BUILDING COMPETITIVE ADVANTAGE
THROUGH
MARKET ORIENTATION

"A strategic solution for LCSB in the new European Union banking environment"

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by

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Abstract

This project focuses on the changes the Limassol Co-operative Savings Bank (LCSB) must make to become more market oriented and halt its recent performance decline. A higher level of market orientation (MO) correlates positively with sales and market share growth (Narver and Slater 200). According to Jaworski and Kohli (1993) MO builds on three dimensions: the organisation-wide acquisition, dissemination and response to market intelligence- behaviours enabled by structures and systems called Antecedents. Thus, making LCSB more market oriented amounts to a cultural change typically influenced by individual values. In order to assess LCSB's current degree of MO, two sets of questionnaires were administered to LCSB's work force (the Employee Group and the Management Group): Jaworski and Kohli's (1993) Antecedents and Moderators and Kohli, Jaworski and Kumar's (1993) MARKOR on the one hand and Schwartz' (2003) Portrait Values Questionnaire (PVQ) on the other. Working in the Realism paradigm, the triangulated results show LCSB's weak MO drive in all aspects of organisational life, so the Recommendations prioritise changes in the Antecedents' area and advocate the creation of an Internal Customer-Supplier Network. Two action plans are drawn: one for the managements' role in initiating, enforcing and monitoring structural and systematic changes and one for the employees' role in acquiring new skills and overcoming learning anxiety. Financial constraints and the challenges of cultural change suggest the lengthy but feasible progress of LCSB towards more MO and improved performance.

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CHAPTER ONE

INTRODUCTION

1.1 Objectives and structure of the chapter

Chapter One starts with the statement of problem under study and of the aims and objectives of this project, followed by the project outcomes. Further follow highlights of the history of the co-operative movement in Cyprus and a brief history of LCSB up to its current transformation into an equal player in the EU market. The background information in this chapter also includes an overview of the EU Banking Directives for the creation of a level-playing field in financial services and the local regulations regarding the supervision of Co-operative Credit and Savings Societies. Finally, the introduction reviews the experience of the Caisse d'Epargne Group in its attempt to adapt to the EU Directives in the 1990s.

1.2 Statement of the problem

This project is centered on a financial organisation, namely the Limassol Co-operative Savings Bank (LCSB). The problem that has inspired the project is LCSB's poor performance over the last 6 years. More specifically, for an annual turnover of CYP 300 million the bank has only been making around CYP 6 million profit per year (figures published in the Financial Accounts for 2003) and has not been able either to increase its market share or retain its customers. As a building society until 2003, such profits were acceptable because of the organisation's non-profit status and the state subsidies connected to its social mandate. However, in the new environment created by the EU Banking Directives which are meant to ensure a level playing field in the financial sector, such a performance is likely to lead to the organisation's demise in today's tough competitive EU market. Even on the Cypriot market LCSB finds itself at a great disadvantage in comparison with the local commercial banks with which it is supposed to compete on an equal footing. The major banks on the island have expanded aggressively both inside and outside the EU; they have engaged in a flurry of mergers and acquisitions and have captured a

significant share of the housing-loan market, 90% of which used to belong to LCSB before 2003. Apart from this, as of 2003 many large European players such as Societe Generale, Eurobank, Bank of Pireus, Alpha Bank, Marfin Group have penetrated the Cypriot market increasing the level of local competition. More information about the local context is provided in section 1.5 of the present chapter. Suffice it to say now that, faced with such competition from local and foreign commercial banks as well as from the growing Central Body of Cypriot Co-operative credit institutions (which LCSB has decided not to join), LCSB's ever weaker performance reflects its inability to cope on the market.

Scholars (see the Literature Review) connect performance to a number of factors, such as service and product quality, innovation, leadership, successful marketing strategies –many of which are interrelated—but there is unanimous agreement on the positive correlation between an organisation's performance and its level of market orientation (MO)—a comprehensive concept which refers to the organisation-wide generation of market intelligence pertaining to the current and future needs of customers, the dissemination of intelligence within the organisation and the responsiveness to it (Kohli and Jaworski 1990). Thus, in principle, raising the level of MO at LCSB should enhance its business performance in the long term provided that certain preconditions (the "Antecedents" according to Jaworski and Kohli 1993) are in place and that the business environment is favourable. Apart from this, LCSB should be able to afford the costs of the changes towards more market drive. Finally, the transformation is highly dependent on changes in the cultural atmosphere in the organisation, as it is knowledge, values and attitudes that ultimately change business practices and behaviours.

1.3 Aims and objectives of the project

Given the generally accepted positive correlation between business performance and MO (see Literature Review), this project aims to recommend a set of guidelines meant to increase LCSB's level of MO which, in due time, should increase the

organisation's overall performance. To do so, the project needs first to answer the following research questions:

1. What is LCSB's present level of MO and how ready is the organization to adopt a change programme in search of higher performance?

2. Are the predominant cultural values at LCSB conducive to more MO?

3. Is there a subculture at LCSB that could assist the management in implementing its future MO strategies?

These objectives will be met by using two types of surveys meant to answer the above questions: the first one attempts to measure the organisation's level of MO using Jaworski and Kohli's 1993 Antecedents and Moderators Scales and Kohli, Jaworski and Kumar's 1993 MARKOR Scale. The second survey --Schwartz' 2003 PVQ—will determine the individual values prevalent at LCSB so that this research project may establish the way in which these values are likely to facilitate or hinder LCSB's future efforts of enhancing its MO drive.

1.4 The argument and the outcomes of the project

This project is based on the following deductive argument which clarifies the logical structure of the project, its two expected outcomes and the relationship between these outcomes.

Assumption: *There is a positive correlation between MO and Performance: more MO leads to higher business performance.*

This correlation has been amply studied and verified (see Literature Review), so this project does not intend to prove its credibility, but assumes it.

Evidence: *LCSB has a low level of MO.*

One of the objectives of this project is to demonstrate that this is the case at LCSB, which is likely to be one of the factors explaining LCSB's unsatisfactory performance. Moreover the project will establish how low LCSB's level of MO is and what the organisation's

weakest MO areas are. To establish this, the above mentioned surveys will be used and their results analyzed.

Conclusion: *Increasing LCSB's level of MO will lead to higher performance.*

This conclusion leads to the aim of the project, which is to recommend *how* LCSB might increase its level of MO and through what steps appropriate to its specific situation -- defined by its present level of MO (determined through the surveys) as well as the local context in which the organisation operates.

This argument thus clarifies what the project's expected outcomes are and how they are related. The two outcomes will consist of:

- A *Report to LCSB's Management* regarding the organisation's level of MO and its degree of readiness for implementing MO strategies in the future. This Report will be based on the analysis of the survey results.

- A set of *Recommendations* meant to indicate the ways in which LCSB could raise its level of market orientation and address its present problems: stagnation, loss of customers and poor financial performance. The Recommendations will take the form of two action plans, one detailing the management's role and the other the employees' role in making LCSB's way of doing business more market oriented and profitable. The Recommendations will be based on the first outcome of this project -- the survey results indicating LCSB's present level of MO -- as well as on the market orientation theory developed by Jaworski and Kohli (1993), Justice and Jamieson (1999) and Martin and Martin (2005). Organisational change theory developed by Katz and Miller (2005) will also be used for its insights in learning anxiety-- an unavoidable accompaniment of cultural change.

While the MO literature has given a lot of attention to the relationship between MO and Profitability, little has been written about the process by which an organisation would implement MO (Martin and Martin 2005). In this sense, the *Recommendations* will represent a contribution to the literature, reflecting the researcher's understanding of how MO theory can be applied to local and

organisational specifics. The other outcome of this project, The Report on LCSB's level of MO will also represent pioneering work for financial institutions in Cyprus, where no such research has been conducted to date, to the researcher's knowledge.

1.5 Important turning points in the history of the co-operative movement in Cyprus

The Co-operative movement in Cyprus emerged in the second half of the 19th century during the socio-economic upheavals resulting from the economic and power disparities between the small, fragmented, and poorly market-informed farmers and their bigger, concentrated, and market-informed trading partners. Thus, small traders successfully integrated into small unit trusts through cooperatives relying on a set of unique organisational features or co-operative principles and a strategy of growing in volume justified by the conditions of an unstable market-oriented economy. (Chlorakiotis -- the ex Commissioner of the Co-operative Societies' Supervision and Development Authority, 2003).

The concepts of solidarity, mutual assistance, and noble collaboration, together with the need for joint action for the common well-being became deeply imprinted in people's conscience. All these concepts influenced the philosophical thinking of many intellectuals who began to seek ways to resolve social issues related to the economic and social evolution of Cyprus during the British colonial era (Chlorakiotis 2003). This thinking, led the traders to develop the first small cooperative enterprises which only emerged in the Cypriot industry in the 1st decade of the 20th century. As the main purpose of setting up the Cypriot Co-operative movement was to assist the small farmers, the main incentive came from the need of mutual assistance strengthened by the joint and unlimited responsibility of the members towards the co-operative's obligations, without excluding assistance from other sources, mainly the government.

Co-operative societies in Cyprus were set up on the following principles:
- Each member had one vote and all the members had equal rights

- Only respectable individuals were accepted as members of the society
- Each society's geographical business area was limited so as to enhance the collaboration among the members, and thus facilitate supervision by the administrative bodies from an economic and ethical point of view
- No share capital was required for the operation of the society
- The net profit was transferred to the reserve fund which was not distributed to the members
- The reason for providing loans and the means of settlement were examined. However, the loan granted was interest-bearing and it offered favourable terms to the people of the community and the people of the surrounding area
- The Co-operative's affairs were evaluated by an administrative committee of well known and trustworthy people from the community.

The first Co-operative society organised on the above principles and which lasted for a long time was founded in the village of Lefkoniko, on 22nd of November 1909 namely the Lefkoniko Savings Bank, which later became the current Bank of Cyprus.

The period of 1926-1936 proved to be a time of crucial change as the developments that took place enabled the Co-operative movement to enjoy a rapid spread throughout the whole of Cyprus. The Agricultural Bank was established in 1925 and it granted members long-term loans of six-year maturity payable in equal annual installments. The loans were granted via Co-operative societies under a mortgage agreement which was registered in the society's name and was immediately transferred to the Agricultural Bank. The involvement of the Co-operative societies in the lending process prompted the residents of the communities to establish co-operative societies in order to have the opportunity to obtain loans from the Agricultural Bank. In 1930 there were 326 co-operative societies with outstanding loans of over CYP 267,000. However, the international economic crisis in 1930 had a negative impact on the progress of cooperative societies in Cyprus. Many coordinated efforts were then made to save the Co-operative movement and in 1938 the Co-operative Central Bank (CCB) was established to supplement the co-

operatives. The establishment of CCB constituted an important turning-point in the history of the Co-operative movement in Cyprus. The main purpose of CCB was to enable the Co-operative movement to finance itself. Thus, the CCB accepted as deposits the surpluses of the wealthy co-operative societies, and it granted to the poorer societies loans with special terms, which in turn they granted to their members in the form of short-term credits. From 1935 Co-operative savings societies began to be set up, their main objective being to obtain savings deposits, rather than to grant credits.

In the 1940s 36 more savings institutions were established amongst which was the Limassol Co-operative Savings Bank Ltd (LCSB), set up as a Co-operative savings society with limited liability in 1946. LCSB increased its performance rapidly by successfully offering new products and services. These services satisfied the needs of the local population in different sectors of activity in the market: housing, agricultural and small business loans. The continuous increase of LCSB's turnover made the institution the Co-operative leader on the island until 2003. The encouragement to raise loans from LCSB created a feeling of public confidence which led to the institution's financial independence from the CCB and long-term success. LCSB, with its 12 branches and 135 employees was well placed to offer effective services on the Cypriot market until the radical changes deriving from the EU Banking Directives started being implemented in 2003.

However, the LCSB's success is currently being challenged by the changing market environment. European competition and dynamic consumer behaviours are creating a major economic shift towards a more volatile market. Both LCSB and the Co-operative movement are today facing the crucial question of how to respond to the new EU market environment and to devise market orientation strategies leading to profitable trends and success.

Upon joining the EU in 2004, Co-operative institutions were granted a transitional period to the end of 2007 to comply fully with the *acquis communautaire* (EU Directive 2000/12/EC). According to the accession agreement, by the end of 2007

credit institutions must acquire the European Passport to exercise cross-border activities throughout the EU, either standing alone or via the Central Body of Credit Institutions under the aegis of the Co-operative Central Bank. Other reforms to the Co-operative status will be achieved through structural and organisational changes including mergers and other geographical or functional affiliations. The Co-operative Societies' Supervision and Development Authority (CSSDA) is expected to encourage and contribute to this process on the basis of the *acquis communautaire*.

1.6 Historical and financial highlights of LCSB

The Limassol Co-operative Savings Bank was founded in 1946, with one branch in the town of Limassol, a handful of employees, and 147 members. The institution has been operating under the Cyprus Co-operative Law, which stipulates that it should provide mainly retail services such as housing loans and savings products and that its customers should become members upon the purchase from ten to a maximum one hundred shares. The Co-operative Law gave some important competitive advantages to LCSB as a credit institution, such as exemptions from stamp duties and mortgage-registry fees as well as from corporation taxes. These business privileges enabled LCSB and the whole Co-operative movement on the island to offer cheaper services to the public. In exchange for these privileges, the State expected Co-operative institutions to support civil society projects depending on their financial abilities. These contributions were hardly a liability for the Co-operative institutions, as they created an especially friendly image for building societies, which the public regarded as "social partners" rather than ruthless profit-centered organisations. This image was also strengthened by LCSB's lenient policies concerning penalties for arrears. This humanitarian approach was not only an "image" in the sense of a façade disguising a capitalist enterprise; it also translated as extremely poor profits. For example in 2000, for a turnover of CYP 245 million, LCSB only made about CYP 5 million, out of which CYP 1.5 million was derived from its own funds. While the services and products remained the same up until the year 2000, the size of LCSB increased considerably, to eleven branches in the city, 124 employees and 43000 members, becoming the leading Co-operative institution in Cyprus.

The year 2000 marked a first turning point in the history of LCSB, spurred by two major events. One was the acceptance of Cyprus' application for EU membership, which was to bring about important changes in the way LCSB was operating. While the liberalisation of interest rates and the withdrawal of business privileges were still in the future (due in 2003), these perspectives acted as an incentive for LCSB to forsake its complacency and strive to become more competitive by upgrading its technological and human resources. The other factor that stimulated these developments in LCSB was the increased aggressiveness of the commercial banks towards the housing-loan segment of the market. For example, in order to attract customers, commercial banks started offering loans in foreign currencies at much lower interest rates than the fixed 9% imposed by the Central Bank of Cyprus for loans in CY pounds. Their products also lured customers through packages involving insurance products, of which LCSB offered none. In 2000, commercial banks were also providing superior delivery channels such as ATMs, credit cards and online products, which LCSB was not. Under these circumstances, LCSB started upgrading its technological infrastructure: in 2000, it brought in PCs and special software, and issued its first 100 Visa cards (for its employees) and in 2001 it installed the first ATMs in co-operation with the Central Co-operative Bank of Cyprus, but only for withdrawal transactions (electronic banking will only be available by the end of the current year, 2007). Another important step LCSB took in 2000 to improve its performance in the market was a change in its recruitment policies. Traditionally, all banks in Cyprus found themselves more or less strongly in the sphere of influence of the various local political parties which used to have a say in the appointment of the banks' Boards of Directors and the recruitment of their employees. This is to say that the candidates' political affiliation used to take precedence over their qualifications. Since 2000 LCSB has become aware of the counterproductive effects of this policy and started laying more emphasis on the candidates' professional abilities. I myself was hired on the tide of this strategic change in recruitment as Finance Manager at LCSB in 2000 – coming from the Cyprus Popular Bank with 20 years' experience in banking. LCSB also introduced an examination procedure–apart from the interview—to assess the candidates' abilities. This policy has already started bearing

fruit, but LCSB is still faced with the challenge of training and changing the mentality of the old personnel. It must be said that before 2000, only 1% of LCSB's personnel had a college degree and only about 1/5 had a Higher National Diploma in accounting. Today, as a result of the new recruitment policy, 10% of LCSB's employees have higher education degrees. This is an extremely relevant point for this discussion, as the development of a market-oriented strategy largely rests on professional skills.

The year 2003 was the second important turning point in LCSB's history. Given that Cyprus was about to join the EU in May 2004, the harmonisation with the *'acquis communautaire'* required the liberalisation of interest rates, the free flow of capital and free trade in financial services as *sine qua non* conditions for the establishment of a single EU market characterised by fair competition. These new directives, in force as of January 2003, affected all the financial institutions in Cyprus. In addition, as of the same date, the Co-operative Societies Supervision and Development Authority issued the Co-operative Reform Law that abolished all Co-operative institutions' business privileges linked to their social mission. Thus, Co-operative institutions had to start paying corporation tax; they were now free to engage in corporate banking and their customers were not exempt from stamp duties and mortgage fees anymore. As a result, since 2003 Co-operative institutions have suffered a constant loss of customers and a marked decline in their profitability. Also their contribution to social projects has dwindled proportionately. It must be said that in the four and a half years that have passed since the introduction of these reforms, the Co-operative movement in Cyprus has not found the means of staying competitive and profitable. However, the Reform Law has also opened new ways for growth for Co-operative institutions. For example, they can now,, if they wish, offer new products and services, raise capital by issuing debenture stocks and engaging in mergers and acquisitions. It is true that the Reform Law still impedes the spatial expansion of their business – except through mergers—but this is supposed to change in the near future.

The fear that Co-operative institutions would not be able to survive the competition had been felt in other EU countries like France and Germany in the late 90s, a time when the building societies there had to face the challenge of raising their return on capital employed and still have enough funds for their social mandate. Whether they accomplished this and whether their experience can inspire the Co-operative movement in Cyprus is an interesting topic in itself, but this project will be looking solely at the case of the Caisse d'Epargne Group. Suffice it to say for the moment that the reform of the Co-operative Law triggered a few immediate reactions: as interest rates dropped (from a fixed 9% basic rate to a Libor rate of 7% in 2003 and to 4.5% in 2007 which enabled a more realistic competition with EU banks), commercial banks have found it easier to adapt to the new environment because of their previous experience of operating within the EU. As for Co-operative institutions, they started merging so that gradually from 360 credit institutions in 2003, there are now only 203 (year 2007) and this is just the beginning of a process that tends to create a Central Body incorporating all Co-operative institutions in Cyprus. The M&A trend is in keeping with the concept of higher profitability resulting from an economy of scale.

Another reaction to the Reform Law was that co-operative institutions took advantage of the new possibility to move away from their traditional retail banking profile to the corporate one, thus penetrating other market segments. To meet the challenges of mergers and of business expansion, the co-operative institutions also started to upgrade their technological infrastructure, their personnel's skills and their organisational structure. LCSB, however, owing to its size and capital adequacy did not rush into mergers with smaller credit institutions. LCSB's management has believed so far that competition can be overcome by structural, infrastructural and human resources improvements as well as by enlarging the range of products. As of 2004, when exchange rates barriers were also abolished, LCSB began to offer documentary credits and foreign currency products and services in cooperation with the Co-operative Central Bank. It should be noted, however, that LCSB is currently studying the possibility of becoming affiliated to the Central Co-operative Body in the future. The decision is expected by the end of 2007 and it will have important

consequences for both the survival of Co-operative Central Body and for the future of LCSB. As LCSB is the leader in the Co-operative movement in Cyprus, its affiliation would improve the chances of the whole group. Alternatively, if LCSB chooses to go it alone, it may or may not achieve the necessary competitive edge both to be a successful financial institution and to retain its social mandate. Even if LCSB does get affiliated to the Co-operative Central Body, there is no guarantee that the achievement of a critical mass with regard to size and capital would offset the dire consequences of the accumulated deficiencies of the smaller Co-operative institutions (in point of structure, technology and personnel quality). While mergers and acquisitions have always been considered important strategies for growth, even more fundamental appears to be the quality of service to retain customers and attract new ones. At present LCSB is carefully weighing the pros and cons of this move with this caveat in mind.

As the Co-operative Law is now, after the 2003 Reform, it still creates geographical barriers for Co-operative institutions, putting them at a great disadvantage to the local commercial banks which can operate anywhere in Cyprus. This, however, seems to act as an incentive for small Co-operative institutions to merge in order to meet the challenges of competition rather than to attempt to go it alone and be crushed in the process. In 2007, however, when the EU Banking Directives will be fully implemented in Cyprus and EU laws will take precedence over the local ones, these geographical barriers should disappear together with the present anachronistic dual supervising bodies, i.e. the Central Bank of Cyprus for commercial banks and the Cooperative Societies' Supervision and Development Authority (CSSDA) for credit institutions. Additionally, at present, the CSSDA issues mandatory general and special instructions to the Co-operative institutions with respect to financial and credit practices. The Co-operative Law also contains extensive enforcement powers and sanctions, including administrative penalties. Regarding Monetary Policy measures, there is close collaboration with the Central Bank of Cyprus (CBC) which conveys the Monetary Policy requirements through the Ministry of Commerce, Industry and Tourism. The CSSDA provides the CBC with monthly and yearly

statistical information about credit institutions (e.g. the level of loans and deposits, liquidity etc.).

Despite its incongruence with the principles of the single EU financial market, the Co-operative Law has provided small Co-operative institutions with a period of grace during which they can still enjoy the benefits of a protected business territory within the Co-operative movement. This transition period will be over for them at the beginning of 2008 when Cyprus joins the Eurocurrency. By that time small credit institutions should have either found themselves under the relative protection of a unified Co-operative Central Body or else face keen competition on their own. As the largest of the Co-operative institutions in Cyprus, LCSB may feel the geographical barriers imposed by the present Co-operative Law are an obstacle to its growth. However, this obstacle may protect the interests of LCSB in a more subtle way, by preventing it from heavy spending on spatial expansion while it does not yet have the structures, infrastructure and expertise in place. As things are, LCSB should improve its performance as a whole in order to face the competition in the new EU environment either alone or affiliated to the Co-operative Central Body.

1.7 The EU Banking Directives and their impact on the co-operative movement in Cyprus

The fundamental idea informing the creation and progressive extension of the EU has been the creation of a world-class competitive economy able to face the US and Asian economic giants. For a few decades now it has become clear that the key driver for the rest of the EU economy, enabling it to become competitive and world-class, is its financial integration. The regulatory and legislative action towards the creation of a single market for financial services in the EU started in the 80's with Banking Directives targeted first at wholesale markets. The adoption of the legislation regarding the liberalisation of interest rates, the free flow of capital and free trade in financial services has been one of the conditions for new member states to join the EU and we saw it in 2003 paving the way for Cyprus' accession the following year. As discussed above (Historical background of LCSB), the creation of

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a level playing field in the financial market also meant the suspension of privileges for co-operative players such as LCSB, which engendered additional challenges for the fragmented Cypriot co-operative sector.

The Credit Institutions Directive of 2000 (the revised First and Second Directive of 1977 and 1989 respectively) enabled banks and credit institutions to operate across European borders for the first time. The objective of the Directive is to establish common rules across member states on the authorisation and regulation of banks and credit institutions. Specifically, it establishes a requirement for authorisation and supervision of the institution and includes rules of solvency, large exposure and capital adequacy. (World Council of Credit Institutions. Inc., 2003).

The near completion of the Financial Services Action Plan (FSAP) in 1999 created the framework for a single European market in financial services by adhering to three overarching principles: a single wholesale market, an open and secure retail market and adequate prudential rules and supervision. Despite the adoption of 41 out of the 42 measures proposed by FSAP, a lot of work is still necessary for greater retail market integration (Deutsche Bank Research, 2006). This is because there is still strong opposition to cross-border mergers and aquisitions from governments, who prefer to create "national champions" despite the fact that national markets are likely to limit the growth of financial institutions. Opponents to cross-border retail market integration argue that "no significant level of cross-border retail business is to be expected and that, hence, further regulation will only create costs rather than any tangible benefits to suppliers and consumers" (Deutsche Bank Research 2006, p. 6). Charlie McCreevy, European Commissioner for Internal Market and Services, deplores the fact that even the EU banking directives (Article 16) appear to support national policies against foreign takeovers "by giving supervisors explicit powers to block a major shareholding" and intends to have this article reviewed for clarifications regarding the limits to political intervention in market mechanisms (McCreevy 2005, p.4). However, the Commission is aware of four major driving forces for the medium-term transformation of the EU retail market in the next 5 years:

a) The increasingly international preferences of customers (15% of EU citizens plan to open a foreign bank account and 12% plan to acquire a foreign credit card);

b) The growing role of direct distribution channels (20% of EU citizens already use the Internet for financial services;

c) Regulatory trends;

d) Limited domestic market opportunities for EU retail banks

(Deutsche Bank, Research 2006)

As retail banking constitutes the main part of LCSB's business, the "threat" of other EU players entering the domestic market in the near future acts as an incentive to speed up its competitiveness and profitability and the present project proposes that it can do so among other things by increasing its MO drive.

Another factor facilitating the integration of EU retail financial business is the fact that 53% of EU citizens speak at least one foreign language (41% are fluent in English) and 26% speak two foreign languages (Eurobarometer Report 54, p.1 in DBR 2006). This means that financial services providers could explore this trend by offering retail products on a multilingual basis.

Last but not least, the case for market integration relies on the central notion that "market liberalisation is about the creation of trade *options*, not trade. Even the *threat* of new market entrants can raise the level of effective competition and hence lower prices significantly. Consequently, liberalisations must not be made dependent on forecasted trade volumes". (DBR., 2006, p.6). Given these favourable circumstances and the underlying philosophy of market liberalisation, EU regulators will have to overcome major barriers still blocking the actual integration of the retail financial market in the EU, namely the discrepancies in consumer protection rules, national taxation, civil law and product specifications defined by national regulations. The lack of uniform regulatory framework in these cases means that, "economies of scale cannot be realised as central functions, risk management, IT systems and branding" (DBR 2006, p.5). Furthermore, the Commission recommends a *full harmonisation* approach in the future rather than the minimal harmonisation

approach applied so far which has proved to be ineffective. The Commission also favours the *horizontal approach* which would make *all* products suitable for harmonisation, thus eliminating bias and incompatible product-specific legislation.

Of special interest to LCSB and the present project is the revised (second) proposal for a directive on consumer credit (CCD) released by the Commission in October 2005. In comparison with the initial proposal, the current one excludes mortgage loans and lowers the threshold of the CCD to loans of less than EUR 50,000. Other key elements of the current CCD are: a harmonised calculation method of the annual percentage rate of charge, the customer's right to withdrawal for 14 days, the customer's right to early repayment and the clarification of the concept of the banks' duty to "advise", which now refers to the pre-contractual duties of the lender, including the obligation to determine the customers' creditworthiness.

The Commission has also issued a Green Paper on mortgages (2005), as it finds the EU mortgage markets to be minimal integrated. Further integration would bring about significant benefits for both customers and lenders. Customers can benefit from lower costs for mortgage loans and a larger product choice, while lenders are believed to benefit from improved credit risk through broader diversification and the realisation of economies of scale.

The Commission is also giving high priority to the establishment of a single European market for payments through the abolishment of obstacles such as separate national payments systems reflecting historical developments, differences in payment habits as well as a low volume of cross-border payments (DBR 2006). The new legal framework for payments attempts to set up the necessary infrastructure for the creation of a Single Euro Payments Area (SEPA). Currently, the SEPA Rules Book covers direct debit, credit transfer and euro-based card payments –which will become pan-European payment instruments from January 2008. The timeframe and extent of the SEPA Scheme is expected to require substantial investments and tie up resources –of both the financial industry and users. This is an important point of consideration for financial institutions like LCSB, which need to use resources for

becoming more competitive through a higher degree of market orientation. The good news is that the costs of implementing SEPA also achieve MO targets, such as satisfying the customers' needs for easy (familiar) payment methods with the corollary of attracting new foreign customers.

Another significant initiative of the Commission for Internal Market and Services is to bring changes to the Capital Requirements Directive. The Basel II agreement will change the present "static, one-size-fits-all capital rules for banks and insurers to much more risk-based capital regulation. Financial companies' capital buffers will relate much more to their risk profiles: the greater the firm's appetite for risk, the higher the capital charge" (McCreevy 2005, p.3). At the same time, European laws will be designed to rebalance responsibilities between the public and the private sectors with respect to prudential charges in the following way: while the law will increasingly accept the company's *own* internal risk management and risk measurement models, the "onus will be on the companies to convince the public supervisory authority that their internal models not only work, but also steer a firm's management decisions" (McCreevy, 2005). These future developments in the regulation of capital requirements are significant for any company seeking to achieve a higher degree of market orientation because risk-based capital charges appear to stifle managerial propensity for risk-taking and innovation (intrinsically fraught with risks) which are preconditions (antecedents) for more MO. Thus, the concept of capital charges proportional to risks may create a rather too prudential environment for MO to thrive. In practical terms, this means that financial institutions --like LCSB-- who wish to increase their MO will have to invest heavily in sophisticated risk-assessment technology (now only available in the largest financial companies) and other risk management measures to convince national supervisors that their innovative enterprises are not too risky, so as to avoid punitive prudential charges. Of course, it is all for the best, as the pursuit of MO through risk-taking and innovation should not compromise a company's soundness. However, as far as this project is concerned, the advent of such legislation means that the recommendations for LCSB's higher degree of MO will have to take into account the expenses

incurred by the acquisition of risk modeling software and other risk management measures.

1.8 Supervision of Co-operative Credit and Savings Societies (CCSSs) in Cyprus

The supervision of the CCSSs in Cyprus (Ministry of Commerce, Industry and Tourism 2001) is conducted under the Co-operative Societies Law and Rules of 1985-2001. The authority responsible for the supervision of the CCSSs is the Department of Co-operative Development (the Department), under the auspices of the Ministry of Commerce, Industry and Tourism, the Department being in practice autonomous and independent in the exercise of its supervisory functions. The Department is headed by the Commissioner of Co-operative Societies and Co-operative Development (the Commissioner) who is a civil servant appointed by the Public Service Commission. Apart from supervising the Co-perative credit sector and ensuring that CCSSs comply with the Co-operative Societies Law, the Commissioner issues general and special instructions to the CCSSs with respect to financial and credit practices and supervises the enforcement of the anti-laundering legislation in force as of May 1997. Regarding Monetary Policy, there is close collaboration between the Department and the Central Bank of Cyprus (CBC) which conveys the monetary policy requirements through the Ministry of Commerce, Industry and Tourism. The Department provides CBC with monthly and yearly statistical information on the CCSSs' level of loans and deposits, liquidity, etc.

The Department's main objective is to assess the overall soundness of each CCSS in accordance with the Co-operative Societies' Law and Rules through on-site and off-site examinations of their credit risk and operational risk policies. The audit of the CCSSs is assigned to the independent Co-operative Societies Audit Service which is headed by a committee appointed by the Council of Ministers. The Audit Service is empowered to audit both the accounts and the overall administrative side of the financial management of each CCSS and notifies the Commissioner of its findings. The Commissioner takes action in the light of the Audit Service's recommendations.

Additionally, a Harmonisation Team has been set up to start consultations with CCSSs on ways to harmonise the Co-op Societies Law and Rules with the EU Banking Directives and to improve the institutions' overall business performance and competitiveness (Harmonisation Team Efforts, year?).

1.9 The co-operative experience of the Caisse d'Epargne Group (DBR 2005): Possible lessons for the future of the co-operative movement in Cyprus

A comparison between the possible evolution of the Co-operative movement in Cyprus and that of the French Caisses d'Epargne from a mushrooming 500 (prior to 1990) privately owned savings institutions with a social mandate to their present Co-operative status as a group of just 31 big regional savings banks with fully-fledged banking, is a tempting, if hypothetical enterprise. However, such a comparison is both outside the scope of the present project and moreover, it might result in a long list of differences from which it would be hard to draw a conclusion about whether the Cypriot Co-operative movement should or could follow their path given the current EU financial integration legislation. Despite this, the history of the Caisse d'Epargne was driven by a number of issues that are also central to the Cypriot Co-operative movement and its strategic decisions for the future.

One of these issues was the problem of ownership and its effect on the Caisses' ability to raise funds, which is common to Co-operative institutions in Cyprus, as they cannot be floated on the market and thus rely for their funding mainly on their members and sometimes on borrowings limited to the Co-operative Central Bank. Interestingly, the Caisses d'Epargne solved this problem in 1999 by becoming co-operatives --after the 1983 Reform Law of the Savings Banks had turned them into "ownerless non-profit entities", plunging them into numerous problems related to this status uncovered by the French private law (Deutsche Bank Research 2005). The sheer scale of their business throughout France brought them over 2 million members overnight and, as further reforms allowed them to expand the scope of their business to virtually all banking areas, many of their members are legal persons

whose incentive to do business with the Caisses is that their voting power is proportionate to their shares (not exceeding 30%). Also, the Caisses enjoy the special status of being able to make acquisitions but are protected from takeovers. By comparison, LCSB does not allow any member to own more than 500 shares and it is taxed for income resulting from business with non-members.

Another issue confronting both the French and the Cypriot Co-operative banks in question is the conundrum of how to keep operating locally and still grow by doing business nationally and internationally. The French solved the problem through the structure of the Caisse d'Epargne Group: "a group structure evolved at the operating level: while the savings banks continue to act locally under the regional principle, the CNCE (Caisse Nationale des Caisses d'Epargne-- the Central institution of the savings banks in the legal form of a plc) looks after national and international affairs" (DBR 2005). Consultations are now taking place in Cyprus among Co-operative Institutions (CCIs) to join forces in a Central Body represented by the Co-operative Central Bank which, as in the French model, would represent banks' interests in national and international business, while the member CCIs would continue to operate regionally. Of course, this operational division would only be possible if the CCIs decide to come together as one group rather than merge outside the Co-operative sector or simply merge as subgroups. The French experience of savings banks joining forces provides a lesson for the fragmented CCIs of Cyprus as well. Despite the fact that Caisses merged trying to keep abreast of the competition, they showed "significant shortcomings in profitability and intra-group cooperation" (DBR 2005)-- which actually triggered the 1999 Reform that changed their status to Co-operative and forged the basis for their present powerful central structure. Thus, the lesson to be learned is that mergers by themselves do not necessarily manage to turn around financial institutions in the absence of a strong and resourceful Central structure that prompts the strategy.

Finally, yet another common issue for the Caisses d'Epargne Group and the Cypriot coop movement is how to become competitive in the market and profitable while still retaining their traditional social mandate. Judging by the French experience, this

does not seem to be possible other than by sacrificing profitability. Traditionally, the French State has intervened and still does in favour of the Caisses. On the one hand, the state owns 35% of the shares in CDC (Caisse des Depots and Consignations) and can still influence management appointments in the Group. In addition, the State has traditionally granted the Caisses the exclusive mandate to distribute the *Livret A* passbook[1] nationwide, thus greatly increasing their retail business. On the other hand, "the State sets the interest rate for retail deposits (currently at 2.25%) and the deposits are to be transferred to the CDC mainly for use by the State to finance local business and social projects. The fee paid to the savings banks by the CDC, currently at 1.10% on the amount outstanding (besides the 2.25% interest which the banks offer their customers) leaves the issuing banks with only meagre profits" (DBR 2005, p.3). This explains why, although the Caisses Group "improved its profitability since business activities started to be liberalised and raised its return on equity from 3.6% in 1997 to 6.2% in the late 1990s, in comparison with other major large banking groups, the profitability of the Caisses has remained low mainly because of its high cost/income ratio" (DBR 2005, p.13). In Cyprus, by comparison, we have witnessed the withdrawal of all state privileges for CCIs and it is highly unlikely they could return in the new EU financial environment that attempts to create a level playing field. Thus, it is still unclear how the Co-operative movement in Cyprus will manage to retain its traditional social mandate in the absence of state support.

