can be considered as a company wide culture and therefore a strategic orientation.

Information on all the important buying influences should permeate every corporate function. In some industries members of distribution channel may have considerable influence on the buyers' choice (e.g. dealer). In some other industries non-buying influences specify the product (for example, architects and doctors). Every department in the company should take cognizance of this fact. It requires regular cross functional meetings. For example, if R&D people come to know the way a product is used by the customer it will help them to design better products to meet the customer needs. If on the other hand, the marketing people do not part with the information, technologists may miss the opportunities. In addition the top management should meet periodically and evaluate the key points related to important buying influences. Shapiro suggests that "at least once a year, the top functional officers should spend a full day or more to consider what is happening with key buying influences".

Strategic and tactical decisions are made inter-functionally and inter-divisionally. Conflicting interests of functions and divisions should be set aside to focus on the common goal. Divisions and functions make well coordinated decisions and execute them with a sense of commitment. Commitment is more when the one who does the implementation does the planning also. Shapiro (1988) provided the following check list to examine whether a company is market oriented. Are we easy to do business

with? Do we keep our promises? Do we meet the standards we set? Are we responsive? And do we work together?

**2. 2. f.** ***Steps to Implement Market Orientation***

In their Journal of Marketing paper Gebhardt, Carpenter and Sherry (2006) developed a theoretical model to explain how firms create a market orientation. The model identifies four path-dependent stages of change. The authors opined that creating a market orientation requires dramatic changes to an organization's culture and the creation of organizationally shared market understandings. The findings offered new insights into how organizations develop a greater market orientation, organizational change, and the nature of market orientation, including the role of intra-organizational power and organizational learning in creating and sustaining a market orientation. According to them the process of creating a market orientation occur over four distinct stages: (1) initiation, (2) reconstitution, (3) institutionalization, and (4) maintenance. These stages were explained as path dependent, and that each stage included multiple steps or activities. Besides, the following could be considered imperative in implementing a market orientation.

1. The firm should conduct regular marketing research. One of the ways to generate market related information is to conduct in-house marketing research by the marketing research department. Alternatively the firm can also by the market-related information from specialized firms engaged in conducting marketing research. Here the consideration is one of balancing the costs and benefits.
2. The dissemination of market information is also equally important. The company should design and implement a system by which every corporate officer and function has access to market research reports.

3. Designing and implementing an effective communication system to facilitate vertical and horizontal communication is a prerequisite for establishing good market orientation. Customer contact employees and sales people are the ones who are closest to the customers. During the normal discharge of their duties they get enormous information about the customer needs. The firm has to effectively utilize this knowledge by transmitting it to the top management as well as to the other functional departments. This type of information is very rich but relatively cheap.
4. The firm should facilitate information gathering by front line employees; for example by establishing toll free customer interaction telephone lines. This facilitates questions and comments from customers and distributors which give enormous insights into market related information.
5. High level executives need to directly interact with the customers and marketing intermediaries to get a richer flavor of market information. This can be done by customer visits, focus groups, trade show visits and dealer and retailer visits.
6. Classifying the customers in terms of their importance and concentrating on important customers. For example, it may be possible to identify certain customers in terms of volume of business and profitability. Concentrating on such customers helps the business to channelize the scarce resources of time, effort and money in most effective ways.
7. Establish inter-functional and interdivisional coordination. An open discussion and joint decision making involving different functional areas gets the advantage of both the skills of the specialist and the impartiality of the superior.
8. Devising an incentive plan to reward the pursuit of the organization wide goal.
9. Formation of cross functional teams to represent the inter-functional points of view in achieving the tasks.

### 2.2. g. *Antecedents and Consequences of Market Orientation*

Jaworski and Kohli (1993) have identified several antecedents and consequences of market-orientation. The antecedents identified are top management emphasis, risk aversion of top management, interdepartmental conflict, interdepartmental connectedness, formalization, centralization and departmentalization. A number of hypotheses were advanced related to the antecedents. They are: (a) The greater the top management emphasis on a market orientation, the greater the market intelligence generation, intelligence dissemination and responsiveness of the organization. (b) the greater the risk aversion of the top management, the lower the market intelligence generation, intelligence dissemination and responsiveness of the organization. (c) the greater the interdepartmental conflict, the lower the market intelligence dissemination and responsiveness of the organization. (d) the greater the interdepartmental connected ness, the greater the market intelligence dissemination and responsiveness of the organization. (e) The greater the formalization, the lower the intelligence generation, dissemination, and response design and the greater the response implementation. (f) The greater the centralization, the lower the intelligence generation, dissemination, and response design and the greater the response implementation. (g) The greater the departmentalization, the lower the intelligence generation, dissemination, and response design and the greater the response implementation. (h) The greater the reliance on market based factors for evaluating and rewarding managers, the greater the market intelligence generation, intelligence dissemination and responsiveness of the organization. The above hypotheses were supported by empirical evidences.

As regards the consequences of market orientation, it was hypothesized by the authors that the greater the market orientation of an organization, the higher the business performance. The effect of market orientation on business performance is moderated by market turbulence, competitive intensity and technological turbulence. The greater the market turbulence, the stronger the relationship between market orientation and business performance. The greater the competitive intensity, the stronger the relationship between market orientation and business performance. The greater the technological turbulence, the stronger the relationship between market orientation and business performance. The above hypotheses found empirical support while using judgmental measures but the relationships were weak while using objective measures like market share.

**2.2. h. *Measurement issues***

In the first attempt to measure market orientation Narver and Slater (1990) conceptualizes market orientation as the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for the customer. They have operationalized the concepts into three behavioral components of the organization namely, customer orientation, competitor orientation and inter-funtional coordination. The three behavioral components are measured on multi-item scales (20 items) and are assumed to be of equal importance and the overall market orientation is measured by averaging the scores on the three components.

Kohli and Jaworski (1993) operationalized the concept of market orientation into three activities namely market intelligence generation, dissemination and responsiveness. Market intelligence includes information on customers as well as environmental factors. Similarly responsiveness includes response design and implementation.

Operationalization resulted in a 32 item MARKOR scale, the scores of market orientation being calculated by summing the scores of the three components.

Deng and Dart (1994) after a comprehensive literature survey and field study went for a wider conceptualization of the market orientation. They have identified four dimensions of market orientation. They are customer orientation, competitor orientation, inter-functional coordination and profit orientation. Deng and Dart developed a multi item scale with 33 items; 12 items to measure customer orientation, 6 items to measure competitor orientation, 8 items to measure inter-functional coordination and 7 items to measure profit emphasis. The instrument uses a 5 point interval scale. The instrument was subjected to rigorous psychometric testing for validity and reliability.

Brenda and Sheelag (1998) developed a better measurement of market orientation in New Zealand context. They have incorporated the dimensions from the scales of Narver and Slater, Kohli and Jaworski and Deng and Dart and developed a 44 item questionnaire. They administered the questionnaire to 490 managers from different firms. An exploratory factor analysis resulted in the final selection of 20 items on the dimensions of customer orientation, competitor orientation, inter functional coordination, responsiveness and profit emphasis. The scale resulted in a more parsimonious measure of market orientation in the context of New Zealand.

**2.2. i. *Implications of Market Orientation***

Market orientation is supposed to result in better business performance. Thus market orientation predicts business performance. Here the problem is one of defining and selecting an appropriate measure of business performance. A variety of business performance measures are possible like total profits, return on investment, return on

equity, share price index, market share etc. There is no agreement among academicians as to which measure of business performance is to be related with market orientation. Meta analysis finds that revenue based measures of performance are more correlated to market orientation than cost based ones. (Kirca, Jayachandran and Bearden, 2005)

**2.2. j.** ***Development of the Field***

In a path-breaking article in Harvard Business Review, published in 1960, entitled "Marketing Myopia", Theodore Levitt, first propounded the philosophical foundation of the market orientation called "marketing concept". The article pointed out the deficiency in the practices followed by various US corporations due to a narrow definition of their business purposes. The approaches adopted by these corporations were based on production concept, product concept or selling concept. He suggested marketing concept as an alternative. The methodology used was inductive learning from the field.

In a Harvard Business Review article published in the year 1988 Shapiro brought out clearly the meaning of the concept market orientation. He also implicitly brought out the processes involved in making a firm market oriented through a case study. The method used is inductive learning from the field.

Kohli and Jaworski (1990) defined the concept of market orientation and proposed the relationship of market orientation with other organization related variables and proposed the managerial implications through an inductive approach of learning from the field. Narver and Slater (1990) defined and operationalized the concept and developed a scale to measure the concept. Kohli and Jaworski (1993) operationalized the concept and developed a measurement scale. Jaworski and Kohli (1993) in a separate study empirically tested the relation ship of market orientation with other

organizational variables in the form of antecedents and consequences. Deng and Dart (1994) reconceptualized the concept by widening the scope and developed a more comprehensive multifactor multi-item scale for measurement of the construct.

In an attempt to reconceptualize the construct of market orientation, Cadogan and Diamantopoulos (1995) consolidated and extended the conceptualizations of Narver and Slater and Kohli and Jaworski by positing customer orientation and competitor orientation as the two dimensions of market orientation facilitated by the processes of intelligence generation, intelligence dissemination and responsiveness and superimposed the concept of coordinating mechanism on all the three processes. They further added an international dimension to the marketing orientation construct.

Brenda and Sheelag (1998) developed a scale consolidating the dimensions from the previous studies in the context of New Zealand. In an empirical work Andreassen (1994) related the concept of customer orientation with satisfaction, loyalty and reputation in the field of public sector. The study based on *Oslo Kommune* in Norway found that satisfaction, loyalty and reputation are the indicators of customer orientation. The study found that introducing comparable satisfaction measures may stimulate competition between various service providing bodies which will lead to efficient resource allocation.

In an attempt to study the relationship between market orientation and business performance Pelham (1997) hypothesized that product and customer differentiation has a moderating effect on the relationship. In order to study the moderating effect he classified the firm into four categories operating in different environments namely, differentiated markets, fragmented markets, commodity markets and segmented markets based on Sheth's typology of determinants of industrial competitive structure.

Based on statistical (partial correlation) analysis the study concluded that industry environment (product and customer differentiation) has no significant effect on the relationship between market orientation and performance. The study pointed to the importance of treating industry environment as a complex combination of influences and market orientation should be a strong source of sustainable competitive advantage in any industry situation because of the difficulty of influencing corporate culture and the ambiguity about the value of a market orientation culture.

There have been attempts to study the application of market orientation in the context of service industries. Chang and Chen (1998) empirically examined the relationship among market orientation, service quality and profitability by conducting a study among stock brokerage firms in Taiwan. They conducted the study taking a sample of 150 units. The hypothesized relationship was that the service quality has a positive mediating effect on the relationship between market orientation and profitability. Market orientation was hypothesized to have an independent positive effect and positive effects through other mediating variables. The regression analyses confirmed the hypotheses. Market orientation was measured by modifying the Narver and Slater scale to include certain performance anticipation items.

In a study conducted among 289 managers from 67 service organizations Egeren and O'Connor (1998) established a positive relationship between market orientation and performance in service firms. The study also identified top management team group dynamics and external environment dynamism as drivers of market orientation by using a structural equation model.

In an attempt to extend the study of market orientation to the context of Australia, Pulendran et al. (2000) replicated the study by Kohli and Jaworski in Australian

industries. They came out with similar findings related to the antecedents and consequences of market orientation. Deng and Dart (1999) in an empirical study examined the extent of market orientation among various types of industries in China and recommended market orientation as a solution to the Chinese enterprises in the current period of transition from a controlled economy to a market economy.

Table 2.1: Development of Market Orientation Field

| Stages of Development | Works |
|---|---|
| Emergence of Philosophy | Theodore Levitt (1960) |
| Concept specification and measurement | Shapiro (1988), Narver and Slater(1990), Kohli and Jaworski (1990), Deshpande, Farley and Webster (1993)Kohli and Jaworski (1993), Deng and Dart (1994) |
| Consolidation and extension | Cadogan and Diamontopoulos (1995), Brenda and Sheelag (1998),Uncles (2000) |
| Relationship with other concepts | Jaworski and Kohli (1993), Andreassen (1994), Pelham (1997) |
| Extension to specific sectors and geographies | Andreassen (1994), Brenda and Sheelag (1998), Chang and Chen (1998), Egeren and O' Connor (1998) |
| Meta-analysis study of all market orientation performance studies. | (Kirca, Jayachandran and Bearden 2005) |
| Creating a Market Orientation: A Longitudinal, Multifirm, Grounded Analysis of Cultural Transformation | (Gebhart, Carpenter and Sherry 2006) |

## 2.3. Organizational Performance

### 2.3. a. *Performance Definitions*

Many attempts to define and measure organizational performance drew uniformly negative conclusions about the concept (Mekoth and Barnabas 2005). Steers (1975) commented that there is only rudimentary understanding of what actually constituted the concept of organizational effectiveness. Hrebiniac (1978) viewed measuring of performance as "a critical but problematic issue". Some researchers considered organizational performance as an "untidy concept" and even argued that the concept is not researchable, and should reside only as a conceptually rather than empirically relevant construct (Hannan and Freeman, 1977). However, there have been efforts - both postulations as well as empirical research- to define and measure organizational effectiveness.

Different schools of researchers adopted differing approaches to study and measure organizational performance. Organizational theory gives three fundamental theoretical approaches to measuring organizational effectiveness (Caruana, Ewing and Ramaseshan 1998).

1. Goal based approach
2. Systems approach
3. Multiple constituency approach

*1. Goal based approach*

In the goal based approach organizational performance is evaluated on the basis of self imposed objectives (Etzioni, 1964). According to organizational goal theorists the issue of specifying performance/effectiveness criteria is largely one of goal setting. Here goals refer to the "official" goal statements such as those found in articles of

incorporation, organizational chart, or whatever, is seen as naive. (Perrow 1961: Porter, Lawler And Hackman, 1976). But the empirical study of Vroom(1960) and Lawrence and Lorch (1967) suggested that strong goal consensus even among the senior management of the organization can not be assumed. However, they do not suggest what can be done if there exists disagreement of goals among the dominant stake holders.

*2. Systems approach*

Georgopolous and Tannenbaum (1957) improve on goal based approach in their systems approach. They viewed effectiveness within a system framework and concluded that the idea of effectiveness can be best understood in terms of productivity, flexibility, and in the absence of inter-organizational strain. At the most global level the proponents of functional analysis Parson(1960) and Lyden(1975) argue that organizational performance can be assessed based on how well an organization solves the four essential problems: goal attainment, adaptation, integration and pattern maintenance. Yuchtman and Seashore (1967) also held the systems approach to measure organizational performance. They considered that the three basic processes in an open system view of an organization - resource acquisition, transformation and disposal- are tightly interconnected. So they chose to measure effectiveness from the input acquisition angle and defined organizational effectiveness as the ability of the organization to exploit its environment in the acquisition of scarce and valued resources.

Steers (1975) classified the research literature on performance measures into those using univariate methods and multivariate methods. Though he merited the multivariate methods he criticized the lack of consensus among them and also the lack

of overlap among the variables. He observed that a more flexible and comprehensive model is required. Steers suggested that this more flexible, contingent approach (contingent since they include dynamic variables) to measure organizational performance should allow for the explicit acknowledgement of certain constraints that necessarily obstruct criteria maximization. Such constraints can be found in structure, technology, environment and membership of a given organization. He suggested a "weighted" goal optimization model where the criteria are weighted on their importance. Thus Steers, in his postulation, made an effort to bring in the multi-dimensionality of the criteria, their differences in the impact and their dynamic nature. However beyond suggesting the possible characteristics of a better model, he did not suggest any specific model nor did he support it with any empirical study. Thus the systems approach took into consideration the multiple generic performance aspects in performance measurement. However the approach was criticized for its lack of dynamism and insufficiencies by the later researchers.

*3. Multiple Constituency Approach*

Connolly, Conlon and Deutch of Georgia Institute of Technology (1980) in their multiple constituency approach argued that the existing approaches to organizational effectiveness were conceptually conflicting and empirically arid. They commented that many researchers appeared handicapped by the desire to produce a single effectiveness statement about any given organization. Instead, the authors proposed the multiple constituency approach to avoid the requirement for a single measure, explicitly assuming that an organization's different constituencies will form different assessments of its effectiveness. Theirs was a view of effectiveness that allowed multiple evaluations from multiple constituencies. According to them the answer to the

question "how well an organization is performing?" is contingent on to whom ( i.e. the constituency) we are posing the question. They argued that individuals become involved with the organization for a variety of different reasons, and these reasons will be reflected in variety of different evaluations.

*4. The Strategic Management School*

The strategic management school thinkers integrated the above three views and suggested multiple dimensions in terms of financial performance and operational performance.

a) Financial performance: Venkatraman and Vasudevan Ramanujam (1986) studied business performance as a subset of the overall concept called organizational performance. According to them the narrowest conception of business performance is to center on the use of simple outcome based financial indicators that are assumed to reflect the fulfillment of the economic goal of the firm. Typically, the Financial measures approach would be to examine such indicators as sales growth, profitability ( as reflected in ratios such as return on investment, return on sales, return on equity), earnings per share, etc.

b) Operational performance: A broader conceptualization of business performance includes emphasis on indicators of operational performance (non-financial) besides financial indicators. ( Hofer and Sanberg; 1987, Kaplan; 1983, Venkataraman and Vasudevan Ramanujam; 1986) Measures logically included in operational performance were market share, new product introduction, product quality, marketing effectiveness, manufacturing value added, and other measures of technological efficiency within the domain of business performance.

Though strategic management school- motivated by the belief that systematic approaches to measurement approaches are likely to lead to superior operationalizations- classified and highlighted the advantages and limitations of different measurement approaches, a long debate on which measure is more relevant- whether financial or operational- still prevailed.

*5. Balanced Score Card*

In 1992 Kaplan and Norton introduced the measurement tool called Balanced Score Card (BSC). They argued that the traditional financial performance measures suited the industrial era and they are out of step with the skills and competencies that companies are trying to master today. Interestingly, financial measures tell us of results of actions already taken and not of what would happen. According to them no single measure can provide a clear performance target or can focus attention on all the critical areas of business. Therefore there is need for a balanced presentation of both financial and operational measures. The BSC complements financial measures with operational measures on customer satisfaction, internal processes, and organizations innovation and improvement activities and thus provides a more holistic approach to organizational performance measurement.

BSC's strength lies in its use of both financial and non-financial measures in encouraging and rewarding employees in achieving an organization's long-term goals. Kaplan and Norton, argue that in the information age, organizations require new capabilities for competitive success, such as customer relationships, product innovation, customized products, employee skills, motivation, and information technology. By including all critical success factors in the performance measurement system, the organization will have a better idea of how to achieve its goals.

BSC complements the traditional financial perspective with other non-financial perspectives, such as customer satisfaction, internal business process, and learning and growth. It also mixes outcome measures (the lagging indicator) with performance drivers (the leading indicator) because, according to Kaplan and Norton, "outcome measures without performance drivers do not communicate how the outcomes are to be achieved." By selecting appropriate performance drivers and outcome measures, the organization will have a better idea of its potential competitive advantage.

The balanced set of performance measures tells a concise yet complete story about the achievement and performance of the organization toward its goals and provides a holistic view of what is happening in the organization. By tying these performance measures to rewards, BSC ensures that the employees will do what is best for the organization as a whole.

However an empirical study conducted by Kathy and McKay (2002) found that BSC may not be a universally applicable measure. At an automobile manufacturer, BSC successfully integrated organizational goals into the daily activities of the employees. However, in the second case, a bank replaced BSC with an alternative measuring approach because the bank found BSC inappropriate for the organizational culture it wanted to create. The researchers sited that organizations experienced such different results and levels of satisfaction due to the differences in the efficiency of the internal feedback system of the organization.

### 2.3. b. *Performance Measures in Market Orientation Studies*

Organizational performance has been measured using subjective and objective measures in market orientation-performance studies. Table 2.2 in the following page is an exhaustive list of these studies and the results as adapted from Dawes (1999).

## Table 2.2: Performance Measures in Market Orientation Literature

| Study | Sample | Performance Measure | Findings |
|---|---|---|---|
| Narver & Slater | 140 SBU's in one corporation | Subjective assessment of ROA for self and competitors | Positive association |
| Deshpandé et al | 50 Japanese firms - cross industry (staff plus customers) | Subjective evaluation of profit, size, market share and growth compared to largest competitor | Positive association |
| Jaworski & Kohli | 222 business units from sample of US corporations across industries. A second sample of 230 US managers | Subjective measure – "overall performance". Objective measure – market share | Positive association for subjective measure but not objective measure |
| Slater & Narver | 140 SBU's in 1 forest products corporation | Subjective evaluation of ROA, sales growth and new product success, relative to competitors | Positive association |
| Deng & Dart | 248 firms across industries | Subjective evaluations including financial performance, liquidity, sales volume | Positive association |
| Slater & Narver | 81 SBU's in 1 corporation and 36 in another | Subjective evaluation of ROA relative to competitors | Positive association |
| Greenley | 240 UK companies across industries | Subjective evaluation of ROI, new product success and sales growth | Association may be positive or negative dependent on competitive environment. |
| Pelham & Wilson | 68 US firms across industries | Subjective evaluation of business position relative to expectations | Positive association |
| Pitt et al | 1,000 firms across industries in UK and sample of Maltese firms across industries. | Subjective evaluation of return on capital and sales growth | Positive association |
| Slater & Narver | 228 manufacturing firms across industries | Subjective evaluation of return on assets and sales growth relative to competitors | Positive association with sales growth but not profit |
| Balakrishnan | 139 firms in single industry study: machine tools | Subjective evaluation of relative profit, satisfaction with profit, customer retention and repeat business | Positive association |
| Nagundkar &Shergill | 170 senior managers across from FMCG, durables, B2B and Services | Subjective Evaluation of Profitability, Sales Growth and Market Share | Positive Association |
| Avlonitis & Gounaris | 444 Greek firms across industries | Subjective evaluation of profit, turnover, ROI, and market share | Positive association |
| Deshpande & Farley | 82 managers in European and US companies | Subjective evaluation of sales growth, customer retention, return on investment, and return on sales | Positive association |

| | | | |
|---|---|---|---|
| Appiah-Adu | 74 Ghanaian firms across industries | Subjective evaluation of sales growth and ROI relative to expectations | Association is moderated by environment |
| Esslemont & Lewis | 3 surveys each using cross-industry NZ samples | *ROI and change in ROI* | No association |
| Ruekert | Two SBUs in one large corporation | Selected one SBU with low ROI and one with high ROI. | Positive association |
| Diamantopoulos & Hart | 87 UK firms – cross industry | Sales growth and average profit margin compared to industry average | Positive association |
| Jaworski & Kohli | 222 business units from sample of US corporations across industries. A second sample of 230 US managers | Subjective measure – "overall performance". Objective measure – market share | Positive association for subjective measure but not objective measure |
| Au & Tse | 41 Hong Kong hotels and 148 New Zealand hotels | Hotel occupancy rates | Weak association |
| Tse | 13 Hong Kong property developers | Financial data supplied by external organization | No association |

Dawes (1999) analyzed the results of a set of previous studies that used multiple measures of performance with an intention to assess the strength of association between both subjective and objective measures of performance. A summary of previous research is given below.

Table 2.3: List of Studies measuring Strength of Association

| **Study** | **Sample** | **Strength of association** (between subjective and objective performance measures (r)) |
|---|---|---|
| Dess & Robinson | 26 US manufacturing firms | Between r=0.48 to r= 0.61 |
| Pearce, Robbins and Robinson | 97 US manufacturing firms | Between r=0.74 to r= 0.77 |
| Covin, Slevin and Schultz | 91 US manufacturing firms | r= 0.44 (only one performance variable used, namely sales growth). |
| Hart & Banbury | 720 US firms across various industries | Between r=0.44 to r=0.55 when whole sample analyzed. Up to r=0.99 when only examining firms within a specific industry. |

These studies were however confined to the US and all except one to manufacturing sector. Dawes conducted a more elaborate study in Australian context with larger

sample representing multiple industries and all sizes of organization using both subjective and objective measures to assess performance.

The objective performance measure was the current and previous years' ROI in percentage terms. For the subjective measures two two-item scales were used that asked for performance of both current and the previous financial year.

Please rate the overall financial result for your firm

Please rate the Return on Investment or Return on Assets of your firm

The correlations between the measures are given below.

| | Measure | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|
| 1 | Subjective Assessment of financial performance, current year (average of two items) | 1.00 | | | |
| 2 | Subjective Assessment of financial performance, previous year (average of two items) | *0.64* | 1.00 | | |
| 3 | Objective (ROI) figure for current year | 0.51 | 0.65 | 1.00 | |
| 4 | Objective (ROI) figure for previous year | 0.58 | 0.48 | *0.86* | 1.00 |

Table 2.4 Correlation between Subjective and Objective Measures

All correlations are significant at $p<0.05$. The results confirm earlier findings that there are strong correlations between objective and subjective performance measures. In this study the correlation between the current year objective and subjective measures is 0.51, and between the previous years' subjective and objective measures it is 0.48. Thus it was concluded that subjective performance measures of profitability are positively correlated with objective measures. In the current study researcher uses subjective measure of performance using revenue (sales growth, market share) as well as profitability (profits) measures.

## 2.4. Structural Variables

The structural variables under consideration in the current study are organizational autonomy, decentralization and formalization.

### 2. 4. a. *Autonomy*

Brock (2003) reviewed the use of autonomy in organizational literature and dealt with definitional and methodological issues. According to the author autonomy may be defined as the degree to which one may make significant decisions without the consent of others and the construct could be analyzed at two levels namely; 1) Autonomy of individuals within an organization and 2) Autonomy of an organization or it's a sub-unit.

Many researchers have studied autonomy at individual level. Dill (1958) proposed that higher autonomy was associated with less complex task assignment, lower risk, more control over information flow, and more formalized interaction. Turner and Lawrence (1965) observed autonomy to be a requisite task attribute that promotes job satisfaction and lower absenteeism among employees. Porter et al. (1975) considered autonomy to be a human need. Osborn et al, (1980) observed that low autonomy is associated with low quality of work life, though it may vary among people. Nielson and Pederson (2003) found that giving front line employees more decision-making autonomy helps competitiveness of the firm.

While studying at an organizational level the organization may be rated according to its degree of autonomy. This would be especially relevant in the case of organizations falling as part of a large corporation, or a fraternity that is a part of national fraternity. Datta et al, (1991) defined organizational autonomy as day-to-day freedom to manage. In Aston studies centralization and low autonomy were strongly related to

standardization of personal procedures, low functional specialization, percentage of subordinates and percentage of non workflow personnel (Holdaway 1975). Research has been done on the autonomy of various units within multinational corporations. Vachani (1999) found that subsidiary autonomy was greater in certain functional areas (like marketing and personnel) than in others (R D and finance).

Patterson and Brock (2002) did word counting on a sample of articles to indicate that contemporary authors seem to indicate a trend towards concepts related to autonomy rather than control. Autonomy may have desirable outcomes in the right context. Autonomy promotes positive motivation, performance, satisfaction, absenteeism and turnover. It was also observed that as a unit head or CEO represents the unit or organization his/her autonomy would be analogous to organizational autonomy.

**2. 4. b.** ***Autonomy and Decentralization***

Autonomy refers to the *extent* of decision making authority wielded by a given position, person, or organization. In evaluating autonomy we ask the question, " How much of decision making authority does X have?"

Centralization concerns *the locus* of decision-making authority in an organization- the extent to which decision making is concentrated in a single point or diffused through out the organization. A decentralized organization is one in which power is dispersed among many individuals. (Mintzberg 1989, p.105)

Though these constructs may coincide and have similar connotations, they often differ and imply varying organizational outcomes. We may affirm that given reliable and valid measures, effective strategic contingencies for a decentralized unit will differ from that for an autonomous unit, and similarly for a centralized versus a low autonomous organization. That would mean autonomy and decentralization are

different also that centralization and low autonomy are different. The Diagram (figure 2.1) depicted below explains the difference between autonomy and decentralization.

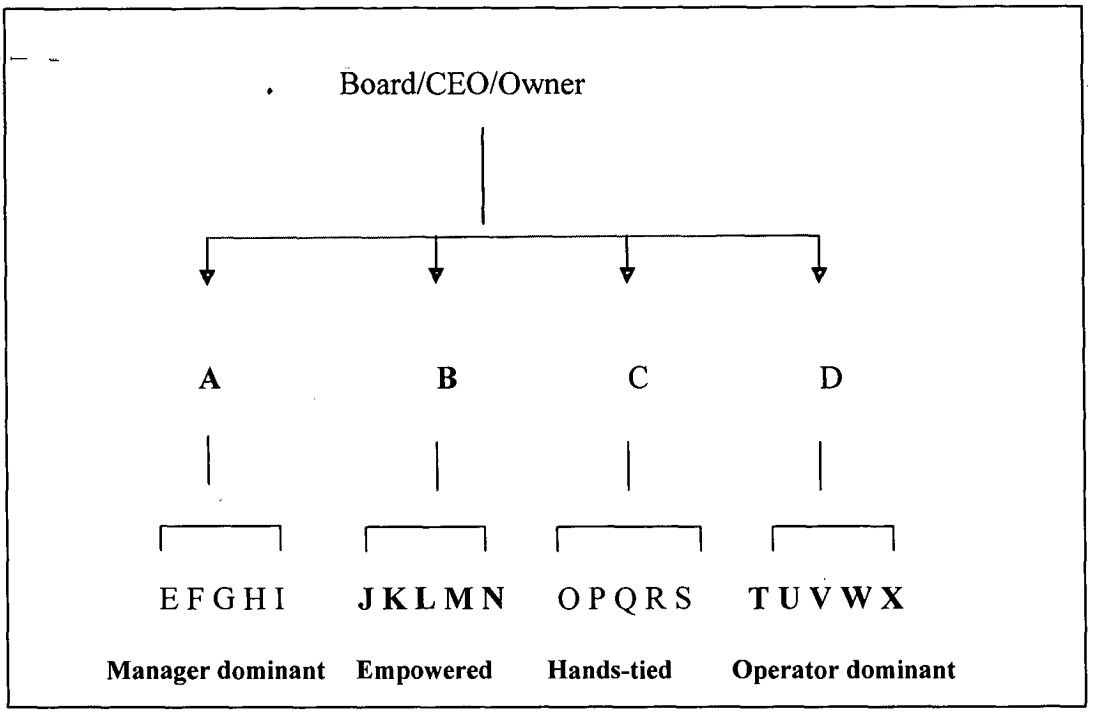


**Figure 2.1: Depiction of Differences between Autonomy and Decentralization at AB Ltd.**

Autonomy and Decentralization for Four hypothetical Organizations

| Organization | Description of Structure |
|---|---|
| A | Autonomous and Centralized |
| B | Autonomous and decentralized |
| C | Low autonomy and centralized |
| D | Low autonomy and decentralized |

Thus in B autonomy and decentralization coincide; but in D they don't.

In A autonomy and centralization coincide; but in C they don't

Therefore one can clearly ascertain that autonomy and decentralization are two different constructs and that autonomy may not be treated as a surrogate to measure

centralization and vice versa. However, as in the case of subunit B autonomy and decentralization coincide at the lowest level in an organization. Therefore, in common usage decentralization may be considered the extent to which operators are autonomous. The term operator autonomy thus is analogous to decentralization; conversely low operator autonomy could indicate centralization.

**2.4. c. *Measurement of Autonomy***

*Inkson(1970)* used a 23 item questionnaire to measure autonomy. Intended responses to the measurement items were either 'Yes' or 'No'. This questionnaire did not capture the possibility of decision making freedom which was neither absolute nor non existent. Moreover, autonomy was used as a measure of centralization *(Pugh,1968)* or concentration of authority (Inkson 1970) in studies these studies. However, autonomy and centralization are two different concepts. Hackman and Lawler (1971) measured workers autonomy on a seven point scale. Sims et al (1976) studied autonomy and other dimensions of job characteristics with their *Job Characteristics Inventory (JCI)*, a five point scale questionnaire. The last two studies however treat individual autonomy and not organizational autonomy.