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[1] A form of saving open to every citizen favoured by tax exemption on interest from credit balance up to EUR 15,300

CHAPTER TWO

LITERATURE REVIEW

2.1 Structure and objectives of the Chapter

Chapter Two consists of the literature review, which is divided in two sections. Firstly, is devoted to the literature on the concepts of organisational culture, cultural changes, factors that influence organisational culture such as national culture and industrial characteristics and issues related to resistance to change. Secondly, is discussing the concept of market orientation (MO), its relation to business performance and various issues related to MO measurement. Finally, Chapter Two ends with a statement of the theoretical assumptions derived from the literature and assumptions that this project relies on for its conceptual framework, followed by the justification of the present research project.

2.2 Introduction

The following critical literature review is meant to shed light on the key concepts and issues related to market-oriented organisational culture and its impact on an organisation's performance. Attention is first drawn to the various definitions of culture examined from a number of perspectives, such as a) shared values, assumptions and behaviours, b) context of dominance, c) business orientation, d) learning culture and e) human culture (Plakhotnik and Rocco 2006). The review of the various perspectives will enable the researcher to frame a paradigm of discussion that suits the aims and objectives of this project, which are both applied and practical and informed by theory. The examination of the literature dealing with the reasons for cultural assessment provides a link to the issue of the external factors that prompt an urgent cultural change at LCSB. Next, in focus, is the strategic planning meant to effect the change—which includes taking advantage of certain subcultures in the organisation, harmonising the organisation's mission, goals and processes with the framework of the desired culture, devising rewards and performance measurement

systems as well as coaching and mentoring processes together with the structures able to support the change.

2.3 The concept of organisational culture

The concept of organisational culture has been around for about 25 years and because it has been linked to business success (Deal and Kennedy 1982), it has drawn the attention of business analysts who have been using it as a tool for increasing competitiveness in the global market. Researchers of organisational culture (Deal and Kennedy 1982, Denison 1990, Schein 1992, Kraut 1996, Plakhotnik and Rocco 2006) define it as a pattern of shared basic assumptions, values and behaviours that a group learns because it solves its problems reliably and repeatedly. Thus, the culture of an organisation translates as the complex behavioural pattern that arises in an organisation as a result of the multiple interactions of its individuals with each other and with the management in the context of external environmental pressures. As all these elements that shape the cultural phenomenon are local and individual variables, the resulting "behaviour" is hard to pin down in clear-cut terms, as seen from the numerous attempts in the literature to categorise organisational cultures. This has stimulated a multidisciplinary approach to the study of culture as a phenomenon at the intersection of fields such as management, anthropology, psychology and organisational studies.

Mainstream research rallies round Schein's (2004) definition of culture as "a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore to be taught to new members" (p.17). Schein (1985) observes that culture is the property of a group or subgroup that has been stable for some time. In this sense, there is an apparent paradox between the notion of culture, which implies stability, and cultural change. Schein resolves this paradox by talking about culture as group dynamics, with leaders playing a fundamental role in forming and, if need be, destroying cultures. Thus, he sees leadership and culture as "the two sides of the same coin". Furthermore, he maintains that organisational culture can

either aid or hinder an organisation's effectiveness, so the understanding of what organisational culture is and how it works is essential. Thus, *Schein* articulates the link between an organisation's culture, its management and its business success.

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┌─────────────────────────────────┐
│ Artifacts and Creations         │     Visible but often not
│   o  Technology                 │     decipherable
│   o  Art                        │
│   o  Visible & Audible          │          ▲
└─────────────────────────────────┘          │
       ▲            │                         │
       │            ▼                         │
┌─────────────────────────────────┐          │
│ Values                          │     Greater level of
│                                 │     awareness
│                                 │
│                                 │          ▲
└─────────────────────────────────┘          │
       ▲            │                         │
       │            ▼                         │
┌─────────────────────────────────┐          │
│ Basic Assumptions               │
│   o  Relationship to environment│     Taken for granted
│   o  Nature of Reality, Space and│    Invisible
│      Time                       │     Preconscious
│   o  Nature of Human Nature     │
│   o  Nature of Human Activity   │
│   o  Nature of Human Relationships│
└─────────────────────────────────┘
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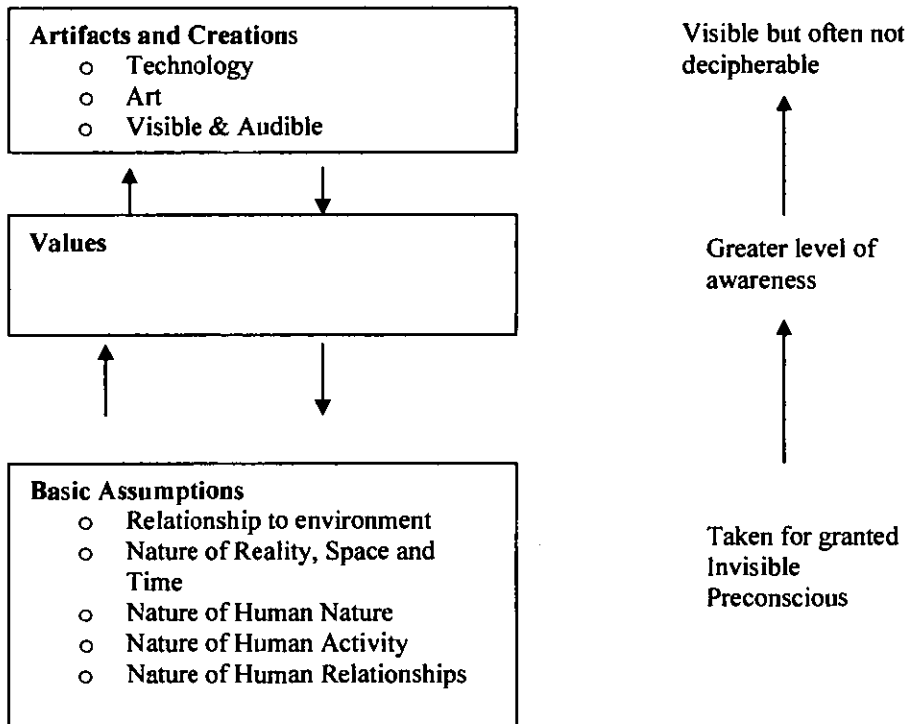
Figure 1: Schein's Organisational Culture

However, as assumptions are usually taken for granted and function unconsciously and instinctively, it is rather difficult for the members of an organisation to understand, measure and change their culture (Kraut 1996, Alvesson 2002). For this reason, Schein's (1985) approach to the study of an organisation's culture is based on an interactive interview method that involves both outsiders and insiders, an approach aimed of averting subjectivity and facilitating the process of deciphering the meaning of various cultural clues. Thus, Schein (2004) distinguishes three levels of cultural manifestations (Figure 1). He calls "artifacts" the visible organisational structures and processes, which are hard to decipher without the help of an insider. The "values" include the espoused goals, ideals, norms, standards and moral principles of an organisation, a level the researcher usually taps when constructing surveys and questionnaires. However, he believes it is only by digging beneath the

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surface of values through careful observation of anomalous and inconsistent behaviour that one can reach the level of the "underlying assumptions", which are the ultimate source of values and action.

O'Reilly (1989) distinguishes four levels of culture: the values, the norms, the behaviours and Schein's artifacts, where the values shared within an organisation are general principles on which the behavioural norms are based. In their turn the norms are more specific than the values and constitute the legitimate basis for the actual behaviours. Finally, the artifacts consist of the stories, arrangements, rituals, and language specific of an organisation and which as mentioned before, have a highly symbolic meaning, difficult to decipher by an outsider. Stories in organisations typically refer to exceptional behaviours by managers or employees performing customer-oriented behaviours. Arrangements might include a friendly welcome area and the rituals may consist of events for the customers or regular awards for employees with exceptional performance. The fourth category of artifacts is the language used within an organisation which can be highly indicative of the degree of market orientation in a company.

As we can see, whether we consider the three-level model or the four-level model of culture, there is no basic difference between their constituent elements. However, Schein's three-level model (1992) is based on the different degree of visibility of these elements: high for behaviours and artifacts, medium for norms and values and low for assumptions. Schein's insightful criterion of visibility can be extremely valuable for the cultural researcher because it warns against taking certain data at face value and suggests different methodological approaches to the assessment methods appropriate for each element. Thus, if questionnaires can shed light on norms and values, they cannot be expected to do so for the assumptions, which should be inferable from observing anomalous behaviour and perhaps probed indirectly through scenario-based questions.

Another perspective from which organisational culture has been analysed in the last decade (Plakhotnik 2006) explored culture as a context of dominance in terms of

race and gender, specifically in terms of male white domination which has hindered the professional development of women. This analytical perspective may prove to be fruitful to the present project.

Narver and Slater (1990. p. 21) define market orientation as 'the organisational culture that most effectively and efficiently creates the necessary behaviours for the creation of *superior value* for customers and, thus, *continuous performance* for the business, (see fig 2).

Another relevant perspective for research on organisational culture is that of business orientation. Connell, Papke, Stanton and Wise (2003) researched the factors that affect the transformation of an organisation from an order-taking/operational culture to a high-performance market-oriented organisational culture. Quite clearly, this perspective is very important for the present project which looks at how such a transition should happen in the case of LCSB.

Yet another perspective from which organisational culture is being discussed (Maria & Watkins, 2001) is that of a learning culture. Thus, a learning culture is viewed as a pre-requisite to successful organisational change. Aspects of a learning organisation, such as empowerment, systems of knowledge sharing and collaboration appear to be basic insights into the reorganisation LCSB must undergo to initiate and sustain the cultural transition process ahead of it.

Plakhotnik and Ross (2006) also mention the analyses of organisational culture from the viewpoint of the diverse and unplanned impacts of cultural change on the employees. Therefore, confusion and lack of consensus on the purpose of the change and the strategy of the organisation may arise, thus compromising the expected results. Connected with this perspective is the view of organisational culture as a humane culture that minimises such impacts and creates an employee-friendly environment by supporting work-life balance for employees. These aspects of cultural change are extremely relevant as to the present project whose recommendations will include suggestions on how these undesirable consequences of the cultural change at LCSB can be avoided or at least minimised.

Other relevant literature for the objectives of this project is the analysis of sub-cultures within an organisational culture. Powell (1997) argues that organisational culture often develops sub-cultures that may create dissonance and disharmony. Moreover, distances between a sub-culture and the main culture decrease organisational effectiveness so, when building an organisation-wide culture, such distances should be reduced. This analytical perspective seems tailored to the present culture at LCSB, whose new recruitment policy has brought into the organisation young educated individuals of both sexes, but mainly male, who perceive themselves as a meritorious minority with small chances of promotion to higher positions because of the seniority rights of the less educated employees who constitute the majority—which is a consequence of the old political recruitment criteria practised at LCSB until 5 years ago. We can add to this the sub-culture of the female employees who are still subject to the invisible ceiling as well as the subculture of the qualified managerial staff confronted with the difficulty of working with the higher echelons of power in the bank (like the Committee), made up of individuals with no qualifications in the banking profession. Thus, when initiating a cultural change at LCSB aimed at introducing an organisation-wide customer-oriented culture, the energy, qualifications and higher learning abilities of the above-mentioned subcultures should be used as an engine in the process of change.

Distinct research agendas may also shed a different light on the study of organisational culture. Alvesson (1989) appears to be at one end of the spectrum, where the purpose of cultural change is perceived as emancipatory and should not be linked to organisational performance because of the pernicious social consequences of such a causal relation. This position is in stark contrast to the managerialist approach to organisational culture, where authors like Schein (1985) emphasise the importance of leadership in the creation, maintenance and change of culture in an organisation. The managerialist perspective sees a direct relationship between the culture of an organisation and its performance. However, the managerialist ideology does not exclude or discount the analysis of the impact of cultural change on the workforce and of how negative consequences can be minimised. The discussion of

managerialism within the culture literature acquires new dimensions when culture literature is contrasted with climate literature.

Historically the concept of organisational climate preceded the notion of organisational culture. A comparative study by Denison (1990) shows that despite the fact that the substance of the organisational phenomenon they study is similar, climate and culture research rely on different epistemological paradigms, employ different methodologies, effect analyses at different levels with different temporal orientations and different theoretical foundations. The critical discussion of these two paradigms is necessary in order to define my own epistemological position as a practitioner researcher, insider and manager of the organisation whose culture is the object of my study. Moreover, it is a chance to reflect upon my inherently biased research agenda and an opportunity to justify my choice of mixed quantitative and qualitative research methods in this field mined by the paradigmatic war waged by the climate and culture purists. A more detailed discussion of the methodological implications of adhering to either one or other paradigm will follow in the chapter devoted to methodology. What follows is a brief comparison of the climate and culture theories as analyzed by Denison (2003) and their general implications for organisational research.

Climate research sees the individual separated from the environment (the context/environment preexists and individuals joining it are "socialised", i.e. taught how to conform to the values, procedures, behaviours, etc sanctioned by the respective organisation) and focuses on the influence of the environment on the individual in the process of socialisation. Culture research, on the other hand, sees culture as a social construct which results from the interaction between individuals, emphasising the role of the individual in creating the environment. So the cultural perspective is more valuable when showing how cultures come into being, while the climate perspective enables the analysis of the impact of social environments upon individuals (Denison, 2003). The two paradigms seem irreconcilable because they cast the discussion of individuals versus environment into a chicken and egg dilemma: does the environment cause individual behaviour, as climate theory claims

or does individuals' behaviour (interacting in an organisation) create its culture? Despite the emphasis on the individuals' role in shaping culture, culture research does recognise a dynamic causal interplay between individuals and the context.

However, the culture and the climate paradigms could be reconciled by questioning the assumption underlying culture theory that the dynamics of mutual causation between individuals and environment is evenly distributed over time. Recognising that there are times when change (dynamics) comes predominantly from one direction and times when it comes from the other one is actually consistent with the theoretical stance of seeing culture as "situated", only we should add that it is also situated in time. Thus the time when the research is carried out may be a phase of these dynamics when the context changes (because of internal-managerial factors or external-political ones) triggering a change in individuals' behaviour. In such a situation the researcher would capture a "climate" phase in the dynamics of culture. Thus cultural research is also situated in the *time of the research*. Such seems to be the case of the present study: although our epistemological stance is "cultural", this project studies the phenomenon of cultural dynamics at LCSB *at a time* when the European Banking Directives are creating a new context in which the organisation has to function, with important effects on the behaviour —and culture of the organisation and its members. Thus, we are witnessing in this case (LCSB) a historical process of a climate (the EU environment) determining cultural changes in an organisation.

In fact, whether one adheres to the climate or the culture paradigm, one should not lose sight of the fact that no organisation operates in a vacuum: thus organisations can be seen as "individuals" interacting *within* a larger social context (the market), which again can be construed either as a climate or a culture, depending on the paradigm of choice. However, even if we adopt the culture paradigm whereby the causal interplay between organisations and market would apply, the dynamics of causality —again—is not necessarily evenly distributed chronologically. For instance, at present, the cultures of Cypriot financial organisations are experiencing a

"climate" phase, as the EU financial market is forcing changes in the banks' identities and cultures and not the other way round.

To continue the analogy at an even higher level, we must note that markets of any kind do not function in a vacuum either, but in a local and international political context with which they are in similar causal dynamics: market interests influence political alliances (e.g. the formation and extension of the EU) and political events affect the behaviour of markets (e.g. political conflicts create fluctuations in the price of petrol or other commodities). Thus the time and purpose of research can determine a "climate" or "culture" perspective on organisational change.

2.4 Change in organisational culture

Most organisational theorists are in agreement that there is a correlation between an organisation's culture and its performance. It is easy to see why this is so when we look at O'Reilly, Chatman and Caldwell's (1991) seven dimensions of OCP (Organisational Cultural Profile), most of which have been found to impact performance to various degrees: innovation, stability, respect for people, outcome orientation, detail orientation, team orientation and aggressiveness. It is thus clear that it is declining performance or simply the fear of losing a competitive edge that may prompt an organisation to change the way it does business.

What cultural theorists do not agree on, however, is whether cultural change is actually feasible, with some authors (Schwartz and Davis 1981 in Senior and Fleming 2006) exploring the more realistic option of changing strategies around the existing culture which is rooted in national culture. Of course, this argument rests on the assumptions that business strategy is culturally related (or that strategy and organisational culture are or should be aligned) and that national cultures are reflected in organisational culture. The pessimistic stance of such authors with respect to the feasibility of cultural change is also explainable by the very nature of cultural change, which is a change not only in business practices but also in the system of values, attitudes and beliefs underlying those practices. These values and

beliefs about the world and about business are reflected in organisations' structures (such a hierarchy, degree of centralisation, departmental organisation, etc) and systems (e.g. systems such as the communication, the evaluation, the hiring, promotion and rewards systems, etc). Thus, according to Atkinson and Miller (1999), cultural changes, mostly accelerated ones, involve a sudden and traumatic *overhaul* of organisations' identity as it is defined by their values and entire way of doing business. Reports summarising the experience of reputed corporations such as Ford and Corning (e.g. GAO 1992, p.8), which attempted cultural changes, emphasise that "to achieve success, top management needs to ensure that *all* facets of the organisation which reflect its values and beliefs —reward and promotion systems, the organisational structure and management style, training, communications, symbolism, systems, procedures and processes— must undergo change."

How such profound changes feel to the individuals employed in the company and who are supposed to change everything that had until then characterised their identity is what Katz and Miller (2005) define as learning anxiety. According to them, learning anxiety is a cocktail of fears such as temporary incompetence, exposure of inadequacies, discovery of one's obsolescence, loss of self-esteem, the fear of losing one's status, power, influence, identity and group membership. Katz and Miller (20005) claim that it is only when the survival anxiety (the fear of losing one's job) is greater than the powerful cocktail of learning anxiety does learning – and change-- actually take place. Katz and Miller's (2005) portrait of the psychological trauma suffered by individuals subjected to cultural change in an organisation also offers an insight into the huge task awaiting the management of such organisations to help the employees overcome these fears in a more humane way than the one implied by Katz and Miller (2005). It is certainly part of Cypriot culture as well as the culture of LCSB to manage human resources in a humane manner, so in recommending ways to operate a cultural change towards more market orientation at LCSB, this project will also have to look at ways in which the management can lessen learning anxiety and provide a safety net for the employees who will be unable to cope with the pace and depth of the necessary changes in the organisation.

Coming back to the relationship among organisational culture, customer satisfaction and business performance, it is worth looking at Webster and Sundaram's (2006) study of the cultural characteristics of US and Japanese firms meant to explain how national cultures influence not only work practices but also the way consumers perceive the organisations they purchase from. Indeed there are abundant examples of organisations' increased awareness that customer satisfaction can no longer be achieved only through traditional means such as low prices, high quality, safety standards and distribution reliability, but also through alignment to national values. Taking the UK market as a case in point, with British customers being famous animal lovers and animals' rights campaigners and with nation-wide NGOs involved in poverty relief and development in ex-colonial territories, we can see how companies like Marks and Spencer's target these national values by importing only "Fair Trade" coffee and tea, how more and more cosmetics firms boast "no animal testing" and imports from Asia assure the public of "no child exploitation" in the manufacture of the respective goods. Despite the fact that Fair Trade produce is more expensive and "no animal testing" raises questions of product safety, these strategies achieve high performance through the satisfaction of the customers' national cultural values. According to Webster and Sundaram (2006), organisations whose cultures match those of their home country will exhibit higher levels of outcomes (customer satisfaction and business performance) when they operate at home rather than in countries with different cultural orientations. Cameron and Quinn (1999) also emphasise the need to align the company culture with that of its stakeholders as a condition of a company's business success both at home and abroad. The issue of the impact of national culture on organisational culture, on management type and ultimately on performance is extremely relevant to the present project which investigates how a Cypriot building society (LCSB) should change its identity and culture to function in the EU environment –as stipulated by the introduction of the EU Banking Directives. Besides the effort to change those aspects of national culture that might be incompatible with the "EU culture" –if there is such a thing as yet— LCSB will also suffer the cultural impact of "changing industries", as it moves from its co-operative status to the status of a commercial bank. As Webster and Sundaram (2006) note, alongside national culture, industry characteristics, technology and

growth rate are major contributors to an organisation's culture. In what follows, we review the literature relevant to these factors affecting organisational culture with a view to adopting a theoretical framework for investigating the existing culture at LCSB and the changes it should undergo to become more market-oriented and better performing.

2.5 National culture and organisational culture

The literature on cultural similarities and differences between nations surfaces a debate between cultural "convergence" and "divergence". The advocates of the convergence view maintain that the forces of industrialisation, the use of similar technologies, the growth of international organisations and the increasing tendency of global trade push organisations, whatever their location, towards a common "international" configuration with respect to strategy, structure and management. Moreover, there is a tendency for markets to value a global approach to business over a regional one. On the other hand, the advocates of the divergence viewpoint (e.g. Hofstede, 1980) argue that the differences in countries' languages, religions, laws, politics, values and attitudes will, of necessity, mean that one nation's culture will diverge significantly from another's, with marked differences in their business and managerial practices. However, according to Webster and Sundaram (2006), who survey the literature on the differences between the East (Japan) and the West (the USA), despite the cultural differences between them, both Eastern and Western organisations are found to be equally successful because they use the local cultural characteristics of both the workforce and the customers to support their organisational structure and management styles. Problems may arise, however, as mentioned above, when these organisations attempt to function abroad. This aspect makes the theoretical debate between cultural convergence and divergence quite relevant to the present project, as LCSB is supposed to start being competitive on the international (European) market. Note should be made of the fact that the formation of the common EU market is fraught with the difficulties of integrating regional characteristics within the legal framework of the Union despite the fact that

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European countries are supposed, for example, to be culturally closer to each other than to Far-Eastern nations, for example.

It is true that discovering the national characteristics of a culture is usually a type of research that lends itself to extensive quantitative analyses involving hundreds of questionnaire respondents. While such data concerning Cyprus would be useful for the present project, the topic itself falls outside the main objectives of this study. Nevertheless, my own experience of living and working in Cyprus is a reliable basis for a qualitative appraisal of Cypriots' national values in accordance with established criteria for analysing national cultures. After all, the discussion of LCSB's culture in terms of national characteristics is primarily meant to shed light on those aspects of national culture that may impede the cultural *changes* necessary to make the organisation more market-oriented and improve its performance. In what follows, the researcher will rely on Hofstede's (1980) five dimensions of national culture.

In terms of Hofstede's (1980) *power distance* specific to a society, Cyprus features quite highly: inequalities of power and wealth are accepted by both ends of the hierarchy, with subordinates not expecting to be consulted by their superiors over decisions. Thus, they feel more comfortable being told what to do rather than showing initiative and creativity. Quite clearly, this local cultural feature will stand in the way of turning LCSB's employees into better sales people. Similarly, they are likely to be intimidated by the power and wealth of a corporate customer and find it hard to "empathise" with their needs and wants, when so far they have been dealing with low-income customers, as traditional for building societies. Moreover, the high power distance characteristic of Cyprus is likely to affect our customers too, as LCSB has the image of a "bank for the lower classes" and corporate clients may find it more natural to continue taking their business to Cypriot commercial banks despite the fact that LCSB will soon offer the same products and services as any EU bank.

Hofstede's distinction between *individualism and collectivism* places Cyprus quite firmly in the collectivist camp, where the ties between individuals are very tight not only around the family but also around political structures. This is extremely relevant

to LCSB's recruitment policies, as discussed above, where political considerations have taken precedence over the professional ones when hiring new staff, with serious consequences for the overall abilities of the bank's present personnel. Thus, it is hard to imagine how many of our employees, mostly the older ones, could become open to the new knowledge and attitudes required in a customer oriented culture.

The distinction Hofstede makes between *masculinity and femininity* refers to the degree to which social gender roles are clearly distinct and to the values —more masculine or more feminine—dominating a local culture. In this respect Cyprus is a rather high-masculinity society, where the dominant values are showing off, making money, "big is beautiful" and males are "head of family" and trustworthy businessmen. These values affect the bank's dealings with women customers whom it regards as untrustworthy when they request housing or entrepreneurial loans. This gender discriminatory attitude will clearly have to change as more and more women in the EU are financially independent and have entrepreneurial interests.

Hofstede defines *uncertainty avoidance* as the way in which a society deals with the fact that the future is unknown. Some national cultures appear to have a low uncertainty- avoidance, which enables them to be comfortable with a higher degree of risk-taking. Cyprus, however, evinces strong uncertainty-avoidance features that translate as caution in business dealings, sticking to procedures and generally avoiding foreign customers who are "unknown/unfamiliar" and therefore, less trustworthy. This attitude is unlikely to increase LCSB's European market share, so efforts should be made to uproot it.

Finally, Hofstede's *long-term/short-term orientation* places Cypriot national culture in the range of long-term orientation, as the Cypriots look to the past and present for their values and respect tradition. Unfortunately, as Cypriots are not in the habit of questioning traditions and "searching for truth", they are unlikely to be open to change because the basis of change is primarily the awareness that the way things are is "not right" so it *needs* changing. This general conservativeness of the Cypriot society who is happy with its traditional values, translates as a very slow reaction to

environmental changes, such as the ones brought on by our membership in the EU, which puts many businesses, including LCSB, at risk of not surviving in the new climate. As far as this project is concerned, the Cypriot long-term orientation means that any attempt to change the culture at LCSB should start with a campaign making the entire hierarchy of the organisation aware that things cannot continue as they have so far. Raising the personnel's awareness of the *need for change* is a priority in the process of training and cultural reorientation lying ahead of LCSB.

This brief qualitative survey of Cypriots' national values along Hofstede's dimensions indicates, unfortunately, that local cultural characteristics are likely to impede the cultural changes necessary for turning LCSB into a more market-oriented financial institution. This indication is important for this study as it will inform the time-scale and the overall approach to the change-management process, which is the focus of this project.

2.6 Industry characteristics and organisational culture

As different from national culture, technology and growth rate are industry characteristics that tend to make corporate cultures converge. As Deal and Kennedy (1982) maintain, technology restricts *how* things are done in an organisation (i.e. its culture, according to their definition) by defining *what* is being done. For financial institutions, technological advancements have also meant the acquisition of software that helps gather customer and competitor intelligence and improve interfunctional coordination – all characteristics of market-oriented organisations according to prominent researchers like Narver and Slater (1990) and Kohli and Jaworski (1993). As discussed above, in 2000 LCSB acquired the necessary IT for customer profiling, for example, but, to date, it has not been able to complete its customer data bank and still has a long way to go before it manages to put this software to good use for storing competitor intelligence and improving interfunctional coordination. From a cultural point of view, technological advancements must turn LCSB into a learning organisation in order to integrate the new knowledge and skills necessary to operate this software optimally.

Growth rate is another industrial feature that affects organisational culture. Research (Zammuto and O'Connor 1992 in Webster and Sundaram 2006) has found that high-growth industries tend to be characterised by increased risk-taking, innovation and flexibility, while low-growth industries are characterised by stability and reliability. These correlations are significant for this project because LCSB is currently moving from the status of a low-growth financial institution (a feature of building societies) to that of a high-growth one, as commercial banks typically are. This will mean culture and strategy changes conducive to more aggressiveness and creativity in order to maintain our local market share and extend it to the EU environment.

2.7 Planned or emergent change?

Theorists of organisational culture disagree on whether *planned change* is actually effective. The notion of planned change relies on the assumption that the environment is known or can be accurately analysed and the changes meant to adapt to the environment can be logically and systematically implemented step by step. Other researchers (e.g. Quinn 1980 and Stacey 2000 in Senior and Fleming 2006) advocate the concept of *emergent change*. They have found that most strategic decisions are made in spite of formal planning rather than because of it. While effective managers have a clear view of their goals, the route to that destination, the strategy itself may not be clear-cut from the beginning. The strategy is supposed to emerge from the interaction of the various groups involved in the change in small incremental, opportunistic steps that surely lead to the intended goal while allowing the organisation to learn. The distinction between planned and emergent change is theoretically valuable for this project as it builds methodological flexibility into the model of change-management that it proposes. This flexibility is especially necessary in the case of LCSB's cultural changes as the environment in which it operates is extremely fluid at present. This is because mergers and acquisitions are occurring at a fast rate on the island in view of the size and power readjustments necessary to compete in the EU market.

2.8 Resistance to change

It is well known that organisational change faces resistance from individuals, or groups or even the very structure of the organisation. When envisioning culture change, however, resistance should be greater than in any other case of organisational changes for the obvious reason that the changes target the individuals' deeply held assumptions and beliefs. In fact, resistance to culture changes can be so fierce that some organisational theorists –as discussed above—maintain that culture changes are not actually feasible, so new strategies need to work around the existing culture. What is extremely valuable about the concept of resistance from a practical point of view is that the phenomenon is predictable, so it can be planned, in the sense of making the overcoming of resistance an objective that is to be reached in flexible ways, depending among other things on the resources available for implementing the changes.

2.9 Market Orientation (MO)

Research in the domain of market orientation started in the 1980s inspired by the popular writings of Deal and Kennedy (1982). They emphasised the importance of customer orientation or customer oriented culture, maintaining moreover that there should be a proper connection between corporate strategy and corporate culture. However, the fundamental work on market orientation started with the publications of Narver and Slater (1990) and Kohli and Jaworski (1990). Kohli and Jaworski's (1990) concept of market orientation relates to the organisation-wide generation of market intelligence and its dissemination across the various functional areas of the business and the organisation-wide response to it. This perspective suggests that given the proper resources and focus, an organisation can become more market oriented in response to corporate directives.

Narver and Slater (1990) defined market orientation as consisting of three components—customer orientation, competitor orientation and interfunctional coordination—and two decision criteria: long-term focus and profitability. Their concept of market orientation complements that of Kohli and Jaworski, although

Narver and Slater's concept of MO is based on a cultural definition, while Kohli and Jaworski's is based on a behavioural definition (Kosuge, 2006)

Customer orientation

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                  /    \
                 /      \
                /  ┌──────────┐  \
               /   │ Long-term │   \
              /    │           │    \
             /     │ Profit focus│    \
            /      └──────────┘      \
           /   Organisational Culture   \
          /                              \
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Competitor orientation   Interfunctional coordination
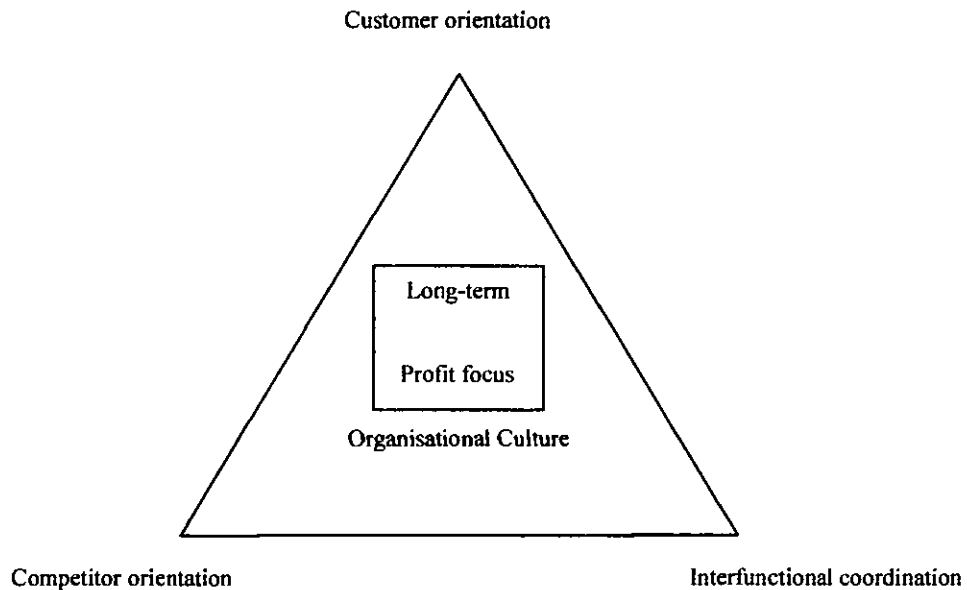
Figure 2: Narver and Slater's (1990) model of Market Orientation

Deshpande and Farley (1998) define the concept of market orientation as the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment.

By now the theory of market orientation distinguishes between first and second-generation market orientation theories and market-oriented businesses. Talking about *customer orientation*, Slater (2001) says that, "Market oriented businesses have traditionally focused on understanding the expressed needs of the customers in their served markets and on developing products and services that satisfy those needs, (Slater 2001 p. 230). In this way, market orientation is focusing on current products and services, incremental rather than breakthrough learning and the short-term. (Slater 2001, p. 321) continues by stating that the, "Second generation market oriented businesses are committed to understanding both the expressed and the

unexpressed needs of their customers and the capabilities and plans of their competitors through the processes of acquiring and evaluating market information in a systematic and anticipatory manner". Now, the focus is more on the long-term and on breakthrough learning. Besides understanding both the expressed and the unexpressed needs of their customers, proper customer orientation requires that a seller understand the needs of the buyer, thus satisfying the buyer's entire value chain. Even more, the seller should understand customer-chain needs not only as they are today, but also as they will evolve over time subject to internal and market dynamics (Day and Wensley 1988).

Competitor orientation (Narver and Slater 1990) refers to a seller's understanding of the short-term strengths and weaknesses and long-term capabilities and strategies of both current and potential competitors. The analysis of current and potential competitors must include the entire set of technologies capable of satisfying the seller's target buyers.

The third of Narver and Slater's (1990) components of market orientation is, *interfunctional coordination*. Any point in the buyer's value chain affords an opportunity for a seller to create value for the buyer's firm. Thus, any individual in any function in a seller firm can potentially contribute to the creation of value for buyers (Porter 1985). Hence, interfunctional coordination refers to the organisation-wide effort (and not of a single department's) to create value for customers. Achieving effective interfunctional coordination requires, among other things, the creation of interfunctional dependency so that each functional area perceives its own advantage in co-operating closely with the others.

Kohli and Jaworski (1990) capture the notions of Customer and Competitor Orientation in more behavioural terms; for them, to be customer and competitor oriented means in practice to gather intelligence about them. Thus, Intelligence Generation becomes in their theory of MO the first of three components.
Narver and Slater's (1990) concept of interfunctional coordination can be understood in parallel with Kohli and Jaworski's (1990) two other constituents of MO,

Intelligence Dissemination and Responsiveness to market intelligence, which deal with the coordinated utilisation of company resources in creating superior value for target customers. Kohli and Jaworski's (1990) take on intelligence dissemination shows their concern with the practical issue of establishing clear communication channels as a sine qua non basis for ensuring prompt and adequate Response Design and Implementation.

Martin and Martin (2005), drawing on work by Kohli and Jaworski (1990), Baker, Simpson and Siguaw (1999) and Deshpande and Farley (2000), advocate the development of an *internal customer orientation* as a formula for achieving effective intelligence dissemination leading to improved interfunctional coordination. They propose a dyadic system within which the various departments and individuals in an organisation view themselves simultaneously as internal customers and internal suppliers for each other. The metaphorical transfer of the relations between external customers and external suppliers on the work relations within and among departments facilitates the perception of cooperation and team-work in terms of a needs analysis that parallels the traditional analysis of customer needs and expectations. Accompanied by a matching system of rewards, incentives and inter-departmental feedback, their suggestion gives practical insight into "the how" of learning intelligence dissemination and interfunctional co-operation and great assistance in the process of change management, which constitutes the focus of this project. Thus, the concepts and methods suggested by Martin and Martin (2005) will be the theoretical basis for many of the practitioner reserarcher's final recommendation as to how LCSB can attempt to reach a higher degree of interfunctional co-operation in the future.