The instrument measuring autonomy in Inkson et al. (1970) is similar to that measuring centralization in Pugh et al. (1968). Though similar instruments were used these two studies succeeded in differentiating between autonomy and centralization as follows: Centralization was measured by asserting the *level at which* the decisions were made. Autonomy was how many decisions could be made at a given position or person. Thus centralization was a characteristic of the entire structure of an organizational unit- a more generalized measure, where as autonomy was a reading of decision making authority at a specific location.

Inkson, Pugh, and Hickson(1970) established the reliability and validity of short forms for the measurement of four previously established dimensions of organizations- two contextual: technology, dependence and two structural: structuring of activities, concentration of authority. According to the authors an organization lacks autonomy if decisions are taken at a level of authority out-with the organization's structure. The organization's autonomy score was measured based on the number of decisions, from a set list of 22 items, which are taken at a higher level of authority. Higher the number greater the concentration of authority and in turn lesser the autonomy. This measurement appears to have two problems. One, it equates autonomy to centralization. The second, It does not account for partial autonomy i.e. a degree of freedom one might have in making specific decisions which ranges between no freedoms to full freedom.

Lioukas, Bourantas, and Papadakis (1993) studied state owned enterprises (SOEs) at Greece and found that the state control on SOEs has positive relationship to the dependence of SOEs on the State for resources and negative relationship to market competition and demand unpredictability. They treated autonomy as the discretion of the SOE management vis-à-vis the state authorities. The following dimensions operationalized state autonomy:

1. Total state control
2. Control on strategic issues
3. Control on output decisions
4. Control on resource mobilization issues:
    i. Control on human resources
    ii. Control on financial resources
    iii. Control on purchasing decisions

All the six except output decisions were composite variables consisting of many distinct measures referring to all partial controls. Each was measured in a five-point Likert-type scale ranging from 1 (full autonomy) to 5 (very tight control). Control was operationalized by the researchers on various functional dimensions. In the present study autonomy is proposed to be operationalized on the same line.

Thus the previous studies treating organizational autonomy are found to be having definitional or measurement problems with the concept. In the current study researcher accepting the definition of Brock developed a measurement scale for organizational autonomy. Literature on scale development along with procedure followed for scale development in the present research is explained below.

**2.4. d *Literature on Measurements, Scales, and Scale Construction***

Measurement is one of the fundamental activities of any science. Measurement consists of two basic processes called conceptualization and operationalization, then an advanced process called determining the levels of measurement, and then even more advanced methods of measuring reliability and validity.

*Conceptualization* is the process of taking a construct or concept and refining it by giving it a conceptual or theoretical definition. Ordinary dictionary definitions will not do. Instead, the researcher takes keywords in their research question or hypothesis and finds a clear and consistent definition that is agreed-upon by others in the scientific community. Sometimes, the researcher pushes the envelope by coming up with a novel conceptual definition, but such initiatives are rare and require the researcher to have intimate familiarity with the topic. More common is the process by which a researcher notes agreements and disagreements over conceptualization in the

literature review, and then comes down in favor of someone else's conceptual definition. It's perfectly acceptable in science to borrow the conceptualizations and operationalizations of others. Conceptualization is often guided by the theoretical framework, perspective, or approach the researcher is committed to.

*Operationalization* is the process of taking a conceptual definition and making it more precise by linking it to one or more specific, concrete indicators or operational definitions. These are usually things with numbers in them that reflect empirical or observable reality. They're what link the world of "ideas" to the world of everyday "reality". It is more important that ordinary people would agree on the indicators than those inside the enterprise of science. One imperative at this stage is to ensure a fairly good epistemic correlation, which is nothing but the goodness-of-fit between the operationalized and construct definitions for of a scale.

*A level of measurement* is the precision by which a variable is measured. For more than half a century, with little detraction, science has used the Stevens (1951) typology of measurement levels. There are three vital things to remember about this typology: (1) anything that can be measured falls into one of the four types; (2) the higher the type, the more precision in measurement; and (3) every level up contains all the properties of the previous level. The four levels of measurement, from lowest to highest, are: Nominal, Ordinal, Interval, and Ratio. The nominal level of measurement describes variables that are categorical in nature. The characteristics of the data one is collecting fall into distinct categories. If there are a limited number of distinct categories (usually only two), then it is a discrete variable. If there are an unlimited or infinite number of distinct categories, then it is a continuous variable.

The ordinal level of measurement describes variables that can be ordered or ranked in some order of importance. The interval level of measurement describes variables that have more or less equal intervals, or meaningful distances between their ranks. The ratio level of measurement describes variables that have equal intervals and a fixed zero (or reference) point. Advanced statistics require at least interval level measurement, so the researcher always strives for this level, accepting ordinal level (which is the most common) only when they have to. Variables should be conceptually and operationally defined with levels of measurement in mind since it is going to affect how well one can analyze the data later on.

*Reliability* and *Validity* are essential for any research study to be faithful. Reliability means that the findings would be consistently the same if the study were done over again. Validity refers to the truthfulness of findings; i.e., whether it measures what it is to measure. A study can be reliable but not valid, and it cannot be valid without first being reliable.

### 2.4. d. 1 *Construct definition*

Psychometric literature recommends construct definition as the first step in scale development. Therefore, drawing from existing literature researcher specified what organizational autonomy is (Brock, 2003; *Inkson et al.*, 1970; Sims et al 1976) and at the same time differentiated it from other related constructs (Brock, 2003). Autonomy is defined as the degree to which one may make significant decisions without the consent of others (Brock, 2003). Autonomy in the current context is treated as autonomy of an organizational subunit and not that of the whole organization to which the subunit is a part. Thus the unit of analysis is the subunit and the autonomy of a

subunit is considered as the freedom the head of the subunit has in making decision without consulting others external to the subunit. Autonomy is conceptually and practically different from other structural variables such as decentralization and empowerment. The following illustration depicts how autonomy is different from other related concepts and how they might as well coincide at the lowest level of operation. Letters A B C D represent four subunits/subunit managers. Board/CEO/Owner is considered external to the subunit and an autonomous subunit is one wherein the manager has freedom to make decisions that are significant to the functioning of the subunit.

**2.4. d. 2 *Content or Face validity***

Face validity demands that on the surface the scale items should appear consistent with the theoretical domain of the construct i.e. items generated should tap the domain of the construct. Judges with expertise in the literature shall screen items, and several pilot tests on samples from relevant population shall be conducted to trim the items and to refine the pool of items.

Items were generated from junior and middle level executives working in various service organizations. These were executives working at lower or middle managerial levels in various organizations and were participants of an executive development programme. They were asked to list down all decisions that could be taken by a manager with independent responsibility of a business unit in a services firm. 95 items were generated in total. 9 items that were to be obviously out due to duplication or being out of domain of the construct were deleted. Balance 86 items were presented to a panel of four experts with experience in banking and financial services industry ranging from fifteen years to twenty eight years. They were asked to select only those

items from the list they found to be relevant to a branch manager in a bank. Experts also were briefed as to the need for presenting items the shortest and simplest manner possible to ensure easiness in response as well as reliability. Researcher retained all items that were selected at least by one of the expert which resulted in 22 items. These items were further pruned by an expert who worked in banking and as well had academic research interest. Four items were dropped by the expert resulting in 18 pruned items.

| | |
|---|---|
| Setting monthly targets | Recruiting service staff |
| Marketing territories | Promoting staff |
| Pricing of services | Creating a new job |
| Sales/marketing agents | Dismissing a staff |
| Marketing budgets | Remunerating staff |
| Cost of customer acquisition | Training needs and methods |
| To sanction loans | Allocating work among available personnel |
| To decide on resource acquisition procedures | Advertising or other means of promotion |
| Service quality standards to be maintained | New product or service introduction |

**2. 4. d. 3 *Scale Dimensionality***

A constructs domain may be one-dimensional or multi-dimensional. The scale or subscales used to operationalize the construct is expected to reflect the hypothesized dimensionality. Since managerial decisions in a business organization could be classified based on managerial functions such as planning, organizing, staffing, directing and controlling or along business functions such as Finance, Human Resource, Marketing, Production etc. the scale items were expected to belong to any one or a few of these functions. The scale's empirical factor structure could therefore be reflecting these dimensions. To confirm this expected dimensions a factor analysis

was conducted using SPSS software. Results of the factor analysis are given in Part I of Chapter Four.

Rotated component Matrix showed that the items loaded on three major components. Items loaded together on any one component reflected a high business-functional similarity. Therefore the components were labeled along the business function to which the decisions primarily belonged. Thus six items loaded on component one was labeled as Marketing Autonomy, the seven items loaded on component two together was labeled Personnel Autonomy and the last component comprising five items was labeled Goal Setting Autonomy.

**2. 4.d. 4** ***Measurement Reliability***

There are two broad types of reliability in psychometric literature;

1. Test-retest: - the correlation between the same person's score on the same set of items at two points in time. It is not done in majority of scale development exercises.
2. Internal consistency: - Items comprising a scale or subscale should show high levels of internal consistency. Commonly used criteria for assessing internal consistency are individual corrected item to total correlations, the inter item correlated matrix for all items or for items proposed to measure a given scale dimension, and a number of reliability coefficients.

The most widely used internal consistency reliability coefficient is the Chronbach's alpha. Reliability results for the entire scale as well as for the sub-scales are given in Part I of Chapter Four.

**2. 5 <u>Literature on Mediation and its Testing</u>**

A mediator, also known as an intervening or process variable, is a variable that fully or

partially accounts for the relationship between an independent variable and a dependent variable (*See* Fig 2.3). In other words, a mediator represents a path through which a major effect of the independent variable reaches the dependent variable. If the postulation that the mediating variable is causally related to the outcome is correct, something that substantially changes the mediating variable will, in turn, change the outcome (Baron& Kenny, 1986). Complete mediation is the case in which the independent variable (IV) no longer affects the dependent variable (DV) after the mediator (M) has been controlled and so path c' is zero. Partial mediation is the case in which the path from IV to DV is reduced in absolute size but is still different from zero when the mediator is controlled.

An example may be given: if market orientation is a complete mediator of the autonomy-performance relationship, then something that can negatively influence market orientation will cause a negative effect on the impact of autonomy on performance as well. In the partial mediation case, autonomy's impact on performance wouldn't be fully suppressed due to the lack of market orientation. The difference between full and partial mediation is schematically shown in figure 2.3. The practical significance of a mediating relationship like this is that IV becomes a less relevant predictor of DV as the mediating role of M becomes significant (Asher, 1976; James & Brett, 1984).

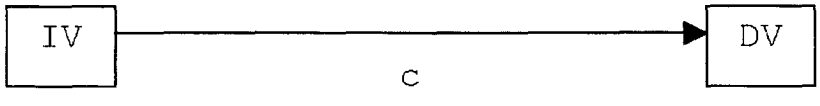


**Figure 2.2 (The Main Effect)**

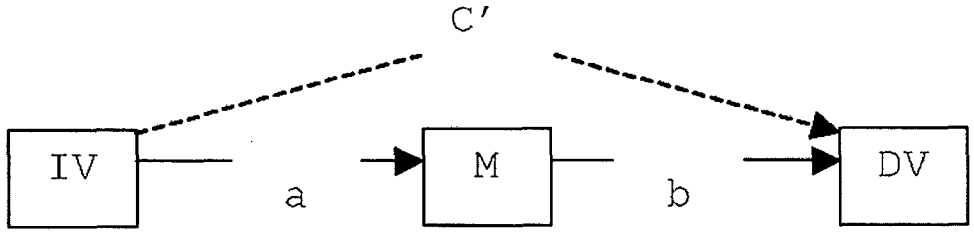


**Figure: 2.3 (Mediation Effect)**

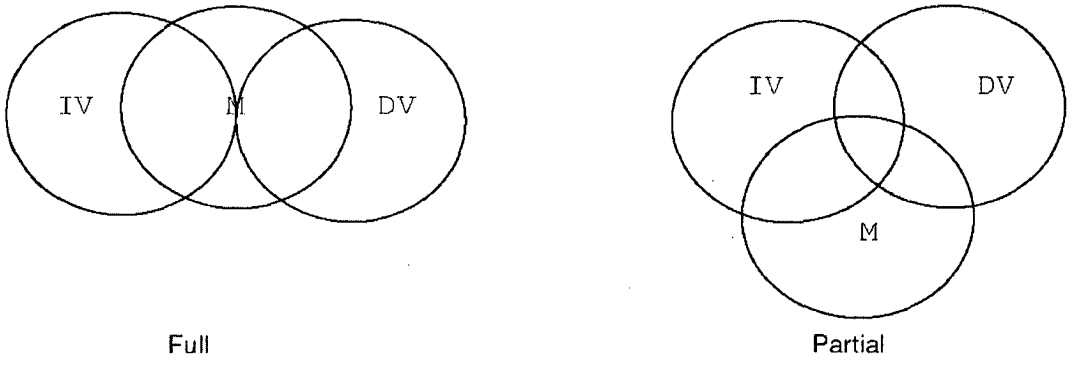


**Figure: 2.4 (Full and Partial Mediation)**

The first step in mediation is to show that the predictor variable *X* is related to the outcome variable *Y*. If this first analysis is not significant, then one must stop looking for a mediated relationship also. The second step is to show is that the distal predictor (*X*) predicts the mediator (*M*). At this stage, for *M* to mediate, there should at least be a correlation between *X* and *M*. If *X* exerts its effect through *M* then if one control for M, the *X* variable should no longer be related to *Y*. In other words, in the combined regression equation Y =a+ $b_1 M + b_{2X}$, *b2* should emerge as statistically insignificant and *b1* significant. Also, the variance explained by the model implied by the above equation should be significant, overall. Looking at figure 2.3, the amount of mediation is c-c'. Also, the indirect effect of the IV on DV is, a*b.

# 3. METHODOLOGY

## 3.1. Introduction

The first chapter introduced the research questions and hypotheses under consideration in the present study, the conceptual model proposed to be tested and the objectives proposed to be achieved through the study. The previous chapter provided an elaborate account of the existing literature on the variables under study and of what is already known about the relationships among these variables and thus cut a picture of the theoretical domain on which the research questions as well as the outcomes of the study could be embedded. The present chapter details the methodology adopted for the study including details of research designs used, logic behind the choice of unit of analysis, selection of samples, data collection tools, data collection procedure and data analysis techniques.

## 3.2. Research Design

To test the proposed framework researcher primarily adopted a quantitative design. However, to get closer understanding of the context researcher initially conducted semi-structured interviews with eight executives at branch levels at three different banks. These interviews assessed features salient to market oriented branches, kind of market oriented activities such banks were engaged in as well as factors that facilitated a superior market orientation at branch level. Researcher also directly associated with two specific market oriented activities at two of these banks. Further, a survey was conducted among branch managers from eight national banks. A set of five questionnaires each measuring Market Orientation, Decentralization, Organizational

Autonomy, formalization and Organizational Performance were administered personally by the researcher to the branch managers of these banks at their braches. Though the initial intention was to meet all the branch managers at staff training colleges, researcher could secure cooperation only from Canara Bank and Vijaya Bank in getting access to managers at the training colleges. Researcher met authorities at Staff Training Colleges of these banks and sought permission to collect data from branch managers undergoing training at these colleges. Later the branch managers were met in training groups and were briefed about the objectives of the study. Questionnaires were administered subsequently. The filled in questionnaires were personally collected back by the researchers the same day or in a week's time. Data from branches of State Bank of India, HDFC, Standard Chartered Bank, ICICI Bank, South Indian Bank, Federal bank, ING Vysya Bank and Development Credit Bank were gathered by meeting with managers at branches. Researcher aimed at getting response from around 300 branch managers and the efforts resulted in getting 122 filled in questionnaires.

### 3.3. Unit of Analysis

The unit of analysis for the current study is the branch of a commercial bank. In banking industry, performance of a service delivery unit, like the branch, can be independently assessed. Besides, no study has so far looked at organizational autonomy and market orientation at the lowest level of operation. Significance also arises from the belief that the unit closest to the customer and competition is perhaps the most critical in implementing a market orientation. This belief has stronger support in services industries like financial services where the customer invariably comes in direct contact with the lowest levels in the organization.