In 1993, Jaworski and Kohli develop the theory of Antecedents to MO which are a number of preconditions an organisation must meet in order to increase its market orientation. These preconditions refer to Senior Management Factors (Emphasis on and commitment to MO and Risk posture), Interdepartmental Dynamics (Connectedness vs. Conflict) and Organisational Systems (Formalisation, Centralisation and Rewards). The Antecedents may facilitate or hinder the drive to

MO. As the management has the leading role in shaping interdepartmental dynamics and organisational systems, it can be said that the Antecedents reflect an organisation's managerial culture and its readiness for changes that would lead to more MO drive.

As the literature and practice have demonstrated, an organisation's readiness for change emanates from its top management, which greatly influences the successful implementation of change. For this project, an assessment of LCSB's managerial readiness for change towards more MO is likely to be extremely relevant for the Recommendations. Jaworski and Kohli's (1993) Antecedents scale will be used to determine the degree to which LCSB is ready for more MO.

At this point it may be the case to state why this project will be conducted in Jaworski and Kohli's paradigm. First, Jaworski and Kohli's addition of the concept of Antecedents to the three components of MO actually suggests to the practitioner-researcher the areas of change that must *precede* the transformation steps towards better intelligence gathering, dissemination and response. Thus, the Antecedents become a practical guide for *scheduling and prioritising* the transformative steps towards more MO, making it clear that the organisational structures, systems and the managerial behaviours included in the concept of Antecedents are the pillars supporting the gradual building of the main MO behavioural components.

Second, Jaworski and Kohli have developed not only a scale for measuring an organisation's level of MO (the MARKOR) but also a scale measuring the degree to which the Antecedents are in place in an organisation that attempts to become more market oriented, thus indicating its readiness for implementing MO policies and behaviours.

Finally, Jaworski and Kohli have also developed a Moderators' scale, which allows the management of an organisation that aspires to more MO to evaluate the environmental timeliness and risks involved in embarking on a strategy of increasing the firm's MO drive. As all these indicators (LCSB's present level of MO, its

readiness for this cultural change and the environmental auspiciousness of MO for a better financial performance) are crucial for shaping the action plans this project aims to recommend, the choice of working within Jaworski and Kohli's paradigm affords a sense of conceptual unity to this research, and prevents any overlapping of concepts and measurements that might result from using scales developed by different researchers and theorists.

The alignment of managerial strategy with the organisation's structures, systems and behaviours constitutes, in Justice and Jamieson's (1999) view, the key to evolving a desired culture.

Justice and Jamieson's (1999) concept of organisational alignment appears to generalise over the notion of Antecedents for MO developed by Jaworski and Kohli in 1993. The elements that need aligning map the Antecedents, structuring them along the more familiar lines of organisational Structures and Systems which work to produce the desired Behaviours, which, in the case of MO refer to Intelligence Gathering, Dissemination and Response. Thus, Justice and Jamieson's (1999) diagram (see figure 3 below) of organisational alignment will constitute a useful matrix for the programmme of changes this project aims to recommend.

Here below is further illustrated the cultural alignment within an organisation as explained by Justice and Jamieson (1999) which might constitute the basis for LCSB's cultural transformation in order to obtain business performance in due course.
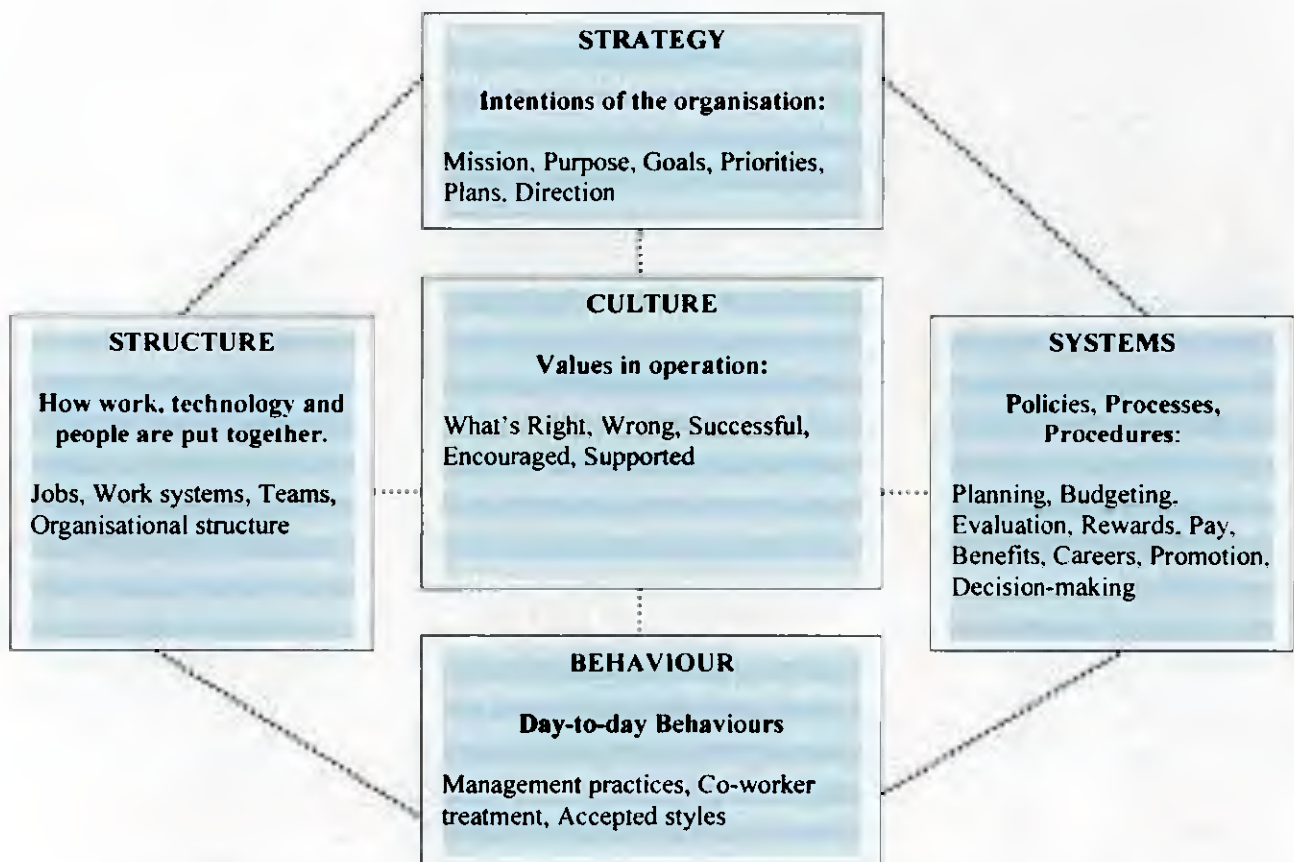
Figure3. Justice and Jamieson (1999): Cultural alignment in an organisation

2.10 Market Orientation and Business Performance

It has been widely assumed for many years that market orientation is linked to better company performance. The theoretical basis for this expected link was elucidated as early as 1958 by McKitterick (Dawes 2000) who highlighted that in a competitive environment, organisations must be highly aware of and responsive to customer needs, or else rivals will devise products more attuned to those needs and capture their business. Empirical research by Deshpande and Farley (1999) and Narver and Slater (1994, 2000) have found a positive correlation between market orientation and return on assets, sales growth and growth in market share. A review of empirical research from relevant journals between 1990 and 1999 conducted by Dawes (2000) shows that 30 out of 36 studies have found a direct positive association between MO and performance. Dawes' (2000) study is important not only because it incorporates

longitudinal data to support the positive correlation of MO with profitability, but also because it analyses the individual components of MO and their relation with performance, separately. His evidence shows that of the three components of MO, Competitor Orientation emerges as the variable with the strongest association with performance. For managers, this reinforces the view that while a customer orientation is vital, competitor intelligence is likely to be a key factor in ensuring high performance. The implication for researchers is that each component of MO should not necessarily be assumed to have equally strong associations with profitability.

However, market orientation *alone* cannot ensure a company's superior business performance as there are other factors influencing it, which are outside the conceptual umbrella of market orientation. Narver and Slater (1990) point out that there are eight "situational variables" that may affect business profitability. They can be classified as "Market-Level Factors", which comprise buyer power, supplier power, seller concentration (or competitive intensity), rate of market growth, ease of entry of new competitors and rate of technological change. The other category of factors that moderate business performance are classified as "Business Specific Factors" and they refer to the size of a business and to the average total operating costs of a business.

In the same vein, Jaworski and Kohli (1993) talk about three environmental factors that moderate the relationship between market orientation and business performance. Their *Moderators* refer to Market Turbulence, Technological Turbulence and Competitive Intensity. Each factor is supposed to be important for the MO-Performance (MOP) relationship. This means the Moderators must be taken into consideration when increasing a company's market drive, as it is well known that this is a costly process. Thus, Jaworski and Kohli (1993) advise managers to take them into account when balancing the costs and benefits of making their companies more market oriented. Despite the obvious importance of the business environment for profitability, the literature has found mixed relationships between the environmental variables (the Moderators) and both MOP. On the one hand,

Diamantopoulos and Hart (Heslop and Rojas 2005) for instance found that the relation of Market Turbulence to MOP was opposite to that suggested by Kohli and Jaworski (1990), who claim that the higher the overall market demand, the stronger the link between market orientation and performance. Harris (Heslop and Rojas 2005), however, found significant moderating effects of only competitive intensity and market turbulence, but not of demand or technology turbulence. Jaworski and Kohli (1993) themselves propose a positive correlation for all environmental variables and MO, though not with the MOP link. On the other hand, there is Narver and Slater's (1994) conclusion that environmental variables are transient and that a market orientation is beneficial regardless of the environmental factors. These conflicting views demonstrate, if anything, the complexity of the environment-MOP relation but the research that found a positive relationship between MO and Performance was based on the assumption that MO provides a firm with a better understanding of its *environment* and customers, which means market oriented firms are better capable to integrate the many determinants of performance in their business strategies. This project embraces this assumption and the conclusion that there is a positive correlation between MO and performance, which has been validated by the vast majority of the empirical studies carried out over the decade of the 90s, as discussed above. Owing to the importance of understanding the business environment in which an organisation operates --if it is to have a good performance-- an overview of the Cypriot financial sector environment is of the essence.

Jaworski and Kohli (1993) define *Market Turbulence* as the degree to which the composition of customers and their preferences have changed over a period of time and they find that when markets exhibit a higher degree of market turbulence, more MO leads to increased business performance. The Cypriot financial market is currently experiencing a high degree of turbulence given the free movement of capital in the EU, where Cyprus has belonged as of 2004. Besides this, LCSB's present geographical restriction to the Limassol area will have to be lifted as of 2007, according to the EU Banking Directives-- which places the organisation in a transition period with respect to customer and product types. Apart from this, there is a global change in customers' preferences these days, as more and more age groups

become computer literate and desire electronic delivery systems. Thus, the increased market turbulence LCSB will face in the future will lead, according to Jaworski and Kohli's (1993) theory, to a greater need for MO in the organisation.

The second environmental factor moderating the link between MO and business performance is *Competitive Intensity*. According to Kohli and Jaworski (1990), the lesser the competition the lesser the need for firms to become market oriented and vice versa. In Cyprus there is a high degree of competitive intensity given the 9 commercial banks and 207 Cooperative credit institutions currently operating on the island, apart from the potential competition of any EU bank that might wish to open branches here. The BFG Group, the Bank of Pireus, Alpha Bank, The Marfin Group and Societe Generale have already opened branches on the island. Thus, more MO seems to be a must for LCSB in the present context.

The third environmental factor is *Technological Turbulence,* defined as the extent to which technology has changed in a particular industry. Kohli and Jaworski (1990) argue that in industries characterised by rapidly changing technology, market orientation is beneficial for performance. This seems to be the case in banking, as IT has revolutionised not only the way banks do market research, but the very products and services they offer. We can say that nowadays technology is an integral part of the financial products and services, as they need to satisfy the preferences of the increasing number of customers who use Internet, own mobile phones and desire a higher degree of autonomy in performing their financial transactions. In this respect we can notice a link between market turbulence and technological turbulence in the area of banking. For these reasons it seems reasonable to assume that more MO will actually benefit LCSB in these technologically turbulent times.

In summary, Jaworski and Kohli's (1993) paradigm of an MO culture proposes not only a group of target behaviours –Intelliegence Gathering, Dissemination and Response—but also the necessary preconditions –the Antecedents—that need to be in place in order to achieve them, as well as an integrated view of an organisation's

MO strategies with a number of environmental conditions –the Moderators—which may enable a higher degree of MO to yield the final goal: enhanced performance.

2.11 The Measurement of Market Orientation and of Individual Values promoting MO

Measuring market orientation proves to be a difficult enterprise probably because of the complexity of the concept and of the phenomena it describes. Narver and Slater's (1990) distinction between market orientation and situational variables as factors determining business performance (discussed above) is clearly important for methodological reasons when we want to measure an organisation's market orientation: situational variables should be controlled for. However, market orientation is clearly a composite feature of an organisation, comprising elements of culture proper (as individuals' deeply held assumptions and beliefs) as well as marketing and management aspects/behaviours, all of which should be taken into account when attempting to measure market orientation. Thus, as Kasper (2005) maintains, Hofstede's (1991) six dimensions of culture measurement are relevant -- as market orientation is a cultural feature of an organisation-- but not enough for determining an organisation's degree of market orientation. Market factors measuring the generation, dissemination and responsiveness to intelligence about customers and competitors should be added, following Kohli et al.'s (1993) MARKOR scale. However, as Schein (1985) noted, culture and leadership (management) are two sides of the same coin, so aspects of leadership, such as its commitment to market-oriented practices, flexibility, results orientation, etc., should be included in an instrument meant to measure an organisation's degree of market orientation. Jaworski and Kohli (1993) capture these elements of managerial behaviour in their Antecedents scale (discussed above), but do not include them in the MARKOR.

Narver and Slater's (1990) scale, MKTOR, and Kohli et al.'s (1993) MARKOR have been the most popular scales used to fathom organisations' degree of MO. Both measure a firm's active interactions with market dynamics and the organisational

readiness and flexibility required to change and react to changes occurring in the environment (Taghian and Shaw 2000). However, both scales have suffered adaptations in the various studies where they were used due to the fact that that they had been subject to criticism. For instance, Dawes (2000) mentions Diamantopoulos' criticism of MKTOR whose components "are only partially related to the dimensions originally proposed by Narver and Slater" (p.77), so, in his opinion, the scale requires further validation and refinement. MARKOR has also been criticised by Pelham and Farrell & Oczkowski (Dawes 2000) as being too narrow and lacking in ways of measuring customer understanding as opposed to merely measuring information gathering and dissemination.

As far as this project is concerned, the measurement of LCSB's degree of market orientation will rely on a blend of cultural, marketing and managerial factors which have been captured in Kohli, Jaworski and Kumar's (1993) MARKOR scale together with the additional Antecedents and Moderators scales developed by Jaworski and Kohli (1993). Despite the criticisms leveled at the MARKOR, this scale has a number of qualities such as that of formulating clear statements referring to actual business practices informed by an MO culture. The Antecedents scale completes the picture of an organisation's readiness for implementing MO behaviours through adequate structures, systems and managerial strategies. The Moderators scale adds to the picture the environmental situation that makes more MO drive for LCSB a financially felicitous strategy or not. The fact that the three scales have been elaborated by the same authors is expected to bestow conceptual coherence and metric unity to the present research project.

Kohli and Jaworski (1993) also maintain that the business environment could play a moderating role in the relationship between MO and performance. The business environment is construed as having three components: Market Turbulence (the degree to which customers change their product preferences), Competitive Intensity and Technological Turbulence (the rate at which technological advances penetrate the industry). Various researchers have reached different conclusions about the long-term or short-term role of each moderator (Jaworski and Kohli 1993, Greenley 1995,

Slater and Narver 1994), although the majority agrees that Market Turbulence and Competitive Intensity strengthen the relationship between MO and performance. There is less agreement about the role of Technological Turbulence, but nowadays technology informs banking products more than ever. This is because banks have to satisfy customers' higher level of technological expertise on the one hand (most young customers are computer literate and wish to have online access to their accounts) and on the other hand technological advancements have prompted new products and thus created certain banking needs (ATMs, plastic money, etc.) In principle, the business performance of a financial institution nowadays would benefit from more MO rather than ,less, all the more so as much of the competition among banks in Cyprus these days is centered on introducing technological advances in business operations and customer profiling in order to reach the EU standards in this respect. At the same time, IT has made it possible for organisations to process customer and competition intelligence as never before.

As for LCSB, it currently faces a dilemma, as most of its customers, being senior citizens, would be turned off by too many technological innovations in products and services, while its urgent need to capture new market share requires catching up with the commercial banks on the island who are the local leaders in the absorption of technology in banking. Thus, for LCSB investment in technology may not seem justified *in the short term* and for the purpose of customer *retention.* In the long term, though and in order to attract new market segments, the cost of increasing the company's technological level is likely to pay off.

Apart from the business environment and the top management's readiness to achieve more MO, the culture of the organisation as a whole is also a factor likely to influence the success of increasing a firm's market drive. However influential the culture of the top management may be for the culture of the whole organisation, the two may not overlap, so in order to determine the cultural readiness of the organisation as a whole, this project will need to use an established culture assessment instrument such as Schwartz' (2003) Portrait Values Questionnaire (PVQ) devised to measure ten basic value orientations. These values -- Power, Achievement, Hedonism, Stimulation, Self-Direction, Universalism, Benevolence,

Tradition, Conformity and Security-- represent guiding principles in people's lives, expressing their motivational goals. These ten values are universal because they spring from three universal requirements of the human condition: the needs of individuals as biological organisms, the requisites of coordinated social interaction and survival and the welfare of groups (Schwartz 2003, Chapter 7: Measuring Value Orientations across nations.)

The conflicts and congruities among the ten basic values structure the values on two orthogonal dimensions: a) *Self- Enhancement vs. Self-Transcendence (SE/ST)*, where Power and Achievement values oppose Universalism and Benevolence and b) *Openness to Change vs. Conservatism (OC/CONS)*, where Self-Direction and Stimulation values oppose Security, Conformity and Traditional values. Hedonism shares elements of both Openness and Self-Enhancement. The four dimensions span the continuum between *Individualism* and *Collectivism*, with SE and OC towards the individualistic end and ST and CONS towards the collectivist end.
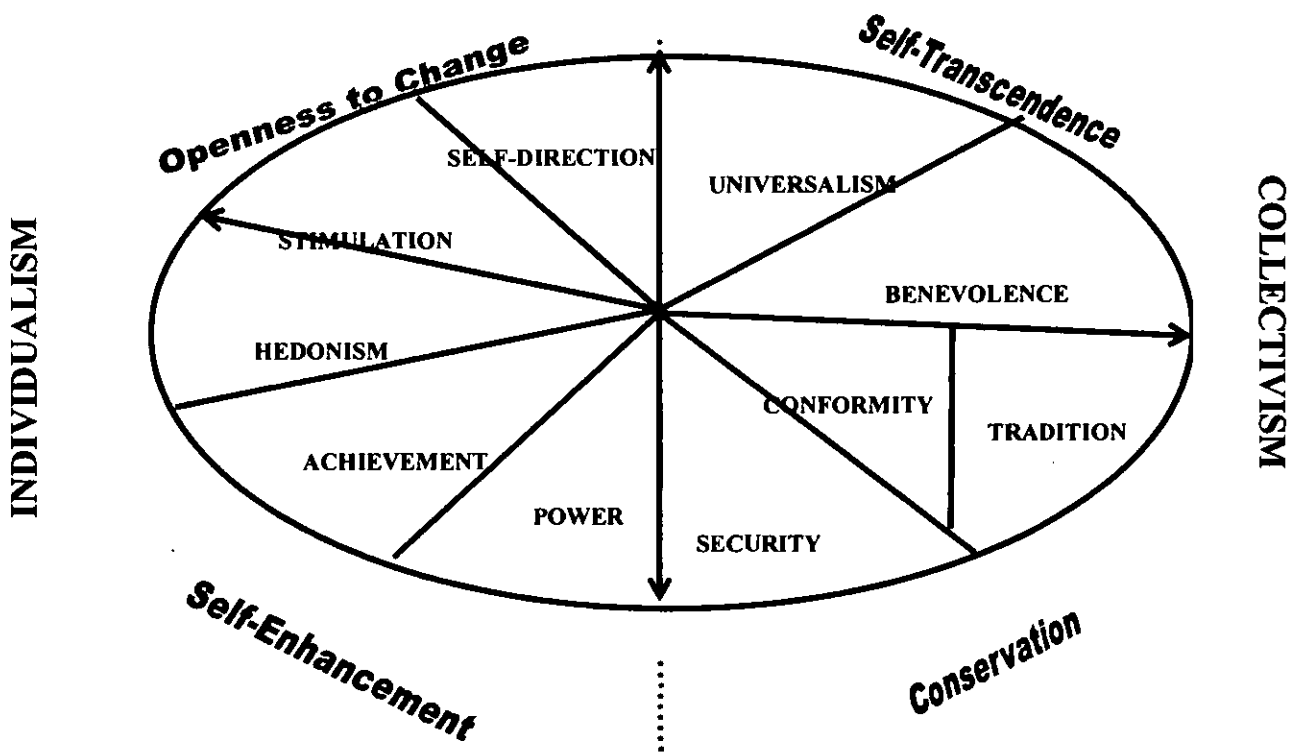
Figure 4: Schwartz' Values System (2003)

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Furrer, Lantz and Perrinjaquet (2003) hypothesise a negative relationship between individualistic values and all the aspects of MO, namely customer orientation, competitor orientation and interfunctional coordination (in Narver and Slater's 1990 conceptualization), whereas Pulendran, Speed and Widing (2000) consider individualistic values to be positively related to customer and competitor orientation and negatively related only to interfunctional coordination. The two groups of researchers agree that the Openness-to-Change subdimension of Individualism has a weaker impact on customer orientation and a stronger impact on competitor orientation than Self-Enhancement. However, Pulendran et al.(2000), consider the Self-Transcendence subdimension of Collectivism to have a stronger impact on interfunctional coordination than the Conservatism subdimension, while Furrer et al.(2003) consider the Openness-to-Change/Conservatism axis to have a stronger impact on favourable attitudes towards interfunctional coordination.

At this point we should note a correspondence /overlapping between some of these ten values and some of the values reflected by Jaworski and Kohli's (1993) Antecedents, which reflect managerial behaviours.

Thus, Centralisation reflects the managers' Power stance while their attitude to risk-taking is indicative of their Stimulation value. Formalisation clearly reflects the managers' Conformity orientation while the degree of Interdepartmental Connectedness is expressive of Benevolence. This overlapping is to be expected, as the Antecedents are actually *behaviours*, so they can be easily correlated with the values underlying them, which, as we have seen, span the continuum between *Individualism* (Power and Stimulation) and *Collectivism* (Conformity and Benevolence).

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┌─────────────────────────────────────┐
│ Individual Values                    │
│    o   Individualism-Collectivism    │
│    o   Openness-to-Change-           │
│        Conservatism                  │
│    o   Self-Enhancement-Self-        │
│        Transcendence                 │
│                                      │
│                                      │
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┌─────────────────────────────────────┐
│ Market Orientation Values            │
│    o   Intelligence Generation       │
│    o   Intelligence Dissemination    │
│    o   Response Design               │
│    o   Response Implementation       │
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└─────────────────────────────────────┘
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┌─────────────────────────────────────┐
│ Control Values                       │
│    o   Firm                          │
│    o   Age                           │
│    o   Gender                        │
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└─────────────────────────────────────┘
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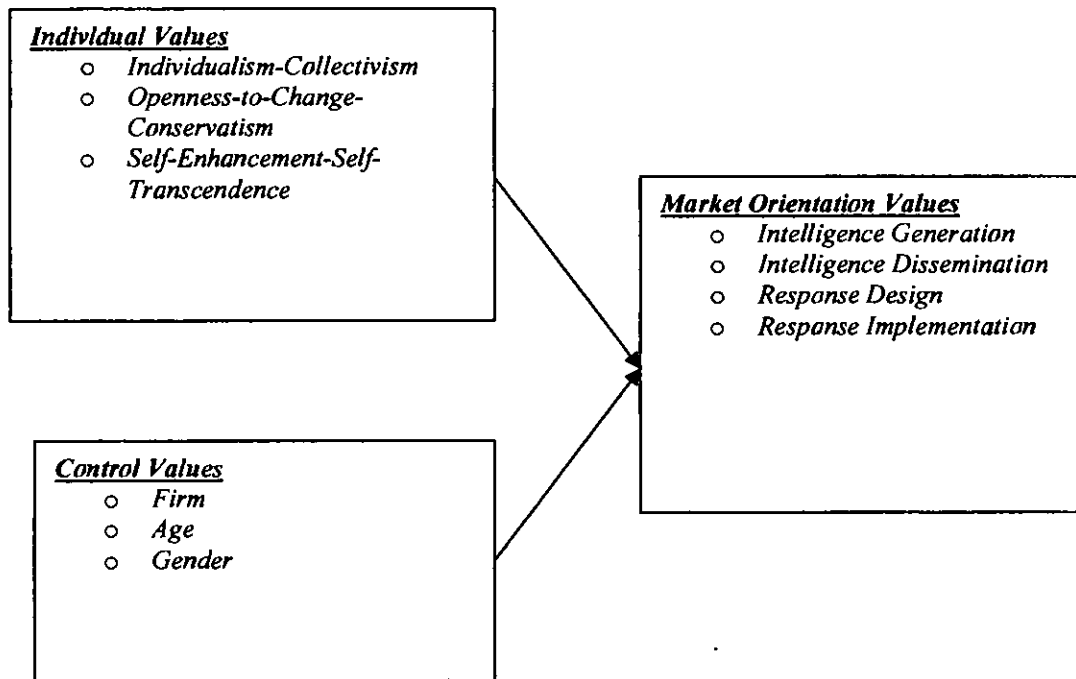
Figure 5:   Conceptual Model of Values and Culture (Schwartz 1993).

2.12 The conceptual framework informing this project

The literature reviewed so far delineates the theoretical framework within which the present project is situated. However, as the aims and objectives of this project are not solely theoretical, but practical as well--i.e. suggesting a series of measures to turn LCSB into a more market oriented organisation to improve its business performance-- this research will not attempt to demonstrate the validity of the relations discussed above. On the contrary, since so many studies including those carried out by the proponents of the various relations moderating MO (discussed above) have solidly demonstrated their credibility, I will adopt them as a conceptual framework that will enable me to interpret my findings and infer the necessary steps to be taken towards more market drive in my organisation. Thus, the present project is based on the following theoretical assumptions:

1. MO is the organisational culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and superior performance for the business.

2. MO has three components: Intelligence Gathering, Dissemination and Response (following Kohli and Jaworski 1990).

3. Companies have various degrees of MO

4. National culture, industry characteristics and leadership influence organisational culture and thus MO

5. There is a relation between MO and business performance but it is moderated by environmental factors and enabled by managerial, organisational and reward systems (Jaworski and Kohli's 1993 Antecedents) in the following ways:

   a. The higher the degree of market turbulence, technological turbulence and competitive intensity, the stronger the relation between MO and business performance

   b. The greater the managerial emphasis on MO and risk-taking propensity, the greater the overall MO of the organisation

   c. Less of organisational functioning means more MO. Less centralisation and less formalisation, means more MO

   d. The greater the reliance on market-based rewards, the greater the MO

   e. The less interdepartmental conflict and the more interdepartmental connectedness, the more the MO

6. Individual cultural values influence the various aspects of MO in different ways.

Another assumption underlying this project is that, the researcher, as a Cypriot national who has lived all his life on the island, can analyse Cypriot national culture according to Hofstede's five cultural dimensions correctly and that his conclusion, that Cypriot national values are not conducive to an easy acceptance of the changes needed to make LCSB more market driven, is credible.

Finally, this project is based on the assumption that the researcher understands of the Cypriot environmental factors in the domain of banking warrants the efforts of LCSB becoming more market driven.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Objectives and structure of the chapter

The purpose of this chapter is to explain the choice of research paradigm, methodology and methods for answering the above-mentioned research questions.. The chapter is organized into 4 major sections. Section 3.2 discusses the research paradigm and the ontological and epistemological assumptions underlying it. Section 3.3 discusses the overall research design, including sampling issues. Section 3.4 is devoted to data collection, translation issues and pilot testing of the questionnaires. Section 3.5 looks at the measurement instruments and their reliability and validity. Section 3.6 discusses the methods of data analysis used. Section 3.7 looks at the ethical aspects of the project as a whole and of the research methods employed.

3.2 The research paradigm – paradigmatic issues in social science

Research in the area of business and marketing strategy has been criticised (Perry, Riege and Brown 1998, Steiner 2002) for not capturing real-world complexity when adhering to a "technicity (positivist) paradigm" that values objectivity and generalisability in the exploration of social science phenomena. While in natural sciences the positivist view is the paradigm of choice, in social sciences it may be considered inappropriate. This is because social phenomena involve humans and their real-life experiences, so the positivist paradigm-- which treats respondents as "independent objects" unchanged by the observation process and the researcher as a detached individual carrying out an objective, value-free observation of the human objects—appears to be unrealistic. Initially, the controversy centered on objectivist versus subjectivist *methodology* in social research, where the latter, with its focus on a contextual understanding of phenomena, was considered lacking in the scientific validity characteristic of objectivist research (Perry, Riege and Brown 1998).

Theorists like Borch and Arthur (Perry, Riege and Brown 1998) proposed a methodological "rapprochement", a mixed approach that combines quantitative and qualitative methods to gain more insight into the "richness of the new strategic management models" (423) However, it eventually became clear (Perry, Riege and Brown 1998, Steiner 2002, Krauss 2005) that "the heart of the quantitative-qualitative debate is *philosophical*, not methodological" (Krauss 2005, p. 759), as methodologies are a reflection of the researcher's basic belief system or world view that guides the investigation. Thus, the question of how to approach a certain research topic scientifically touches on all the three aspects of the research paradigm, namely ontology, epistemology and methodology, all of which are intimately related. Ontology involves the philosophy of reality; epistemology addresses how we come to know that reality while methodology identifies the particular practices used to attain knowledge of it. Perry, Riege and Brown (1998) suggest that a blend of the two approaches (objectivist or positivist and subjectivist or phenomenological) is possible as a third approach—*Realism*—which reconsiders all the three elements of research paradigms. As the Realism paradigm informs this project, what follows is a brief overview of the philosophical assumptions underlying it, which, in their turn, explain the choice of methodology and the role of the researcher in the present research project.

3.3 The Realism paradigm and the role of the researcher

Realism has branched off into critical realism and historical realism—also known as critical theory. Ontologically, critical realism is closer to positivism in that it considers reality as "real", while historical realism is closer to constructivism --the extreme end of subjectivism—as they both consider reality to be "virtual" or constructed and situated in social, economic, cultural, political and gender values. Epistemologically, however, critical realism departs from positivism in that it does not consider reality apprehensible other than probabilistically and as perceptions--windows to reality-- that need to be triangulated to approximate reality (Sayer 2000). Methodologies are derived from both the ontological and epistemological assumptions and from the objectives of the research inquiry. Given the positivist

assumptions about reality and truth and the theory-testing purpose of positivist research, positivist methodology relies on experiment and surveys assuming that the researcher will make value-free generalisations and that the data does not change because it is being observed (Perry, Riege and Brown 1998). Critical realism uses both quantitative and qualitative methods to gather data which is then triangulated with a view to interpreting them without assuming a value-free interpretation (Sayer 2000). In contrast, historical realism and constructivism employ qualitative methods of data collection and the researcher has a participatory role, either as a "transformative intellectual" of the participants' social world–in historical realism— or as a "passionate participant" within the world under investigation—in constructivism (Perry, Riege and Brown 1998).

This project adopts the ontology and epistemology of critical realism, considering that there is a reality such as LCSB's present degree of MO independent of the researcher, but that different research subjects may have different perceptions of this degree, so the results obtained represent a probabilistic view of the organisation's MO, rather than an accurate measure of it. Methodologically, the project will employ a quantitative method –surveys-- administered to two groups: an Employee Group and a Top Management Group. The Top Management Group consists of LCSB's three senior managers and the Employee Group of all the employees including the middle management. The data obtained from the two groups of respondents are to be triangulated and interpreted in the light of the researcher's understanding and experience of the organisation.

However, the aim of this project is to go beyond data interpretation to suggest ways of implementing a cultural transformation in the organisation to enhance its degree of MO and its market performance. In this respect the project's paradigm is closer to historical realism, which is the framework usually adopted in action research. Thus, the project's aims and objectives define the researcher's role from inside historical realism as a "transformative intellectual"; however, in the subsequent phase of project implementation and monitoring, the researcher's role may be defined from

the constructivist frame as a "passionate participant" within the world being investigated and changed.

Finally, in the Realism paradigm the role of the researcher is paramount in providing an interpretation of the findings. According to Silverman (2001), when interpreting the data, the social science researcher must decide what status will be attached to the data: will it be considered as giving direct access to the phenomenon under study (in this case LCSB's degree of MO)- even as perceptions of it- or will the data be seen as a window to the experience of being surveyed? This is a question that cuts at the heart of the issue of survey validity, but Silverman's (2001) findings seem to warrant it. According to him, 10% of the adult population is unable to fill out even simple questionnaires and many respondents are untrustworthy because they may not be fully morally or intellectually up to scratch. Thus, according to Silverman (2001), responses should be treated as "displays of situated perceptions and moral forms" (p. 37). He deplores the fact that quantitative research is frequently "indifferent to the interpretivist problem of meaning" (p. 35), hence its reflex of explaining away surprising or incongruous results by "methodological flaws".

In this project, the researcher's status as an insider provides a fair basis for interpreting the findings along these lines and assigning meaning to the eventual gaps between the answers of the two groups of respondents (an explanation for this choice of research design follows further down). Being an insider will also help the researcher tackle another issue related to meaning, namely the fact that social science operates in double hermeneutic (Sayer 2000): there is the hermeneutic of the scientific community and the hermeneutic of those under study. As an insider, the researcher may be familiar with both hermeneutics and thus understand eventual score discrepancies as a lack of shared meaning in the survey experience, an occurrence that may also affect the survey's "validity" (in the positivistic sense).

In summary, the research paradigm that informs this project is a synthesis of critical and historical realism that distances itself from extreme subjectivist ontology by assuming the existence of a reality independent of the observer, namely LCSB's

business practices as they are at present. However, from an epistemological point of view the findings will be regarded as an expression of the participants' cultural and moral perspectives as well as of their experience of being surveyed. The researcher, as an insider in the organisation, is theoretically well placed to interpret the findings in light of his understanding of the organisation's culture.

3.4 Rationale for the choice of research methods

The choice of research methods is subject to the research paradigm and the research topic. In the Realism paradigm, an *organisation-wide* phenomenon --such as an organisation's degree of MO-- can be adequately studied by quantitative methods such as surveys, with the proviso that the researcher should be aware that the findings are just probabilistic and perspectival and in need of interpretation. This however, does not diminish the value of the findings given that the research topic of this project is *not* the determination of LCSB's degree of MO as a "truthful" value obtainable as an average from the Likert scale. That LCSB has a low level of MO at present is a *fact* reflected in the absence from the company's records of the management's preoccupation with most market orientation strategies. Thus, the MO measurements (based on Jaworski and Kohli's 1993 MARKOR, Antecedents and Moderators surveys) will serve to identify LCSB's weakest points in this respect while an individual values survey (Schwartz's 2003 PVQ) will contribute to gauging the organisation's readiness for more MO drive in the future. This array of surveys will enable the researcher to fulfill the aim of the project, namely to recommend *a prioritisation* – in the sense of logical and practical ordering-- of the measures necessary to enhance the organisation's MO drive and to identify the threats to achieving this aim with a view to preempting them. The assumption that the weakest areas of MO should be strengthened first will be weighed against other prioritisation criteria, such as experts' recommendations, costs and timeframe – to be discussed in more depth in the Recommendations chapter. Moreover, as the project aims to manage a change in this direction, the respondents' "perspectives and perceptions" of LCSB's present MO drive will ultimately reflect the degree of critical attitude they have – or choose to express—with respect to the state-of-affairs in their

organisation, which is of utmost importance to the researcher. This is because no change is likely to be implemented if there is no perceived need for change, which is what a critical attitude implies. Detecting a subculture with more critical drive could indicate to the researcher who the management's allies might be in the subsequent phase of project implementation-- which is perhaps a more valuable insight the findings can offer rather than the indication of LCSB's weakest areas of market orientation.