### 3.4. Selection of Samples

The study primarily aimed at measuring the impact of market orientation on performance and that of autonomy on market orientation and performance at branch levels in retail banks. Since the study does not attempt a comparison on the research question among the various types of banks existing in the country (public vs. private, large vs. small, listed vs. non listed, national vs. regional, Indian vs. MNC) sample was drawn on a convenient sampling basis. The purpose of the study demanded only that the sample to be drawn from the population under study on a convenient sampling basis. Respondents in the survey were the managers at each branch. Autonomy of the branch was considered to be the decision making autonomy of the branch manager. Branch manager was also considered sufficient a designation to represent the branch and equipped enough to comment on the autonomy, market orientation, and performance of the branch. For the qualitative study aimed at gaining insight into the interplay of the constructs under consideration in banking industry eight managers representing three banks were chosen. For the quantitative study 122 branch managers from eight banks with national operation were chosen.

### 3.5. Data Collection Tools

For the survey a set consisting of five structured interview schedules, each measuring a construct under consideration, was administered to the respondents. Market Orientation, the construct of primary focus, was measured with the MARKOR scale of Kohli and Jaworski (1993). MARKOR has been tested for validity and reliability and has been extensively used for measuring Market Orientation of business units. Adaptations in wordings were made in the scale to suit the context of bank branch. Autonomy was measured using the scale developed by the researcher for the purpose.

Performance was measured using three separate single item scales of which two were revenue measures and one profitability measure. Decentralization and formalization were measured using existing scales. All the scales had established psychometric properties. The initial depth interviews conducted by the researcher to get insights into market orientation in banking industry were facilitated by the semantic differential scale of market orientation developed by George S Day (1997). All the scales used for data collection are given in the appendix.

### 3.6. Data collection procedure

For the survey researcher administered questionnaires to branch mangers mainly at the staff training colleges of Banks. An academic environment was chosen due to the ineffectiveness and inefficiency of getting long questionnaires filled at a normally busy branch office set up. Besides, such an atmosphere was also found to be congenial for a detailed briefing by the researcher to the respondents before administering the questionnaire. Researcher personally met authorities at Staff Training Colleges of various banks and sought permission to collect data from branch managers undergoing training at staff training colleges. Two training colleges cooperated. The branch managers were met by researcher in training groups and were briefed about the research objectives and were administered the questionnaire. The filled in questionnaires were personally collected back by the researcher the same day or in a week's time. Where access was not possible to staff training colleges, researcher met the respondents at their respective branches and administered the questionnaires. In total 122 managers participated in the study.

Managers at corporate office level in three banks cooperated for depth interviews on the extent of market orientation at the whole organization level and how it permeated

to the branch level. Researcher sought appointment with these managers and interviewed six managers belonging to various functions (one VP marketing, one National sales manager, one chief manager marketing, one marketing executive, one manager operations and one manager credits). Where respondent was willing, interviews were audio recorded and others were noted down by the researcher.

### 3.7. Data Analysis Techniques

For the development of a scale for measuring autonomy two major analyses were done. One was the factor analysis done for identifying the scale dimensions which resulted in three dimensions along which the items were loaded. To test for the reliability of each of the dimensions and for the overall scale chronbach's alpha was calculated.

For testing the proposed model data were first purified and standardized using standard procedures. To measure the impact of the dependent variables under study on corresponding dependent variables multiple regression analysis was done. To measure the mediation effect of market orientation in the proposed model multiple step-wise regression was conducted.

# 4. ANALYSIS OF DATA AND DISCUSSION OF RESULTS

## 4.1. Introduction

In the previous chapter the methodological considerations researcher kept while planning and executing the research including the research design, sampling, data collection and analysis procedures and techniques employed were discussed. The present chapter is on the output of data analysis as well as researcher's interpretation of the output. This chapter has three broad parts. The first part deals with analysis of data for scale development purpose. The second part contains outcome of the initial qualitative study researcher undertook to get insight into the domain of retail banking. The final part of this chapter gives the analyzed results of the survey to test the proposed model and interpretation of corresponding results.

PART-I

## 4.2 Analysis for Scale Construction

Further to the description on the standard procedure followed in scale development process explained in Chapter Two the following tables provide details of the analysis done for scale development purpose. For confirming the logically derived dimensions of the scale a factor analysis was conducted. To establish the reliability of the total scale as well as that of its dimensions corresponding reliability alpha were calculated. Outputs of these analyses are given in the following tables.

### 4.2. a *Factor Analysis for Examining Scale Dimensions*

**Total Variance Explained**

| Component | Rotation Sums of Squared Loadings | | |
|---|---|---|---|
| | Total | % of Variance | Cumulative % |
| 1 | 4.392 | 24.400 | 24.400 |
| 2 | 4.223 | 23.462 | 47.862 |
| 3 | 3.953 | 21.960 | 69.822 |

Extraction Method: Principal Component Analysis.

**Rotated Component Matrix(a)**

**Table 4.1**

| Items | Component | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| 8. To decide sales/marketing agents | .777 | | |
| 13. create a new job | .754 | | |
| 11. decide on marketing promotion | .735 | | |
| 7. The price of the service | .698 | | |
| 2. to decide on resource aquistion procedures | .638 | | |
| 5. Determine a new product or service introduction | .604 | | |
| 15. decide on remuneration of staff | | .816 | |
| 18. decide on recruitment of personnel | | .776 | |
| 14. dismiss a staff | | .773 | |
| 12. promote staff | | .690 | |
| 10. decide on cost of customer acquisition | | .617 | |
| 9. To decide marketing budgets | | .559 | |
| 16. decide on the training needs and methods | | .523 | |
| 3. service quality standards shall be maintained | | | .836 |
| 17. allocate work among available personnel | | | .733 |
| 4. Decide on the monthly target of the unit | | | .729 |
| 6. Determine territories to be covered | | | .532 |
| 1. to sanction loans | | | .502 |

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 9 iterations.
(Loadings Below 0.5 suppressed for clarity)

**Table 4.2**

Rotated component Matrix showed that the items loaded on three major components. Items loaded together on any one component reflected business-functional similarity. Therefore the components were labeled along the business function to which the decisions primarily belonged. Thus six items loaded on component one was labeled as Marketing Autonomy, the seven items loaded on component two together was labeled Personnel Autonomy and the last component comprising five items was labeled Goal Setting Autonomy.

### 4.2. b Reliability Analysis (A L P H A) for the Scale

Reliability analysis (alpha) was conducted for the scale as a whole (Table 4.3) and then for each of the components constituting the scale (Tables 4.4, 5& 6). The rule of thumb for reliability analysis, according to Nunnally (1978) is that reliability level of 0.70 will suffice in exploratory settings though in those applied settings where important decisions are made a minimum reliability coefficient of 0.90 is a must. The overall alpha value was determined to be 0.951. Note also that no corrected inter-item correlation fell below 0.3, which is a positive signal of the internal consistency of the scale. "Alpha if item removed" column gives figures, none of which is above the aggregated alpha value for all the items taken together. This means that the overall internal stability will be negatively affected if any variable is removed from the membership in the scale. Alpha values arrived at from the dimension-wise analysis are also presented. Note that the above said conditions are satisfied here also.

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| v1 | 57.7833 | 489.516 | .571 | .483 | .951 |
| v2 | 57.5583 | 469.274 | .756 | .766 | .948 |
| v3 | 56.2667 | 474.869 | .619 | .752 | .950 |
| v4 | 56.6167 | 469.768 | .703 | .761 | .949 |
| v5 | 57.4583 | 469.696 | .756 | .717 | .948 |
| v6 | 56.6250 | 471.194 | .684 | .591 | .949 |
| v7 | 56.7333 | 470.752 | .746 | .719 | .948 |
| v8 | 56.5833 | 465.052 | .723 | .701 | .949 |
| v9 | 57.4417 | 469.778 | .756 | .697 | .948 |
| v10 | 57.9083 | 482.319 | .686 | .602 | .949 |
| v11 | 56.4833 | 464.504 | .740 | .838 | .948 |
| v12 | 56.8000 | 459.304 | .816 | .843 | .947 |
| v13 | 57.1250 | 463.589 | .790 | .792 | .947 |
| v14 | 57.7750 | 484.714 | .692 | .762 | .949 |
| v15 | 57.3833 | 477.079 | .652 | .723 | .950 |
| v16 | 55.7000 | 470.918 | .794 | .753 | .947 |
| v17 | 54.8750 | 500.060 | .500 | .494 | .952 |
| v18 | 56.5667 | 470.836 | .692 | .735 | .949 |

Valid Cases: 120 Alpha: .951 Items: 18

**Table 4.3: Reliability ALPHA for All Items of Autonomy Scale**

**Dimension 1: Personnel Autonomy**

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| v9 | 19.2314 | 68.313 | .734 | .585 | .904 |
| v10 | 19.7107 | 72.207 | .701 | .521 | .908 |
| v12 | 18.5785 | 63.729 | .819 | .708 | .895 |
| v14 | 19.5620 | 72.515 | .743 | .688 | .905 |
| v15 | 19.1653 | 68.322 | .730 | .684 | .905 |
| v16 | 17.4711 | 69.935 | .718 | .546 | .906 |
| v18 | 18.3306 | 65.473 | .774 | .661 | .900 |

Valid cases: 121Alpha: .917 Items: 7

**Table 4.4: Reliability ALPHA for Items of Personnel Autonomy**

**Dimension 2: Marketing Autonomy**

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| v2 | 16.7000 | 60.632 | .744 | .609 | .905 |
| v5 | 16.6000 | 61.570 | .710 | .581 | .909 |
| v7 | 15.8750 | 60.144 | .778 | .635 | .900 |
| v8 | 15.7250 | 57.327 | .775 | .645 | .901 |
| v11 | 15.6250 | 58.068 | .756 | .679 | .903 |
| v13 | 16.2667 | 57.424 | .830 | .727 | .893 |

Valid Cases: 120 Alpha: .917 Items: 6

**Table 4.5: Reliability ALPHA for Items of Marketing Autonomy**

**Dimension 3: Goal Setting Autonomy**

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| v3 | 14.9421 | 24.972 | .716 | .602 | .769 |
| v17 | 13.5124 | 32.719 | .554 | .323 | .819 |
| v6 | 15.2975 | 26.977 | .610 | .436 | .803 |
| v1 | 16.4463 | 31.283 | .520 | .275 | .824 |
| v4 | 15.2727 | 24.667 | .773 | .656 | .750 |

Valid Cases: 121 Alpha: .830 Items: 5

**Table 4.6: Reliability ALPHA for Items of Goal Setting Autonomy**

Discussions on how the above outputs of data analysis were interpreted in establishing the psychometric properties of the autonomy scale so that the scale could be qualified for use in the proposed theoretical model testing have already been incorporated in the second chapter where issues on measurement of autonomy construct are elaborated.

## PART- II

### 4. 3 Discussion based on Initial Interviews

To get familiarity of retail banking domain and to understand how a market orientation is manifested in banking context examples of three retail banks were studied. Researcher closely studied one practice each in these banks as examples of market oriented behavior. These three practices were associated to how these banks dealt with potential, current, or lost customers. The first case narrates how HDFC Ltd. in an effort to implement a superior market orientation captures relevant market information from lost customers so as to design responses based on the information. As a part of this effort researcher also conducted a study for HDFC to identify the reasons for customer defection and post defection behavior. The second case at ING Vysya Bank Ltd. explores how the bank sources relevant stake holder information in the process of conceptualizing and launching a new product. The third case on Standard Chartered Bank studies how the bank gathers information on customer satisfaction and also how organizational systems and structures are brought in place to ensure a superior customer focus. In all the three cases researcher conducted interviews with managers at different levels as well as drew from materials supplied by them.

### Practice 1: Market Orientation efforts at HDFC Ltd.

Market oriented companies display superior market sensing and market relating capabilities and they align their organizations to facilitate a market orientation (Day, 1994). HDFC top management believed in the need to be market oriented (Ghosal, 2001). The firm is the market leader in Housing Loans market. Through a series of

interviews with the General Manager, Marketing Head, Marketing Executive and with executives in operations, call center, legal department researcher found how a market orientation is maintained at HDFC. From the study the company learned that efforts to curb defection must focus on speed of service, educating customers on cooperating in the delivery process and sales team training and monitoring.

In the process of the study researcher personally carried out a market oriented activity for HDFC. Company was particularly interested in knowing the reasons for customer defection. Typical respondent in the study was a customer who applied for HDFC home loans got the loan sanctioned but for whatever reasons did not avail the service. The firm wanted to find out why these defectors did not opt for HDFC service even after applying for the same. Study on defection can provide valuable insights. Defectors pinpoint shortcomings and reveal what competitors are doing to capture customers. Therefore a study was designed to find out the reasons for defection, post-defection behavior, and extent of competitor activity in the field and the level of satisfaction of defectors with competitors' service. Findings of the study should help HDFC in developing and implementing greater market orientation.

The study was carried out for Karnataka and Goa Region of HDFC. An initial list containing 530 defectors was obtained from the regional office at Bangalore. 294 of the total list belonged to Bangalore District. A sample of 150 respondents was drawn at random from the list. Data were collected from the respondents through telephonic interviews. 82 respondents cooperated with the survey. A simple interview schedule was administered over phone and the responses were recorded. Analysis showed the following results:

a. 53% of defections are connected to Operational Difficulties of different kinds, 22% to competitor action, 17% to sales ineffectiveness and 8% to customers themselves.

b. Defectors consider HDFC prices reasonable.

c. Defectors' top three choices are the following competitors; ICICI bank (43%), IDBI bank (21%) and ABNAMRO (13%).

d. 98.6% defectors reported that they were happy with the service they received from competition.

The following tables provide results of the study.

| Reasons | Response (%) |
|---|---|
| Too many Delays & Formalities | 52.7% |
| Competitive action | 21.6% |
| Over promise by Sales Team | 17.6% |
| Customer Insecurity like fear of interest hike | 8.1% |

**Table 4.7: Reasons for Defection aggregated into four main categories**

| ICICI | IDBI | ABNAMRO | SCB | BOB | Others | Not revealed |
|---|---|---|---|---|---|---|
| 31.5% | 15.1% | 9.6% | 5.5% | 4.15 | 6.8% | 27.4% |

**Table 4.8: The immediate competition defect customers turned to**

| Happy | Unhappy |
|---|---|
| 98.6% | 1.4% |

**Table 4.9: Extent to which HDFC defectors were happy with their current service provider**

**Practice 2: Launch of Orange Account at The ING Vysya Bank Ltd.**

While approaching The ING Vysya Bank Ltd. (IVBL) for the interview the bank was already into a market oriented programme for new product development. Based on the market oriented belief that products must be developed and offered to address felt needs of customers and motivated by the notion of 'catch them young' IVBL explored the scope for a new product among the college going youth. The bank observed that the number of outstation student were on the increase in urban colleges of the country and wanted to address their financial needs. These outstation students primarily depended on their families for their tuition fee as well as all other expenses. While some of them availed educational loans which most banks in the country offered their savings bank account transactions were based primarily on whichever bank their parents had accounts in. IVBL contemplated the scope for a savings account for such youth belonging to the age group 17-24 who are in cities away from home. Before deciding on the exact features of the product the bank went ahead with an extensive information gathering exercise from three sets of stake holders external to the company;

1. Information from potential customers ( youth and their parents)
2. Information from competitors
3. Information from possible partners.

Information from potential customers and possible partners was gathered through focus group discussions and a survey. Information on competition was collected from public domain like the internet.

A team led by VP- Product Development of the bank followed a systematic procedure in gathering relevant data. An initial focus group discussion of eight members from the target group was held to have a preliminary understanding of the customers and to formulate a questionnaire. Based on the insights from the discussion a questionnaire was developed. The questionnaire was pilot tested and later a survey was carried out with 214 potential customers. The survey among youth threw light on the fact that the chief influencers in the buying decision would be parents. A second focused group was held consisting of a group of parents of the target segment. The survey and focus groups gave sufficient input on the nature and features of the product.

The first focused group gave insights on the expectations, needs, desired features, features for which they are ready to pay additional cost, cost or savings they are not willing to compromise on, acceptability for various promotion media, expectations in ad campaigns, chief influencers for actual buying and aspects that would make them continue relationship with the bank.

The survey of 214 potential customers – students- revealed the core benefits sought by them, convenience facilities sought, auxiliary benefits sought, key influencers on buying decision, reasons for changing loyalty, readiness to pay for extra benefits sought over and above what they are currently paying, customer perception of IVBL, position of IVBL in terms of customer preferences and media receptiveness.

Based on the insights on the discussions as well as survey product features were decided on. Only one competitor had introduced a somewhat similar product known as Bank@Campus. Search on the internet gave details of the competing product so as to compare the same with the proposed product.

Besides the interaction with customers and other stake holders also gave input for developing a marketing plan for the proposed product.

Since the bank felt that the best channel to tap the potential of the product would be educational institutes it held interviews with heads of three educational institutes in the city considered for test marketing. Interview sought for their perceptions of the proposed product, their expectations and suggestions. The outcome of the market study resulted in the successful product called Orange Account of IVBL.

**Practice 3: Monitoring of Customer Satisfaction at the Standard Chartered Bank**

This case study was conducted to draw insights on how a firm sources and uses relevant information from its current customers in the process of implementing a superior market orientation. Standard Chartered Bank (SCB) is one of the leading players in credit cards market in India. The bank has introduced many healthy practices to ensure greater customer satisfaction and retention. The market oriented practices at SCB to track and enhance customer satisfaction are detailed below.

Structuring Organization around Market Needs:

Consumer banking at SCB is divided into wealth management (includes savings accounts and current accounts) shared distribution (branch networks, ATM networks), unsecured payments (credit cards, personal loans), secured payments (mortgage loans),

and business interest banking (loans to small and medium enterprises). Each business is treated as a value-center headed by a manager responsible for profits, costs, customer service and every other issue affecting the business. Under each there are functional departments like sales, service, collection, marketing etc. Besides, there are support departments like operations.

Market segmentation and targeting:

Credit card customers in Indian market could be classified into three categories.

1. The affluent class.
2. Corporate houses maintaining cards for their employees
3. The middle class.

While usage convenience is a common benefit sought after by all the segments there are other reasons that motivate to have credit cards. However, these reasons vary from segment to segment. While the rich though not in need of credit would like credit cards due to snob appeal as well as for convenience the middle class would look at the same as a source of easy cash on credit. Marketers of credit cards understood the segment differences and offered products suiting the corresponding segments. While a few companies like the American express targeted only the customers in the high spending category most banks like the Citibank, HSBC, SBI and the like addressed all the markets.

Banks come out with different products targeting different target groups in the above broad segments. For example, Manhattan from SCB targets the youth in affluent and middle class. The youth market expects a different level of customer orientation. Therefore SCB designed Manhattan as an interactive credit card that has a life style orientation. Manhattan gives its customer a club membership at the same time provides

choice to be a part of the programmes organized by the clubs, like watching a movie with the hero or heroin of the movie for a first day first show. Thus, different target groups are treated differently and that results in differing profitability. Having many relations with customers is more profitable than just one card for all markets and one kind of relationship.

*Competition in credit cards market*

Most banks in India offered credit card services. All these banks have affiliation to MasterCard or to Visa International except Citibank for their Diners' and American Express for their Amex Green. Major players include; Citibank (Citi-Diners, Citi-Classis, Citi-prefered), Standard Chartered Bank (SC-Gold, SC-Silver, SC-Classic, Manhattan), Grindlays Bank (ANZ card), HSBC ( H K Gold and HK Executive), American Express (Amex Green). Besides these foreign banks that introduced credit cards in Indian retail banking market domestic banks are also quite active in the consumer-banking sphere. The most aggressive domestic banks in the credit cards industry are ICICI bank, SBI and HDFC bank. Of late banks have launched cards in association with organized retailers for their customers like ICICI-Big Bazzar card, for alumni of leading educational institutions etc.

Most foreign banks have high concentration on the urban markets and generally targeted businesses and the *yuppies* i.e. young and upwardly mobile professionals. Over a decade credit cards changed from an elitist product to a middle class product and most of the players got into tie-ups with organized retail chains, hotels, restaurant, travel agents and consumer durable dealers to offer special benefits to their customers. Banks like Citibank offered special rates to their cardholders in case of availing other services like personal loan, home loan or vehicle loan.

Customer Service at SCB

Standard chartered entered credit cards business in 1994. Standard Chartered offered cards designed for all the three above said segments. Different customer segments are served with appropriate service mix and a wide range of product offers. The major concentration of standard charted since inception had been to provide high quality customer service. To ensure superior customer service SCB regularly tracks customer satisfaction through an on-board survey conducted regularly. The survey is carried out online as well as off-line. For an online customer after every transaction the website throws up a couple of questions that measures the satisfaction level and expectation of the customer based on the transaction just over as well as based on historical data of the customer available with the bank. The data thus gathered are periodically collated and analyzed by he internal quality cell at SCB and information thus arrived at is disseminated among the relevant departments, branches as well as to the higher ups in the organization. SCB also deigned a parallel organization system to support the service quality initiative in the bank. The service quality set up in SCB doesn't report to the local head but to the Head of Consumer Banking. "The OS itself takes care of complete customer satisfaction. The team assesses the quality and tracks the customer complaints. The team tries to reduce the complaints in absolute numbers. There exists a National Service Council (NSC) for each business that meets every month." The NSC contacts the local unit heads to tackle customer satisfaction issues based on the service quality team's reports. The local service quality team at the regional level collects relevant service quality information from the customer and supplies it to the head office (HO) as well as the local unit head. The HO in turn suggests responses to the local branch which it monitors through the local service quality team. The

communication flow within the service quality organization system at SCB is depicted below.

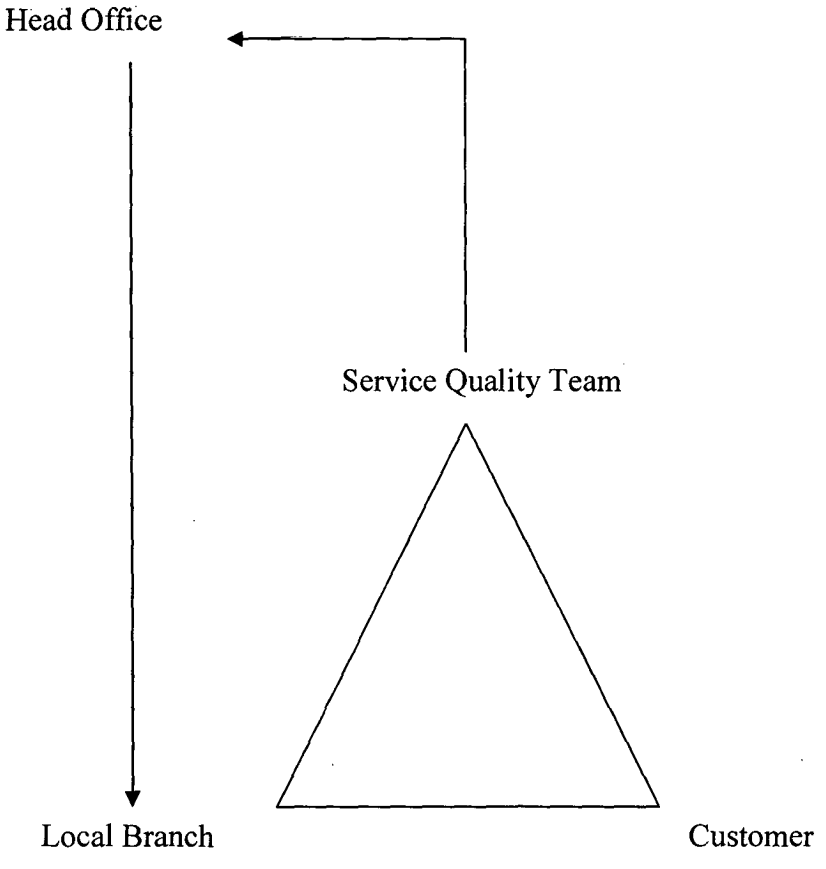


**Figure 4.1: Service Quality Organization and flow of Internal Service Quality Communication at Standard Chartered Bank**

Performance Evaluation at SCB also considers service quality. Evaluation of performance is not entirely on business results. Customer satisfaction and service performance is also treated and evaluated separately. Every manager has a monthly performance index. Service quality is one of the measures in the index, which has a five to 10 per cent weight. Thus service quality is one of the job objectives. Loyalty survey is done and the loyalty scores are shared. Even the call center transaction is tracked very closely.

SCB has laid goals for the next 5 years hoping to improve its on-board-survey scores to be recognized as the leader in service quality. It is a global program called 'outserve'. The members of the local teams of 'outserve' are selected or nominated and set targets (on any internal issues like statements not received) for six months and decide on the changes required to tackle the issue.

**4.3. a Insights on Market Orientation in Retail Banking drawn from Cases**

Interviews with the managers in the banks and researchers own association with specific practices in these banks resulted in the following insights;

1. True to the definition adopted for market orientation in the current study market oriented banks extensively sought for market information i.e. information about customers (current, potential and lost), competition and industry in general. The three practices already discussed in this chapter are clear examples of this information generation, dissemination and response dimensions of a market orientation. For instance the SCB credit card's national manager narrated their practice as follows.

> "...Therefore we track customer satisfaction through an on-board survey. An independent team measures customer satisfaction on a monthly basis after considering the entire experience of the customer. And the concerned business heads seriously look into the scores of the survey every month..."
>
> "...We touch our 1.6million card customers at least once every month through the statements. The influence of factors like delay in courier due to strikes or natural calamities like a flood in Mumbai is directly reflected in the survey scores. Surveys are conducted also on the existing customers on many other service quality related issues..."

2. Designing business and organization around the market/customer helps in an improved market orientation as is explicit in the case of Standard Chartered Bank. Aligning structures, systems and incentives help implementation of market orientation. The service quality set up in SCB doesn't report to the local head but to the Head of Consumer Banking.

> "The OS itself takes care of complete customer satisfaction. The team assesses service quality and tracks customer complaints. The team tries to reduce the complaints in absolute numbers. There is a National Service Council (NSC) for each business that meets every month."

3. In the implementation of market orientation response design and implementation may be seen a responsibility of the lower level units but the onus for bringing in system for implementing and for monitoring may be seen as that of the top management. Some information may help system creation and others may help monitoring.
4. However, even in new generation banks alignment between various departments in serving customer needs was lacking. The study on defectors at HDFC brought out how lack of customer focus of a single department adversely affected customer satisfaction. Marketing department of the company used the findings of the study to enlighten the operations department. In HDFC there was clear agreement on the need for improved inter-functional coordination in serving customers.
5. Each business at SCB is treated as a value-center headed by a manager responsible for profits, costs, customer service and every other issue affecting the business. They had systems in place to monitor customer profitability. Functional

departments like sales, service, collection, marketing etc were aligned to form the value centers. Besides, there are support departments like operations. SCB is in a position to assess customer life time value and the return on customer.

> "Credit card does not make money in the first year of operation. It makes money only from the second year. So you need to maintain the customer to ensure profits. If you loose the customer within a year you end up in loss. If you loose the customer within a year you end up in loss".

6. Monitoring of customer orientation through an independent team helps. E.g. The service quality team at SCB. The bank also had such system that could monitor whether a customer call was attended within three rings or not
7. Firms had human resources practices to support a market orientation like performance appraisal linked to customer satisfaction score.
8. It is essential to collect feedback from current customers, defectors and potential customers so that the implementers of market orientation understand the market pulse well. It is also necessary that members with decision making authority from all departments involve in the listening to customers. ( Defector study at HDFC pointed out deficiencies in operations, legal, sales, marketing and PR departments resulting in switching behavior)
9. While front line employees were willing for responding to customer need positively, very often, the higher levels as well as systems put in by higher levels control them resulting in customer dissatisfaction and defection. Greater autonomy in front line could help to do the right thing. (HDFC defectors while were happy with the executive they interacted with were at the same time highly dissatisfied with the bank.)

10. At IVBL market oriented behavior was expressed to be ad-hoc and at individual manager's initiative rather than that of a system that facilitated a market orientation. Particularly, reward systems at IVBL were not connected in anyway to market oriented behavior. Thus, where rewards are not designed to facilitate a market orientation such behavior occurs out of individual manger's initiative which could be considered quite ad-hoc.
11. Involvement of top management in installing systems and structures facilitating a market orientation was found to be essential. Where SCB had an international strategy that permeated to local branches; IVBL had market orientation practices initiated by individuals at pockets and not as an organizational phenomenon.
12. Individual branches drew heavily from organizational systems and top management in making their branches market oriented.
13. Market oriented firms had a lot of market stories (more success stories than failures in researcher's experience) which displayed greater level of action initiated by them in the market whereas less market oriented firm lacked in the number of such success stories. At HDFC they shared how the bank explored with realty developers the scope for introduction of a special product for young working families at Bangalore, or how successful their *Home Loan Melas* were, or how the 10,00,000 smiles advertisement generated tremendous response etc. At standard chartered bank they narrate how the bank worked on a war footing to ensure that the monthly bills reached the customers with the least delay during the floods in Mumbai. In IVBL, on the other hand, subtle negative emotions implicitly expressed in dialogues like "we don't know what those guys are doing

here (smile)", unasked for comments on the space occupied by the CEO in an otherwise packed office space, were the kind of stories circulating.

14. Market oriented firms were also found to be benefiting from widespread use of Information Technology (Networking and Database management in particular) for a superior market orientation. They used state of the art call centre software (HDFC had an in-house call center in the Bangalore branch). Executives at HDFC and SCB had high admiration for the IT infrastructure in place.
15. Since technology decisions due to their organization wide implications as well as high cost involved are top management decisions, technology implementation could be considered a proof for top management commitment to Market Orientation that in turn facilitates and motivates employees who use those technologies.
16. Market oriented firms were also concerned about gathering relevant information about business partners continuously. When direct sales agents who had partnership with multiple home loan providers started the 'balancing act' of pushing customers of a target-achieved client to that of target unachieved-competitors to please *all* their clients, HDFC went ahead to set up its company owned direct sales agency.
17. Besides top management emphasis the marketing department itself could play a catalyst role in developing coordinated marketing by initiating market information gathering and disseminating the same across department. When the customer defection study revealed the causes for customer defection the marketing team took the report to operations department to sensitize them on

'procedural delays' and to company sales team as well as to direct sales agencies to sensitize them on the 'initial over-promise' complaint from customers

18. There existed gap between what top preached and what the bottom practiced in the case of a market orientation. The mission statements of almost all banks kept customer at the center or portrayed customer service and satisfaction as the cause of their existence. However, researcher on the one hand observed branches that were very clear examples and on the other hand found branches that were aberrations of what was captured in mission statements. For market orientation to permeate to lower levels in organizations calibrated efforts are needed to monitor it's happening at that level. Therefore, one may argue that an organization wide implementation of a market orientation strategy would not materialize without the lower levels of operation participating in it.

## PART - III

### 4.4. Discussion of Survey Results

This part of the chapter deals with the output of analysis of the data collected from the 122 branches of the various retail banks. Researcher also attempts interpretation of the results of the survey. Responses of branch managers collected through the survey were analyzed using the following multivariate data analysis techniques. Multiple linear regression analysis was used to test the proposed relationships between performance and independent variables, and for measuring the impact of structural variables on market orientation. To measure the mediation effect of market orientation on performance multiple stepwise regression was used. Data were standardized and analyzed using SPSS software. The results corresponding to various hypotheses proposed in the model are discussed below.

### 4. 4. a. *Impact of Structural Variables on Market Orientation*

Structural variables include organizational autonomy (measured along its three components such as marketing autonomy, goal setting autonomy and personnel autonomy), decentralization and formalization. A regression was run wherein they were treated as independent variables impacting overall market orientation (MO) of the branch. Further three more regressions were run with the same independent variables but the dependent variable in each case being the three components of market orientation namely, intelligence generation, intelligence dissemination and responsiveness (IG, ID and Response). Results of these regressions are given below.