Another reason for the choice of Jaworski and Kohli's (1993) survey instruments is their explicit values; indeed, much lauded for their validity achieved by focusing on real MO practices, the questionnaires acquaint the uninformed respondent (the case of LCSB's workforce) with good (and bad) MO practices. . For this reason their market surveys (at least the MARKOR and the Antecedents) constitute a first learning opportunity for the workforce of LCSB, with the newly acquired knowledge undermining complacency and inviting a questioning of the organisation's old practices and behaviours. Given the aim of this project, the fact that the surveys also *teach* the organisation about good MO strategies is an argument in favour of using this quantitative method.

An explanation is in order for the choice of data collection from two groups of respondents. Traditionally (See section 3.2.2 Sampling) MARKOR has been distributed only to the organisations' management bodies. This was possible because most of the surveys have been carried out on large numbers of organisations, which ensured representative samples and because the management has been considered to be best informed about their companies' practices and strategies. This strategy, however, was not possible for this project on the one hand because the management comprises only 5 individuals, two of whom refused to fill out the questionnaire. Consequently basing this project on data collected only from 3 persons seemed insufficient. On the other hand, as MO is an organisation-wide phenomenon, there are good reasons to assume that *everybody* in the organisation is involved or aware of customer and competitor strategies, of market surveys being run and of the company's centralisation, formalisation, rewards systems and

management style. Thus, the Employee Group , which was a logistical necessity in this project, should be perfectly capable to express an informed opinion of their organisation's degree of MO.

3.5 Research Design

The research design of this project is informed by the literature on the measurement of MO in various organisations worldwide (i.a. Jaworski and Kohli 1993, Kohli, Jaworski and Kumar 1993, Deshpande and Farley 1998, Pulendran, Speed and Widing 2000, Slater and Narver 2002, Webster and Sundaram 2006, etc.). The other body of literature on which the design of this research is based concerns the measurement of cultural values, and their correlation with MO (i.a. Hofstede 1980a &b, Schwartz and Davis 1981, Deal and Kennedy 1982, Schein 1985, Deshpande and Webster 1989, Quinn and Stacey 2000, Schwartz 2003, Furrer Lantz and Perrinjaquet 2006, Plakhotnik 2006).

3.6 Research approach

This research project uses a cross-sectional design, which involves the collection of data from informants only once. According to the above mentioned literature on MO - measurement, this design is suitable for studies that aim to analyse a phenomenon at one point in time, as is the case here, with the identification of LCSB's present degree of MO.

This project employs the survey method, which was preferred for several reasons:
1. Reliable and validated survey instruments for the measurement of both MO and individual values already exist..
2. The analysis of the questionnaire results can be easily computerised.
3. Questionnaires eliminate interviewer bias.

The questionnaires distributed to the LCSB respondents include a cover page explaining the objectives and the importance of the research to the respondents. These explanations are accompanied by a pledge to anonymity and confidentiality.

3.7 Sampling

Traditionally, questionnaires aimed at measuring an organisation's degree of MO have been distributed to the managers of the respective organisations (Narver and Slater 1990, Jaworsky and Kohli 1993, Pulendran, Speed and Widing 2003). As this was not possible in the case of LCSB for the reasons explained above, the surveys were administered to the entire workforce of the organisation divided in two groups, so the sample size is as large as possible (130 individuals) and issues of representativity do not actually arise.

3.8 Data collection

This section discusses translation issues, the pilot testing and describes the data collection procedure in detail.

3.8.1 Translation

As all the questionnaires used (MARKOR, Antecedents and Moderator scales and the PVQ) were designed in English, it was considered appropriate to translate the surveys into Greek, as English is not an official language in Cyprus. The translator chosen was a teacher of Modern Greek, fluent in English, and a lot of work went into making the Greek version as clear and easily understandable as possible. A reverse translation (from Greek into English again) was not considered necessary because the researcher –fluent in both languages—could verify that the Greek version was accurate and did not contain any omissions.

3.8.2 Pilot testing

After translation into Greek, the questionnaires were pilot tested on 4 branch managers and 3 personal friends who were asked to evaluate the questionnaire for language clarity, ambiguity, relevance to the Cypriot context and timing. The pilot test revealed that there were no problems of clarity or ambiguity, but the time needed

for answering the questionnaires was considered rather long. Despite this observation, the researcher decided to go ahead with the questionnaires as they were, given that all the survey instruments had an established validity and reliability which the researcher did not wish to compromise by changing or omitting questions.

3.9 Data collection procedure

The questionnaires were distributed to all the 130 employees of LCSB from all its 12 branches on 1st November 2006. The researcher distributed the questionnaires to the Top Management Group and to the branch managers, which enabled him to explain that the survey was intended for the study he was carrying out on ways to improve LCSB's performance. These explanations also feature on the questionnaires' cover page together with a pledge to anonymity and confidentiality. The cover page also includes Respondent Personal Data concerning the respondents' age, gender, years of service at LCSB and level of education. This data was considered necessary in the belief that the age, education and experience variables may influence the respondents' perceptions. The gender variable was considered relevant as well, in accordance with Plakhotnik's (2006) concept of *context of dominance* in organisational culture, a perspective expected to offer insights in the impact of gender dominance on values and behaviours.

The branch managers were asked to collect the questionnaires within 15 days and return them to the researcher. 104 questionnaires were returned, which means a high response rate of 80 per cent. The high response rate is probably due to the fact that the organisation is relatively small and the researcher is an insider and moreover a manager in the organisation, so the employees felt they should oblige. Four of the questionnaires returned were unusable for various reasons and a small percentage of the respondents did not fill in all the personal data required and sometimes did not answer all the questions (see the Results Tables below).

3.10 The survey instruments

The surveys administered to LCSB'workforce are divided in two parts. Part A consists of Kohli, Jaworski and Kumar's (1993) MARKOR and Jaworski and Kohli's (1993) Antecedents and Moderators scales. Part B consists of Schwartz' PVQ (2000). All surveys are included in the Appendix in their English and Greek versions. The survey also includes Demographic Data about the respondents' age, gender, education level, years of service at LCSB and marital status (which was considered relevant only as a variable possibly influencing the surveyees' individual values). The demographic data was used as variables likely to influence the respondents' perception of the MO state-of-affairs at LCSB and to enable the researcher to identify the existence of a subculture at LCSB that might facilitate or obstruct the implementation of more market oriented practices in the organisation.

Market orientation was measured using Kohli, Jaworski and Kumar's (1993) MARKOR scale modified by Pulendran, Speed and Widing (2000) to a 16 item scale. MARKOR measures the MO construct as defined by its four components, Intelligence Generation, Intelligence Dissemination, Response Design and Response Implementation (Kohli and Jaworski 1990).

The Antecedents to MO were measured using Jaworski and Kohli's (1993) 35 item scale which includes three categories of factors labeled as Senior Management Factors, Interdepartmental Dynamics and Organizational Systems. These factors act as drivers or obstacles to MO, resulting in some organisations being more market oriented than others. Thus, the Antecedent MO drivers are: Management Emphasis on MO, Interdepartmental Connectedness and a market-based Reward System. The obstacles to MO are: Risk Aversion, Interdepartmental Conflict, Formalisation and Centralisation. As with the MARKOR results, the values attributed by the respondents to the Antecedents will be interpreted as perceptions of the actual situation, with Employee and Top Management Groups possibly disagreeing on the degree to which the Antecedents are already in place at LCSB.

To obtain an indication of how auspicious the Cypriot business environment is to more MO drive at LCSB, the Moderators were assessed using Jaworski and Kohli's (1993) scale. It distinguishes between Market Turbulence, Technological Turbulence and Competitive Intensity. This project assumes Jaworski and Kohli's (1993) positive correlations between these three factors and the effectiveness of a strong MO drive in organisations. This questionnaire was used to show how aware the respondents are of the business environment in which LCSB operates, the research paradigm allowing for differences of perception.

A five-point Likert scale –where 1 represents *Strongly Agree* and 5 *Strongly Disagree*– was used for the entire Part A of the Survey, which consists of the MARKOR, Antecedents and Moderators scales. Using the same scale for all questionnaires facilitates the completion of the questionnaire by the respondents and the interpretation of the results by the researcher. It should be noted that LCSB's employees have never been submitted to surveys until now, so every effort was made to make this first experience of answering a questionnaire as easy as possible.

Part B of the survey consists of Schwartz' (2003) PVQ, which was used in this project to obtain an indication of the values characteristic of the workforce at LCSB in an attempt to see the degree to which they are conducive to more market-oriented behaviours in the future or the degree to which they may hinder the attainment of that goal. The questionnaire consists of 40 questions meant to probe the respondents' degree of Self-Direction, Stimulation, Hedonism, Achievement, Power, Security, Conformity, Tradition, Benevolence and Universalism, the 10 values Schwartz considers to be universal because they spring from three universal requirements of the human condition: needs of individuals as biological organisms, requisites of social interaction and the survival and welfare of groups. The conflicts and congruities among these ten basic values makes it possible to structure them on two orthogonal dimensions: Self-Enhancement (SE) vs. Self Transcendence (ST), where Power and Achievement oppose Universalism and Benevolence; the second dimension is Openness to Change (OC) vs. Conservation (CONS), where Self-Direction and Stimulation oppose Security, Conformity and Tradition. These four

dimensions span the continuum between Individualism and Collectivism, with SE and OC towards the individualistic end and ST and CONS towards the Collectivist end. Schwartz' PVQ employs a six point scale which invites respondents to compare themselves to an individual featuring the respective personality traits. The reason why Schwartz adopted this technique was to avoid drawing the respondents' attention directly to the values themselves, although it remains quite clear which values are desirable

A number of researchers have established correlations between the individual values dealt with in the PVQ and the components of MO. Thus, Furrer, Lantz and Perrinjaquet (2003) hypothesise a negative relationship between individualistic values and all the aspects of MO, namely customer orientation, competitor orientation and interfunctional coordination, whereas Pulendran, Speed and Widing (2000) consider individualistic values to be positively related to customer and competitor orientation and negatively related only to interfunctional coordination. The two groups of researchers agree that the Openness-to-Change subdimension of Individualism has a weaker impact on customer orientation and a stronger impact on competitor orientation than Self-Enhancement. However, Pulendran et al. (2000) consider the Self-Transcendence subdimension of Collectivism to have a stronger impact on interfunctional coordination than the Conservatism subdimension, while Furrer et al. (2003) consider the Openness-to-Change/Conservatism axis to have a stronger impact on favourable attitudes towards interfunctional coordination. This project follows Pulendran.et al (2000) in the interpretation of the PVQ results and their correlation with MO.

3.11 Measure validation

The above-mentioned survey instruments used in Part A of the questionnaire have a well established validity and an acceptable reliability in the positivistic paradigm in which the above mentioned researchers worked.Despite working in a different paradigm, we take note of the low reliability of Jaworsky and Kohli's (1993) Antecedents and Moderators scales reported by Ngansathil (2001) and the problems

connected with MARKOR's discriminatory validity, acknowledged by some researchers (e.g. Ngansathil 2001 and Pulendran, Speed and Widing 2000). I would like to add to these criticisms that at least 9 of the 16 questions of the MARKOR scale refer *to facts,* i.e. whether certain events do take place or not in the organisation, so such questions do not lend themselves to more than a two-point scale. The unwanted effect of having more than a two-point scale for yes/no questions is that it invites a central tendency bias. However, it would be difficult to analyse data coming from different point scales, so this is probably the reason why other MO researchers have not, to my knowledge, raised this concern. At the same time, MARKOR's undisputed strength derives precisely from asking such yes/no questions that measure MO in terms of the specific activities that organisations should be undertaking as part of their MO culture. Thus, considering that MARKOR taps the mechanisms about which Kohli and Jaworski (1990) theorise, it was adopted as the MO measurement instrument in this project together with the hypotheses the authors make about the positive correlations between intelligence generation, dissemination and response on the one hand and the degree of MO on the other. This project does not attempt to verify these hypotheses, but *assumes* their credibility.

Considered in the positivistic paradigm, Schwartz' (2003) PVQ demonstrates adequate psychometric properties. Schwartz (2003) reports a moderate to high reliability for the 40 item PVQ—used in this project-- tested by comparison with shorter versions of the survey administered in the UK and the Netherlands. To test the validity of the PVQ, Schwartz performed multidimensional scaling analyses of relations among the value items and obtained good approximations of the theoretical structure of the ten basic values. He also reports (2003) some problems with the discrimination of a few basic values but "with minor exceptions, the basic value constructs exhibited functional equivalence" (p. 275). Schwartz (2003) also performed a validation of the hypothesised relations between the PVQ values and other variables,--of which Age, Education, and Gender are relevant for this study-- and found the following significant correlations, which this project assumes and uses to interpret the PVQ data for LCSB.

a) Age correlates positively with Conservation and Self Transcendence and negatively with Openness to Change and Self Enhancement values.

b) Education correlates positively with Self Enhancement and negatively with Conservation values.

c) Gender correlations to values are more culturally dependent, but in general it seems that women give higher priority to Benevolence and Tradition values, while men attribute more importance to Power and Stimulation.

In the Realism paradigm, however, the issues of validity and reliability must be discussed in different terms. Validity, as we have seen, depends on shared meanings for researcher and respondents and a cultural context conducive to telling "the truth", albeit perspectival. Reliability on the other hand must consider issues of causation (Sayer 2000) in the sense of the conditions that influence an effect (in this case the respondents' answers); their repeatability raises the question of the duration of these conditions (and of social phenomena in general). The very notion of reliability presupposes that the phenomenon will be unchanged by the observation, which is another positivistic tenet that Realism does not share. In this project, informed by Realism, the results of the MARKOR, Antecedents and Moderators scales are not going to be viewed as absolute values of the degree of MO at LCSB, but as *perceptions* of this degree, indicative of the general culture at LCSB and of the survey experience. The Realism paradigm also enables the researcher to remain open to eventual differences of opinion between the Employee and the Top Management Groups and to use data triangulation to measure possible gaps and further interpret them.

3.12 Data Analysis

The purpose of the surveys administered to the employees of LCSB was three-fold:

a) To determine the workforce's perceptions of LCSB's degree of MO and of Antecedents implementation as well as their awareness of the environmental Moderators.

b) To identify the individual values predominant at LCSB and their propensity to aid or hinder more market driven behaviours in the future.

c) To identify a subculture that may facilitate the management's future efforts to increase LCSB's market drive.

This subculture would be identified on the basis of two criteria: individual values positively correlated with MO and the degree of "truthfulness" in the evaluation of LCSB's degree of MO measured as a narrower gap between the Employees' and the Top Management's assessments. A higher degree of truthfulness/openness to admitting shortcomings in the organisation's practices might reveal a subculture with a higher degree of awareness of the need for change at LCSB and thus with a higher degree of readiness for MO behaviours.. This awareness would be reason enough to consider such a subculture an ally in the process of making LCSB more market oriented.

Given these purposes, the data resulting from the surveys was processed using ANOVA (analysis of variance). ANOVA was used to correlate answer means to the demographic data in the belief that perception may be modified by these variables. Thus, ANOVA is, in principle, instrumental in identifying the desired subculture. ANOVA allows one to check if there is a significant difference between the means of the groups by calculating the variances of the group means and the residuals. If the ratio between these two variances is high, then one can conclude that the means of the groups in question must be significantly different. ANOVA was performed based on the assumptions that the observations are independent and normally distributed and the standard deviation for each group was approximately the same. The data analysis was computerised at the Research Unit in Behaviour and Social Issues (RUBSI) of Intercollege, Nicosia in January 2007.

Having in view the realism paradigm within which this project was carried out and the purpose of the surveys, data triangulation from two sources --the employees and the top management-- was used to determine gap sizes in the perception of the degree of MO --as measured by MARKOR and the Antecedents scales—and in the

assessment of the market environment (by the Moderators questionnaire). The triangulation procedure established mean differences between the Employees' and Top Management's answers for individual questions and then average differences were calculated for the three subcomponents: MO, Antecedents and Moderators.

3.13 Ethical considerations

The ethical considerations underlying this project regard all the project stakeholders: the researcher, the University of Middlesex and LCSB with all its stakeholders (shareholders, customers and the employees). These considerations are connected to both the aims and objectives of the project and the research methodology.

First, the issue of beneficence: for the researcher, this D/Prof project has been an opportunity to grow as a practitioner and researcher alike. The pursuit of this degree has enriched his specialist knowledge, honed his critical thinking, increased his analytical and synthetic abilities as a researcher and improved his skills in interpersonal relations with the participants in the project. The nature of the project's aims and objectives is also likely to improve the researcher's leadership skills and place his understanding of action research in a philosophical, ideological and ethical perspective. As for Middlesex University, by supervising this project, the University will have attained its mission of contributing to the growth of an ethical transformative intellectual and. Finally, LCSB stands to benefit from the project when it starts implementing the Recommendations for improving the organisation's MO drive which, in due time, should lead to increased performance. Apart from the financial gains, the organisation's workforce stands to benefit professionally, as the process of change ahead of LCSB implies learning and growth for all its employees. The learning process refers equally to the acquisition of new concepts and professional skills and to the adoption of new attitudes towards colleagues and customers, with benefits for the entire culture of the organisation. The researcher is aware of the pain and costs of such transformations, which explains people's typical resistance to change. Such negative feelings include the personnel's higher sense of professional insecurity until they become familiar with the novelty of certain

products, procedures and technology; the fear that they may not be up to scratch and may not be promoted or may even lose their job. A lot of attention will be given to helping the workforce face these threats and helping each individual to achieve their maximum potential while maintaining a due balance between concerns for profitability and concerns for humaneness. At this point, it should be mentioned that the researcher is aware of his position as a member of the management, with its profit-seeking ideology which, he believes, need not exclude a humane attitude towards change and the management of human resources.

As far as methodology is concerned, every effort was made to ensure confidentiality, anonymity and non-traceability in the research design, although, as discussed above, the researcher is aware of possible misunderstandings concerning the interpretation given to these concepts in social science and in everyday practice. Also, the researcher is aware that, despite the fact that he only urged the employees to participate in the study on grounds that it is beneficial to the organisation as a whole, the employees may have felt secretly under pressure to do so because of the researcher's position as senior manager in the organisation. It must be said, however, that a number of employees felt free not to fill out the questionnaire or answer certain questions – mostly regarding personal details— with which they felt uncomfortable. The participants were informed both orally and in writing about the purpose of the research and were promised feedback on the project's findings and conclusions. This aspect brings into focus the ethical dimension of validity and reliability, in other words of methodological rigor. According to Cohen, Manion and Morrison, (2000), "methodological rigor is an ethical, not simply a technical issue" (p. 246). This is because the validity of the surveys used makes good on the researcher's claim regarding the stated purpose of the study—to which the participants have consented to contribute. However, as discussed above, the Realism paradigm within which this project is carried out does not pay lip service to the positivist definitions of validity and reliability, so the researcher feels free to asses the degree to which the surveys measured what they were intended to measure or whether they offered an insight into the experience of being surveyed. The researcher will act in conformity with the tenets of his paradigm of choice retaining

the right to interpret the findings in the light of his understanding of the cultural atmosphere at LCSB. From an ethical perspective, it is this interpretation of the survey results that is considered to be the meaningful feedback owed to the participants.

CHAPTER FOUR

RESULTS

4.1 Structure and objectives of the chapter

Chapter Four presents the results obtained from the MO surveys (Kohli, Jaworsky and Kumar's 1993 MARKOR scale and Jaworsky and Kohli' 1993 Antecedents and Moderators scales) grouped in "Questionnaire A" and from Schwartz' (2003) PVQ which makes up "Questionnaire B".

4.2 Results for Questionnaire A

Questionnaire A consists of Kohli, Jaworsky and Kumar's (1993) MARKOR scale – from question 1 to 16; questions 17 to 29 represent Kohli and Jaworski's (1993) MO Moderators scale; questions 30 to 64 are Jaworski and Kohli's (1993) Antecedents scale.

The MARKOR Scale

Intelligence Generation						
Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Mean	Top Mgmt. Mean	Gap
1	100	2.78	1.43		4.33	1.55
2	100	3.09	1.34	Empl. Group. 2.44	4.67	1.58
3	99	1.82	1.01		3.0	1.18
4	100	2.76	1.26	Top Mgmt. 4.0	3.67	0.90
5	100	1.78	0.83		4.33	2.55

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
1	2.82	2.72	2.95	2.61	3.00	2.00	2.37	3.23	2.95
2	2.93	3.23	3.10	3.00	3.08	2.75	2.90	3.26	3.00
3	1.93	1.72	1.85	1.83	1.81	1.75	1.80	2.11	1.42
4	2.78	2.74	2.80	2.57	2.86	3.00	2.54	2.97	2.85
5	1.87	1.63	1.95	1.78	1.68	1.75	1.68	1.89	1.65
Mean	2.47	2.42	2.53	2.36	2.49	2.25	2.26	2.69	2.38
ANOVA (p-value)	0.725		0.769				0.019 < 0.05 significant at 5%		

Question No	Age			
	20-30	30-40	40-50	50-60
1	2.22	2.94	3.14	2.75
2	2.87	3.24	3.14	3.00
3	1.87	1.88	1.79	1.25
4	2.52	2.91	2.69	3.25
5	1.78	1.74	1.83	1.63
Mean	2.52	2.54	2.51	2.37
ANOVA (p-value)	0.422			

Table 1.Intelligence Generation

Questions 1 to 5 refer to Intelligence Generation, with the Employee Group's overall mean of 2.44 and the Top Management's mean of 4.0, and a large gap in between them,of 1.56. We note that question 3 (*We are slow to detect changes in our customers' preferences*) refers to a negative business behaviour whereas all the other 4 enquire about desirable business behaviours. For question 3 the Employee Group's assessment is 1.82 and the Top Management's is 3.0. The two groups' response to the negative question closes the gap not only for this question but for the entire section of Intelligence Generation questions.

It should also be noted that three out of the five questions (1, 4 and 5) of this section enquire whether some events take place or not in the organisation. Thus, the answers should be placed towards either of the extremities of the scale. However, the Employee Group's answers to questions 1 and 4 veer towards 3 (2.78 and 2. 78

respectively) while the Top Management's mean answers revolve round 4 on the 5 point Likert scale, which is more in keeping with this expectation.

The Employee Group's overall assessment of Intelligence Generation at LCSB (2.44) comes as a surprise as it implies the company engages in sustained intelligence generation practices, which, according to the Top Management's evaluation (4.0), does not appear to be the case.

Negative data, such as the absence of invoices for customer polling, or for in-house market research support the researcher's interpretation that the Top Management's assessment is the one that offers a more credible perception of the state of affairs at LCSB with regard to Intelligence Generation.

ANOVA shows no significant differences according to gender, age and level of education but it finds, however, a statistically significant variation at 5% (p-value = 0.019) only for the "12-24 years in the organisation" category.

It appears that the assessment offered by the employees who have been working at LCSB between 12 and 24 years and which includes the middle management, is slightly closer to that of the Top Managements'.

Intelligence Dissemination

Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Means		Top Mgmt. Mean	Gap
6	100	2.96	1.37	Empl. Group.	2.45	4.33	1.37
7	98	3.25	1.42			4.33	1.08
8	100	1.88	0.93	Top	Mgmt.	4.33	2.45
9	100	1.73	0.81	4.33		4.33	2.60

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
6	2.93	2.93	2.60	2.74	3.19	2.25	2.93	3.00	2.75
7	3.27	3.21	3.20	3.22	3.43	2.25	2.95	3.54	3.30
8	1.96	1.70	2.40	1.78	1.68	1.50	1.85	2.03	1.50
9	1.80	1.58	1.90	2.04	1.46	1.50	1.76	1.69	1.65
Mean	2.51	2.39	2.53	2.45	2.44	1.88	2.37	2.56	2.30
ANOVA (p-value)	0.374		0.406				0.311		

Table 2.Intelligence Dissemination

Questions 6 to 9 refer to Intelligence Dissemination. The Employee Group's overall mean is 2.45, and the Top Management's mean is 4.33, so the gap is 1.88, larger than for Intelligence Generation. These results are also unexpected, as 3 out of the 4 Intelligence Dissemination questions are also *factual*, yes/no questions for which answers are expected at either extremity of the scale. However, as the results show, the two groups' answers do not revolve around the same extremity, but are polarised, such as in the case of question 9 (*Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis*), where the gap is the largest (2.60). As before, negative data appears to support the Top Management's assessment: there are no meeting agendas testifying to regular discussions of market trends (question 6), the job description of marketing personnel does not include the unveiling of customers' future needs (question 7) and there is no formal mechanism at LCSB for disseminating information at all levels (question 9). The gap for Intelligence Dissemination (1.88) is larger than that for Intelligence Generation (1.56). This may be due to the fact that the Intelligence Dissemination questions do not include

question referring to a negative behaviour, which, in the previous set of questions, has reduced the gap between the groups.

ANOVA finds no significant variation with respect to any of the demographic variables, which means that the Employee group's assessment is evenly distributed within the group.

Response Design

Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Means	Top Mgmt. Mean	Gap
10	100	2.84	1.13		3.33	0.49
11	98	2.84	1.22	Empl.Group. 2.84	3.67	0.83
12	100	2.96	1.22	Top Mgmt. 3.42	3.67	0.71
13	100	2.70	1.42		3.0	0.30

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
10	2.89	2.77	3.10	2.83	2.76	2.25	3.02	2.77	2.60
11	2.76	2.88	2.63	2.70	2.92	2.75	2.65	2.91	2.84
12	2.87	3.02	2.70	3.22	2.92	2.75	2.88	2.94	3.05
13	2.64	2.74	2.75	2.57	3.03	1.75	2.32	2.94	2.95
Mean	2.82	2.87	2.82	2.83	2.91	2.38	2.72	2.89	2.88
ANOVA (p-value)	0.777		0.681				0.652		

Table 9	Age			
	20-30	30-40	40-50	50-60
10	3.35	2.50	2.97	2.38
11	2.61	2.97	3.04	2.00
12	2.83	3.12	3.00	2.88
13	2.22	2.85	2.93	2.75
Mean	2.76	2.86	2.99	2.50
ANOVA (p-value)	0.483			

Table 3.Response Design

Questions 10 to 13 refer to Response Design and the Employee Group's overall mean is 2.84 while the Top Management's mean is 3,42 and the overall gap is 0.58. One of the smallest gaps between the two groups' evaluations, 0.49, occurs with respect to question 10 (*For one reason or another we tend to ignore changes in our customers' product and service needs*). This is yet another question referring to a negative behaviour which closes the gap between the two groups' assessments. However, it must be noted that the two groups' perceptions of LCSB's Response Design are much closer than with respect to Intelligence Generation and Dissemination. This, according to the researcher's knowledge of the organisation, is because LCSB is now makeing some efforts to improve its products to satisfy the customers' wants (question 11) even if these improvements are more often than not "me too" reactions to the competition (question 13). Both groups assess these efforts as average by answers that revolve around 3 on the 5 point Likert scale. ANOVA does not indicate significant variations with respect to any demographic category, which shows an evenly distributed evaluation.

Response Implementation

Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Mean	Top Mgmt. Mean	Gap
14	100	3.00	1.25	Empl. Group. 2.76	4.67	1.67
15	99	2.66	1.20		3.33	0.67
16	99	2.62	1.16	Top Mgmt. 4.22	4.67	2.05

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
14	2.98	2.93	3.00	3.22	3.00	2.00	2.71	3.09	3.30
15	2.67	2.74	2.63	2.57	2.68	3.00	2.88	2.62	2.45
16	2.63	2.51	2.63	2.83	2.51	2.25	2.39	2.60	2.89
Mean	2.76	2.74	2.74	2.87	2.73	2.42	2.66	2.76	2.88
ANOVA (p-value)	0.790		0.576				0.446		

| Question | Age | | | |
No	20-30	30-40	40-50	50-60
14	2.48	3.21	3.10	3.50
15	3.04	2.68	2.52	2.25
16	2.26	2.79	2.57	3.00
Mean	2.59	2.89	2.73	2.91
ANOVA (p-value)	0.304			

Table 4.Response Implementation

Questions 14 to 16 investigate Response Implementation and the Employee Group's mean is 2.76, while the Top Management's is 4.22, and the overall gap is 1.46. The smallest gap (0.67) regards question 15 –a question about a negative behaviour-- (*Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion)*, where the Employee Group's mean is 2.66 and the Top Management's value is 3.33. This smaller gap reduces the overall gap for the questions referring to Response Implementation, which may have been greater otherwise. The questions regarding Response Implementation are not of a factual nature, which, in principle would allow for a wider range of perceptions. However, as the questions refer to matters of interdepartmental coordination (with a view to achieving an adequate response to incoming intelligence) it is again the case that the Top Management's assessments should be given more credence. The reason why the researcher favors this interpretation is that just as there is no formally attested system of intelligence dissemination, there is no formal system of interdepartmental cooperation with a view to implementing a response to this intelligence. The proof is of a negative nature again: the job descriptions of the Middle Managers, for instance do not include an obligation to inform on business opportunities either vertically – the Top Management— or horizontally --other relevant departments. At present only "problems" are being reported, but information on business opportunities circulates informally and randomly, which affects LCSB's response implementation negatively. Thus departmental cooperation and coordination will constitute an area of major transformation towards more MO, which the Recommendations will duly insist upon. ANOVA finds no significant variations among the Employee Group's categories.

With question 16, the MARKOR questionnaire ends. Taking into consideration all the 16 questions regarding market orientation, the Employee Group's mean is 2.62, while the Top Management Group's is 4.0, These values place the employees' answers between "Agree" and "Neutral", and the Management's at the "Disagree" level on the 5 Likert scale used in the survey. In the researcher's view, the 1.38 overall gap is large enough to be analysable in other terms than differences of perception, given that most of the 16 questions of the MARKOR are factual questions. As discussed above, the Top Management's assessments appear to the researcher to be more credible because they can be supported by evidence, albeit of a negative kind. On the other hand the Employee Group's answers to the factual questions remains to be discussed further down.

MARKOR SCALE	EMPL.GROUP MEANS	TOP MGMT. MEANS	GAPS
Intelligence Generation	2.44	4.0	1.56
Intelligence Dissemination	2.45	4.33	1.88
Response Design	2.84	3.42	0.58
Response Implementation	2.76	4.22	1.46
EMPL. GROUP OVERALL MEAN	2.62		
TOP MANAGEMENT OVERALL MEAN		4.0	
OVERALL GAP			1.38

Table5. Results of MARKOR Survey at LCSB

According to the Top Management's assessment of LCSB's level of MO, it appears the organisation is most lacking in Intelligence Dissemination mechanisms (4.33), followed by poor Intelligence Generation (4.0) and Response Implementation (4.0) practices. These areas should receive special attention in the organisation's transformation into a more market oriented business once the Antecedents – preconditions to the implementation of such MO behaviours—are in place. The present project focuses its recommendations on the steps the organisation must take to change those structures and systems that make up the Antecedents so that they can

accommodate effective MO practices of intelligence generation, dissemination and response.

The Moderators Scale

Market Turbulence

Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Mean	Top Mgmt. Mean	Gap
17	100	2.26	1.10	Empl. Group 2.05	3.0	0.74
18	99	1.72	0.68		3.67	1.95
19	100	2.20	0.87	Top Mgmt. 3.56	4.0	1.80

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
17	2.15	2.33	2.55	1.74	2.30	3.50	2.32	2.23	2.00
18	1.80	1.65	1.80	1.78	1.72	2.00	1.90	1.63	1.60
19	2.22	2.16	2.05	2.39	2.14	2.25	2.20	2.11	2.20
Mean	2.06	2.05	2.13	1.97	2.05	2.58	2.13	1.99	1.93
ANOVA (p-value)	0.936		0.267				0.357		

Question No	Age			
	20-30	30-40	40-50	50-60
17	2.52	2.32	2.00	1.88
18	1.83	1.85	1.59	1.63
19	2.17	2.21	2.21	2.13
Mean	2.17	2.12	1.93	1.87
ANOVA (p-value)	0.336			

Table 6.Market Turbulence

Questions 17 to 29 refer to the MO Moderators (Kohli and Jaworski 1993), of which questions 17 to 19 examine Market Turbulence. There is more disagreement between the Top Management and the Employee Group regarding LCSB's customer behaviour in questions 18 – gap 1.95--(*Our customers tend to look for new products all the time)* and 19 (gap 1.80) (*Sometimes our customers are very price sensitive)*

but more agreement (gap 0.74) then about question 17 (*In our kind of business, customers' product preferences change quite a bit over time*). The disagreement between the two groups may appear surprising, for indeed, price sensitivity and the search for new products seem to be typical customer attitudes. However, the Top Management disagrees that LCSB's customers are especially price-sensitive (Question 19), because of their membership in the company, which tends to make them "loyal" to LCSB even when there are better offers on the market. As for the customers' demand for new products (Question 18), it must be noted that LCSB has offered exclusively housing and farming loans until recently, when it has started diversifying its products and services. Thus, most of LCSB's customers still seek its traditional products and it is just a minority (now including corporate customers) who seek new products. Thus, for questions 18 and 19, we see the Top Management giving answers that take into consideration the real profile of their customers, which makes the researcher give more credence to their assessment of Market Turbulence. The closer gap regarding question 17 is probably due to the fact that the question refers to the behaviour of customers in the financial sector *in general*, not of LCSB's in particular; both groups tend to agree that customer preferences in financial services change over time, so this closes the overall gap for Market Turbulence questions to 1.51. ANOVA finds no significant variance in any of the questions.

Technological Turbulence						
Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Means	Top Mgmt. Mean	Gap
20	100	1.81	0.88		1.67	0.14
21	100	1.75	0.70	Empl. Group 2.45	2	0.25
22	99	2.64	1.12		2.33	0.31
23	99	2.15	0.85	Top Mgmt. 2.6	3.0	0.85
24	99	3.99	1.04		4	0.01

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
20	1.84	1.77	1.85	1.83	1.84	2.00	1.76	1.80	1.90
21	1.71	1.79	2.10	1.74	1.51	1.75	1.88	1.71	1.50
22	2.55	2.71	2.25	2.74	2.75	2.50	2.56	2.56	2.75
23	2.18	2.05	1.95	2.09	2.31	2.00	2.15	1.97	2.15
24	3.91	4.12	3.85	3.91	4.08	4.50	4.24	4.12	3.40
Mean	2.45	2.46	2.40	2.46	2.46	2.55	2.52	2.40	2.34
ANOVA (p-value)	0.953		0.937				0.305		

Question No	Age			
	20-30	30-40	40-50	50-60
20	1.74	1.88	1.72	2.00
21	1.83	1.85	1.66	1.25
22	2.65	2.65	2.43	2.88
23	2.13	2.03	2.11	2.50
24	4.43	4.09	3.86	3.25
Mean	2.55	2.50	2.31	2.37
ANOVA (p-value)	0.246			

Table 7.Technological Turbulence

Questions 20 to 24 investigate Technological Turbulence, another MO Moderator. There is agreement between the Employee Group's assessment (mean 2.45) and the Top Management's (2.60) with regard to the massive influx of technology in the financial sector in the last decade.