Model 1: Impact of Structural Variables on Market Orientation

| | MO | IG | ID | Response |
|---|---|---|---|---|
| | Beta | Beta | Beta | Beta |
| Personnel autonomy | .276* | .266(p=.059) | ns | .306* |
| Goal setting autonomy | .174 (p= .085) | ns | .248* | ns |
| Marketing Autonomy | ns | ns | ns | ns |
| Decentralization | .271* | ns | .248* | .455*** |
| Formalization | -.210** | -.289*** | ns | -.239** |
| Organizational Autonomy | .510*** | .566*** | .514*** | .245* |

*** p<.001, **<p .01, *.05
When regressed along with its three components Total autonomy was excluded. However, when the three components were dropped from the equation autonomy displayed significant impact on market orientation.

**Table 4. 11**

Each of the regression results in the above table is discussed in detail below. Results show significant positive impact of personnel autonomy and decentralization on market orientation (MO). However, impacts of marketing autonomy and goal setting autonomy are found to be insignificant. Impact of formalization on market orientation is found to be significantly negative. Details of the first regression are given below.

## 4.4. a.1 *Overall Market Orientation as Dependent on Structural Variables*

**Variables Entered/Removed** [b]

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | subtotal personal autonomy, total formalization, subtotal Goal setting autonomy, total decentralization, subtotal marketing autonomy[a] | | Enter |

a. Tolerance = .000 limits reached.

b. Dependent Variable: total market orientation

**Table 4. 12**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .607[a] | .451 | .434 | .46791 |

a. Predictors: (Constant), subtotal personal autonomy, total formalization, subtotal goal setting autonomy, total decentralization, subtotal marketing autonomy

**Table 4.13**

**ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 42.454 | 5 | 8.491 | 38.781 | .000[a] |
| | Residual | 22.770 | 104 | .219 | | |
| | Total | 65.223 | 109 | | | |

a. Predictors: (Constant), subtotal personal autonomy, total formalization, subtotal goal setting autonomy, total decentralization, subtotal marketing

b. Dependent Variable: total market orientation

**Table 4.14**

Coefficients [a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 4.218 | .359 | | 11.751 | .000 |
| | total decentralization | .195 | .075 | .271 | 2.585 | .011 |
| | total formalization | -.192 | .055 | -.210 | -3.491 | .001 |
| | subtotal goal setting autonomy | .092 | .053 | .174 | 1.740 | .085 |
| | subtotal marketing autonomy | .063 | .084 | .109 | .742 | .460 |
| | subtotal personal autonomy | .160 | .073 | .276 | 2.191 | .031 |

a. Dependent Variable: total market orientation

**Table 4. 15**

Results suggest that a branch that enjoys greater freedom in people related decision making also has greater market orientation. It could be that since personnel freedom allows the branch to reward a market oriented behavior and discourage a non-market oriented behavior such behaviors flourish in a branch with higher personnel freedom. Or it could be that the branch enjoying a greater personnel freedom could identify, recruit, train, reward and promote people who display attitudes and skills that are enabling a superior market orientation. Besides, it may also be stated that the results confirm the theory that personnel are of specific importance at service delivery levels in organizations. Service marketing scholars have proposed three more Ps specifically relevant to services businesses which are people, process and physical evidence.

It may also be observed that the specific nature of banking industry which used to be highly and even today to some considerable extent regulated by RBI and dealing in products or services that can not be highly differentiated, marketing autonomy and goal setting autonomy would not result in any specifically different behavior like a superior market orientation. Impact of decentralization on market orientation may be interpreted as similar to that of overall autonomy which is significantly positive.

Formalization shows significant negative impact on overall market orientation. One might argue that the rules that were strictly followed in banks were discouraging market orientation. Earlier results show no significant impact of formalization (Kohli & Jaworski, 1993). It might

be argued that in high contact services rules and regulations have special significance. Thus in an industry following formalized rules that are by nature discouraging a market orientation, increased formalization would negatively impact a market orientation. Another possible interpretation is that despite them being market oriented or not strict imposition of rules does not facilitate, but discourage, a market orientation. One might also suggest that in an increasingly competitive industry freedom to break rules would contribute to better market orientation than strict allegiance to them. A possible interpretation of the negative impact of formalization on market orientation may be drawn from Zaltman, Duncan and Holbek (1973). Based on previous studies they argued that high level of formalization could hinder innovative behavior. A market oriented behavior which is primarily a result of innovative approach to understand market, disseminate that information and design and implement creative responses to that market information is more of a reactive activity and that the more an environment gets formal the less its innovativeness becomes.

### 4.4. a .2. *Intelligence Generation as Dependent on Structural Variables*

**Variables Entered/Removed[b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | subtotal personal autonomy, total formalization, subtotal goal setting autonomy, total decentralization, subtotal marketing autonomy[a] | . | Enter |

a. Tolerance = .000 limits reached.

b. Dependent Variable: subtotal intelligence generation

**Table 4.16**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .544[a] | .354 | .334 | .63664 |

a. Predictors: (Constant), subtotal personal autonomy, total formalization, subtotal financial autonomy, total decentralization, subtotal marketing autonomy

**Table 4. 17**

**ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 54.418 | 5 | 10.884 | 26.852 | .000[a] |
| | Residual | 43.774 | 108 | .405 | | |
| | Total | 98.192 | 113 | | | |

a. Predictors: (Constant), subtotal personal autonomy, total formalization, subtotal goal setting autonomy, total decentralization, subtotal marketing autonomy

b. Dependent Variable: subtotal intelligence generation

**Table 4. 18**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 5.028 | .481 | | 10.444 | .000 |
| | total decentralization | .084 | .102 | .096 | .827 | .410 |
| | total formalization | -.321 | .074 | -.289 | -4.347 | .000 |
| | subtotal goal setting autonomy | .077 | .069 | .119 | 1.103 | .273 |
| | subtotal marketing autonomy | .159 | .109 | .232 | 1.465 | .146 |
| | subtotal personal autonomy | .185 | .097 | .266 | 1.909 | .059 |

a. Dependent Variable: subtotal intelligence generation

**Table 4. 19**

Only formalization and personnel autonomy have significant impact on intelligence generation. Formalization's impact is negative while that of personnel autonomy is positive. The result may be interpreted in one direction as indicating that formal rules that existed in the organizations were particularly discouraging a superior intelligence generation. Such rules if strictly followed would result in inferior intelligence generation. However, the present research

has not particularly looked into the exact nature of these rules. But the higher emphasis on such rules results in lesser intelligence generation and therefore lesser market orientation in firms. Personnel autonomy was found significant in its impact on intelligence generation at 6% level. Intelligence generation is customer dependent. Intelligence dissemination is only dependent on employees. Rules may be restrictive with regard to the relationship between customer and employees rather than employees themselves.

### 4.4. a.3 *Intelligent Dissemination as Dependent on Structural Variables*

**Variables Entered/Removed[b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | subtotal personal autonomy, total formalization, subtotal goal setting autonomy, total decentralization, subtotal marketing autonomy[a] | . | Enter |

a. Tolerance = .000 limits reached.

b. Dependent Variable: subtotal intelligence dissemination

**Table 4.20**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .438[a] | .245 | .224 | .59105 |

a. Predictors: (Constant), subtotal personal autonomy, total formalization, subtotal goal setting autonomy, total decentralization, subtotal marketing autonomy

**Table 4.21**

**ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 44.753 | 5 | 8.951 | 25.621 | .000[a] |
| | Residual | 37.380 | 107 | .349 | | |
| | Total | 82.133 | 112 | | | |

a. Predictors: (Constant), subtotal personal autonomy, total formalization, subtotal goal setting autonomy, total decentralization, subtotal marketing autonomy

b. Dependent Variable: subtotal intelligence dissemination

**Table 4. 22**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.319 | .447 | | 7.416 | .000 |
| | total decentralization | .199 | .094 | .248 | 2.110 | .037 |
| | total formalization | -.063 | .068 | -.062 | -.925 | .357 |
| | subtotal goal setting autonomy | .145 | .064 | .248 | 2.265 | .026 |
| | subtotal marketing autonomy | .084 | .101 | .133 | .833 | .407 |
| | subtotal personal autonomy | .112 | .091 | .174 | 1.232 | .221 |

a. Dependent Variable: subtotal intelligence dissemination

**Table 4. 23**

Decentralization and goal setting autonomy are found to be facilitating intelligence dissemination. The influence of goal setting autonomy may be interpreted, assuming goal setting as a collective effort among managers and subordinates, as occasions of collective goal setting allow free dissemination of relevant market information among parties involved in goal setting. While formalized rules were found to hinder information generation it was not the same in the case of information dissemination. Thus intelligence generation, which demands more creative and proactive effort, is hindered by higher formalization but intelligence

dissemination which may not be considered that proactive an activity remains unaffected by the existence of norms and rules.

### 4.4. a. 4 *Responsiveness as Dependent on Structural Variables*

**Variables Entered/Removed[b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | subtotal personal autonomy, total formalization, subtotal goal setting autonomy, total decentralization, subtotal marketing autonomy[a] | . | Enter |

a. Tolerance = .000 limits reached.

b. Dependent Variable: subtotal responsiveness

**Table 4. 24**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .543[a] | .352 | .330 | .51108 |

a. Predictors: (Constant), subtotal personal autonomy, total formalization, subtotal goal setting autonomy, decentralization, subtotal marketing autonomy

**Table 4. 25**

**ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 33.734 | 5 | 6.747 | 25.830 | .000[a] |
| | Residual | 27.426 | 105 | .261 | | |
| | Total | 61.160 | 110 | | | |

a. Predictors: (Constant), subtotal personal autonomy, total formalization, subtotal goal setting autonomy, total decentralization, subtotal marketing autonomy

b. Dependent Variable: subtotal responsiveness

**Table 4. 26**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 4.430 | .391 | | 11.329 | .000 |
| | total decentralization | .316 | .082 | .455 | 3.847 | .000 |
| | total formalization | -.211 | .060 | -.239 | -3.527 | .001 |
| | subtotal goal setting autonomy | .043 | .057 | .085 | .757 | .451 |
| | subtotal marketing autonomy | -.061 | .092 | -.111 | -.664 | .508 |
| | subtotal personal autonomy | .171 | .080 | .306 | 2.147 | .034 |

a. Dependent Variable: subtotal responsiveness

**Table 4. 27**

Decentralization, personnel autonomy and formalization are found to be significant in their influence on market oriented response. Impact of decentralization and personnel autonomy is positive. Similar to its influence on intelligence generation formalization has a negative but significant impact on response.

The impact of decentralization and personnel autonomy may be interpreted as them facilitating market oriented action. In other words when branch managers believe that they have freedom to take decisions on matters that they confront without having to compulsorily refer to higher-ups or parties external to the service delivery unit they end up designing and implementing market oriented activities.

**4.4. a .5** ***Impact of Structural variables on Market Orientation*** *(with composite measure of autonomy)*

Since the three dimensions of it functioned as proxy for organizational autonomy while regressed along with its dimensions total autonomy which is nothing but the sum of the dimensions got excluded from the regression equation. Therefore, total autonomy was separately entered in a regression along with decentralization and formalization as independent variable. Results pertaining to the impact of the three independent variables on market orientation and its dimensions are given below.

**Coefficients(a)**

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 4.193 | .355 | | 11.805 | .000 |
| | total decentralization | .200 | .074 | .278 | 2.692 | .008 |
| | total formalization | -.183 | .054 | -.200 | -3.413 | .001 |
| | total autonomy | .308 | .063 | .510 | 4.891 | .000 |

a Dependent Variable: total market orientation

**Table 4.28: Impact of Composite Structural Variables on Market Orientation**

**Coefficients(a)**

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 4.998 | .478 | | 10.464 | .000 |
| | total decentralization | .094 | .101 | .107 | .933 | .353 |
| | total formalization | -.309 | .072 | -.278 | -4.284 | .000 |
| | total autonomy | .412 | .084 | .566 | 4.906 | .000 |

a Dependent Variable: subtotal intelligence generation

**Table 4.29: Impact of Composite Structural Variables on Intelligence Generation**

**Coefficients(a)**

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 3.322 | .443 | | 7.505 | .000 |
| | total decentralization | .195 | .093 | .243 | 2.094 | .039 |
| | total formalization | -.066 | .067 | -.065 | -.998 | .321 |
| | total autonomy | .344 | .078 | .514 | 4.409 | .000 |

a Dependent Variable: subtotal intelligence dissemination

**Table 4. 30: Impact of Composite Structural Variables on Intelligence Dissemination**

**Coefficients(a)**

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 4.373 | .390 | | 11.201 | .000 |
| | total decentralization | .325 | .082 | .468 | 3.969 | .000 |
| | total formalization | -.192 | .059 | -.217 | -3.264 | .001 |
| | total autonomy | .142 | .069 | .245 | 2.064 | .041 |

a Dependent Variable: subtotal responsiveness

**Table 4. 31: Impact of Composite Structural Variables on Responsiveness**

All three structural variables including the composite measure of total autonomy are found to be significantly impacting overall market orientation. In this context as well while the impact of decentralization and autonomy are in line with the propositions the impact of formalization on market orientation significantly differ from findings in earlier studies and could be interpreted in similar line as discussed earlier.

Organizational autonomy showed significant positive impact on all dimensions of market orientation. This impact might be interpreted as follows. An organization enjoying superior decision making autonomy shows greater interest in gathering relevant market information and shares the same with colleagues who would benefit from such information. They also respond to such market information through market oriented behavior. The interest they show in information gathering and sharing may be attributed to the belief they hold that they could act (respond) based that information. In other words one shows interest in market information because one believes that one has freedom to do something with that information.

Decentralization has a positive impact on intelligence dissemination and response. However, decentralization does not show any significant impact on intelligence generation. This would mean that if employees at lower levels are encouraged to make decisions without having to often get back to the higher authorities they would show interest in sharing and responding to relevant market information.

Formalization has significant negative impact on intelligence generation and response but does not have an impact on intelligence dissemination. It further emphasizes the understanding that too many rules and regulations discourage information generation and utilization.

### 4. 4. b. *Impact of All Independent Variables on Performance*

Performance is the most studied dependent variable in management literature. Multiple measures of performance exist and current study uses three single item measures. Separate regressions were run to find the performance impact of various independent variables

including autonomy, decentralization, formalization and market orientation. The following table contains the outcome of the regressions in a nutshell.

| Model 2: Impact of al independent variables on Branch Performance | | | |
|---|---|---|---|
| | Sales Growth<br>**Beta** | Market Share<br>**Beta** (p value) | Overall performance<br>**Bêta** |
| Autonomy | .341** | .220(.052) | .379** |
| Decentralization | .383** | .183 (.078) | ns |
| Market Orientation | ns | .465** | .415** |
| Formalization | ns | ns | ns |
| *** p<.001, **p <.01, *p<.05 | | | |

**Table 4. 32: Impact of all Independent Variables on Performance**

Organizational autonomy had significant positive impact on all three measures of performance. It may therefore be interpreted that an organizational unit enjoying superior overall autonomy would be better in its performance. Similarly decentralization also had significant positive impact on the measures of performance. It might therefore be concluded that the two variables of autonomy and decentralization which are different in conceptual content however, coincide and show similar impact on performance.

On all the three measures of performance formalization did not have significant impact. This would mean that whether a bank is less or more formalized does not impact its performance. One might probably argue that what rules are prevailing in an organization i.e. the nature of the rules is more relevant for performance rather than how formally or informally they are implemented.

This positive impact of market orientation on performance could be interpreted as an organization showing interest in gathering relevant market information, disseminating that information across functions and respond based on such information would be better in its performance in terms of market share and overall performance. The not significant impact on

sales growth might be interpreted as the effect of market orientation on performance need not be reflected in real-time but over a period of time. While higher market share would represent performance over longer term, sales growth- though could be expressed over longer term- need not maintain the consistency that market share would have. In case of overall performance one might interpret that overall performance in comparison to competition is understood more from a market share perspective than from sales growth perspective. Regression output of the analysis on the impact of all independent variables on specific performance measures are given in the following tables with corresponding discussions.