ANOVA finds no significant variance, but the figures invite a few remarks given that the introduction of new technology is notoriously problematic with certain demographic groups. Thus, contrary to the stereotype that men are more "technologically minded" than women, we notice almost identical male and female evaluations (2.45 and 2.46 respectively) of the potential of technology to advance financial services. Again contrary to the popular expectation that young people should absorb new technology into their lives faster and with less resistance than the middle aged people, the figures show that the latter are more aware of the benefits of technology in designing financial services than the former (2.31 and 2.55

respectively). This may not be entirely surprising in LCSB's case because the young employees, who generally hold lower positions, are not usually involved in the design of new products and services in the organisation's present culture, where innovation is not expected to come bottom-up.

Jaworsky and Kohli (1993) consider Technical Turbulence to moderate positively the relation between MO and performance. The high score attributed by both groups to Technological Turbulence suggests that increasing LCSB's level of MO would be beneficial for its future performance.

Competitive Intensity

Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Means	Top Mgmt. Mean	Gap
25	99	1.29	0.47		1	0.29*
26	99	1.49	0.80	Empl. Group 2.09	1	0.49*
27	99	2.12	1.04		2.33	0.21
28	100	2.54	1.18	Top Mgmt. 1.67	1.67	0.87
29	100	2.99	1.19		2.33	0.66

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
25	1.25	1.36	1.35	1.43	1.19	1.25	1.32	1.18	1.50
26	1.42	1.62	1.65	1.74	1.31	1.50	1.56	1.44	1.55
27	2.20	1.98	2.70	1.96	1.86	2.25	1.90	2.29	2.25
28	2.62	2.42	2.85	2.39	2.49	3.25	2.85	2.43	2.15
29	2.96	2.95	3.20	2.87	2.89	3.00	2.78	3.03	3.30
Mean	2.10	2.08	2.35	2.98	1.96	2.25	2.08	2.08	2.15
ANOVA (p-value)	0.823		0.049 < 0.05 significant at 5%				0.863		

Table 21	Age			
	20-30	30-40	40-50	50-60
25	1.13	1.35	1.36	1.38
26	1.35	1.62	1.29	1.88
27	1.83	2.12	2.29	2.13
28	3.17	2.53	2.21	2.25
29	2.96	3.00	3.10	3.00
Mean	2.08	2.12	2.05	2.12
ANOVA (p-value)	0.957			

Table 8.Competitive Intensity

Questions 25 to 29 refer to Competitive Intensity, the third of the MO Moderators. The employees' overall mean for Competitive Intensity is 2.09, and the Top Management's is 1.67, with gaps below 1 for four of the questions, with the exception of question 28 (*Price is the hallmark of our industry*), where the gap is 1.54 (the employees' mean is 2.54 and the Top Management's estimate, 1.67). The overall gap for Competitive Intensity is 0.42. ANOVA finds significant variation at the 5% significance level (p-value = 0.049) when it comes to the education level: people with Junior High level have a mean of 2.35, people with High School level, a mean of 2.08, people with Undergraduate level, 1.96 and those with Graduate level have a mean of 2.25. The significant variance found by ANOVA focuses on two groups: the one with the lowest level of education (score 2.35) and the one with undergraduate level (1.96). As ANOVA connects the level of education with the awareness of the competitive pressure in the banking field, it will be interesting to discuss further down the identity of the two groups in terms of their positions in the organisation –knowledge that the researcher is privy to due to his insider knowledge and position as a manager at LCSB. This issue is significant for the present project because the individuals with a higher awareness of the competition may be more helpful for the future implementation of a culture of intelligence generation at LCSB. Jaworski and Kohli (1993) strongly connect high Competitive Intensity with the financial efficiency of increasing an organisation's MO drive. Applying this to

LCSB's case, it appears that the competitive pressure on the Cypriot financial market warrants more MO in the organisation.

MO MODERATORS	EMPL. GROUP MEANS	TOP MGMT. MEANS	GAPS
Market Turbulence	2.05	3.56	1.51
Technological Turbulence	2.45	2.60	0.15
Competitive Intensity	2.09	1.67	0.42
EMPL. GROUP OVERALL MEAN	2.20		
TOP MGMT.		2.61	
OVERALL GAP			0.41

Table 9. Results of MO Moderators Survey

As can be noticed from the above table summarising the results for the Moderators Scale, the Top Management considers Market Turbulence to be lower than the Employee's assessment, but sees Competitive Intensity as stronger than what the Employee group feels it is. The groups, however, roughly agree about the high level of Technological Turbulence in financial services at the moment.

The Antecedents scale

From question 30 up to 64, Questionnaire A starts investigating the MO Antecedents (Jaworski and Kohli 1993).

Interdepartmental Conflict

Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Mean	Top Mgmt. Mean	Gap
30	100	2.92	1.01		2	0.92*
31	99	2.26	0.79	Empl. Group 2.33	2.67	0.41
32	99	2.77	1.01		3.67	0.90
33	99	2.04	0.90	Top Mgmt. 2.84	3.0	0.96*
34	99	2.79	1.14		2.67	0.12*
35	100	1.21	0.55		3.0	1.79

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
30	3.00	2.88	2.95	3.04	2.95	2.75	2.88	2.97	3.15
31	2.24	2.30	2.32	**2.30**	2.30	2.50	2.41	2.35	1.90
32	2.70	2.88	2.84	**2.91**	2.78	2.50	2.78	2.83	2.58
33	2.00	2.09	2.00	2.09	2.08	1.50	1.95	2.09	1.90
34	2.96	2.57	3.20	2.70	2.92	1.75	2.73	2.94	2.75
35	1.23	1.18	1.35	**1.04**	1.22	1.00	1.10	1.37	1.10
Mean	2.36	2.31	2.46	**2.35**	**2.38**	2.00	2.31	2.43	2.23
ANOVA (p-value)	0.601		0.399				0.269		

Question No	Age			
	20-30	30-40	40-50	50-60
30	2.96	2.85	3.21	2.50
31	2.61	2.27	2.21	1.63
32	3.22	2.71	**2.54**	2.88
33	**1.86**	2.26	1.90	1.88
34	2.87	**2.71**	2.97	2.25
35	1.13	**1.26**	1.24	1.00
Mean	2.44	**2.36**	2.34	2.02
ANOVA (p-value)	0.187			

Table 10.Interdepartmental Conflict

Questions 30 to 35 investigate the degree of Interdepartmental Conflict. For four of the questions the difference between the Employee Group's and the Top Management's means revolves around 1. However, for question 35 (*There is little or no interdepartmental conflict in this business unit*) the gap is 1.79. The overall gap for Interdepartmental Conflict is 0.51. As different from the MARKOR questionnaire, where most questions elicited yes/no answers about facts and events, the Antecedent questions regarding Interdepartmental Conflict elicit opinions, so the answers are expected anywhere on the 5 point Likert scale. However, ANOVA shows no significant variations, which shows similarity of perception within the Employee Group and the small overall gap seems to indicate similarity of perception between the two groups as well. Nevertheless, given that there is always a gap of around 1 or more for each answer, it must be concluded that the Top Management

Group sees more interdepartmental conflict at LCSB than the employees. A high level of conflict is harmful for MO in an organisation (Jaworski and Kohli 1993), so it is worth discussing further down the reasons why the two groups' perceptions are different while the recommendations will focus on ways to reduce the level of conflict.

Interdepartmental Connectedness

Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Means	Top Mgmt. Means	Gap
36	100	2.19	1.10		3.0	0.81
37	100	2.83	1.18		4	1.17
38	100	2.44	1.01	Empl. Group. 2.61	3.67	1.23
39	100	3.09	0.99	Top Mgmt. 3.17	2.67	0.42
40	100	2.79	1.16		2.33	0.46*
41	100	2.32	0.84		3.33	1.01

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
36	2.07	2.34	1.80	2.22	2.51	2.00	2.29	2.09	2.05
37	2.77	2.91	2.80	2.96	2.92	2.50	2.73	2.86	2.80
38	2.46	2.41	2.25	2.87	2.49	1.75	2.41	2.37	2.50
39	3.11	3.07	3.30	2.96	3.14	2.75	3.07	3.26	3.10
40	2.96	2.57	3.15	2.65	2.73	2.25	2.46	2.66	3.50
41	2.27	2.39	2.05	2.52	2.24	2.50	2.44	2.17	2.25
Mean	2.61	2.61	2.56	2.70	2.67	2.29	2.57	2.57	2.70
ANOVA (p-value)	0.958		0.612				0.695		

Question No	Age			
	20-30	30-40	40-50	50-60
36	2.26	2.41	2.03	1.75
37	2.78	2.76	3.03	2.63
38	2.48	2.38	2.38	2.75
39	3.13	2.97	3.31	3.00
40	2.61	2.35	3.14	3.63
41	2.43	2.35	2.28	2.00
Mean	2.61	2.54	2.69	2.62
ANOVA (p-value)	0.801			

Table 11.Interdepartmental Connectedness

Questions 36 to 41 refer to Interdepartmental Connectedness. The two groups' answers are closer to each other and to the "Neutral" value (3) for questions 40 (*People are quite accessible to those in other departments*) and 39 (*Managers discourage employees from discussing work matters with those who are not their immediate superiors or subordinates*). This is interesting, as the two questions are opposites, with question 39 introducing just the additional element of the management's policy in this respect. Does this mean that LCSB's employees engage in behaviours that indicate more "connectedness" than the management likes to see at present? This should bode well for implementing more MO practices at LCSB as it indicates a certain degree of readiness on the part of the employees to engage in more team work and other co-operative behaviours in the future. According to Jaworski and Kohli (1993) a high degree of Interdepartmental Connectedness facilitates Intelligence Dissemination and Response, thus contributing to an organisation's higher MO drive. The overall gap between the Employees' and the Top Management's perception of the degree of Interdepartmental Connectedness at LCSB is 0.56 and ANOVA finds no significant variations within the Employee Group. Overall, we notice a consistency with the results from Interdepartmental Conflict: where the Top Management sees more conflict and lack of connectedness, the Employee Group's perception is that there is more harmony and cooperation among the departments. Even so, the two groups' scores for Connectedness revolve round "Neutral", which indicates that LCSB should work to improve the situation in this respect in ways that will be discussed further down.

Formalisation

Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Means	Top. Mgmt. Means	Gap
42	99	3.51	1.00		3.67	0.16
43	100	3.49	1.07	Empl.Group. 2.92	4.33	0.84
44	98	2.23	0.83	Top Mgmt. 3.67	4.67	2.44
45	100	2.44	0.99		2	0.44*

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
42	3.54	3.49	3.68	3.65	3.57	3.00	3.61	3.65	3.30
43	3.48	3.50	3.45	3.43	3.43	4.00	3.56	3.51	3.30
44	2.20	2.29	2.35	2.18	2.06	2.25	2.38	2.09	2.11
45	2.29	2.64	2.60	2.78	2.24	2.50	2.54	2.26	2.45
Mean	2.88	2.99	3.01	3.04	2.83	2.94	3.03	2.87	2.82
ANOVA (p-value)	0.315		0.567				0.316		

Question No	Age			
	20-30	30-40	40-50	50-60
42	3.78	3.32	3.69	3.63
43	3.74	3.47	3.48	2.88
44	2.13	2.38	2.11	2.13
45	2.74	2.50	2.17	2.25
Mean	3.09	2.92	2.88	2.72
ANOVA (p-value)	0.362			

Table 12.Formalisation

Questions 42 to 45 refer to the degree of Formalisation. The largest gap (2.44) between the Employees' and the Top Management's perception with regard to Formalisation involves question 44 (*How things are done here is left up to the person doing the work)* The Employees' acquiescence (2.23) comes as a surprise because the researcher, as a member of the management is aware of the little initiative and free hand allowed to the employees at LCSB partly because of the regulatory constraints characteristic to the co-operative financial sector, partly because of the policies enforced by the previous managements and partly because of the fact that many of LCSB's employees do not have the necessary level of

education to afford more independence and decision-making power in performing their duties. Despite the large gap regarding question 44, both groups appear to have close perceptions of LCSB's relatively high degree of Formalisation (the Employee's mean is 2.92 and the Top management's is 3.67). The overall gap between the groups is below 1 (0.75) and ANOVA shows no significant variations. A high degree of Formalisation harms an organisation's MO drive (Jaworski and Kohli 1993), so this project will suggest ways of decreasing it.

Centralisation						
Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Means	Top Mgmt. Means	Gap
46	99	3.39	0.97		2.33	1.06
47	100	3.14	1.18	Empl. Group. 3.26	2	1.14*
48	100	3.34	1.19		3.33	0.01
49	99	3.22	1.10	Top Mgmt. 3.13	4	0.78
50	99	3.18	1.15		4	0.82

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
46	3.42	3.36	3.60	3.57	3.14	3.75	3.43	3.46	3.40
47	3.13	3.16	3.45	3.04	3.08	3.00	3.05	3.17	3.50
48	3.23	3.48	3.50	3.09	3.41	3.25	3.51	3.29	3.30
49	3.39	3.00	3.58	3.22	2.97	4.00	3.29	3.00	3.45
50	3.34	2.98	3.47	3.09	3.05	2.75	3.05	3.15	3.55
Mean	3.30	3.20	3.53	3.20	3.13	3.35	3.27	3.22	3.44
ANOVA (p-value)	0.562		0.294				0.609		

Question No	Age			
	20-30	30-40	40-50	50-60
46	3.77	3.09	3.66	2.75
47	3.09	2.97	3.24	3.63
48	3.78	3.32	3.17	3.13
49	3.39	3.03	3.31	3.50
50	3.13	2.97	3.45	3.50
Mean	3.43	3.07	3.36	3.30
ANOVA (p-value)	0.337			

Table 13.Centralisation

Questions 46 to 50 refer to the degree of Centralisation. The results show that the Employee group feels that LCSB is less centralised than the Top Management thinks it is. The gap between the two groups' assessments would have been even greater were it not for questions 49 (*I have to ask my boss before I do almost anything*) and 50 (*Any decision I make has to have my boss' approval*), which the Top Management group answered from their point of view, as managers, who typically enjoy more freedom of decision than other employees. ANOVA finds no significant variations and the overall means are extremely close (gap 0.13), but the results point to a difference rather than a similarity of perception. According to Jaworski and Kohli (1993), a high degree of Centralisation is detrimental for all the components of MO: the generation, dissemination and response to intelligence.

Reward System Orientation

Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Means	Top Mgmt. Means	Gap
51	100	2.98	0.93		4.33	1.35
52	99	3.27	0.99	Empl. Group. 2.77	4.33	1.06
53	100	3.55	1.27		4.67	1.12
54	100	1.85	0.82	Top Mgmt. 4.27	3.33	1.48
55	100	2.23	0.92		4.67	2.44

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
51	2.88	3.11	3.05	3.04	3.05	3.00	3.05	3.06	2.80
52	3.38	3.14	3.74	3.26	2.92	2.25	3.12	3.29	3.40
53	3.46	3.66	3.20	3.48	3.78	2.50	3.37	3.54	3.75
54	1.80	1.91	1.70	1.78	2.03	1.75	1.88	1.97	1.50
55	2.16	2.32	2.20	2.13	2.32	3.00	2.32	2.29	2.00
Mean	2.74	2.82	2.78	2.74	2.82	2.50	2.75	2.82	2.69
ANOVA (p-value)	0.416		0.709				0.654		

Question No	Age			
	20-30	30-40	40-50	50-60
51	3.22	3.09	2.76	2.88
52	3.13	3.24	3.28	3.63
53	3.43	3.56	3.66	3.63
54	2.00	1.94	1.62	1.63
55	2.35	2.38	2.07	2.00
Mean	2.82	2.84	2.68	2.75
ANOVA (p-valua)	0.636			

Table 14.Reward System Orientation

Questions 51 to 55 investigate the organisation's Rewards System. There is a significant gap (1.50) between the two groups' answers, with the Top Management disagreeing that LCSB rewards employees according to MO behaviours. As this group of questions refers to facts in the organisation, rather than opinions, the Top Management's assessment (4.27) is more credible because it can be supported by the organisation's bylaws. Jaworski and Kohli (1993) insist on the central role played by the Rewards System in creating and maintaining an MO culture in an organisation, so recommendations regarding improvements in this respect at LCSB will occupy an important place in this project

Top Management Emphasis

Question No	No Resp	Empl. Group Mean	Standard Deviation	Overall Means	Top Mgmt. Means	Gap
56	99	1.90	0.74	Empl. Group. 1.91	4.33	2.43
57	99	2.04	0.74		4.33	2.29
58	100	1.85	0.76	Top Mgmt. 3.67	4.0	2.15
59	100	1.83	0.87		2	0.17

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
56	1.89	1.93	2.05	1.74	1.89	2.25	2.10	1.79	1.70
57	2.00	2.09	2.21	1.78	2.03	2.25	2.07	2.06	1.85
58	1.82	1.89	1.90	1.70	1.89	1.75	1.88	1.91	1.55
59	1.84	1.82	2.15	1.57	1.89	1.25	1.83	1.77	1.85
Mean	1.90	1.93	2.11	1.70	1.93	1.88	1.97	1.90	1.74
ANOVA (p-value)	0.805		0.214				0.410		

Table 39	Age			
	20-30	30-40	40-50	50-60
56	2.26	1.91	1.61	1.88
57	2.26	2.06	1.90	1.63
58	2.09	1.82	1.72	1.50
59	1.96	1.74	1.86	1.63
Mean	2.14	1.88	1.80	1.65
ANOVA (p-value)	0.162			

Table 15.Top Management Emphasis

Questions 56 to 59 investigate Top Management Emphasis. There is marked agreement between the Employee and the Top Management groups (gap 0.17) only with respect to question 59 (*According to top managers here, serving customers is the most important thing our business unit does*). For all the other three questions the gaps are much larger. The Employee group's answers are surprising –and ANOVA finds no significant variation with respect to the demographic data-- as LCSB's strategies (up to the time of the survey) were not geared towards creating more MO drive, so again the Top Management group's answers are more credible, as they should be aware of what policies they emphasise in the organisation. The self-critical

character of their assessment is another factor that increases their answers' credibility in the researcher's view. Top Management Emphasis is another crucial Antecedent (Jaworski and Kohli 1993) for enabling an organisation to become more market oriented, so this project suggests ways in which Top Management Emphasis should contribute to enforcing the changes towards more MO at LCSB.

Risk Aversion						
Question No	No Resp.	Empl. Group Mean	Standard Deviation	Overall Means	Top Mgmt. Mean	Gap
60	100	2.85	0.86		4	1.15
61	100	2.61	0.93	Mult. Inf. 2.40	4.67	2.06
62	100	1.97	0.85		4.0	2.03
63	100	2.25	0.94	Top Mgmt. 3.20	1.67	0.58
64	99	2.34	0.89		1.67	0.67

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
60	2.79	2.93	3.00	2.74	2.86	2.75	2.83	2.97	2.70
61	2.61	2.61	2.80	2.22	2.76	2.00	2.76	2.57	2.25
62	1.86	2.11	2.00	1.96	2.00	1.75	1.90	2.09	1.80
63	2.32	2.16	2.35	2.00	2.27	2.75	2.29	2.29	2.05
64	2.31	2.39	2.35	2.17	2.42	2.50	2.33	2.40	2.20
Mean	2.38	2.44	2.50	2.22	2.46	2.35	2.42	2.46	2.20
ANOVA (p-value)	0.564		0.289				0.183		

Question No	Age			
	20-30	30-40	40-50	50-60
60	3.04	2.85	2.79	2.75
61	2.83	2.59	2.66	1.63
62	1.96	1.91	2.00	1.75
63	2.26	2.26	2.28	2.00
64	2.27	2.38	2.31	2.25
Mean	2.47	2.40	2.40	2.07
ANOVA (p-value)	0.330			

Table 16.Risk Aversion

Questions 60 to 64 investigate the Risk Aversion antecedent. The overall gap between the Employees' and the Top Management's mean is 0.80, which is due to the two groups' relative agreement on questions 63 (*Top managers here like to play it safe*) and 64 (*Top mangers here like to implement plans only if they are very certain they will work*), which reverses the situations presented in questions 61 (*Top managers here like to take big financial risks*) and 62 (*Top management here encourage innovative marketing strategies knowing that some will fail*) respectively, where the gaps are large (2.06 and 2.03). This shows a clear acquiescence bias on the part of the Employee group, which makes their assessments less credible. Risk Aversion does not correlate positively with MO (Jaworski and Kohli 1993) because it stifles innovation. However, this project recommends a careful weighing of risk versus safety in achieving a higher performance.

ANTECEDENTS	EMPL. GROUP. MEANS	TOP MGMT MEANS	GAPS
Interdepartmental Conflict	2.33	2.84	0.51
Interdepartmental Connectedness	2.61	3.17	0.56
Formalisation	2.92	3.67	0.77
Centralisation	3.26	3.13	0.13
Reward System	2.77	4.27	1.50
Top Management Emphasis	1.91	3.67	1.76
Risk Aversion	2.40	3.20	0.80
EMPL. GROUP OVERALL MEAN	2.60		
TOP MGMT OVERALL MEAN		3.42	
OVERALL GAP			0.82

Table 17. Mean results for Antecedents at LCSB

According to Jaworski and Kohli (1993) the Antecedents play a crucial role in implementing changes towards more MO in an organisation. The results of the Antecedents survey (see above table) show that LCSB needs improvements in all the areas and in particular in regard to its Reward System and Top Management Emphasis, where the organisation scores lowest. The Recommendations of this

project focus on the ways to implement changes in all the Antecedent areas so that LCSB's culture can veer towards more MO business behaviours which should ultimately improve its business performance.

The graph below helps visualize the Top Management and the Employee Groups' assessments of LCSB's MO state-of affairs as measured by the MARKOR, Moderators and Antecedent scales used in Questionnaire A.
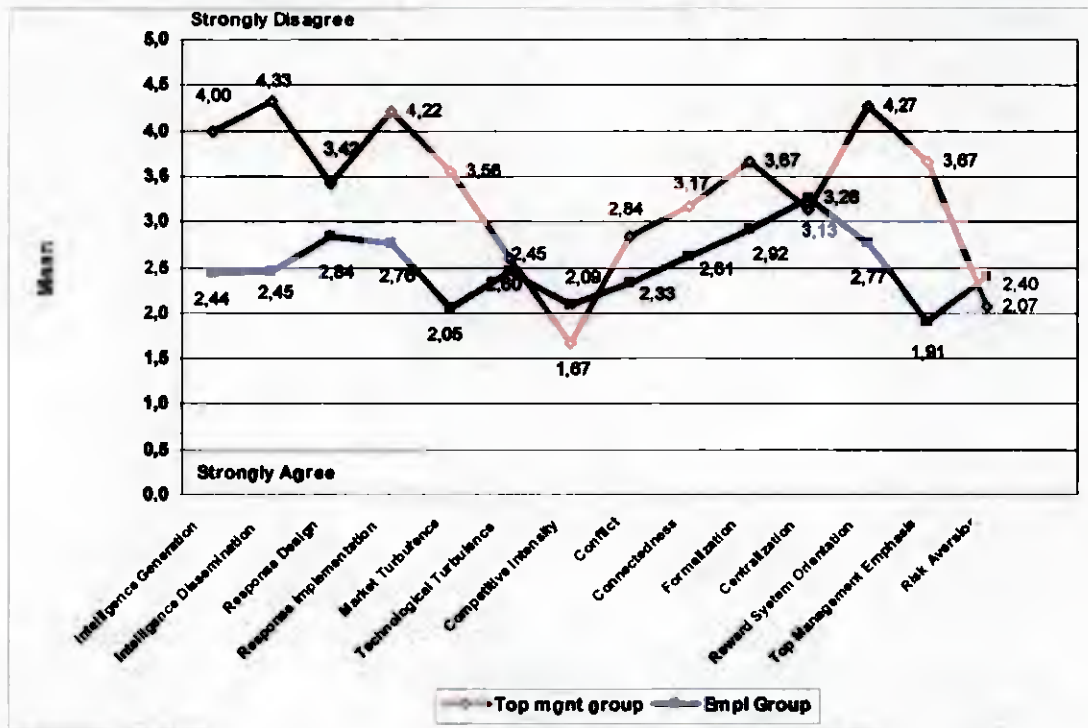
Figure 6: Top Management and Employee Groups' assessments of LCSB's MO state of affairs

4.3 Results for Questionnaire B: Schwartz' (2003) PVQ

Benevolence				
Question No	No	Mean	Standard Deviation	Overall Mean
1	100	1.72	0.87	1.96
2	99	1.71	0.918	
3	99	2.16	1.16	
4	99	2.25	1.11	

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
1	1.75	1.68	1.65	1.52	1.86	1.75	1.63	1.74	1.80
2	1.60	1.58	1.60	1.35	1.97	1.50	1.49	1.74	2.00
3	2.42	1.84	2.65	2.04	2.11	1.75	2.02	2.31	2.26
4	2.31	2.18	2.55	1.87	2.28	2.25	2.27	2.03	2.37
Mean	2.09	1.82	2.16	1.69	2.09	1.81	1.85	1.95	2.18
ANOVA (p-value)	0.850		0.216				0.312		

Question No	Age					
	Single	Married	20-30	30-40	40-50	50-60
1	1.76	1.66	1.70	1.65	1.69	2.13
2	1.65	1.70	1.52	1.53	1.89	2.25
3	1.82	2.20	2.04	2.00	2.41	2.71
4	2.35	2.13	2.30	2.21	2.24	2.00
Mean	1.89	1.94	1.89	1.84	2.05	2.46
ANOVA (p-value)	0.219					

Table 18.Benevolence

Questions 1 to 4 refer to Benevolence and the employees' mean is 1.96. ANOVA indicates no significant variation.

Universalism

Question No	No	Mean	Standard Deviation	Overall Mean
5	98	1.58	0.82	
6	98	1.83	0.77	
7	99	1.88	0.92	1.88
8	99	1.45	0.72	
9	99	1.68	0.81	
10	96	2.95	1.48	

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
5	1.67	1.47	1.45	1.39	1.66	1.75	1.63	1.51	1.42
6	1.82	1.84	1.80	1.70	1.80	2.50	1.98	1.77	1.58
7	1.96	1.77	2.00	1.48	1.92	1.50	1.90	1.74	1.79
8	1.45	1.45	1.50	1.17	1.58	1.50	1.56	1.46	1.11
9	1.62	1.75	1.60	1.43	1.86	1.75	1.76	1.69	1.42
10	2.81	3.12	2.85	2.91	3.23	3.00	2.97	2.94	2.67
Mean	1.88	1.89	1.86	1.67	2.00	2.00	1.96	1.85	1.65
ANOVA (p-value)	0.959		0.201				0.162		

Question No	Age					
	Single	Married	20-30	30-40	40-50	50-60
5	1.81	1.46	1.61	1.52	1.62	1.14
6	1.94	1.83	1.87	1.94	1.69	1.57
7	2.06	1.82	1.91	1.91	1.76	1.57
8	1.59	1.42	1.52	1.53	1.34	1.00
9	1.94	1.57	1.78	1.68	1.66	1.29
10	3.31	2.84	3.70	2.56	2.86	1.86
Mean	2.09	1.81	2.06	1.85	1.81	1.40
ANOVA (p-value)	0.060 < 0.10 significant at 10%					

Table 19.Universalism

Questions 5 to 10 refer to Universalism and the employees' overall mean is 1.88. ANOVA shows a variation at the 10% significance level for two groups: Marital status, with a p-value of 0.069 and Age with a p-value of 0.060. As far as the marital status is concerned, singles have a mean of 2.09 compared to married people, 1.81. In addition, according to age group, the mean scores are as follows: 20-30=2.06, 30-40= 1.85, 40-50=1.81 and 50-60=1.40 These findings are in keeping with Schwartz' (2003) predictions which correlate *Universalism* positively with family and elderly people.

Self-Direction

Question No	No	Mean	Standard Deviation	Overall Mean
11	99	2.16	0.87	
12	99	2.00	0.93	1.97
13	98	2.06	0.82	
14	99	1.68	0.74	

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
11	2.29	2.00	2.45	2.26	1.97	2.00	2.05	2.03	2.53
12	2.05	1.93	2.00	1.91	1.86	1.50	2.00	1.77	2.16
13	1.98	2.16	1.95	2.04	2.03	1.50	2.23	1.83	2.00
14	1.64	1.73	1.65	1.57	1.75	1.75	1.73	1.66	1.53
Mean	1.99	1.95	2.01	1.95	1.90	1.68	2.00	1.82	2.05
ANOVA (p-value)	0.765		0.766				0.268		

Question No	Age					
	Single	Married	20-30	30-40	40-50	50-60
11	2.06	2.14	2.13	1.88	2.45	2.14
12	2.00	1.96	2.04	1.82	2.03	1.88
13	2.00	2.03	2.17	2.06	1.97	1.57
14	1.76	1.64	1.87	1.56	1.72	1.29
Mean	1.95	1.94	2.05	1.83	2.04	1.71
ANOVA (p-value)	0.259					

Table 20.Self-Direction

Questions 11 to 14 investigate Self Direction. The employees' mean is 1.97. ANOVA shows no significant variation.

Stimulation

Question No	No	Mean	Standard Deviation	Overall Mean
15	98	2.27	1.05	
16	99	2.77	1.20	2.50
17	99	2.46	1.36	

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
15	2.36	2.14	2.45	2.43	2.31	1.75	2.20	2.23	2.47
16	2.53	3.07	2.70	3.17	2.58	2.50	2.73	2.83	2.68
17	2.67	2.20	2.50	2.09	2.56	2.00	1.95	2.66	2.95
Mean	2.52	2.47	2.55	2.56	2.48	2.08	2.29	2.57	2.70
ANOVA (p-value)	0.781		0.800				0.190		

Question No	Age					
	Single	Married	20-30	30-40	40-50	50-60
15	2.56	2.21	2.48	1.94	2.52	2.14
16	2.59	2.79	2.74	2.68	2.90	2.57
17	2.06	2.49	1.87	2.32	3.14	2.43
Mean	2.39	2.49	2.36	2.31	2.85	2.38
ANOVA (p-value)	0.089 <0.10 significant at 10%					

Table 21.Stimulation

Questions 15 to 17 refer to Stimulation. The overall mean for Stimulation is 2.50. ANOVA reveals a significant variation at the 10% significance level, p-value 0.089 when it comes to Age. The mean scores are as follows: 20-30=2.36, 30-40=2.31, 40-50=2.85 and 50-60=2.38 The fact that *Stimulation* values correlate positively with younger age groups parallels Schwartz' (2003) findings.

Hedonism

Question No	No	Mean	Standard Deviation	Overall Mean
18	99	2.31	1.16	2.38
19	97	2.91	1.41	
20	99	1.95	1.01	

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Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
18	2.18	2.48	1.80	2.30	2.64	2.25	2.15	2.57	2.26
19	3.02	2.76	2.90	2.78	2.83	3.00	2.95	2.91	2.95
20	2.07	1.80	1.80	2.04	2.00	1.75	1.93	1.86	2.21
Mean	2.42	2.32	2.16	2.38	2.48	2.33	2.31	2.45	2.47
ANOVA (p-value)	0.637		0.791				0.809		

Question No	Age					
	Single	Married	20-30	30-40	40-50	50-60
18	2.18	2.30	2.22	2.24	2.72	1.71
19	3.25	2.79	2.86	3.06	3.14	2.29
20	1.94	1.93	2.00	1.71	2.41	1.43
Mean	2.42	2.34	2.34	2.32	2.76	1.80
ANOVA (p-value)	0.107					

Table 22.Hedonism

Questions 18 to 20 refer to Hedonism. The mean for Hedonism is 2.38. ANOVA shows no significant variation.

Achievement

Question No	No	Mean	Standard Deviation	Overall Mean
21	99	3.23	1.59	
22	98	3.15	1.46	2.63
23	99	2.14	1.20	
24	99	2.01	1.01	

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
21	3.53	2.86	3.15	2.83	3.53	3.25	3.32	3.17	3.11
22	3.35	2.91	3.10	2.87	3.31	2.75	3.33	3.06	2.95
23	2.27	1.98	1.95	1.87	2.39	2.50	2.10	2.23	2.00
24	2.07	1.93	1.85	2.04	2.17	1.75	1.90	2.00	2.26
Mean	2.80	2.41	2.51	2.40	2.83	2.56	2.65	2.61	2.58
ANOVA (p-value)	0.065 < 0.10 significant at 10%		0.472				0.972		

Question No	Age					
	Single	Married	20-30	30-40	40-50	50-60
21	3.47	3.09	3.70	2.88	3.52	2.57
22	3.81	2.92	3.43	3.09	3.17	2.71
23	2.47	2.04	2.39	1.91	2.41	1.29
24	2.24	1.96	1.91	1.91	2.41	1.57
Mean	2.96	2.50	2.86	2.43	2.88	2.03
ANOVA (p-value)	0.118					

Table 23.Achievement

Questions 21 to 24 refer to Achievement. The mean for Achievement is 2.63. ANOVA reveals a significant variation at the 10% significance level, p-value=0.065 when it comes to Gender. Males have a mean of 2.80 whereas females have a mean of 2.41.

Power

Question No	No	Mean	Standard Deviation	Overall Mean
25	97	3.10	1.47	3.70
26	98	4.30	1.42	
27	99	3.75	1.39	

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
25	3.18	3.00	3.05	3.26	3.17	2.25	3.05	3.32	2.79
26	4.38	4.19	4.55	4.65	4.17	3.00	4.40	4.23	4.32
27	3.78	3.70	4.00	4.13	3.61	2.75	3.83	3.83	3.58
Mean	3.78	3.80	3.89	4.01	3.60	2.66	3.71	3.80	3.56
ANOVA (p-value)	0.469		0.167				0.776		

Question No	Age					
	Single	Married	20-30	30-40	40-50	50-60
25	3.50	2.99	3.09	2.94	3.48	2.43
26	4.44	4.26	4.57	4.09	4.45	4.00
27	3.82	3.70	4.00	3.32	4.07	3.57
Mean	3.80	3.65	3.88	3.40	4.00	3.33
ANOVA (p-value)	0.162					

Table 24.Power

Questions 25 to 27 concern Power. The mean is 3.70. ANOVA finds no significant variation although the 50-60 age-group shows slightly more desire for power than other age groups.

Security

Question No	No	Mean	Standard Deviation	Overall Mean
28	98	2.21	1.09	
29	99	1.80	0.77	
30	99	1.65	0.83	1.76
31	99	1.42	0.64	
32	99	1.70	0.80	

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
28	2.46	1.91	2.15	1.96	2.49	2.75	2.35	2.14	2.11
29	1.93	1.64	1.85	1.48	1.94	2.00	1.93	1.66	1.68
30	1.62	1.68	1.60	1.39	1.78	1.75	1.49	1.60	1.84
31	1.45	1.39	1.55	1.13	1.42	1.75	1.46	1.29	1.47
32	1.73	1.66	1.65	1.78	1.69	1.75	1.95	1.40	1.58
Mean	1.84	1.65	1.76	1.54	1.87	2.00	1.84	1.61	1.73
ANOVA (p-value)	0.096 < 0.10 significant at 10%		0.128				0.210		

Question No	Age					
	Single	Married	20-30	30-40	40-50	50-60
28	2.44	2.13	2.45	1.97	2.55	1.71
29	2.00	1.76	2.13	1.68	1.86	1.14
30	1.71	1.63	1.57	1.41	1.97	1.29
31	1.47	1.38	1.48	1.32	1.55	1.14
32	1.94	1.64	2.09	1.71	1.41	1.29
Mean	1.92	1.71	1.95	1.61	1.87	1.31
ANOVA (p-value)	0.011 < 0.05 significant at 5%					

Table 25.Security

Questions 28 to 32 probe Security. The mean is 1.76. ANOVA reveals a significant variation at the 10%significance value, p-value=0.096 for Gender and at the 5% significance level p-value=0.011 for Age. As far as the Gender is concerned, males have a mean of 1.84 whereas females have a mean of 1.65. In addition, according to age group, the mean scores are as follows: 20-30=1.95, 30-40=1.61, 40-50=1.87 and 50-60=1.31. These scores reveal more desire for security in the female and the elderly respondents, which parallels Schwartz' (2003) correlations.