### 4. 4. b. 1 *Impact of All Independent Variables on Market Share*

**Variables Entered/Removed[b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | total formalization, total decentralization, total market orientation, total autonomy[a] | . | Enter |

a. All requested variables entered.

b. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table 4. 33**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .826[a] | .682 | .670 | .74726 |

a. Predictors: (Constant), total formalization, total decentralization, total market orientation, total autonomy

**Table 4. 34**

**ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 123.477 | 4 | 30.869 | 55.282 | .000[a] |
| | Residual | 57.514 | 103 | .558 | | |
| | Total | 180.991 | 107 | | | |

a. Predictors: (Constant), total formalization, total decentralization, total market orientation, total autonomy

b. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table 4. 35**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.512 | .888 | | -.577 | .565 |
| | total autonomy | .222 | .113 | .220 | 1.964 | .052 |
| | total decentralization | .221 | .124 | .183 | 1.782 | .078 |
| | total market orientation | .782 | .158 | .465 | 4.952 | .000 |
| | total formalization | -.127 | .095 | -.079 | -1.338 | .184 |

a. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table 4. 36**

## 4. 4. b. 2 *Impact of All Independent Variables on Sales Growth*

**Variables Entered/Removed[b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | total formalization, total decentralization, total market orientation, total autonomy[a] | . | Enter |

a. All requested variables entered.

b. Dependent Variable: sales growth of your region in

**Table. 4. 37**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .771[a] | .594 | .579 | .86278 |

a. Predictors: (Constant), total formalization, total decentralization, total market orientation, total autonomy

**Table. 4. 38**

**ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 112.329 | 4 | 28.082 | 37.725 | .000[a] |
| | Residual | 76.671 | 103 | .744 | | |
| | Total | 189.000 | 107 | | | |

a. Predictors: (Constant), total formalization, total decentralization, total market orientation, total autonomy

b. Dependent Variable: sales growth of your region in

**Table. 4. 39**

**Coefficients [a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .598 | 1.025 | | .583 | .561 |
| | total autonomy | .351 | .130 | .341 | 2.688 | .008 |
| | total decentralization | .471 | .143 | .383 | 3.292 | .001 |
| | total market orientation | .161 | .182 | .094 | .882 | .380 |
| | total formalization | -.037 | .109 | -.023 | -.339 | .735 |

a. Dependent Variable: sales growth of your region in

**Table. 4. 40**

## 4. 4. b. 3 *Impact of All Independent Variables on Overall Performance*

**Variables Entered/Removed [b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | total formalization, total decentralization, total market orientation, total autonomy [a] | . | Enter |

a. All requested variables entered.

b. Dependent Variable: rate your "overall performance"

**Table. 4. 41**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .613[a] | .460 | .447 | .75239 |

a. Predictors: (Constant), total formalization, total decentralization, total market orientation, total autonomy

**Table 4. 42**

**ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 113.359 | 4 | 28.340 | 50.062 | .000[a] |
| | Residual | 58.307 | 103 | .566 | | |
| | Total | 171.667 | 107 | | | |

a. Predictors: (Constant), total formalization, total decentralization, total market orientation, total autonomy

b. Dependent Variable: rate your "overall performance"

**Table. 4. 43**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.487 | .894 | | -.544 | .587 |
| | total autonomy | .371 | .114 | .379 | 3.262 | .002 |
| | total decentralization | .095 | .125 | .081 | .761 | .449 |
| | total market orientation | .680 | .159 | .415 | 4.276 | .000 |
| | total formalization | .023 | .095 | .014 | .237 | .813 |

a. Dependent Variable: rate your "overall performance"

**Table. 4. 44**

The positive impact of market orientation on market share may be interpreted as a firm active in gathering and disseminating customer information and responding based on the same would fare better in generating positive outcomes. Juxtaposing results of the qualitative interviews along the above finding helps in identifying the channels that carry the positive impact of market orientation on performance. As revealed through the interviews market oriented frontline organizations collect relevant information about the customers, competition and industry in general. The aim of this information gathering and dissemination process is to design activities that serve customers better than competition. Naturally such better service to market needs results in superior customer satisfaction and customer retention. Such increased customer retention would in turn result in superior growth and market share.

The result also may be explained drawing support from the service profit chain concept. Superior decision making autonomy, decentralization and lesser formalization induce superior employee satisfaction. Highly satisfied employees at service delivery units adopt innovative methods in better serving customers. Market orientation of the unit itself could be seen as example of such innovative behavior. Alternatively one might interpret that superior market insights derived from a market orientation enable the delivery unit to be innovative in responding to service customer's requirements. The outcome of such innovative and market oriented behavior is superior customer satisfaction. Higher customer satisfaction would result in higher customer retention, market share and profitability which complete a success cycle of service profit chain which induces further service employee satisfaction.

**4. 3. c. Impact of Components of Market Orientation on Performance**

Further to measuring the impact of all independent variables on performance measures the impact of the three components of market orientation on performance was analyzed. For this purpose separate regressions were run for each of the three measures of the dependent variable, organizational performance. Independent variables in all the three regressions were the three dimensions of market orientation namely; intelligence generation, intelligence dissemination and responsiveness. The outcomes of these regressions are given below.

**4. 4. c. 1.** ***Impact of Market Orientation components on Market Share***

**Variables Entered/Removed[b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | subtotal responsiveness, subtotal intelligence generation, subtotal intelligence dissemination[a] | | Enter |

a. All requested variables entered.

b. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table: 4. 45**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .581 [a] | .410 | .399 | .80802 |

a. Predictors: (Constant), subtotal responsiveness, subtotal intelligence generation, subtotal intelligence dissemination

**Table. 4. 46**

**ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 111.082 | 3 | 37.027 | 56.712 | .000[a] |
| | Residual | 71.166 | 109 | .653 | | |
| | Total | 182.248 | 112 | | | |

a. Predictors: (Constant), subtotal responsiveness, subtotal intelligence generation, subtotal intelligence dissemination

b. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table. 4. 47**

**Coefficients [a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -2.243 | .557 | | -4.031 | .000 |
| | subtotal intelligence generation | .293 | .140 | .213 | 2.095 | .038 |
| | subtotal intelligence dissemination | .555 | .165 | .370 | 3.362 | .001 |
| | subtotal responsiveness | .474 | .155 | .274 | 3.061 | .003 |

a. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table. 4. 48**

## 4. 4. c. 2 *Impact of Market Orientation components on Sales Growth*

**Variables Entered/Removed[b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | subtotal responsiveness, subtotal intelligence generation, subtotal intelligence dissemination[a] | . | Enter |

a. All requested variables entered.

b. Dependent Variable: sales growth of your region in

**Table. 4. 49**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .468[a] | .246 | .230 | .98865 |

a. Predictors: (Constant), subtotal responsiveness, subtotal intelligence generation, subtotal intelligence dissemination

**Table. 4. 50**

**ANOVA[b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 85.656 | 3 | 28.552 | 29.211 | .000[a] |
| | Residual | 106.539 | 109 | .977 | | |
| | Total | 192.195 | 112 | | | |

a. Predictors: (Constant), subtotal responsiveness, subtotal intelligence generation, subtotal intelligence dissemination

b. Dependent Variable: sales growth of your region in

**Table. 4. 51**

**Coefficients [a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1.570 | .681 | | -2.306 | .023 |
| | subtotal intelligence generation | -.058 | .171 | -.041 | -.341 | .734 |
| | subtotal intelligence dissemination | .631 | .202 | .410 | 3.125 | .002 |
| | subtotal responsiveness | .608 | .190 | .343 | 3.208 | .002 |

a. Dependent Variable: sales growth of your region in

**Table. 4. 52**

**4. 4. c. 3** ***Impact of Market Orientation dimensions on Overall Performance***

**Variables Entered/Removed[b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | subtotal responsiveness, subtotal intelligence generation, subtotal intelligence dissemination[a] | . | Enter |

a. All requested variables entered.

b. Dependent Variable: rate your "overall performance"

**Table. 4. 53**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .553[a] | .367 | .355 | .86121 |

a. Predictors: (Constant), subtotal responsiveness, subtotal intelligence generation, subtotal intelligence dissemination

**Table. 4. 54**

**ANOVA [b]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 105.687 | 3 | 35.229 | 47.499 | .000[a] |
| | Residual | 80.844 | 109 | .742 | | |
| | Total | 186.531 | 112 | | | |

a. Predictors: (Constant), subtotal responsiveness, subtotal intelligence generation, subtotal intelligence dissemination

b. Dependent Variable: rate your "overall performance"

**Table. 4. 55**

**Coefficients [a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -1.979 | .593 | | -3.337 | .001 |
| | subtotal intelligence generation | .318 | .149 | .228 | 2.129 | .035 |
| | subtotal intelligence dissemination | .448 | .176 | .295 | 2.544 | .012 |
| | subtotal responsiveness | .537 | .165 | .307 | 3.253 | .002 |

a. Dependent Variable: rate your "overall performance"

**Table. 4. 56**

Similar to the impact of overall market orientation on market share the three dimensions of market orientation also displayed significantly positive impact on market share, market growth rate and profitability. These dimensions' impact gets relevance to the extent that they constitute part of the market oriented behavior as well as on each dimension's own right. At the service delivery unit level intelligence generation and dissemination may not be a formalized activity. However, greater interest in intelligence generation and dissemination in itself be initiatives at the branch levels and therefore be seen as reflections of higher levels of interest and ownership employees including frontline managers possess having positive performance implications. The positive impact of market oriented response on performance clearly underlines the now commonly held belief that activities based on relevant customer, competitor and industry information ultimately result in superior performance.

One might also argue that an analysis on the performance implications of the various dimensions of autonomy not necessary. These dimensions are so interlinked and linear in relationships that their cumulative impact is more important than any particular dimension's impact.

**4. 4. d Mediation of Market Orientation on Autonomy-Performance Relationship**

The mediation effect proposed in the present study is that the impact of autonomy on organizational performance is mediated through a market orientation. This means that organizations lower level units of operation in services industry like the branch of a commercial bank, retail outlets of a retail chain or service centers of a large service network would display a greater market orientation if they have superior decision making authority or autonomy. Researcher further postulated that this superior market orientation in turn impacts superior performance. Autonomy on its own would also have direct impact on organizational performance. For example autonomy could result in superior efficiency in decision making

with regard to speed, could result in superior sense of ownership of the decision taken and therefore better implementation of the decision, could result in better employee satisfaction since managers at lower levels do not feel handheld. All these could impact superior performance for the firm. However, as stated in the beginning of this paragraph the concern of the present research in testing mediation is confined to finding out whether the impact of autonomy on performance is mediated through a market orientation as depicted in figure 4.2.

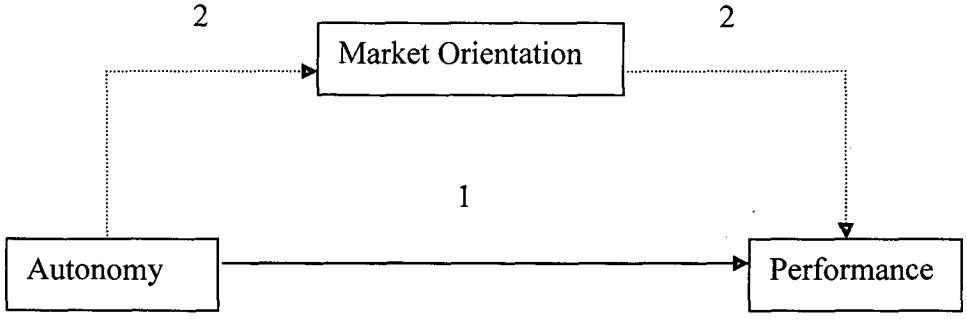


**Figure 4.2: Mediation role of market orientation**

The standard procedure for assessing mediation effects in organizational research is Baron and Kenny's (1986) procedure, and because of its acceptance among research community that treatment is adopted here. This procedure requires the estimation of two regression equations. In the first equation, the outcome variable (in this case organizational performance) is regressed on the initial variable (organizational autonomy). This relationship is represented through the arrow marked 1. In the second equation, the outcome variable is regressed simultaneously on the initial variable and the mediator (market orientation). The mediated impacted of autonomy on performance through market orientation is represented through the line marked 2. The mediation effect is defined as the reduction in the effect of the initial

variable on the outcome when the mediator is included in the regression (i.e. the coefficient of the initial variable in the first regression equation minus the coefficient of the initial variable in the second regression equation). Through out the present study performance was measured using three separate measurements of sales growth, market share and overall performance. Therefore while testing for mediation effect also researcher used these three separate measures of performance. In the presentation of results a single table capturing all the results is presented in the beginning with interpretation of results followed by specific regression details of all the three mediation tests.

| **Mediating role of Market Orientation in Autonomy's Impact on Performance** | | | |
|---|---|---|---|
| ***EQUATION 1*** | **Sales Growth** | **Market Share** | **Overall performance** |
| Autonomy | .524*** | .540*** | .554*** |
| ***EQUATION 2*** | **Sales Growth** | **Market Share** | **Overall performance** |
| Autonomy | .376*** | .233*** | .316*** |
| Market Orientation | ns (β.193, p .063) | .328*** | .437** |
| *** p<.001, **<p .01, * p<.05 | | | |

**Table 4. 57**

## 4.4. d.1 *Market Share as Performance Measure*

**Variables Entered/Removed** [b]

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | total autonomy | . | Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100). |
| 2 | total market orientation [a] | . | Enter |

a. All requested variables entered.

b. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table. 4. 58**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .540 [a] | .348 | .344 | .86782 |
| 2 | .613 [b] | .461 | .455 | .75486 |

a. Predictors: (Constant), total autonomy

b. Predictors: (Constant), total autonomy, total market orientation

**Table. 4. 59**

**ANOVA [c]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 99.659 | 1 | 99.659 | 132.330 | .000[a] |
| | Residual | 82.089 | 109 | .753 | | |
| | Total | 181.748 | 110 | | | |
| 2 | Regression | 120.207 | 2 | 60.104 | 105.479 | .000[b] |
| | Residual | 61.540 | 108 | .570 | | |
| | Total | 181.748 | 110 | | | |

a. Predictors: (Constant), total autonomy

b. Predictors: (Constant), total autonomy, total market orientation

c. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table. 4. 60**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Zero-order | Partial | Part | Tolerance | VIF |
| 1 | (Constant) | 2.118 | .222 | | 9.521 | .000 | | | | | |
| | total autonomy | .544 | .065 | .540 | 11.503 | .000 | .540 | .540 | .540 | 1.000 | 1.000 |
| 2 | (Constant) | -1.109 | .571 | | -1.941 | .055 | | | | | |
| | total autonomy | .234 | .088 | .233 | 3.785 | .000 | .540 | .242 | .212 | .405 | 2.469 |
| | total market orienta | .589 | .148 | .328 | 6.005 | .000 | .385 | .300 | .336 | .405 | 2.469 |

a. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table. 4. 61**

**Excluded Variables[b]**

| Model | | Beta In | t | Sig. | Partial Correlation | Collinearity Statistics | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Tolerance | VIF | Minimum Tolerance |
| 1 | total market orientatio | .328[a] | 6.005 | .000 | .300 | .405 | 2.469 | .405 |

a. Predictors in the Model: (Constant), total autonomy

b. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table. 4. 62**

**Collinearity Diagnostics** [a]

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | |
|---|---|---|---|---|---|---|
| | | | | (Constant) | total autonomy | total market orientation |
| 1 | 1 | 1.929 | 1.000 | .04 | .04 | |
| | 2 | .071 | 5.210 | .96 | .96 | |
| 2 | 1 | 2.919 | 1.000 | .00 | .01 | .00 |
| | 2 | .075 | 6.238 | .07 | .46 | .00 |
| | 3 | .006 | 23.015 | .93 | .53 | .99 |

a. Dependent Variable: rate the market share of the branch in comparsion to the competitors

**Table. 4. 63**

## 4.4. d. 2 *Sales Growth as Performance Measure*

**Variables Entered/Removed**[b]

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | total autonomy | . | Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100). |
| 2 | total market orientation [a] | . | Enter |

a. All requested variables entered.

b. Dependent Variable: sales growth of your region in

**Table. 4. 64**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .524 [a] | .325 | .320 | .90958 |
| 2 | .635 [b] | .440 | .431 | .89916 |

a. Predictors: (Constant), total autonomy

b. Predictors: (Constant), total autonomy, total market orientation

**Table. 4. 65**

**ANOVA[c]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 99.568 | 1 | 99.568 | 120.348 | .000[a] |
| | Residual | 90.179 | 109 | .827 | | |
| | Total | 189.748 | 110 | | | |
| 2 | Regression | 102.431 | 2 | 51.215 | 63.347 | .000[b] |
| | Residual | 87.317 | 108 | .808 | | |
| | Total | 189.748 | 110 | | | |

a. Predictors: (Constant), total autonomy

b. Predictors: (Constant), total autonomy, total market orientation

c. Dependent Variable: sales growth of your region in

**Table. 4. 66**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Zero-order | Partial | Part | Tolerance | VIF |
| 1 | (Constant) | 2.119 | .233 | | 9.089 | .000 | | | | | |
| | total autonomy | .544 | .068 | .524 | 10.970 | .000 | .524 | .524 | .524 | 1.000 | 1.000 |
| 2 | (Constant) | .915 | .680 | | 1.345 | .181 | | | | | |
| | total autonomy | .391 | .105 | .376 | 5.611 | .000 | .524 | .575 | .366 | .405 | 2.469 |
| | total market orienta | .332 | .176 | .193 | 1.882 | .063 | .637 | .178 | .123 | .405 | 2.469 |

a. Dependent Variable: sales growth of your region in

**Table. 4. 67**

**Excluded Variables[b]**

| Model | | Beta In | t | Sig. | Partial Correlation | Collinearity Statistics | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Tolerance | VIF | Minimum Tolerance |
| 1 | total market orientatio | .193[a] | 1.882 | .063 | .178 | .405 | 2.469 | .405 |

a. Predictors in the Model: (Constant), total autonomy

b. Dependent Variable: sales growth of your region in

**Table. 4. 68**

**Collinearity Diagnostics[a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | |
|---|---|---|---|---|---|---|
| | | | | (Constant) | total autonomy | total market orientation |
| 1 | 1 | 1.929 | 1.000 | .04 | .04 | |
| | 2 | .071 | 5.210 | .96 | .96 | |
| 2 | 1 | 2.919 | 1.000 | .00 | .01 | .00 |
| | 2 | .075 | 6.238 | .07 | .46 | .00 |
| | 3 | .006 | 23.015 | .93 | .53 | .99 |

a. Dependent Variable: sales growth of your region in

**Table. 4. 69**

## 4.4. d. 3 *Overall Performance as Performance Measure*

**Variables Entered/Removed[b]**

| Model | Variables Entered | Variables Removed | Method |
|---|---|---|---|
| 1 | total autonomy | . | Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100). |
| 2 | total market orientation[a] | . | Enter |

a. All requested variables entered.

b. Dependent Variable: rate your "overall performance"

**Table. 4. 70**

**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .554[a] | .368 | .364 | .82743 |
| 2 | .603[b] | .446 | .439 | .75301 |

a. Predictors: (Constant), total autonomy

b. Predictors: (Constant), total autonomy, total market orientation

**Table. 4. 71**

**ANOVA[c]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 98.149 | 1 | 98.149 | 143.358 | .000[a] |
| | Residual | 74.626 | 109 | .685 | | |
| | Total | 172.775 | 110 | | | |
| 2 | Regression | 111.536 | 2 | 55.768 | 98.351 | .000[b] |
| | Residual | 61.239 | 108 | .567 | | |
| | Total | 172.775 | 110 | | | |

a. Predictors: (Constant), total autonomy

b. Predictors: (Constant), total autonomy, total market orientation

c. Dependent Variable: rate your "overall performance"

**Table. 4. 72**

**Coefficients**

| Mode | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Zero-order | Partial | Part | Tolerance | VIF |
| 1 | (Constant) | 2.352 | .212 | | 11.090 | .000 | | | | | |
| | total autonomy | .538 | .062 | .554 | 11.973 | .000 | .554 | .554 | .554 | 1.000 | 1.000 |
| 2 | (Constant) | -.252 | .570 | | -.442 | .659 | | | | | |
| | total autonomy | .308 | .088 | .316 | 4.625 | .000 | .554 | .307 | .265 | .305 | 2.469 |
| | total market orien | .717 | .148 | .437 | 4.859 | .000 | .759 | .424 | .278 | .405 | 2.469 |

a. Dependent Variable: rate your "overall performance"

**Table. 4. 73**

**Excluded Variables[b]**

| Model | | Beta In | t | Sig. | Partial Correlation | Collinearity Statistics | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Tolerance | VIF | Minimum Tolerance |
| 1 | total market orientation | .437[a] | 4.859 | .000 | .424 | .405 | 2.469 | .405 |

a. Predictors in the Model: (Constant), total autonomy

b. Dependent Variable: rate your "overall performance"

**Table. 4. 74**

**Collinearity Diagnostics [a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | | |
|---|---|---|---|---|---|---|
| | | | | (Constant) | total autonomy | total market orientation |
| 1 | 1 | 1.929 | 1.000 | .04 | .04 | |
| | 2 | .071 | 5.210 | .96 | .96 | |
| 2 | 1 | 2.919 | 1.000 | .00 | .01 | .00 |
| | 2 | .075 | 6.238 | .07 | .46 | .00 |
| | 3 | .006 | 23.015 | .93 | .53 | .99 |

a. Dependent Variable: rate your "overall performance"

**Table. 4. 75**

In the first equation, when the outcome variable performance was regressed on organizational autonomy the result showed significantly positive impact of autonomy on all the three measures of organizational performance namely, sales growth, market share and overall performance respectively. However, in the second equation when performance is regressed simultaneously on autonomy and market orientation the impact of autonomy on performance was found reduced in all the three regressions. At the same time market orientation displayed significant positive impact on corresponding performance measure. These results reveal that the influence of autonomy on organizational performance is partially mediated through a market orientation implying that superior decision making autonomy at service delivery unit levels have multiple benefits in terms of sales growth, market share growth as well as superior overall performance and at the same time a superior market orientation.

# CHAPTER 5: CONCLUSIONS

## 5.1 Introduction

In the previous chapter a detailed account of the outcomes of the data analysis followed by interpretations for corresponding outputs were given. Some of the outcome supported the postulations made while others gave differing results that demanded counterintuitive interpretations. In this final chapter researcher primarily attempts to concisely and specifically state the conclusions derived from the study. The chapter also includes theoretical and practical implications of the study, directions for further research and limitations of the current study.

## 5.2 Conclusions about Research Question and Hypotheses

Findings of present research affirm most of the propositions made by the researcher but at the same time negate some. The conclusions corresponding to the hypotheses proposed are given below.

a. A higher overall branch autonomy results in better market orientation. Overall autonomy has similar positive impact on market orientation as well as its dimensions of intelligence generation, intelligence dissemination and responsiveness.

b. Personnel autonomy has a significant positive impact on overall market orientation and specifically on market oriented response. Its impact on intelligence generation is positive but at a lower level of significance. Differing from the hypothesis it does not show any significant impact on intelligence dissemination.

c. On the other hand intelligence dissemination is positively influenced by goal setting autonomy. Goal setting autonomy has a positive but lesser significant

impact on overall market orientation. The impact of goal setting autonomy on intelligence generation and response was not found to be significant.

d. The specific component of marketing autonomy does not have significant influence neither on overall market orientation nor on any of its components.

e. As hypothesized decentralization had a significant positive impact on overall market orientation. While the impact was also positive and significant on Intelligence Dissemination and response it was not so with intelligence generation.

f. On impacting market orientation decentralization and overall autonomy displayed similarities. Both had positive impact on market orientation. Overall autonomy was consistent in positively impacting the three dimensions of market orientation as well. Decentralization also displayed similar impact except in the case of intelligence generation. However, personnel autonomy's impact on intelligence generation was similar to that of overall autonomy.

g. As hypothesized formalization's impact on market orientation was found to be significantly negative. The same impact held in the case of formalization's impact on intelligence generation and response. However, in case of intelligence dissemination formalization did not have any significant impact.

h. Impact of Market orientation on performance was found to be significantly positive. However, while regressed along with structural variables the impact of market orientation on sales growth, one among the three measures of organizational performance, was found to be not significant.

i. Autonomy also has significant positive impact on organizational performance. On influencing performance autonomy and decentralization had similar impact on sales growth as well as market share except in the case overall performance where decentralization's influence was not found to be significant.

j. Market orientation positively impacts organizational performance. Performance implication of market orientation is clearly spelt in cases of market share and overall performance. A higher market orientation therefore leads to better performance.

k. Formalization does not have any significant impact on organizational performance at the service delivery levels. Whether or not a front end service unit is formalized its performance remains unaffected.

l. Autonomy directly influences organizational performance. Superior decision making freedom at service delivery levels result in better sales growth, market share and overall performance.

m. Autonomy's impact on performance is also mediated through market orientation. This implies that when greater autonomy is retained by a service delivery unit its market orientation improves and in turn its performance also improves.

## 5.3. Managerial Implications

The high impact of market orientation on performance suggests that managers in retail banking shall not neglect the role of market orientation in delivering superior results. They are advised to bring in practices enhancing the market sensing and relating capabilities of their units. Regular gathering of market information from current, potential and lost customers so as to

make decisions based on them enhances market orientation. Further, as the study reveals, allowing greater decision making autonomy to lower level units of operation improves the market orientation of those units. Decision makers in retail banking concerned about superior market orientated behaviors at branch level should, therefore, consider allowing more decision making powers to the branch level managers. Besides, top managers in retail banks can as well be convinced that a superior autonomy granted to branch managers would have positive impact on the market orientation and performance of the whole bank in turn.

While having formalized rules and procedures and the meticulous implementation of them could be important to an industry like banking their customers don't want to be party to such formalized procedures. Banks will have to take effort to contain formalities at back office level so that the customer doesn't feel the same at the front office. Since it is impossible to do away with procedures it shall be in the best interest of the bank to also see that such formalized procedures are completed taking least of customers' time and resources.

## 5.4. Directions for future research

The present research is conducted in the retail banking context. To make more generalizable conclusions the same model could be tested drawing samples from a cross section of services industries. Besides researcher's claim that impact of market orientation on performance will be as good in services sector- if sample is drawn from lower level units of operations- shall be complete only if such a cross section sample is studied. The study could be extended to other industries especially the ones undergoing major structural changes in the Indian context like insurance and organized retailing. Not-for-profits that are undergoing similar changes, like higher education in India, can as well be closely looked into for further research.

Where the results of the present research differed from proposed hypothesis and multiple alternative interpretations were possible conjectures could be developed or

further research. Such researchable questions include whether the impact of responsiveness on performance differ in case of organizational types where the sub-units differ in terms of nature of input, operation and output? Whether autonomy's impact on performance differs with these types of sub-units? What determine the gap between existence and practice of rules? Scope also exists for establishing the discriminant validity of autonomy scale by administering it along with decentralization scale to a level above the lowest level of operation. Measuring similarities and differences between objective vs. subjective performance measures in autonomy study is also possible. Possibility also exists for developing a typology based on market oriented behavior and market oriented culture. Findings of current study could also be further validated using objective measures of performance.

## 5.5 Conclusion

Organizations in competitive industries have to follow a marketing philosophy because of its significant performance implications. However, those in services industries, due to the very nature of services, have to particularly see that a market orientation penetrates primarily to the operational levels like an outlet of an organized retailer or a branch in the case of a bank. A superior market orientation show superior performance implications in these service delivery units. Empirical evidences of the present study prove that market orientation at lower level units is better possible if they have more autonomy, are less formalized and if the organization practices decentralized decision making and implementation. Therefore, greater autonomy at operational level makes a service delivery unit more market oriented and in turn better performing.

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# Appendix

Dear Sir, This Questionnaire contributes to a study on market orientation of retail banks conducted at the Faculty of Management Studies, Goa University. Your care in filling this questionnaire has immense impact on the outcome of the study.

**Please rate the following keeping your branch/region in mind,** (1- Totally disagree, 4- Neither agree nor disagree, 7 - Totally Agree)

**Market Orientation**

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|---|
| 1. In our branch, we discuss with customers at least once a year to find out what products or services they will need in the future. | | | | | | | |
| 2. We collect customer expectations and give to product development department of our bank. | | | | | | | |
| 3. In our branch, we do some market research. | | | | | | | |
| 5. We poll customers at least once a year to assess the quality of our products and services. | | | | | | | |
| 6. We often talk with those who can influence our end users' purchases (e.g., Sales Agents, Institutions). | | | | | | | |
| 7. We collect industry information by informal means (e.g., lunch with industry friends, talks with trade partners) | | | | | | | |
| 8. In our branch, we generate intelligence on our competitors. | | | | | | | |
| 10. We periodically review the likely effect of changes in our business environment (e.g., RBI regulation) on customers.[*] | | | | | | | |
| 11. A lot of informal talks in our branch concerns our competitors' tactics or strategies | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 12. We have meetings with functional departments at least once a quarter to discuss market trends & developments. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 13. Marketing personnel in our branch/region spend time discussing customers' future needs with other functional departments. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 14. Our staff periodically gets documents that provide information on our customers. (e.g., reports, newsletters, circulars) [*] | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 15. When something important happens to a major customer, the whole branch knows about it within a short period. [*] | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 16. Data on customer satisfaction are circulated in the whole branch on a regular basis. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 17. There is opportunity for branch managers to share market insights with product development teams. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 18. When one branch/department finds out something important about competitors, it is slow to alert other departments. (R)[*] | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 20. Principles of market segmentation drive marketing and service efforts in our branch. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 21. For one reason or another we tend to ignore changes in our customer's product or service needs. (R) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 22. Our branch gives feedback on product development efforts to ensure that they are in line with what customers want. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 23. Our business plans are not really driven by market research. (R) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 24. Several departments in our branch/region get together periodically to plan a response to changes taking place in our business environment. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 25. The products/services we sell depend more on internal politics than on real market needs. (R)[*] | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 26. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 27. The activities of the different departments in our region are well coordinated. [*] | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 29. Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion. (R)[*] | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 31. When we find out that customers are unhappy with the quality of our service, we take corrective action immediately.[*] | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 32. When we suggest that customers would like us to modify a product of service, the departments involved make efforts to do so.[*] | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

**Decentralization**

1. In this firm decisions tend to be made at a high level ® 1 2 3 4 5 6 7
2. The individual decision maker has high latitude in the choice of means to accomplish goals 1 2 3 4 5 6 7
3. Managers are allowed flexibility in getting work done 1 2 3 4 5 6 7

4. A person who wants to make his own decision would quickly be discouraged ® 1 2 3 4 5 6 7

5. Even small matters are referred to someone higher in the marketing organization in the marketing organization for a decision® 1 2 3 4 5 6 7

6. Many important decisions are made locally rather than centrally 1 2 3 4 5 6 7

7. Middle and lower-level managers have substantial autonomy. 1 2 3 4 5 6 7

8. We have high latitude in setting relevant business goals And medium term goals of the department 1 2 3 4 5 6 7

® Reverse scored

**Formalization Scale**

1. Plans must be rigidly followed during implementation. 1 2 3 4 5 6 7
2. There is a "standard operating procedure" for almost all major decisions 1 2 3 4 5 6 7
3. There are rules and procedures for most things 1 2 3 4 5 6 7

**Please rate your freedom to decide on the following:**

(1.....No Freedom at all 7.....Total Freedom to decide)

1. To set monthly targets
2. To decide on marketing territories
3. To price Services
4. To decide on sales and marketing agents
5. to decide on marketing budgets
6. to decide on cost of customer acquisition
7. To sanction loans
8. To decide on resource acquisition procedures
9. To decide on service quality standards
10. To recruit staff
11. To promote staff

12. To create new jobs
13. To dismiss a staff
14. To remunerate staff
15. To decide on training needs and methods for staff
16. To allocate work among available personnel
17. To advertise or on other means of promotion
18. To introduce new services or products

**Performance**

*(1- Very Poor  4- Moderate  7- Excellent)*

1. Please rate the sales growth of your branch in comparison to competitors in the territory.
2. Please rate the market share of your branch in comparison to competitors in the territory.
3. Please rate your overall performance in comparison to competitors in the territory.

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