Conformity

Question No	No	Mean	Standard Deviation	Overall Mean
33	98	3.33	1.54	
34	99	1.76	0.94	2.06
35	99	1.63	0.73	
36	99	1.58	0.74	

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
33	3.13	3.58	3.30	3.91	3.00	4.00	3.53	3.06	3.16
34	1.84	1.66	1.70	1.30	2.03	1.75	1.83	1.66	1.68
35	1.53	1.75	1.55	1.43	1.83	2.25	1.76	1.49	1.63
36	1.60	1.55	1.45	1.39	1.72	1.50	1.49	1.51	1.63
Mean	2.02	2.12	2.00	2.01	2.13	2.37	2.14	1.92	2.02
ANOVA (p-value)	0.446		0.654				0.375		

Question No	Age					
	Single	Married	20-30	30-40	40-50	50-60
33	4.00	3.11	3.70	3.30	2.97	2.71
34	1.82	1.75	1.57	1.85	1.90	1.14
35	1.82	1.57	1.91	1.56	1.66	1.14
36	1.53	1.53	1.43	1.53	1.69	1.14
Mean	2.26	1.98	2.15	2.05	2.05	1.53
ANOVA (p-value)	0.182					

Table 26.Conformity

Questions 33 to 36 concern Conformity. The overall mean is 2.06. ANOVA does not show any significant variations.

Tradition

Question No	No	Mean	Standard Deviation	Overall Mean
37	98	2.72	1.31	
38	97	2.95	1.62	3.08
39	98	3.54	1.36	
40	91	3.08	1.34	

Question No	Gender		Education Level				Years in the organisation		
	Male	Female	High School	Lyceum	Undergr.	Graduate	0-12	12-24	24+
37	2.61	2.86	2.55	2.26	3.06	3.25	2.78	2.63	2.56
38	3.17	2.67	3.00	2.96	2.89	3.75	2.63	2.91	3.61
39	3.83	3.43	3.45	3.39	3.81	4.00	3.80	3.40	3.11
40	3.08	3.08	3.18	3.26	2.90	2.75	3.39	2.83	2.69
Mean	3.11	3.04	3.04	2.96	3.19	3.43	3.17	2.94	2.98
ANOVA (p-value)	0.730		0.774				0.600		

Question No	Marital Status			Age			
	Single	Married	Divorced	20-30	30-40	40-50	50-60
37	3.00	2.56	-	2.87	2.74	2.64	1.57
38	2.94	2.84	-	3.04	2.33	3.46	3.29
39	4.12	3.36	-	4.00	3.38	3.54	2.43
40	3.79	2.83	-	3.60	2.94	2.88	2.43
Mean	3.48	2.90	-	3.36	2.89	3.13	2.42
ANOVA (p-value)	0.024 < 0.05 significant at 5%			0.120			

Table 27.Tradition

Questions 37 to 40 refer to Tradition. The mean is 3.08. ANOVA reveals a significant variation at the 5% significance level, p-value=0.024 when it comes to Marital status. Singles have a mean of 3.48 whereas married people have a mean of 2.90, which shows more attachment to traditional values in the married group, as predicted by Schwartz' (2003) own findings.

			MEANS	*OVERALL MEANS*
INDIVIDUALISM	*Openness to change*	*Self-Direction*	*1.97*	*2.24*
		Stimulation	*2.50*	
	Self Enhancement	*Hedonism*	*2.38*	*2.90*
		Achievement	*2.63*	
		Power	*3.70*	
	Self Transcendence	*Universalism*	*1.88*	*1.92*
		Benevolence	*1.96*	
COLLECTIVISM	*Conservation*	*Conformity*	*2.06*	*2.30*
		Tradition	*3.08*	
		Security	*1.76*	

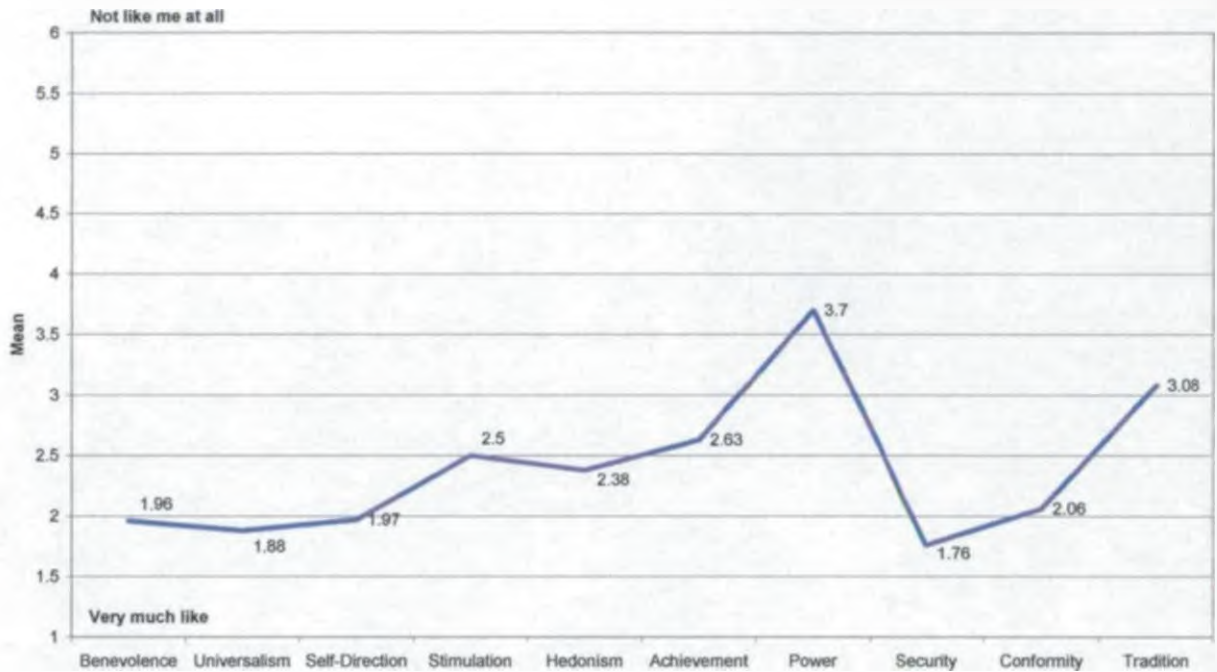*Table 28.Results of Schwartz' (2003) PVQ survey*

Figure 7: Graph representing results of Schwartz' (2003) PVQ survey

Overall the 10 categories, with a few exceptions --Power and Tradition--, are placed on the 2.5 axis, which is between the "like me" and the "somewhat like me" stand.

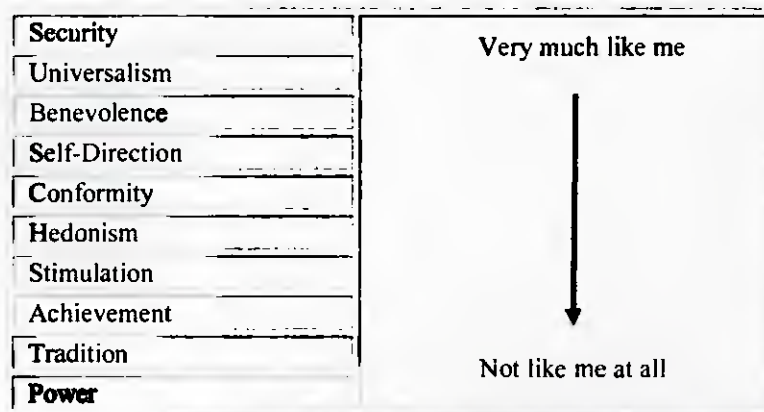The 10 categories rank in the following manner:

Table29. Ranking of LCSB's respondents' individual values

CHAPTER FIVE

DISCUSSION

5.1 Objectives and structure of the chapter

Chapter Five discusses and interprets the survey results and goes to delineate a number of methodological concerns or limitations of the study and the way in which they may have influenced the results obtained. The chapter ends with a review of the importance of the findings regarding LCSB's present level of MO and its predominant cultural values for the ensuing recommendations aimed at enhancing LCSB's MO drive in the future.

5.2 Discussion of the findings

The two groups' assessments for LCSB's Intelligence Generation are widely apart: the Employees rate it at 2.44 while the Top Management's Group, at 4.0. These results raise a number of questions: 1) Can these results be considered to reflect different perceptions? 2) If so, why are they so different? and 3) Which score is more credible?

To answer the question of whether the scores represent different perceptions, it must be noted that most of the MARKOR questions for Intelligence Generation (3 out of 5) refer to *facts,* such as whether we meet with customers once a year to find out their preferences for future services and products, whether we do in-house market research, whether we poll end-users to assess the quality of our products. Thus, these questions do not elicit opinions but a confirmation –or otherwise—of whether some events take place or not. Thus, the results cannot have the status of "perceptions". As to the facts themselves, LCSB-- being a small organisation-- has done virtually no market research studies. Thus, in the researcher's interpretation, the employees were simply reluctant to admit that the company does not engage in an obviously business-beneficial activity such as asking the customers about their preferences and level of satisfaction with the service. Their only assessment close to that of the Top

Management's concerns question 3 (*We are slow in detecting changes in our customers' product preferences*). Because this question tests the opposite of what was asked in all the other Intelligence Generation questions, it seems reasonable to the researcher to consider it as an instance of acquiescence bias on the part of the Employee group. A possible explanation for this bias is the employees' reluctance to appear critical of the organisation's business practices, more so as the researcher conducting the survey is a manager of the organisation. Another possible explanation for the employees' acquiescence bias is that they may have not taken the survey very seriously despite the researcher's explanation of the study's importance for the organisation (clearly expressed on the cover page). For these reasons the researcher interprets the Top Management's assessment as more credible, more so as it can be supported by the absence of documents attesting expenses related to intelligence gathering.

Most of the questions probing Intelligence Dissemination (3 out of 4) also refer to *facts* (such as whether there are departmental and interdepartmental meetings to spread customer data). As before, there is a large gap between the two groups' assessments: the Employee group's score is 2.45 and the Top Management's is 4.33. The same questions regarding the status of the data (perceptions vs. the experience of being surveyed) that were asked above apply for this group of questions as well as the same answers. That LCSB has not engaged in information dissemination activities (because there was no systematic intelligence gathering in the first place) can be documented by negative proof as before. This gives, in the researcher's eyes, more credence to the Top management's assessment and deprives the Employee group's assessment of the status of "perception". As before, the Employees' high score for Dissemination may be interpreted as an expression of either an inhibition to criticise or a superficial attitude towards the survey.

Finally, only 3 out of the 7 questions referring to Response Design and Response Implementation refer to facts, so this area of the survey would be, in principle, more open to differences in perception. The gaps with the Top Management's assessments (0.58 for Response Design and 1.46 for Response Implementation) however, reflect

the effects of the acquiescence bias observable for question 10 and 15 (see Appendix 1), which test for negative business practices. This casts doubt, in the researcher' view, on the status of "perception" for the Employee Group's assessment and makes the Top Management's assessments more credible.

In conclusion, the Employees' assessment of LCSB's degree of MO resulting from the MARKOR Survey is 2.62, while the Top Management's is 4.0. The gap of 1.38 may not be interpreted as a measure of the variability of opinions but rather as a measure of the participants' degree of inhibition to be candid about the realities at LCSB or of their superficial attitude to the survey. Additionally, it is possible to argue that the MARKOR survey may have presented the respondents with such a new model of business practices, that the Employee group's acquiescent answers could be interpreted to express a strong resistance to the many changes necessary to bring LCSB closer to this up-to-date model. Whatever the causes of the Employee Group's bias, they show a culture at LCSB characterised by lack of openness and/or resistance to change, neither of which bodes well for the MO culture to which the organisation must aspire if it is to survive in the present local and international context.

The survey referring to the MO Moderators shows more agreement between the Top Management and the Employee Group's opinions, mostly with regard to Technological Turbulence and Competitive Intensity which present general considerations regarding the business environment, not the organisation per se. This may explain the two groups' similar views, as no criticism concerning LCSB's managerial strategies was involved. The results show that the respondents are aware of the high degree of Competitive Intensity in banking today and of the recent high degree of Technological Turbulence in the industry. This means on the one hand that they are interested in and attuned to their professional environment and on the other hand that LCSB is currently operating in a tough environment.

As for Market Turbulence the disagreement between the groups is quite large, reflecting either different perceptions of the organisation's customer profile or a

different interpretation and understanding of the questions referring to Market Tubulence. If the former is the case, the situation is worrying because it shows the long-term effect of the previous management's culture of keeping customer profiles from the low rank employees. If LCSB desires to become more market oriented, this situation will have to change by actively involving the employees in intelligence generation and dissemination. The Top Management's mean for Market Turbulence is 3.56, a value suggesting medium to low market turbulence at LCSB. This finding is important for the present project because Jaworski and Kohli (1993) consider that high market turbulence enables an increased level of MO to produce better performance. Thus, the medium to low value found by the Top Management for LCBS suggests that the costs involved in achieving a higher level of MO in the organisation may not be entirely warranted for the purpose of retaining LCSB's *present* customers. However, judging by LCSB's recent strategies, the organisation appears poised to capture more market share especially from the ranks of customers who are price sensitive and seek new products, namely, the young, entrepreneurial and corporate customers that are now only a minority. It is for the sake of capturing this desired market share that LCSB should seek to become more market oriented.

From question 30 to 64 the survey investigates the degree to which the Antecedents for more MO drive are in place at LCSB. Jaworski and Kohli (1993) identify three categories of Antecedents to MO that were labeled Senior Management Factors, Interdepartmental Dynamics and Organisational Systems. These Antecedents act as drivers or obstacles to MO, resulting in some organisations being more market oriented than others. As in the case of MARKOR, the survey concerned with the Antecedents is an assessment of the state of affairs at LCSB, so the gap between the Top Management and Employee groups needs discussing. The Senior Management Factors refer to Top Management Emphasis and Risk Aversion. Among the questions referring to Top Management Emphasis, question 56 shows a large gap of 2.43. Also, it is entirely inconsistent with present policies at LCSB to urge the workforce to "be sensitive to the activities of the competition" (question 57), which explains the 2.29 gap with the Top Management group. For question 58 the gap is 2.15, as LCSB has never had policies encouraging the study of customers' *"future*

needs". So far LCSB's strategies have been geared to the customers' *present* needs. Sensitivity to customers' future needs as well as to the needs of their entire business chain (in the case of corporate clients) is a relatively new marketing concept with no tradition in the practices of Cypriot building societies which did not even have corporate customers until three years ago. As for question 59, both the Employee and the Top Management groups agree that the top management insists that "serving the customer is the most important thing we do in this business". It is, however, unclear how comprehensively the respondents understand the concept of "serving the customers", which, in the frame of market orientation means not only satisfying the customers' present needs, but also anticipating their future needs and the possible needs of their whole chain of suppliers and customers. These facts suggest that the Top Management Group's assessment should be given more credence. Top Management Emphasis is considered to be an extremely important precondition to MO (Levitt 1969, Jaworski and Kohli 1993, Slater and Narver 1994). The Top Management group's assessment of Top Management Emphasis at LCSB is 3.67, which shows a low degree of Management Emphasis and an urgent need to redress this state of affairs in the near future.

Risk posture refers to top management risk-seeking or risk-averse tendencies. Kohli and Jaworski (1990) and Jaworski and Kohli (1993) assert that the symbolism viewed in senior management's willingness to take risks will encourage and facilitate organisation-wide commitment to innovation and responsiveness. Thus, the more risk aversion, the less overall MO in an organisation. In this respect, the Employee Group's assessment hovers between *Agree* and *Neutral*, suggesting a relatively high-risk picture of top managerial behaviour at LCSB, inconsistent with the conservative policies to risk-taking characteristic of the entire heavily regulated co-operative sector, not only of LCSB. In contrast, the Top Management Group's assessment (3.2) indicates that risk aversion is high at LCSB, which sets the tone for inertia and a lack of innovation drive.

The category of Interdepartmental Dynamics refers to the degree of Interdepartmental Conflict and Connectedness. The small gaps between the two

perceptions of LCSB's degree of Interdepartmental Connectedness(0.56) and Departmental Conflict (0.51) place the evaluation of this feature close to "Neutral" on the five point Likert scale, which means that lots of effort should be devoted in the future to improving the way departments cooperate. The Recommendations will focus on introducing a new way of construing interdepartmental connectedness, namely as a customer-supplier relationship, within the internal MO framework advanced by Martin and Martin (2005).

Despite the small gaps, the Employee Group tends to see more connectedness and less conflict than the Top Management group does. However, the researcher is aware of the frequent conflicts which he has to arbitrate in his position of Senior Operations manager in the organisation. The conflicts usually arise in connection with promotion and rewards, as traditionally they have been based on seniority rather than merit. While envy and subjectivity in this regard may be reactions common to other organisations too, there are certain conflicts at LCSB that result from the lack of harmony, fairness and spirit of co-operation among the departments. First, there is no sense of equality among the departments in the sense of equally valuable contribution to the organisation's success. Front-line work is viewed as "low-class", with everybody there wishing to be a back-office employee so as to have a narrow, well-defined operation to deal with and as little contact with the customers as possible. Departments such as the Loans, Foreign Currency, and Documentary Credits regard themselves as "superior" and are often reluctant to solve problems for each other. However, most of the time, behind the claim that an issue is "another department's affair", the researcher has good reasons to suspect that there is ignorance about the procedures and operations in other departments—a state of affairs that needs to be corrected. What is even less acceptable is that the employees consider their ignorance about other departments' work a legitimate and normal situation resulting from their "specialisation". This has important consequences for the management who are confronted with a lot of resistance when it comes to moving staff from one department to another or assigning new tasks to individuals. This discussion is quite revealing for the culture at LCSB, reflecting a general reluctance to novelty and learning and a preference for routine.

Other problems of interdepartmental connectedness (see Appendix 1 for question 41) arise from the high degree of formalisation characteristic of LCSB; thus, the middle management cannot schedule departmental meetings without the prior agreement of the top management and without having requested permission to do so in writing. This clearly does not contribute to interdepartmental dynamics and hinders intelligence dissemination and learning about the work of the organisation as a whole.

Organisational Systems refers to Formalisation, Centralisation and Reward Systems. According to Jaworski and Kohli (1993), the greater the degree of Formalisation and Centralisation, the lower the overall MO of the organisation is. As for the Rewards System Orientation, the greater the reliance on market-based factors for evaluating and rewarding personnel, the greater the overall MO of the organisation. The Employee Group's position regarding the degree of Formalisation at LCSB shows they tend to admit that they are not their "own boss" and that they cannot "take decisions without checking" with superiors. Of course, the Top Management Group's answers differ in this respect, which distorts the picture of the overall high level of formalisation characteristic of the organisation as a whole. However, it must be said that in comparison with the not so distant past—6 years ago-- when the General Manager was supposed to sign each and every document issued by the bank while customers and employees were queuing outside his door for this purpose, things have changed a little, the power of authority being delegated to the Heads of Department. Thus, although in the Top Management Group's opinion LCSB still has a high degree of formalisation and centralisation, the employees' assessment may indicate that the state of affairs in this respect has improved. It should also be mentioned that as of the beginning of January 2008 LCSB started a policy of decentralisation by allowing branches to offer services and products that only the main branch could offer until recently.

With regard to Centralisation, the researcher interprets the two groups' assessments as reflections of recent changes in this respect, such as the management's insistence

that employees rely more on their good judgment rather than seeking the management's approval for the slightest issue. Thus the answers may show that the Employees pay lip service to what they are being told to do, which explains the relatively low centralisation score reflected in their assessments—while in reality they seem still unsure of themselves because they seek advice from the managers even for minor matters. In the researcher's view as an insider, this lack of self confidence may have at least three causes: traditionally, Co-operative financial services had a very centralised style of management and it is only recently that descentralisation efforts have been made, such as enabling customers to get loans from any branch, not only from LCSB's main branch, as before. However, the sense of responsibility and empowerment has yet to be internalised. The second reason why the workforce may not feel professionally confident is that LCSB has recently diversified its products and services: thus, while in the not-so-distant past the employees were used to basically two operations, i.e. housing loans and deposits, now they have to cope with procedures involving a larger variety of financial services, such as commercial, corporate and personal loans, foreign currency trading, documentary credits and insurance products. Thirdly, three quarters of the workforce – the senior employees--do not have a proper level of professional education, while the newly hired, young and more educated workforce does not have enough banking experience as yet. All these factors tend to make decentralisation efforts difficult at LCSB. Jaworski and Kohli (1993) suggest that organisational dimensions such as high formalisation and centralisation tend to hinder the generation and dissemination of information and the design of organisational response. They also point out that the bureaucracy that often results from the above dimensions contributes to heightened levels of uncertainty, interdepartmental conflicts and competition, a breakdown in communication flow and delays in decision-making. Quite clearly, LCSB will have to embark on decentralisation efforts as soon as the Co-operative legal framework allows it.

The survey findings with regard to Reward System Orientation show a large overall gap of 1.50. The Employees' answers to questions 51, 54 and 55 (see Appendix 1) are surprising, as "sensitiveness to competitive moves" and "the strength of their [the

employees'] relationship with the customers" have not so far been criteria for promotion at LCSB. Neither has the organisation ever polled customers about their degree of satisfaction with the bank's salespeople to use this information for promotion purposes. It is true, however, that the management has recently started mentioning these promotion criteria as preferable in the future, an idea that already faces resistance from the employees' Trade Union. It should be mentioned that as an insider, the researcher is aware of the employees' negative feelings and apprehension towards the new promotion criteria because they complained to the Union and asked for an intervention on their behalf in this respect. Also, LCSB has an odd, if sad history of promotion policies: for 25 years, until 1998, nobody had been promoted in the company with the stalemate including top management who were also frozen in their positions during all this time without any proof of strategic effectiveness. When the General Manager finally retired in 1998, his successor attempted to compensate for this state of affairs with a large wave of promotions of senior employees to middle managerial positions (from 7 to 27) and by bringing in outsiders for the top management positions. Given this old unfortunate promotion policy (or lack of it), the researcher has reasons to believe that the employees might be afraid that the present management wish to use these new promotion criteria as an excuse to freeze promotions again. And indeed, given the surfeit of middle managers (one in four employees is a middle manager), new promotions could only occur for exceptional performance, which is hardly to be expected due to the poor professional training of most of LCSB's workforce. Thus, the researcher is aware of the great resistance employees are likely to put up to the implementation of these particular changes. Moreover, the new promotion criteria should reward employees for *exceptional* performance in the gathering and dissemination of information about customers and competition, but, at the same time, intelligence generation and dissemination must become part of their job descriptions if LCSB is to improve its MO drive. Recent literature (Sigauw, Brown & Widing 1994) has shown that rewards systems are instrumental in shaping the behaviour of employees and will ultimately determine the extent to which MO is adopted by an organisation. A reward system relying on market-based measures of performance significantly reduces role conflict and job ambiguity, whereas an evaluation based on sales volume, short-term profitability and

rate of return measures increases the overall degree of conflict and competition among employees (Sigauw, Brown &Widing 1994). By comparison, organisations that evaluate and administer rewards based on customer satisfaction and service levels are more likely to encourage the active generation and dissemination of market intelligence and responsiveness to market needs. Creating a market-based instrument for evaluating employees' performance will be an important challenge and tuning point for LCSB.

The discussion of the results from Questionnaire A has revealed problems in assigning the status of "perceptions" to the Employee group's answers. Whether the Employee group's acquiescence bias is explainable by a reluctance to sound critical, or by a misunderstanding of some questions, it has become apparent that their assessments are less credible than the Top Management Group's which often can be backed up by evidence. The Employee group's failure to acknowledge an unfavourable state-of-affairs in their organisation does not bode well for their degree of readiness for the upcoming changes towards more MO. In the researcher's view, it is quite likely that the MARKOR and the Antecedents questionnaires have created in the respondents' mind a business model so different from that of LCSB at the present time, that the transformations needed to get there must have seemed overwhelming and threatening and resulted in an attitude of resistance. This means a lot of work on the part of LCSB's management to alley these fears of change, to instill trust and self-confidence during the long and hard period of transformations that the present project will outline. On the other hand, the Top Management Group's seriousness in approaching the surveys and openness in admitting their organisation's many functional weaknesses attests a much higher degree of readiness for the changes LCSB will have to undergo to become more market oriented and increase its performance. Their readiness is of the utmost importance for the success of these changes because it is well known that the impetus for cultural changes must come from the organisation's leaders. In the researcher's view, the way LCSB's top management team looks at present is one of the strengths on which the organisation can rely in its bid for more MO and better performance in the future.

Part B of the survey uses Schwartz' (2003) Portrait Values Questionnaire (PVQ) to uncover the cultural values predominant at LCSB. It is considered that some of these values are favourable to MO, while others tend to hinder it, though different researchers have connected them differently with the various aspects of MO (see Literature review).

The present project uses Schwartz' PVQ with a view to getting an indication of whether the mainstream values of the LCSB workforce will be an advantage or an obstacle in implementing the changes needed to make LCSB more market oriented. Following Pulendran, Speed and Widing (2000), this project also assumes that Collectivistic values (especially Self-Transcendence) will have a stronger impact on Interfunctional Co-operation and Intelligence Dissemination, while Individualistic values will impact more strongly on Intelligence Generation, as they tend to facilitate interest in both customers and competitors. The statistically significant values found by the survey show that Collectivistic values tend to be predominant at LCSB: of the Self-Transcendence group, both Benevolence and Universalism scored below 2 on the 5 Liker scale, and from the Conservation group, Security (1.7) is followed by Conformity (2.06). The 50-60 age-group appears to be the most "traditional", and more concerned with averting risks, with a mean of 2.42 (as compared to the youngest, whose mean is 3.36). This is important, because the 50-60 age-group is also the one with the highest desire for power, which raises the question of whether it is good for LCSB in the future to have people in power attached to "the way things have always been done" and managers with high risk aversion values. The fact that older employees are more conservative is in keeping with the principle that, as people grow older –and the majority of the workforce at LCSB is middle-aged and older—they tend to become more committed to habitual patterns and less open to changes and challenges. Schwartz (2003) hypothesises that age correlates positively with Conservation and Self-Transcendence values and negatively with Openness to Change and Self Enhancement values, which the LCSB survey has confirmed.

Marital status also seems to inform people's individual values. The survey shows that married people are less hedonistic, more modest and more attached to traditional values than singles.

Of all Individualistic values, Self-Direction is the best represented at LCSB (1.97), which is encouraging for achieving a higher standard of openness to innovation in the future. Self-Direction is positively correlated with higher levels of education (Schwartz 2003), so it may be that the results reflect the input of the young and educated employees hired recently at LCSB. The survey results also show that young people and singles tend to be slightly more individualistic than the older and married employees.

Of the Self Enhancement group, Achievement and Power deserve special discussion. Female employees have shown higher Achievement values than males, which should be viewed in the more general context of women's effort to assert themselves in a male-dominated business such as banking. As in other sectors of the economy, women need to work harder than their male colleagues to be considered "equal" to them or to be promoted. As for Power, the results of the survey allow us to conclude that higher education and age seniority correlate positively with the drive to power, which is unsurprising, as knowledge on the one hand and experience on the other make these groups more open to tasks such as controlling, deciding and taking responsibility for others.

The PVQ survey was carried out to get an indication of whether the overall cultural values of the employees will facilitate the implementation of MO changes at LCSB in the future and to establish whether there is a subculture inside the organisation that could spearhead the implementation of these changes. This objective is based on the assumption (i.a. verified by Pulendran, Speed and Widing 2000, Furrer, Lantz and Perrinjaquet 2003) that employees' individual values influence their market orientation values. The analysis of the results shows, however, that it is hard to find a category at LCSB -- defined by the demographic variables used-- that would fit the entire MO value-portrait. However, we have found various values conducive to MO behaviours dispersed among the groups. Thus, owing to the last 6 years' policy of employing young and more educated employees, the age of LCSB's workforce has significantly gone down: at present 44.4% of the males and 82.5% of the females are

below 40. As the survey has shown, this category is more educated and more inclined to individualistic values like Self-Direction and Achievement, which makes them, in principle, more oriented towards customer and competition intelligence generation, but less inclined to sustain the collective effort of disseminating information and acting upon it as one body. In contrast, the middle-aged and older group who account for almost 56% of men and just 17.5% of women are less educated in general and more attached to conservation values, which, in principle, makes them better at the collective efforts involved in a market oriented organisation, but less adept at the individual endeavor of approaching customers and competition and engaging in riskier, innovative enterprises. However, despite the fact that statistically there is no clearly identifiable subculture perfectly equipped to implement changes towards more MO drive at LCSB, it may still be possible to find individuals endowed with most of the qualities necessary for this purpose, so it will be the management's responsibility to spot them and to motivate them to be leaders in the process of change awaiting LCSB in the future.

5.3 Limitations and methodological concerns

A concern with important implications for the findings is that the Demographic information requested from the respondents may have been too extensive, which made them feel that the researcher could fairly easily identify them given that LCSB's personnel are only around 130 people. This, according to some employees' comments, compromised their anonymity. Such remarks, together with the general reticence to criticise shown by the results demonstrate a breakdown in the meaning attributed to anonymity and confidentiality by the scientific community and by the respondents. While the surveyees considered anonymity a way to conceal their identity from the researcher, in social science, where mail survey techniques and interviews are frequently employed -- so the researcher is aware of the identity of the respondents—the pledge to anonymity means the researcher cannot disclose the identity of the respondents *formally*, while the pledge to confidentiality means he/she cannot do so even *informally*. (In fact "confidentiality" would become meaningless if the researcher was indeed unaware of the respondents' identity.) Thus, it appears that

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in this respect, the fact that the researcher is also a manager in the organisation under study was not an advantage because the employees felt naturally reluctant to present an LCSB manager with their criticism of managerial practices in the organisation. This situation also reflects a discrepancy in the perceived identity of the researcher: when distributing and analysing the questionnaires the researcher perceived himself –unrealistically--as an abstracted persona, i.e. "the researcher", separate from his other personas ("the manager", "the individual Ioannis Ioannou", etc), hence his hope that the respondents would entrust him with their sincere views in their common quest for "truth" about their organisation. The employees, however, seem to have perceived him holistically and probably with his managerial persona prominent, as the default persona they usually relate to.

Another concern refers to the respondents' unfamiliarity with the experience of being surveyed or participating in a research project as survey subjects. Despite the explanations in this regard accompanying the questionnaires, the results suggest that the respondents may not have fully understood their role as *subjects,* i.e. participants in the research, but rather saw themselves as *objects under scrutiny* and felt tested for their professional skills and loyalty to the company. This is perhaps a caveat inherent to self-studies administered by insiders. The situation is similar to students being tested in school: because the teacher knows the correct answers, the students interpret the situation as a test, not as a quest (for scientific truth). As MARKOR and the Antecedents questionnaires enquire about *facts* and *actual behaviours*, the insider-researcher is just as likely as anybody else in the organisation to know them, hence the respondents' feeling that this was not a quest, but a test, presumably of loyalty. According to the researcher's understanding, loyalty is traditionally understood at LCSB as abstention from any criticism directed at the management or the organisation. On the one hand this may be a result of the authoritarian management style of the past, and, on the other hand, criticism directed at the organisation and its top management is felt to be equally directed against the political party with which LCSB is so closely associated —a situation typical not only of LCSB but of all Co-operative institutions in Cyprus. This is because the recruitment policies in the past were based on political allegiance rather than

professional expertise, so showing "loyalty" to the organisation is also an expression of ideological *esprit de corp.* While the Employee group's reluctance to be critical may have put a question mark over the accuracy of their assessment of LCSB's degree of MO, it has revealed other important cultural aspects of the organisation under study.

The consequences deriving from these methodological and hermeneutic concerns are obvious in the findings and are discussed at length in section 5.2 above. Suffice it to say that because of the reasons explained above, the data from Part A of the survey obtained from the Employee group can hardly be assigned the status of perceptions, being more likely expressive of the respondents' experience of being surveyed. Thus, this data cannot be triangulated with the Top Management group's assessment, which, being more credible, can be construed as a perception of the organisation's degree of MO. As a result, this project can only base its recommendations for increasing LCSB's MO drive on the Top Management's perceptions of the situation in the organisation. Thus, it must be concluded that the validity and reliability of the MARKOR, Antecedents and Moderators scales depends on the assumption that the anonymity and confidentiality pledges are understood as intended in research and ensure candid answers from the respondents. It appears that this assumption was considered credible in the studies that replicated Jaworski and Kohli's results. It is not clear whether the tendency to be truthful can be positively correlated with the respondents' managerial positions (traditionally MO surveys have been distributed to the management) and negatively correlated with lower positions in the organisation, as seems to be the case in this project. Further research should be carried out to clarify this issue. At a common-sense level, however, it is the managers who should be more inclined to paint a rosy picture of their organisation's degree of MO because a lot of the MO drive in an organisation is a consequence of the leadership and the management's emphasis on MO behaviours in the workplace. Thus, the results of this project suggest that the assumption of truthfulness on the respondents' part should be correlated with the other cultural aspects of the organisation surveyed because the culture of the workplace may hinder or else enable the respondents to be

open about their opinions. As explained above, the socio-political aspects of the culture at LCSB are not conducive to the free expression of critical opinions.

Another methodological concern refers to the fact that both surveys actually impose values on the respondents. This is a general concern for positivist researchers whose assumption is that research is value free, but who often notice how the research itself, through the value system it reflects, changes the phenomenon under observation. However, the fact that research is value laden and changes the observed phenomenon is an assumption built in the Realism paradigm and offers a basis for interpretation and reflection. What the market surveys administered at LCSB show is that the Employee respondents tend to show "good value" acquiescence bias even when this implies sacrificing the truth. At the same time, it should be noted that a few respondents enquired, after filling out the questionnaires, whether they referred to the organisation as it is today or whether the statements portrayed the organisation as we want it to be in the future. It was a surprising question, but the fact is that the surveys use statements, not questions, so it was possible for some to interpret it as the organisation's future "mission statement" –which they supported whole-heartedly.

In the case of the Schwartz Value Questionnaire, while it does not directly name the values it attempts to measure, the attitudes of the imaginary person with whom the respondents are supposed to compare themselves are so obviously socially, morally and religiously desirable that it would be really hard for any respondents to admit to rejecting them. At this point it must be said that the Cypriots—at least the middle-aged and the elderly—have a relatively high level of religiousness. Thus, it is unlikely that the respondents would consciously characterise their behaviour as flouting moral and religious commandments. At the same time, it is generally hard to determine, if indeed possible at all, to what degree the idealised image one has of oneself corresponds to one's "real self", i.e. to what degree the moral values we think we live by actually inform our day-to-day behaviour.

Another methodological concern stems from the inherent one-sidedness or even bias of self-assessment studies, such as the MARKOR survey administered to LCSB's employees. According to Despande, Farley and Webster (1993) comparing self-assessment reports with customer reports may lead to a better evaluation of the organisation's degree of MO and prevents biases associated with self-assessment. However, as the accurate determination of LCSB's degree of MO is not the ultimate aim of the present project, the self-assessment through MARKOR was considered to be enough indication of where the company stands with respect to MO and, as we have seen, it provided important insights into other relevant cultural aspects at LCSB.

5.4 Conclusion

Despite the methodological concerns discussed above, the research findings appear to confirm the project's hypothesis that LCSB has a low level of MO: neither are the organisation's structures and systems – the Antecedents-- ready to support an MO drive, nor does the organisation display the basic MO behaviours of systematically gathering and disseminating intelligence and responding to it in effective ways. On the other hand, the individual values entertained by the organisation's employees appear promising for nurturing some, if not all the behaviours characteristic of MO driven organisations. In this respect, LCSB's strength seems to be its collectivistic values, which are crucial for effective intelligence dissemination and prompt and harmonious co-operation in business response.

These findings constitute the substance of the *Report to the Management on LCSB's level of MO* as well as the basic research into the organisation's specifics on which the theoretical considerations on how to enhance its market orientation will further be grafted. Together, the findings regarding LCSB's present preparedness for enhancing its MO practices and the MO theory will constitute the basis for the recommendations this project will make on how, in the present conditions, LCSB could increase its MO drive and improve its performance.

CHAPTER SIX

RECOMMENDATIONS

6.1 Objectives and structure of the chapter

The objectives of this chapter are to outline a set of recommendations for increasing LCSB's MO drive based on Jaworski and Kohli's (1993) theory of Antecedents to MO and Martin and Martin's (2005) model of Internal Customer-Supplier relations. The survey results, pointing to LCSB's special market orientation weaknesses will also inform the recommendations, as different levels of MO should require different steps leading to its enhancement.

The introduction to this chapter reviews the stimuli for cultural change at LCSB, the external and internal threats to change and the organisation's strengths in implementing an MO culture and continues with a discussion of change prioritisation in the light of the survey results and of the structural and systemic prerequisites suggested by Jaworski and Kohli's (1993) theory of Antecedents to MO. Section 6.3 offers a preview of the recommended changes towards more MO at LCSB, distinguishing between the management's and the employees' roles in change implementation. Section 6.4 details Action plan A—the management's role—in formulating the strategic, structural and systemic changes reflective of MO values. Section 6.5 describes Action plan B –the employees' role in implementing the new MO behaviours. Section 6.6 concludes the Recommendations chapter focusing on the factors that will determine the length of the change process at LCSB and on the benefits ensuing from an enhanced MO drive in the organisation.

6.2 Introduction

To ensure the success of any change strategy one must take into account both the stimuli and the threats to its implementation. In LCSB's case, where there is a need for change towards more market orientation—as the surveys have shown—some of the stimuli and the threats are both of a general and of a local nature. The general

stimuli and threats to cultural changes are extensively discussed by the literature (see Literature review) but it is the practitioner-researcher's task to identify and take stock of the local factors that might contribute to the success or failure of the planned changes. In what follows we are reviewing both the general and the local stimuli and threats to turning LCSB into a more market oriented organisation with a view to taking them into account in the proposed Action Plans.

6.3 Stimuli for cultural change at LCSB

Most experts (GAO 1992, Atkinson and Miller 1999, Martin and Martin 2005, etc) agree that cultural change occurs only when something dramatic happens in the life of an organisation, such as poor financial performance, oil price hikes or increase in competition. In LCSB's case, there are several factors that qualify as dramatic events. First, is LCSB's steadily declining financial performance over the last 4 years. Second, and a contributing cause to the former, the introduction in Cyprus, in 2003 of the liberalisation of interest rates and the free movement of capital as phase one of the EU Banking Directives aimed at creating a level playing field in financial services. Third, comes the loss of market share and of competitive edge as a result of the withdrawal of state subsidies for credit societies as part of the same EU policy. Fourth, and a consequence of all the above, is LCSB's increasing inability to perform its social mandate as a non-profit organisation. Next is the present M&A trend on the island among credit institutions, which seems to lead to the creation of a powerful competitor for LCSB -- the Central Body of Co-operative Societies-- which LCSB has recently (September 2007) decided not to join. Finally, another factor that stimulates change at LCSB is the massive flow of IT in financial services in the last decade, an area where LCSB is still sorely behind its local and EU competitors. As we can see, there is not *one* dramatic event that is currently pushing LCSB towards cultural transformation, but a whole chain of such events that actually threaten its survival.

Another type of stimulus for cultural change derives, according to Cameron and Quinn (1999, p. 3), from the need to align an organisation's culture "with the values

of stakeholders, employees and other interested parties (suppliers, regulatory bodies, government, etc.)" in order to achieve sustainable success. The implication of this notion is that in the case of cultural differences between the organisation and its stakeholders, the performance of the company is expected to suffer. Thus, the stakeholders' culture and interests can put pressure on the organisation to change its values, attitudes and behaviours. In LCSB's case, the stakeholders consist of the CCSS (Co-operative Credit and Savings Societies), LCSB's individual shareholders who include LCSB's employees and customers and finally the social beneficiaries. At this point it must be mentioned that the CCSS and LCSB's employees have no interest in changing the organisation's culture, so far from being stimuli for change, they are obstacles –to be discussed further down. LCSB's customers are the single most important incentive to the customer oriented culture at LCSB for the obvious reason that they would like the organisation to improve its services and products to satisfy their needs and wants. As shareholders, though, the customers cannot exercise due pressure on LCSB to improve its financial performance owing to the organisation's non-profit status and the insignificant dividends they are entitled to (they can only own a maximum of 500 shares worth CYP 1 each at 7% dividend rate per share, which means they can gain maximum CYP 35 per year). The beneficiaries of LCSB's social mandate (schools, churches, the Limassol Municipality, football clubs, charities and other foundations) can only exercise indirect pressure on the organisation's culture and performance by expecting the same financial support that LCSB used to offer them before its state subsidies were removed. It must be said that LCSB can no longer keep up with this level of support, having had to reduce significantly its contributions to these traditional social beneficiaries since 2003, which has caused disappointment.

6.4 Threats to cultural change at LCSB

Threats to change must be identified so they can be neutralised or at least their negative impact on the desired transformation process, lessened. In LCSB's case, the threats to change come from both external and internal factors.

6.4.1 External threats

The external threats are the Co-operative legal framework and the external pressures exerted by the major right and left wing parties on the Co-op credit institutions. The Co-operative Law and Regulations emanating from the CCSS interfere with any major changes credit institutions might wish to make in order to grow and become more competitive. For instance, the Co-operative Law imposes strict geographical barriers beyond which credit institutions cannot operate. There is interference even with the merger and acquisition initiatives, as was the case when LCSB was forbidden to merge with Co-op Kollosi on account of being outside the boundaries of Limassol city. To make matters worse, the CSSDA (Co-operative Societies' Supervision and Development Authority) uses double standards in enforcing this law. As the Co-operative Central Bank and the CSSDA support the creation of a Central Body of Credit Institutions in Cyprus, the regional boundary principle was dropped in that case. In LCSB case, however, it was upheld when it decided not to join the Central Body.

The CCSS law imposes a non-profit status on all Cypriot credit institutions, which greatly affects the culture and the mission of these organisations as well as the managerial strategies which generally do not aim to increase the organisations' financial performance. At LCSB, the top management and the Committee feel satisfied with the organisation's meager yearly profits of around CYP 6 million. It must be said that the non-profit status of credit institutions in Cyprus constitutes a major obstacle in creating more MO drive in these organisations. Moreover, in the absence of state subsidies (removed in 2003), the non-profit status threatens credit institutions' social mandate.

Another way in which the CCSS Law gravely interferes with credit institutions' strategies is the power structure it imposes on them by investing the Committee with decision-making powers in the day-to-day running of the organisations' affairs. For instance, at LCSB each and every loan application, any new strategy the management might wish to introduce such as recruitment, mergers, takeovers, the

appointment of managers, including that of the General Manager, rewards, promotions and sanctions, investments, portfolio management, as well as the budget must be approved by the Committee. Moreover, the CCSS Law is too vague on the constituency of the Committee: according to the Co-operative Law, it suffices if the Committee members are respectable citizens, but it says nothing about their level of education and competency in the field of financial services. The EU Banking Directives are about to change this, restricting the Committee to non-executive attributions and requiring them to have expertise in banking issues. It must be said that the commercial banks already have Boards of Directors that fit the profile of the EU Directives in this respect, which is a major competitive advantage they currently enjoy over credit institutions. While credit institutions in Cyprus have had a grace period until the end of 2007 to comply with the EU Banking Directives in areas such as capital adequacy, liquidity ratio, the "four-eye" principle and internal audit controls, it is unclear whether the same deadline will apply for the restructuring of Co-operative Committees whose members are elected for three years—in LCSB's case the present Committee should be in office until the end of 2009. Thus, spurring LCSB's present Committee into action as a leader in turning the organisation's culture towards more MO will be a great challenge for the present project. However, owing to their present executive powers, the Committee members will have to support the top management in its MO strategies—if the cultural transformation of the organisation is to be successful.

Finally, owing to the important role played by the local political parties in the formation of the Co-operative movement in Cyprus (see Chapter 1), politics is still a major influence in the day-to-day life and decisions of Cypriot credit institutions-- of which the researcher has had first-hand knowledge during the eight years in which he has been Senior Manager at LCSB. Of course, they exert their power covertly, but political allegiance is always there in the recruitment of employees, managers and Committee members. Political criteria are at work even in essential strategic decisions such as mergers and acquisitions and they influence –through the Trade Unions affiliated to the political parties—the labour relations and the entire system of rewards and promotions. The fact that political criteria replace MO principles in

key aspects of strategy does not bode well for LCSB's chances of enhancing its market orientation and improving its financial performance. However, it would be unrealistic to imagine that the long arm of politics will be out of the picture in the foreseeable future, so the present Recommendations will focus on what can be done to increase LCSB's MO drive *in the present circumstances.*

6.4.2 Internal threats

Perhaps the most important threat to change is an organisation's unwillingness to admit or incapacity to see the need for change. Top management emphasis on change is considered –in the entire literature on MO—the most important lever in initiating and implementing change, but at LCSB the need for change is perceived differently at the various levels of the organisation, as the surveyes have shown. Moreover, owing to the powers invested in the Committee by the CCSS Law (as explained above), it is of utmost importance first to examine the Committee's attitude in this respect. Unfortunately for LCSB, the Committee members, coming from non business backgrounds are not in a position to encourage change or to recommend new measures leading to the organisation's higher profitability. It must be said, however, that the Committee have generously supported the present project which implies that they might be open to its Recommendations. With their current executive powers, the Committee must, together with the top management, be in the front line of the struggle to unlearn old ways and enforce new ones. The initial phase of the project implementation will therefore consist of presenting the project to the Committee in a persuasive manner which will enable them to see how the recommended changes will help the organisation; this should be done by showing that the changes are reasonable, feasible and a priority in the present business environment.

As the surveys have shown, the top management, made up of professional and capable individuals, is aware of the urgent need for LCSB to change its culture and business strategies. However, with the present legal and political barriers to change, they are faced with an uphill struggle to devise new strategies, a new mission and

vision for the organisation and to initiate the systemic changes needed to achieve them.

Finally, as far as LCSB's employees are concerned, their attitudes to change vary as well, as the discussion of the MARKOR survey findings have shown. The fact that, in general, the employees' assessments differed from those of the Top Management Group is open to interpretation. On the one hand, their attitude to the survey might be explainable by a possible understanding of criticism as disloyalty; on the other hand, the abstention from criticism may implicitly mean a fear of the changes needed to correct the things that might be "going wrong". Either way, it must be said that while the top management will also have to change its targets, style and language, it is the workforce that is expected to bear the brunt of most of the changes in the way LCSB does business. Thus, their fear of change is entirely natural and predictable, so the Recommendations will also have to deal with ways to address and allay these fears. From personal communications with the employees, however, it was clear that not all individuals manifest the same level of anxiety about novelty. As expected, the people over 50 years old –who account for more than 50% of the workforce—react in ways expressive of higher levels of anxiety than the younger and more educated individuals hired recently. The Recommendations will address this issue by suggesting a supportive style of management in the enforcing and monitoring phases of the project implementation.

The employees' resistance to change is by itself a major threat to implementing transformations in an organisation, so it deserves a separate discussion. Katz and Miller (2005) explain that all adult learning starts with "disconfirmation" i.e. a sense of inadequacy as the management's direct or indirect messages indicate discontentment with existing behaviour. Disconfirmation produces "survival anxiety" and/or "guilt" which, according to Katz and Miller (2005) is the ultimate motivation for new learning. They point out however that the prospect of learning causes negative feelings, namely learning anxiety, which is a cocktail of fears characteristic to adult and on-the-job training. Thus, the bases of learning anxiety consist of the fear of temporary incompetence, of exposing inadequacies, of

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discovering one's obsolescence, of loss of self-esteem, status, power and influence, job, identity, and group membership. Katz and Miller (2005) claim that under these circumstances, for learning to occur, the "survival anxiety" must be greater than the learning anxiety and the way to make this happen is to consider that survival anxiety is sufficiently high and concentrate on reducing learning anxiety by creating psychological safety. Katz and Miller's (2005) discussion of the topic is extremely relevant for the cultural changes involved in making LCSB more market oriented, so the Recommendations will also touch upon the means of providing psychological support to the employees during and after the training periods.

Another significant threat to change is the limited resources --money and time-- that an organisation can spend on implementing the desired changes. Enhancing an organisation's MO can be an extremely costly process mostly because of the timescale and scope of the costs, which include IT upgrading, customer surveys, personnel training and rewards, recruitment of qualified workforce and retirement packages. Most culture change theory (e.g. GAO Report 1992) insists that efforts to increase an organisation's MO easily extend over 5 to 10 years. LCSB's Internal Regulations (2000) provide 1% of LCSB's net profits for training purposes which is entirely insufficient for such extensive, long haul efforts. At least 3% of annual profits (around CYP 200,000) would be necessary to sustain moderate efforts towards more MO at LCSB. However, even such a moderate amount may be problematic for a non-profit organisation like LCSB. The non-profit status is also an important financial barrier to growth simply because LCSB does not have enough capital to expand its business even if, through more MO, it manages to acquire intelligence about more potential business. Raising significantly more capital is a matter of legislation change, as the current CCSS Law prevents credit institutions from borrowing from other banks or becoming public companies and issuing debenture stocks.

6.5 LCSB's strengths in increasing its MO

The important threats to implementing cultural changes discussed above create a discouraging picture for LCSB and its chances of changing its course in good time. However, there are also a number of promising aspects mostly related to recent events and policies.

From the researcher's first-hand knowledge of the organisation, LCSB's most important strength at present is its management team, consisting of professional and open-minded people capable to formulate new MO strategies. This relatively new managerial team has already started initiating changes in the right direction, which proves their professional potential. Here are some of their recent strategic initiatives:

o More responsibilities have been delegated to the branch managers and the heads of departments, which has slightly relaxed LCSB's traditionally centralised style.

o Team-work recognition rather than material rewards has been introduced lately, but it is true that it is still performance related.

o Since 2002 LCSB has started hiring young and better educated personnel including more women.

o A lot of software has been acquired since 2000, enabling LCSB to start customer profiling, automatic and internet banking.

o From 2002 LCSB has had foreign currency dealings and from 2004 it has moved towards the corporate market as well, adapting its structure to suit these new operational areas.

o As of 2007, LCSB has also had a Marketing Department whose main task is to bring in information about the competition and to suggest new products and services as well as a Human Resources Department in charge of training and development.

o LCSB has acquired four smaller credit institutions.

o Of late, LCSB has also started customer polling in an effort to gauge their needs and degree of satisfaction. It was carried out on a small-scale, perhaps

not representative, and just a one-off, but it was carried out by a local expert agency and it is a beginning in gathering customer intelligence.

6.6 Implications of the survey results for the issue of change prioritisation at LCSB

According to Jaworski and Kohli's (1993) theory, what they call "Antecedents" must be in place before attempting any other cultural changes towards more MO in an organisation. Thus, theoretically, changes in the Antecedents area should have priority. However, reports (e.g. GAO 1992, p.8) summarising the experience of reputed corporations such as Ford and Corning, which attempted cultural changes, emphasise that "to achieve success, top management needs to ensure that *all* facets of the organisation—reward and promotion systems, the organisational structure and management style, training, communications, symbolism, and systems, procedures and processes—reflect its values and beliefs". Thus, it seems that trying to change one or two aspects at a time does not lead to sustainable results and, in this sense, attempting to "prioritise" one Antecedent aspect over another does not make theoretical or practical sense.

While it is clear that, theoretically, changes towards more MO must be directed at all Antecedent aspects, resource limitations and legal constraints bring back the question of prioritisation in the sense of *what little bit of everything could be changed first*. At this point, the results of the Antecedents survey can offer helpful suggestions. The Antecedents area of the graph illustrated in figure 8 shows that, at least in the Top Management Group's assessment, LCSB fares worst with regard to Reward System, closely followed by Top Management Emphasis and Risk Aversion. The next worst group of Antecedent scores consists, in order, of Formalisation, Connectedness and Centralisation. The onus for adjusting the organisation's Structures and Systems reflected in the Antecedents will clearly fall on the management. These adjustments will constitute the essence of Action Plan A, directed at the management's role in enhancing LCSB's level of MO.

The MARKOR survey administered at LCSB indicates that the organisation leaves a lot to be desired with respect to all three MO components, of which Intelligence Dissemination fares worst (score 4.33). For this reason, all three areas should be priorities in principle. As Intelligence Gathering, Dissemination and Response are *organisation-wide* MO practices, the onus of learning how to gather information and how to channel it so that it gets an adequate response will fall on LCSB's employees, for whom Action Plan B will be drafted. The management's responsibility in this respect will be to initiate and finance the learning of new behaviours and skills and reinforce the learned practices. The process of acquiring intelligence gathering skills appears to be more costly as it will involve the organisation of courses in CRM and TQM for the entire workforce. The learning of Intelligence Dissemination practices will require much less funding by contrast but more direct intervention of the middle management in organising individuals and departments according to the dyadic customer-supplier relationships recommended by Martin and Martin (2005). The issue of how to improve the organisation's Response to eventual intelligence is largely a matter of decentralisation –a problematic issue at present for LCSB, to be discussed further down—and delegation of responsibility, both of which will constitute the management's responsibility, and will appear in Action Plan A directed at the management's role in increasing LCSB's MO drive.

Thus, using the insights into LCSB's MO weaknesses resulting from the research data in combination with the theoretical prerequisites for MO put forth by Jaworski and Kohli (1993), the Recommendations will be structured in two Action Plans according to the roles of the management on the one hand and of the employees on the other hand in implementing the transformation towards more MO at LCSB.

- o Action Plan A: The management's role in putting the MO Antecedents in place and sustaining the momentum of the cultural transformation
- o Action Plan B: The employees' role in learning and practising the desired MO behaviours.

6.7 Preview of the Action Plans A and B for more MO at LCSB

The above discussion shows the ways in which the survey results and the theoretical framework of MO developed by Jaworski and Kohli (1993) have informed the prioritisation of the changes as well as the distribution of the responsibility for these transformations between the management and the workforce of LCSB. Thus, it has become apparent that the management's role will consist of putting in place the Antecedents to MO and improving Response design and implementation, while the employees' role will be directed towards learning Intelligence Gathering skills and engaging in dyadic relationships to facilitate Intelligence Dissemination and ensure prompt response to it.

To get a clearer picture of the *types* of changes the management will have to implement, it may be useful to attempt a recategorisation of the Antecedents according to the more familiar categories of organisational Structures and Systems. Justice and Jamieson (1999) advocate the necessity to align an organisation's Strategies, Structures, Systems and Behaviours in order to implement the values underlying an MO Culture (as illustrated in their diagram, fig. 3). These categories map Jaworski and Kohli's Antecedents and MO behavioural components in the following way: Justice and Jamieson's (1999) Organisational Structures include issues of Centralisation (an Antecendent), and networking of communication with a view to efficiently disseminating and responding to intelligence (two of Kohli and Jaworski's (1990) MO components). Their Organisational Systems map Antecedents like Rewards and Promotion systems and Conflict resolution systems. What Justice and Jamieson call Behaviours, overlaps Antecedents like Management Emphasis on MO, Formalisation issues, Risk-taking attitudes as well as intelligence gathering, which is an MO component.

Justice and Jamieson's framework was preferred as a basis for structuring the Recommendations of this project not only because it maps all the Antecedent categories and the MO components featuring in Jaworski and Kohli (1993), but also because their Structures and Systems make *explicit* for the practitioner-researcher

other important aspects of organisational life which are *implicit in* Jaworski and Kohli's (1993) framework.. For instance, decentralisation – an element of Structure in Justice and Jamieson--means a diffusion of responsibility and decision-making in the workforce, but this can be done only by changing job descriptions—a detail not included in Jaworski and Kohli's (1993) list of Antecedents, but nevertheless implied by it. Likewise, Jaworski and Kohli (1993) speak only about a Rewards and Promotion system, without mentioning the Evaluation system that underlies any system of rewards and promotion, which Justice and Jamieson (1999) make explicit without contradicting in any way the MO framework devised by Jaworski and Kohli (1993).

Further more, Justice and Jamieson (1999) draw attention to the fact that the implementation of cultural transformations should be an explicit strategic goal informing all the management's policies and behaviours. To be able to sustain the changes suggested in Action Plans A and B, LCSB's management should formally include MO targets in its strategy as a means of attaining its mission and vision. .

In summary, the joint use of the two frameworks highlights that the Antecedents are in fact scattered among the three categories of Structures, Systems and Behaviours. Because putting the Antecedents in place lies in the management's power and responsibility, as mentioned before, the use of Justice and Jamieson's (1999) diagram to plot Action Plan A will enable LCSB's management to have a clearer picture of what structures and systems need changing and through what implicit means (such as rewriting job descriptions and evaluation criteria) as well as in what ways the management's own behaviours should change in order to bring about and reinforce these transformations.

STRATEGY

o Clear Mission and Vision
o Strategic goals:

- Become more market oriented to retain customers and gain market share
-Improve financial performance
-Maintain Social Mandate

STRUCTURE

o Redefinition of the Committee's power in line with EU Directives
o More Decentralisation
o Formation of an internal Customer- Supplier network
o Inclusion of MO behaviours in job descriptions

MO CULTURE

o Openness to learning
o Openness to criticism
o Encouragement of innovation
o Team spirit
o More Self-Direction and Achievement drive
o Universalism/Benevolence

SYSTEMS

o Participative decision - making processes
o Horizontal evaluation and feedback
o Behaviour-based rewards and promotions
o Professional recruitment
o criteria
o Terms of employment:
-Renewable contracts
-3 –year probation period
o Continuous training
o Monitoring:
-Customer-satisfaction polling
-Mystery-shopper service

BEHAVIOUR

o Top Management Emphasis on MO
o Walk-around management style
o Artifacts/Language/Slogans/Stories
o More risk-taking policies
o Intelligence gathering and dissemination
o Prompt and innovative intelligence response
o Customer-friendly timetable
o Cooperative attitude
o First-name basis

Figure 8: Recommended changes at LCSB, based on Justice and Jamieson's (1999) diagram

6.7.1 The Management's role

The management's role extends over three phases:

1. In phase I the top and middle managers get acquainted with the concept of MO and its promise of better performance for the organisation in a number of meetings that will include a presentation of this project and several further discussions meant to answer any queries they might have.

2. In phase II the top management and the branch managers exercise their decision-making role working as a team to restructure the Rewards, Evaluation and Recruitment policies and relax further the organisation's degree of Centralisation. The present Recommendations will include a number of suggestions in these respects, but the managerial team is expected to make changes and additions to the action plan, which should remain flexible owing to the length of the process and the unforeseen circumstances LCSB might encounter during the long transformation period.

3. In phase III the management team should monitor the transformation process and sustain the momentum of the changes by overcoming obstacles and resistance. Thus, the role of the leaders in managing and monitoring the change process extends over the entire period during which they are expected to be creative in devising ways of emphasising and reinforcing the desired changes.

6.7.2 The employees' role

On the employee front, the Recommendations will be structured as follows:

1. During the induction phase the employees are introduced to the new strategy devised by the management, and are informed about LCSB's present threats and how more MO is likely to enable it to survive. The key concepts defining MO are explained as well as what changes are needed to become more market oriented and what benefits the changes might bring. All the employees should know what they are supposed to accomplish and understand what needs to be done differently. The induction phase may last for one month because smaller groups can focus better on the material presented.

2. In phase II, training will be scheduled and commenced for the staff in IT, CRM, TQM and internal-market networking.

3. Phase three is the implementation phase in which the employees use their newly acquired IT, CRM and TQM skills to disseminate intelligence and respond to it efficiently. Phase three partly overlaps phase two, as the

employees can start implementing the new skills as soon as they acquire them.

6.8 Action plan A: The Management's roles

6.8.I Phase I: Induction. The Management's learning role

Like any other professionals, bank managers have to keep up with all new knowledge in their field. The present project brings up relatively new organisational concepts and practices with which LCSB's management has not been familiar so far. Thus, the entire top executive of the organisation must first grasp the basics of the new MO philosophy which puts a new type of culture at the heart of the organisation's way of doing business and using its human resources. In the induction period the researcher will offer a presentation to both the Committee and the top management to introduce them to the theory of MO (Kohli and Jaworski's 1993), and to the findings and recommendations of this project. A second presentation with the same content will be offered to the middle management and it would be a good idea for the top management to attend this second meeting as well so as to convey the message that the entire top management is committed to the changes. The second presentation should come after the Recommendations have been endorsed by the Committee and the top management and negotiated upon with the Union.

6.8.2. Phase II: The Management's decision-making role

When devising a new strategy for LCSB, the Management must align (1) Strategy, (2) Structure and (3) Systems with the MO cultural values that inform the organisation's vision and mission.

> ➤ *LCSB should become a learning organisation, where learning means both openness to learning new skills and practices and adopting new information systems and learning about the needs of the external and internal customers*
>
> ➤ *LCSB's management should show less risk aversion and be more innovative, where risk and innovation refer not only to services and products but also to implementing the present recommended cultural changes towards more MO.*
>
> ➤ *LCSB's management style should become more participatory, involving the middle management in decision-making.*
>
> ➤ *LCSB employees should embrace more independence, self-direction and a responsible attitude in the daily functioning of the organisation and for achieving its mission.*
>
> ➤ *LCSB should embrace the internal customer-supplier framework which will increase the organisation's connectedness and decrease conflict and competition among employees.*
>
> ➤ *Universalism and Benevolence – values already embraced by the organisation (see results of Schwartz' 2003 PVQ)—should be maintained and encouraged.*

Once the Executive sees the ways in which this culture could benefit LCSB and accepts to enforce it, the decision-making process per se can be commenced.. First on the Executive's agenda should be devising a long-term Strategy including a clear Mission and Vision of the organisation.

Strategy

At present, LCSB's strategy is confined by its legally enforced non-profit status. Within this status and owing to the withdrawal of state subsides, LCSB simply aims to survive in a turbulent context characterised by rapid mergers and acquisitions that seem to change the co-operative and bank competition landscape almost day by day. One thing appears to be certain at least for the moment, namely that LCSB's Committee is opposing the organisation's merger with the Co-operative Central Body, so LCSB will have to go it alone—while still under the Co-operative law. The

present goals of the executive are to maintain LCSB's usual 6 million profits per annum and somehow keep fulfilling its traditional social mandate. However, neither of these survival goals has been achieved in the last years, with profits going down to 4.5 million this year (2007) and the social mandate only a semblance of what it used to be. There is actually no clear strategy at the moment for taking LCSB out of this down-spiraling situation and into the future as a credible financial institution. Despite the uncertainty and the legal constraints, it is however possible for LCSB to devise a strategic plan that would gradually result in a better performance than the present one and it is the main aim of this project to recommend the strategy and tactics for achieving this. The strategic plan should serve to carry out the goals incorporated in LCSB's Mission and Vision.

Recommended Vision for LCSB

LCSB should aim to remain the strongest Co-operative institution in Cyprus, even against the competition with the newly formed Co-operative Central Body and to catch up with the market share of the major commercial banks on the island by becoming more market oriented.

Recommended Mission for LCSB

LCSB must strive to satisfy customers' present and future needs and thus retain and gain market share, improve its financial performance, better satisfy its shareholders and honor its social mandate.

Recommended changes in LCSB's Structure

The structure of LCSB is typical of financial institutions as far as positions, titles and departments are concerned. Lately new departments have appeared in the organisation as it has extended its operations to different market segments or to new areas of banking where it did not offer those services before; for example there is the new Department of Corporate Lending, The Department of Methods and Procedures and the Department of Foreign Currency. As LCSB expanded its operations, the

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need was felt to upgrade its functional coordination, so new departments, such as the Marketing and the Human Resource Department –mainly in charge of training--came into being. Thus, it is clear that LCSB is using a well-established structure that financial institutions worldwide have found functional. This does not mean, however, that LCSB has made good use of it. Owing to the high level of centralisation characterising LCSB, there is only vertical communication and little, if any, among the departments. The centralised structure also explains why the decision-making power is in the hands of the top management, while the middle management has little input, responsibility and initiative in the organisation's day-to-day activities and little knowledge and interest in what is happening in other departments. Thus, in order to introduce an *organisation-wide* culture where everybody is involved in intelligence gathering, dissemination and response, there is an urgent need for the following structural changes.

Recommended structural changes

> ✓ *Decentralise the structure by delegating responsibilities and decision making*
> *power to the middle management*
> ✓ *Redefine job descriptions to reflect the desired MO behaviours*
> ✓ *Create a structure of horizontal communication (interdepartmental)*
> ✓ *Redefine departmental responsibilities*

Recommendations for Decentralisation

Much of the centralisation affecting LCSB's structure is imposed by the Co-operative legal framework. An example of imposed centralisation is the executive powers with which the Co-operative Law entrusts the Committee, who must approve each and every retail loan. As the EU Banking Directives are gradually implemented, it is hoped that LCSB's future Committee members will have no executive powers and that many centralised decision-making processes will be relaxed. Thus, it will be possible to implement some of the recommendations discussed below as the legal

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framework regulating credit institutions in Cyprus gets aligned with the EU Directives.

Apart from the legal constraints, there are important local factors that might slow down a decentralisation process at LCSB, such as the middle management's low professional qualifications and the organisation's centralised resource allocation system. Out of the 28 members of LCSB's middle management, only 2 have the Diploma from the Chartered Institute of Bankers—which is essential in the banking profession. As for resource allocation, it must be said that there is only one central budget. Apart from this, LCSB has inherited the unfortunate choice made by the Co-operative Central Bank together with the Commissioner 7 years ago, when they purchased the expensive DELTA software system to service all the credit institutions on the island. The software imposes such a centralised system that neither LCSB's top management nor the branch managers themselves are aware of the financial performance of each branch. As the DELTA system has been gradually modernised, LCSB's present management have started discussing the possibility of turning the branches into cost-and-profit centers by feeding more data into the system; however, it would take years to redistribute all LCSB's customers per branch. As each branch's profitability becomes clearer, it will be possible to allocate budgets to each of them, which is already one of the objectives of the present management.

Decentralisation is also a costly enterprise: it involves training and incentives for local managers, or recruitment of more qualified personnel. There are also the costs of coordination across subunits as well as up and down the hierarchy and of monitoring activities across the entire organisation. Thus, when recommending decentralisation, a careful balance must be made between the benefits and the costs. Given LCSB's present poor financial performance and the costs that will be incurred by the changes in Systems required to support the MO drive, it is sensible to assume that for a limited period of time, a more centralised strategy will be more cost effective.

Thus, given the legal, local and financial constraints discussed above, the decentralisation process at LCSB should be realistically viewed as gradual and extended over a long period of time. However, in time, it is recommended that LCSB should aim towards the following decentralisation targets:

Recommended decentralisation targets

> ✓ *Recruit professionally skilled personnel for the middle management positions and /or train the existing personnel occupying these positions and / or promote to managerial positions some of the highly educated employees hired recently. This is necessary to ensure the reliability of their decisions.*
> ✓ *Offer attractive retirement packages to some present middle management if they prove unable to upgrade their professional knowledge.*
> ✓ *Enlarge certain Departments such as Marketing and HRM so that they can assume intelligence response functions.*
> ✓ *Adopt a more participatory management style as middle management are gradually given local authority.*
> ✓ *Outsourcing of IT counseling and customer polling.*

Structural changes that would benefit from more centralisation

> ✓ *Centralisation should be maintained for the time being for cost-efficiency reasons in some departments such as Corporate Lending and the Documentary Credits Department.*
> ✓ *Unprofitable branches should be closed down and the profitable ones should be enlarged.*

Redefining job descriptions

Because MO is an organisation-wide culture, all employees' job descriptions should include the obligation to gather and disseminate intelligence about customers and competition and to constantly upgrade their professional knowledge and skills. As

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decentralisation gathers pace, the Heads of Department' s job descriptions must also feature the duty to respond to intelligence. Such duties should include drawing department budgets, dealing with a wider range of services and products and decision power for gradually larger transactions. The Heads' duties should also include the monitoring and evaluation of the desired behaviours of intelligence gathering, dissemination and response and they should be involved in the process of evolving an efficient evaluation system. Furthermore, interdepartmental evaluations could become instrumental in the behaviour-based rewards and promotion systems.

Introducing the internal customer-supplier network

The management's role in this respect should be to decide that the customer-supplier dyadic network be introduced and that the Heads get the necessary training to understand the concept and its benefits. Further, it should be the Heads' job to draw the internal customer-supplier dyadagrams themselves together with their own departments. The internal customer-supplier network will constitute the much needed horizontal structure that will support the communication-cum-evaluation system that LCSB lacks at present.

Recommended changes in LCSB's Systems

The Management must also initiate the process of introducing changes in the organisation's systems, policies and procedures to align them with LCSB's new Mission, Vision and the overall MO values. The recommended changes focus on communication, evaluation, rewards, recruitment, decision-making processes, and training.

Establishing an effective communication system

The Management should decide to implement the internal supplier-customer communication system that ensures effective, speedy horizontal communication throughout the organisation along the relevant dyadic relations among the

individuals, departments and branches. The necessary training for the employees (explained below) could be provided internally. The implementation of this horizontal communication system is not optional; it is a central requirement for putting the basic MO principles of organisation-wide intelligence gathering, dissemination and response into practice. As explained below, the horizontal communication system can be used as a basis for horizontal (peer) evaluation of MO behaviours. Vertical communication should also be improved by having monthly organisation-wide meetings to discuss market information and to communicate the importance of maintaining an MO focus throughout the organisation. In addition, periodic interdepartmental gatherings should be scheduled so that "dyadic" departments can understand what each other's internal needs are and how they can best carry out the organisation's strategic goals.

Establishing a horizontal evaluation system and behaviour-based benchmarks as a Performance Management System

The evaluation system and benchmarks should support the MO values and practices which the Management wants to enforce, namely those of a learning organisation. Learning, as explained before, refers not only to the acquisition of knowledge and skills but also to learning about the competition and about the internal and external customers' needs. The evaluation benchmarks should cover all of these learning behaviours, with the evaluation of knowledge and skills in a top-down process and the evaluation of intelligence gathering, dissemination and response, a peer, horizontal process that runs along the internal supplier-customer communication network. For efficiency reasons, each item of interdepartmental communication would include an evaluation for dissemination speed, accuracy and response adequacy with Intranet facilitating the process. Copies of these communications should reach the top management daily, which will enable them to finally draw the yearly Evaluation Summaries of departments and individuals. These Summaries of the horizontal evaluation would be sent to HR where they would be corroborated with the vertical evaluation for which HR will be responsible.

While peer interdepartmental evaluation is the target LCSB should aim for, in the initial stages of cultural change it is more realistic to maintain a degree of centralization in this respect, with the Management deciding on the points gained by each department according to the benchmarks. In principle, the horizontal evaluations should focus on teams/departments/ branches rather than individuals in order to increase group connectedness and diminish competition and conflict. As the binary evaluation system (vertical and horizontal) focuses on behaviour rather than performance, it will have a triple function: it will reinforce a behaviour-based rewards and promotions system, it will provide much needed interdepartmental behaviour feedback and finally it will enable the Management to monitor the cultural change process and adopt appropriate reinforcement actions.

Recommended vertical evaluation benchmarks

> ✓ *Upgrading of professional degrees*
> ✓ *Upgrading of IT skills*
> ✓ *Attendance and active participation in training seminars*
> ✓ *Innovative use of newly acquired knowledge and skills*
> ✓ *Dissemination of relevant information from financial publications*

Recommended horizontal evaluation benchmarks

> ✓ *Volume and frequency of intelligence about competition and the external customers' present, future and business-chain needs as well as complaints.*
> ✓ *Speed of dissemination*
> ✓ *Appropriateness of dissemination destination*
> ✓ *Response speed and adequacy (leading to customer satisfaction)*

Establishing a behaviour (market)-based rewards system

The rewards system must be used to support the MO values and behaviours the management wishes to introduce. Thus, it should be aligned with the evaluation

system which is behaviour-based as well. Given the financial constraints within which the cultural change must be operated, the rewards system should be a combination of material and non-material rewards. Bonuses and various forms of recognition should reward *excellence* in learning behaviour, as intelligence gathering, dissemination and response and as openness to acquiring new professional skills and knowledge. The promotion system should also be based on behaviour criteria; though at present promotions will have to be frozen until more positions become available subject to negotiations with the Union. The rewards and promotion systems, including the evaluation benchmarks are expected to require serious negotiations with the Committee and the Trade Union. A moderate figure of expenditure for bonuses –at least at the beginning—would be 10% of the annual cost of the proposed cultural transformations.

Establishing new decision-making processes

As part of the gradual decentralisation process discussed above, decision making should become more participatory: the middle management should be involved in the development of the organisation's mission and vision, in strategic planning, personnel evaluation and evaluation of training needs as well as daily problem solving. As different from other aspects of decentralization, the participatory management style can and should be implemented from an early stage of the cultural change in order to secure the middle management's commitment to the change management and reinforcement processes.

Introducing new recruitment policies and reviewing the Terms of Employment

As different from now, when recruitment is entirely the Committee's responsibility, recruitment should be carried out by the top management together with the Head of HR and other relevant Heads of Department. This would ensure the recruitment criteria are strictly professional, excluding political allegiances. In the future, these criteria should be more focused on banking rather than general business studies and

IT skills should be required. Candidates with openness to learning should be preferred and these recruitment criteria should be applied consistently.

LCSB would also benefit from more flexible terms of employment consisting of renewable contracts and an initial three-year probation period. Early retirement packages should be offered to the senior employees who cannot adapt to LCSB's new culture.

Establishing training needs

Once the top and middle management have been introduced to the concept of MO and the cultural changes it requires, they can jointly assess and prioritise the personnel's training needs. The core training areas recommended should include CRM –with a special focus on gathering intelligence and seminars for creating the internal customer-supplier network, which means training employees in information dissemination. Additionally, a series of TQM seminars would improve the employees' understanding of competition and sales techniques and prepare them for identifying market share. Other seminars on the EU Banking Directives will keep them updated on the new legal framework in which LCSB operates. Ultimately, there should be a continuous information process whereby the employees are updated on the rapid developments in the structure and jurisdiction of the Co-operative bodies in Cyprus. It is expected that during the discussion about the personnel's training needs, the top and middle management might realise they too would benefit from a large part of the training mentioned above. More than half of the cultural change costs are likely to go onto training in the initial stage.

Apart from organised training, all employees should be incentivised to read the local and international financial publications for which LCSB has subscriptions and disseminate relevant information throughout the organisation.

6.8.3 Phase III: The Management's monitoring and enforcement role

Monitoring the cultural change

The management should be able to supervise the change process and keep track of the progress made and of the way expected obstacles are being overcome and unexpected obstacles are being addressed. A valuable instrument in monitoring the amount of intelligence gathered the speed of dissemination and the adequacy of the response is the system of horizontal evaluation that accompanies each exchange of interdepartmental information, as explained above.

In addition to monitoring by the top management (the Senior Operations Manager could be in charge), the task of monitoring the change process should also be a team effort bringing together the HR Department and the Heads. Together they should work on the yearly vertical evaluation to be submitted to the top management to complete the picture of the organisation's progress with the individuals' progress in acquiring skills, knowledge and learning-as-a-mindset-behaviours. This openness to learning may indicate the degree to which employees manage to overcome learning anxiety and get to perform the new tasks satisfactorily. The top and middle management must monitor this process and devise ways of reducing employees' resistance to change throughout the transformation process. Schein (2002) explains that understanding the necessity to learn and seeing the connection of the new skills with everyday practice is likely to lower learning anxiety in conjunction with other learning-facilitating measures such as good training, coaching, group support, feedback and positive incentives. In LCSB's case, the middle management's role in coaching, offering feedback, encouragement and additional explanations to the employees in their department will be crucial during the apprenticeship phase. The top management should stay in contact with the Heads and the employees themselves —which is possible given the small size of the organisation- to monitor the situation and assume a mentoring role.

The monitoring process should also include periodic feedback to the employees on their overall performance in the new systems. At the beginning, the feedback should be more frequent, monthly for instance, and it could take the form of monthly meetings of the top management with the middle management followed by meetings of the Heads with the workforce. The feedback will not only provide opportunities for correction, encouragement and recognition, but will also communicate the message that the management is committed to implementing the changes.

Enforcement of the cultural change

The feedback component of the monitoring process is also an excellent way of reinforcing desired behaviours because it enables the management to communicate its emphasis regularly. Apart from feedback, the middle management's monthly meetings with the workforce will also provide opportunities to launch artifacts such as stories, cases, products, language and slogans that best capture the key MO concepts and behaviours. The management should decide in advance on the best Greek translation of concepts such as *internal customer/ supplier, intelligence gathering and dissemination, learning organisation, customer satisfaction*—which should apply to internal and external customers equally—and use this language consistently to remind the employees of the new way in which they are to construe interdepartmental relations and customer service. The organisation's Mission should be formulated in the same language and be exhibited on all internal documents as a logo, at least until the entire organisation has internalised it. The branding process, expected to start in 2008, will be a good chance to use some of the new language in advertising leaflets, stationery and on LCSB's website. The renovation of all the premises will enable LCSB to improve the customer reception environment and bring departments closer spatially.

Other methods of increasing the organisation's connectedness –an important feature of MO--are job splitting and job rotation. They will enable employees not only to become more knowledgeable about the financial operations in various departments, but also to become aware of the needs of other internal customers in the

organisation. Job rotations and transfers will thus shake up subcultures and enhance empathy and team spirit.

Finally, it is the *consistent application* of the evaluation, rewards and promotion criteria that will enable the management to succeed in reinforcing change.

Time frame, Resources and Outcomes

While the induction and decision-making phases will not incur large expenses, the process is likely to last for the whole of 2009. The most important outcomes of the decision-making phase are the Operational Documents resulting from the changes in LCSB's Structure and Systems. For more details in these respects, see Figure 8.

The monitoring and enforcement phase may last for five years (2010-2015), during which the rewards, incentives and retirement packages will raise transformation costs to 10% of the yearly cultural change expenditure. More details in figure 8.

Action steps	Time frame	Responsible person	Resources	Outcomes
Phase 1:Induction 1. **Presentation of the main concepts of MO and of the Recommendations to the Committee, the Management and the Trade Union**	February-March 2009	The Researcher	-Power Point equipment -Copies of the Action Plans -Meetings during office hours	-Committee's approval of the Recommendations -Support from the Trade Union
Phase 2:Decision-making 1. **Establishing LCSB's Mission and Vision** 2. **Changes in structure** -Discuss decentralisation issues and targets -Redefine job descriptions -Adopt a horizontal communication network -Redefine departmental responsibilities 3. **Changes in systems**	April to December 2009	The General Manager, part of the top management, branch managers and Heads of the departments	-Free Venue (LCSB's Education Center) -14-20 meeting hours after working time unremunerated) -CYP2100-3000 lunch expenses -Power Point equipment -Posters	-Operational Documents concerning changes in Structure and Systems submitted for approval to the Committee and the Commissioner -Communication and Evaluation Protocol Template -Training schedule and contracts

			featuring LCSB's Mission, Vision, Internal Market Dyadagram -photocopies, stationery -CYP300 for posters, stationery, photocopies -CYP1000 bonuses for IT Dept. for adapting software to the new communication and Evaluation System	-Monthly Horizontal Evaluation -Summary by Senior Operations Manager of the functioning of the Internal Market Network -Yearly Vertical Evaluation Summary by HR Dept. and Heads of Depts., to be submitted to top Management
-Discuss the internal communication system -Establish a Performance Management System and Evaluation benchmarks -Develop a Communication Protocol Template together with IT Dept. -Establish behaviour-based Rewards, Promotion and recognition practices -Decide on a participatory management style -Adopt new recruitment policies -Establish training needs and decide on training outsourcing -Deciding on monitoring techniques -Budgeting the cultural change expenditure as a % of the profits (3%)				

Phase 3: Monitoring and Enforcement -Monthly meetings of Senior Operations Manager with the middle management to provide feedback and enforce the changes -Monthly interdepartmental meetings where Heads provide to the workforce and enforce changes -Developing artifacts, promoting success stories -Branding Introducing job rotation at some stage of the implementation phase -Applying recruitment and reward criteria consistently -Regular recognition rituals to incentivise the desired behaviours -Walk-around	January 2010-2015	The General Manager, part of the top management, branch managers and Heads of Depts.	-All monthly meetings after working hours (unremunerated) -Costs of rewards: 10% of total cultural change expenditure -Branding initiatives pre-date this project and costs are deducted from special fund (reserves) -Outsourcing costing around CYP1000 from total budget	-Schedule of rotation

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management style to monitor progress, to enforce practices and to help the employees overcome learning anxiety -Customer polling				

Table30. Action Plan A. The Management's role

6.9 Action plan B: The employees' roles

6.9.1 Phase I: Induction

As soon as the decision-making phase is over and the Recommendations regarding changes in LCSB's structure and systems have been negotiated among the top management, the Committee, the Trade Union and possibly other stakeholders such as the Commissioner of CSCD (Co-operative Societies and Co-operative Development), the employees' induction phase can commence. An organisation-wide meeting should be called in which the entire top management should be speakers. To understand and accept the need for change, the workforce must be informed about LCSB's unsatisfactory performance over the last four years and how this translates as a major threat to the organisation's survival and to everybody's jobs. This is an important preamble because, as Schein (2002) remarks, learning anxiety cannot be overcome unless the survival anxiety is greater. The researcher would then explain the general strategy of becoming more market oriented, what this means, what its benefits should be, what the management have decided with respect to the changes in structure and systems meant to sustain the new culture and finally present the Action plan B regarding the employees' training, assuring them of the management's support during the learning and transformation process. The researcher will answer any questions the employees might raise, promising more detailed explanations in future meetings in smaller groups.

The meetings in smaller groups may extend over one month and should cover what Martin and Martin (2005) call Phase I of setting up the internal customer-supplier network; it consists of a) educating the employees in the need for internal and external customer focus, b) in how to disseminate market intelligence and c) in how responsive behaviors are being rewarded. It is recommended that the researcher should assume the responsibility for conducting these meetings subject to approval by the Committee. In explaining the need for the internal market, it should be emphasised how serving the needs of a chain of internal customers ultimately satisfies the needs of the external customer. The employees should be able to understand how these internal dyadic relations will function as an information dissemination network and as a system of peer evaluation and mutual feedback. Finally, it should be made clear that the reward system is behaviour-based, not performance-based and it will not be used to punish mistakes but to incentivise the learning and application of the new skills.

6.9.2 Phase II: MO training needs

The implementation of the internal market networking should start with each department figuring out what its dyadic relations are within the organisation. I recommend that each department should hold a meeting conducted by the Head, in which the employees draw a dyadagram of their department's internal supplier-customer relations. The Head should provide a simulation of intelligence exchange which should teach the employees how to fill in and to store the electronic forms (the Communication and Evaluation Protocol Template) which, as mentioned above, also include an evaluation component. The employees should be made aware of the entire electronic itinerary of these exchanges which end on the screen of the Senior Operations Manager who monitors the circulation of information and the responses to it daily.

Most employees need to enhance their IT skills so that they can operate all the relevant programmes provided by the DELTA system as well as other basic ones such as Excel, Word, and Power Point. It may be the case that the general ability to

use a computer is so poor at present that the employees might not be able to use Intranet for information dissemination and storage. This would delay the implementation of the internal market network by a couple of months, but the upgrading of computer skills would greatly enhance the workforce's professional abilities. In addition, the IT training can be conducted with internal resources, by LCSB's IT officers, which would reduce the costs of this training scheme.

Another area in which LCSB's employees at all levels need training is CRM. This is crucial in improving their skills in how to gather intelligence about the customers, how to identify their needs, how to profile customers and how to store the information in the organisation's data bank in-the-making. This type of training will have to be outsourced, but the government's Human Resource Development Center supports organisations by recommending trainers and providing financial assistance (by covering 50% of the training costs).

While training in CRM would improve intelligence-gathering skills, training in TQM –also supported by the government—can enhance the employees' response abilities, i.e. their knowledge of how to satisfy the customer. Both the training in CRM and TQM are crucial for the implemenation of an MO culture at LCSB, but because the training for a group of 15 participants will cost around CYP 10,000, the expenses for 130 employees will rise to CYP 80,000, 50% of which will be covered by the government.

The entire training including IT, CRM, TQM and internal market networking is likely to take at least ten months. As other training needs become apparent, the management should decide to meet them in good time, subject to budget constraints.

6.9.3 Phase III: Implementation of the new MO behaviours

The implementation phase will overlap the training phase, as it is possible for employees to start applying the new knowledge and skills as soon as they acquire

them. The implementation phase will bring together the employees and the management in a common effort to carry out the cultural transformations towards more MO at LCSB. The creation of the internal market network will support the entire Performance Management System and, if needed, additional intradepartmental meetings or informal meetings with the management will help the workforce to perform in the new system. Katz and Miller (2005) explain that the learning anxiety accompanying cultural changes is responsible for the employees' resistance to change. Thus the most important task facing the employees at this stage is to overcome their learning anxiety which is likely to become more manifest in the implementation phase than during training. This is because learning anxiety is about the fears of temporary incompetence, of exposing inadequacies, of losing self-esteem, of discovering one's obsolescence, and the subsequent fears of loss of status, power, job, identity and group membership (Katz and Miller 2005).

As mentioned before, all LCSB's new structures and systems will support the employees in performing the new MO behaviours, with the top and middle management playing an active part by using an array of interactive techniques and incentives to assist the employees in overcoming these fears. The management's part in monitoring, reinforcing and sustaining the momentum of the transformations can hardly be underestimated. Realistically, the apprenticeship period characterized by frequent mistakes, confusion and awkwardness is likely to last up to 12 months, at the end of which the employees should feel more at ease with the new practices.

Time frame, Resources and Outcomes

Action Plan B must necessarily follow the completion of the decision-making process outlined in Action Plan A, so it can only start at the beginning of 2009, with the training going on to the end of the year. Training costs will be paramount during this phase, so only a budget on an accumulating basis can meet them.

The tangible outcomes of this phase will be the Departmental Dyadagrams representing each department's customer-supplier relations within the organisation.

Other outcomes will consist of growing abilities and knowledge in combination with various forms of learning anxiety, survival anxiety and resistance to change which may lengthen the apprenticeship phase of the implementation to even more than one year. Table 32 below details Action Plan **B**.

Action steps	Time frame	Responsible person	Resources	Outcomes
Phase 1: Induction a. **Organisation-wide meeting:** Presentation of LCSB's weak performance as rationale for change; the need for an MO culture; MO concepts are introduced;	January-February 2010	The Researcher	-Power point equipment -Free Venue (LCSB's Cultural Centre) -Unremunerated meeting outside working hours	-Survival anxiety
Presentation of LCSB's Mission and Vision as mirrors of enhanced MO b. **Small group meetings** with employees to explain the need for an Internal Customer/Supplier Network; how to Disseminate market Intelligence and how the Performance Management System evaluates behaviour, not performance; how the Internal Customer/Supplier chain aims to satisfy the external customer	January-February 2010	The Researcher	-Power point equipment -Stationery -Free Venue (LCSB's Cultural Centre) -Meeting during working hours	-New understanding of work relationships
Phase 2: Training **1. Departmental meetings** with the Heads of the Depts. to draw Dyadagrams of the department's Customer/Supplier relations within the organization; conduct simulation of an info-exchange to demonstrate how the system provides interdepartmental feedback and evaluation	March – December 2010	Heads of Dept.	-Stationery, PCs	-Dyadagrams for each Dept. -Ability to exchange information and to perform peer evaluation
2. Computer skills		IT. Dept.	PCs	-Ability to use DELTA system. Word, Excel and Power point
3. CRM		External trainer	Power point, stationery,	-Ability to gather market

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4. TQM		External trainer	photocopies CYP40,000 training fees Power point, Stationery, Photocopies CYP40,000 training fees	information and to profile customers -Enhanced ability to satisfy customer needs
Phase 3: Implementation of the new MO behaviours: the apprenticeship stage 1. Attempt to perform the new behaviours as best possible 2. Make efforts to overcome 3. employees leaning anxiety 4. Request additional explanations and seek the Heads' and top management's support in performing the new behaviours	April 2010/ April 2011	All the employees	See costs of enforcement	-Resistance and confusion -Better performance from some employees than others -Some success stories -Many mistakes -Untimately the new behaviours become internalized

Table.831 Action Plan B: The employees' role

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CHAPTER SEVEN

CONCLUSIONS

7.1 Objectives and structure of the chapter

The concluding chapter starts by reviewing this project's aim, objectives and principle outcome, namely the set of recommendations meant to enhance LCSB's MO drive with a view to improving its financial performance. It then moves to a discussion of the implication of these transformations for LCSB's management team. The chapter ends with a few recommendations for further research in methods of implementing MO strategies mostly in small financial institutions.

7.2 Review of the aims, objectives and recommendations of this research project

This research project does not attempt to contribute either to the theoretical framework of MO or to the further validation of the relationship between MO and performance (P), but rather aims to explore *ways of implementing* an MO culture with a view to improving performance in a traditional, centralised and order-taking organisation like LCSB. The area of how to implement market orientation has benefited from scarce research efforts so far. In focusing on this area, the project relies on the assumption that the MOP relationship has been tested to a credible degree and takes stock of the observation that the three MO components are not equal in the way they bear upon an organisation's performance. The literature review reveals that it is the Competitor Orientation component (Intelligence Gathering about the competition) that has the strongest impact on performance. This impact can only be enhanced by ever greater competitive intensity, such as the one brought about by the implementation of the EU Banking Directives in Cyprus as of 2004. With a number of EU banks operating on the island now and with local commercial banks making inroads into the Co-op sector's traditional market share, LCSB has seen a reduction of its profits accompanied by a failure to retain its customers. These were the dramatic events that have prompted a serious reconsideration of the way LCSB

does business and that have constituted the main stimulus for the present research project.

The concept of MO summarises all the business practices in which LCSB does not engage *systematically, organisation-widely and strategically.* While LCSB does have a certain degree of market orientation like any other business, at present intelligence gathering is done sporadically, on a small scale and mainly by the management, while the response design and implementation are top-down, centralized processes as well. Before the toughening of the competitive pressure, this state of affairs enabled LCSB to function without networks of intelligence dissemination and horizontal systems of interdepartmental coordination that ensure prompt, decentralised responses. Needless to say, in the quiet times before 2004 when each type of financial institution on the island had a relative monopoly on its operations and market share, there was no need to perceive competitor and even customer intelligence gathering as a strategic necessity.

In the new landscape of banking, LCSB's management operated many changes in its approach to doing business (discussed throughout this project) mostly as of 2007. However, the changes do not go far enough both because of the Co-operative legal constraints and because they lack a systematic and strategic character. Despite the mixed results of the questionnaires administered to LCSB's workforce –due to the different attitudes to the surveys exhibited by the Employee group and the Top Management group—the scores for the MARKOR and the Antecedents to MO reflect exactly the situation described above, one of an organisation already moving towards more MO but still far from the target of having an MO strategy and of having in place the structures and systems (the Antecedents) that would enable this strategy to be implemented. It has been the aim of this project to recommend a systematic transformation plan for the next five years that would place LCSB firmly on its way to becoming an increasingly market oriented and performing financial institution.

The steps for the recommended action plans rely both on the results of the surveys, which have pointed out LCSB's weakest MO areas, as well as on Jaworski and Kohli's (1993) theoretical priority of putting the Antecedents in place. The latter consist of transformations to the organisation's structures and systems that would align them with an MO culture characterised by learning, openness to change, individual and team initiative and innovation. The action plans take into consideration the management's role on the one hand and the employees' role on the other hand in implementing the new MO culture. They take into account the phases of the decision-making process, the legal constraints to decentralisation, the challenges of negotiating with the Trade Union the changes in job descriptions and the rewards and promotion systems as well as the timeframe and costs incurred by upgrading the staff's knowledge and skills in IT and intelligence gathering. Additionally, one of the most beneficial aspects of the action plans is their focus on laying the foundations for an internal customer-supplier network among LCSB's employees and departments as a multi-functional structure. This network of dyadic relations could be creatively made to work simultaneously as a network for general communication and intelligence dissemination as well as for horizontal response evaluation-- which may additionally increase the degree of connectedness and lower the level of conflict and competitiveness in the organisation. Finally, the ultimate result expected from the creation of an internal MO is to satisfy the external customers' needs, and in this way retain and increase LCSB's market share.

The influence of national culture and of the employees' individual values on enhancing LCSB's market orientation should also be taken into account when considering the time-scale and indeed the feasibility of this project. Quite clearly, features such as the Cypriot society's high power-distance, high uncertainty avoidance and long-term orientation are likely to create resistance to change, to decentralization, to risk-taking and innovation. On the other hand, the Cypriots' collectivist values, evident in the social atmosphere of the country and indicated by the results to Schwartz' (2003) PVQ administered to LCSB's employees, promise a smoother implementation of other aspects of MO, such as interfunctional coordination, which rely on values of benevolence and universalism.

7.3 Implications for LCSB's management

The implications of this research project for LCSB's management are manifold. The most important one is that the management is expected to embark on an effort of systemic and systematic transformations towards more MO, realising that the status quo is not an option if LCSB is to survive in the present context of intense competition. Second, it is quite clear that the management should assume a leadership role in initiating the transformation process, which should become the organisation's main competitive strategy. The recommendations featuring in this project represent an outline of the main directions to which the changes should be targeted, but LCSB's management is expected to adopt a creative attitude to it by suggesting improvements to the practical aspects of implementing each step. Moreover, the management ought to be able to improvise should new circumstances in the present turbulence of the financial markets require it, or should unforeseen events pose a threat to the timeframe or expenses of the present plan.

As cultural changes are notorious for taking a long time to implement because of the nature of what must be changed, namely people's beliefs, values and the practices based on them, LCSB's management should be prepared to sustain and reinforce the transformation process on a long term basis and find creative ways of overcoming the employees' resistance to change. On the other hand, the managers are themselves only too human, which implies that they too may feel daunted by such a comprehensive shake-up of the way they were used to doing business. As a consequence, the management itself is likely to take some time to internalise the new concepts proposed by the MO framework, such as the creation of an internal customer-supplier market or the methods of gathering intelligence about the customers' future and business-chain needs. In other words, LCSB's management will have to deal with the difficulties of their own induction phase and the learning process that underlies it.

Finally, the cultural overhaul required by MO is likely to make the top management realize that it needs to involve the middle management as well in all the phases of the

transformation plans, from decision making to implementation, reinforcement and monitoring. At the same time the joint managerial forces may feel the need to enlist the help of other talented and innovative employees who might become the role models for the rest of the workforce and the management's allies in promoting the new MO culture. The survey analysis has failed to identify such a subculture at LCSB, so it will be the management's task to identify and incentivise such individuals to volunteer their help.

Despite the many obstacles the management may encounter in making the organization more market oriented, the efforts will be worthwhile because gearing LCSB's strategies to meeting the challenges of the market can only improve customer satisfaction, increase the organisation's performance and thus benefit all the organisation's stakeholders.

7.4 Further research

While there is an abundance of literature on MO, on its relationship to performance, on its dependence on local cultures and individual values, there are few studies on how an MO culture could be implemented. More work has to be done in this area so organizations may learn from each other's practical experience of failures and successes in introducing such change plans while taking stock of their different contexts. Moreover, to the researcher's knowledge, there are no such studies concerning Cypriot financial organisations, so there is a sense in which this project enters a little chartered territory. Given the necessity of the entire Co-operative movement in Cyprus to become more market oriented to survive in the EU environment, there is a need for more research into how other credit institutions smaller than LCSB could achieve this.

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Appendices

Search Survey

Name	**Limassol Cooperative Savings Bank Ltd**
Description	**Market-oriented organisational culture of LCSB**

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PART A

This is a study to identify all those factors that drive or hinder market-oriented activity within LCSB. The identification of these factors is of critical importance to top management seeking to initiate organisational change processes directed at building Market Orientation (MO). Research findings will play a role in the achievement of superior business performance and secure long-term profitability in the new EU environment.

Please read all questions carefully and respond from your own viewpoint and experience.
Your response and any comments will be treated with complete confidentiality. At the end of the survey, your response will be given a number, and your information will be completely anonymous. After the results are tabulated and compiled, I will issue a report. I ask that you please complete the questionnaire by November 15,2006. Thanks again for your help. Sincerely, Operations Manager Mr Ioannou Ioannis. Thank you.

Section A: Background

1. Are you...............Male................Female
2. What is your age? ....
3. What is your marital status?
   ....Single.............Married...........Divorced/Separated..............Widowed
4. How long have you worked for your present organization?................No of years...............No of months
5. What is the highest level of education you have completed? ....Less than high school................High school diploma....................Associate's degree...............Bachelor's degree................Master's degree or more
6. On average how many hours do you work as overtime per month?
7. In which department or division you are employed? ....
8. What is your job title of your current position? ....
9. How long have you held this position? ....

1.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
In this business unit, we meet with customers at least once a year to find out what products or services they will need in future.	☐	☐	☐	☐	☐

2.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
In this business unit, we do a lot of in-house market research.	☐	☐	☐	☐	☐

3.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
We are slow to detect changes in our customers' product preference.	☐	☐	☐	☐	☐

4.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
We poll end users at least once a year to assess the quality of our products and services.	☐	☐	☐	☐	☐

5.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
We periodically review the likely effect of changes in our business environment (e.g. regulation) on our customers.	☐	☐	☐	☐	☐

6.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
We have interdepartmental meetings at least once a quarter to discuss market trends and developments.	☐	☐	☐	☐	☐

7.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Marketing personnel in our business unit spend time discussing customer's future needs with other functional departments.	☐	☐	☐	☐	☐

8.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
When something important happens to a major customer or market, the whole business unit knows about it in a short period.	☐	☐	☐	☐	☐

9.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Data on customer satisfaction are disseminated at levels in this business unit on a regular basis.	☐	☐	☐	☐	☐

10.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
For one reason or another, we tend to ignore changes in our customers' product or service needs.	☐	☐	☐	☐	☐

11.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
We periodically review our product development efforts to ensure that they are in line with what customers want.	☐	☐	☐	☐	☐

12.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Several departments get together periodically to plan a response to changes taking place in our business environment.	☐	☐	☐	☐	☐

13.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
If a major competitor launched an intensive campaign targeted at our customers, we would implement a response immediately.	☐	☐	☐	☐	☐

14.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The activities of the different departments in this business unit are well coordinated.	☐	☐	☐	☐	☐

15.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Even if we came up with a great marketing plan, we probably would not be able to implement it in a timely fashion.	☐	☐	☐	☐	☐

16.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
When we find that customers would like us to modify a product or service, the departments involved make a concerted effort to do so.	☐	☐	☐	☐	☐

17.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
In our kind of business, customers' product preferences change quite a bit over time.	☐	☐	☐	☐	☐

18.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our customers tend to look for new products all the time.	☐	☐	☐	☐	☐

19.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Sometimes our customers are very price sensitive, but on other occasions, price is relatively unimportant.	☐	☐	☐	☐	☐

20.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The technology in our industry is changing rapidly	☐	☐	☐	☐	☐

21.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Technological changes provide big opportunities in our industry.	☐	☐	☐	☐	☐

22.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
If it is very difficult to forecast where the technology in our industry will be in the next 2 to 3 years.	☐	☐	☐	☐	☐

23.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
A large number of new product ideas have been made possible through technological breakthroughs in our industry.	☐	☐	☐	☐	☐

24.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Technological developments in our industry are rather minor.	☐	☐	☐	☐	☐

25.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Competition in our industry is cutthroat.	☐	☐	☐	☐	☐

26.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
There are many promotion wars in our industry.	☐	☐	☐	☐	☐

27.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Anything that one competitor can offer others can match readily.	☐	☐	☐	☐	☐

28.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Price is a hallmark of our industry.	☐	☐	☐	☐	☐

29.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
One hears of a new competitive move almost every day.	☐	☐	☐	☐	☐

30.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
When members of several departments get together, tensions frequently run high.	☐	☐	☐	☐	☐

31.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
People in one department generally dislike interacting with those from another department.	☐	☐	☐	☐	☐

32.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Employees from different departments feel that the goals of their respective departments are in harmony with each other.	☐	☐	☐	☐	☐

33.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Protecting one's departmental turf is considered to be a way of life in this business unit.	☐	☐	☐	☐	☐

34.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The objectives pursued by the marketing department are incompatible with those of the manufacturing department.	☐	☐	☐	☐	☐

35.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
There is little or no interdepartmental conflict in this business unit.	☐	☐	☐	☐	☐

36.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
In this business unit, it is easy, to talk with virtually anyone you need to, regardless of rank or position.	☐	☐	☐	☐	☐

37.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
There is ample opportunity for hall talk among individuals from different departments in this business unit.	☐	☐	☐	☐	☐

38.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
In this business unit, employees from different departments feel comfortable calling each other when the need arises.	☐	☐	☐	☐	☐

39.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Managers here discourage employees from discussing work related matters with those who are not their immediate superiors or subordinates.	☐	☐	☐	☐	☐

40.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
People around here are quite accessible to those in other departments.	☐	☐	☐	☐	☐

41.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Junior managers in my department can easily schedule meetings with junior managers in other departments.	☐	☐	☐	☐	☐

42.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I feel that I am my own boss in most matters.	☐	☐	☐	☐	☐

43.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
A person can make his own decisions without checking with anybody else.	☐	☐	☐	☐	☐

44.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
How things are done here is left up to the person doing the work.	☐	☐	☐	☐	☐

45.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
People here feel as though they are constantly being watched to see that they obey all the rules.	☐	☐	☐	☐	☐

46.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
There can be little action taken until a supervisor approves.	☐	☐	☐	☐	☐

47.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
A person who wants to make his own decision would be quickly discouraged here.	☐	☐	☐	☐	☐

48.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Even small matters have to be referred to someone higher up for a final answer.	☐	☐	☐	☐	☐

49.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I have to ask my boss before I do almost anything.	☐	☐	☐	☐	☐

50.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Any decision I make has to have my boss' approval.	☐	☐	☐	☐	☐

51

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
No matter which department they are in, people in this business unit get recognised for being sensitive to competitive moves.	☐	☐	☐	☐	☐

52.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Customer satisfaction assessments influence senior managers' pay in this business unit.	☐	☐	☐	☐	☐

53.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Formal rewards (i.e. pay raise, promotion) are forthcoming to anyone who consistently provides good market intelligence.	☐	☐	☐	☐	☐

54.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Salespeoples' performance in this business unit is measured by the strength of the relationship they build with customers.	☐	☐	☐	☐	☐

55.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
We use customer polls for evaluating our salespeople.	☐	☐	☐	☐	☐

56.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Top managers repeatedly tell employees that this business unit's survival depends on its adapting to market trends.	☐	☐	☐	☐	☐

57.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Top managers often tell employees to be sensitive to the activities of our competitors.	☐	☐	☐	☐	☐

58.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Top managers keep telling people around here that they must gear up now to meet customers' future needs.	☐	☐	☐	☐	☐

59.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
According to top managers here, serving customers is the most important thing our business unit does.	☐	☐	☐	☐	☐

60.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Top managers in this business unit believe that higher financial risks are worth taking for higher rewards.	☐	☐	☐	☐	☐

61.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Top managers in this business unit like to take big financial risks.	☐	☐	☐	☐	☐

62.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Top managers here encourage the development of innovative marketing strategies, knowing well that some will fail.	☐	☐	☐	☐	☐

63.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Top managers in this business unit like to play it safe.	☐	☐	☐	☐	☐

64.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Top managers around here like to implement plans only if they are very certain that they will work.	☐	☐	☐	☐	☐

Please read each description and think about how much each person is or is not like you. Tick the box to the right that shows how much the person is the description is like you. Thank you.

PART B

1.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It's very important to him/her to help the people around him/her. He/she wants to care for other people.	☐	☐	☐	☐	☐	☐

2.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to be loyal to his/her friends. He/she wants to devote himself/herself to people close to him/her.	☐	☐	☐	☐	☐	☐

3.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to respond to the needs of others. He/she tries to support those he/she knows.	☐	☐	☐	☐	☐	☐

4.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
Forgiving people who might have wronged him/her is important to him/her. He/she tries to see what is good in them and not to hold a grudge	☐	☐	☐	☐	☐	☐

5.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she thinks it is important that every person in the world be treated equally. He/she wants justice for everybody, even for people he/she doesn't know.	☐	☐	☐	☐	☐	☐

6.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to listen to people who are different from him/her. Even when he/she disagrees with them, he/she still wants to understand them.	☐	☐	☐	☐	☐	☐

7.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she strongly believes that people should care for nature. Looking after the environment is important to him/her.	☐	☐	☐	☐	☐	☐

8.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she believes all the worlds' people should live in harmony. Promoting peace among all groups in the world is important to him/her.	☐	☐	☐	☐	☐	☐

9.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she wants everyone to be treated justly, even people he/she doesn't know. It is important to him/her to protect the weak in society.	☐	☐	☐	☐	☐	☐

10.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to adapt to nature and to fit into it. He/she believes that people should not change nature.	☐	☐	☐	☐	☐	☐

11.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
Thinking up new ideas and being creative is important to him/her. He/she likes to do things in his/her own original way.	☐	☐	☐	☐	☐	☐

12.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to make his/her own decisions about what he/she does. He/she likes to be free to plan and to choose his/her activities for himself/herself.	☐	☐	☐	☐	☐	☐

13.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she thinks it is important to be interested in things. He/she likes to be curious and to try to understand all sorts of things.	☐	☐	☐	☐	☐	☐

14.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/he to be independent. He/she likes to rely on himself/herself.	☐	☐	☐	☐	☐	☐

15.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she thinks it is important to do lots of different things in life. He/she always looks for new things to try.	☐	☐	☐	☐	☐	☐

16.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she likes to take risks. He/she is always looking for adventures.	☐	☐	☐	☐	☐	☐

17.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she likes surprises. It is important to him to have an exciting life.	☐	☐	☐	☐	☐	☐

18.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she seeks every chance he/she can to have fun. It is important to him/her to do things that give him/her pleasure.	☐	☐	☐	☐	☐	☐

19.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
Enjoying life's pleasure is important to him/her. He/she likes to spoil himself/herself.	☐	☐	☐	☐	☐	☐

20.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she really wants to enjoy life. Having a good time is very important to him.	☐	☐	☐	☐	☐	☐

21.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is very important to him/her to show his/her abilities. He/she wants people to admire what he/she does.	☐	☐	☐	☐	☐	☐

22.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
Being very successful is important to him/her. He/she likes to impress other people.	☐	☐	☐	☐	☐	☐

23.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she thinks it is important to be ambitious. He/she wants to show how capable he/she is.	☐	☐	☐	☐	☐	☐

24.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
Getting ahead in life is important to him/her. He/she strives to do better than others.	☐	☐	☐	☐	☐	☐

25.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to be rich. He/she wants to have a lot of money and expensive things.	☐	☐	☐	☐	☐	☐

26.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to be in charge and tell others what to do. He/she wants people to do what he/she says.	☐	☐	☐	☐	☐	☐

27.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she always wants to be the one who makes the decisions. He/she likes to be the leader.	☐	☐	☐	☐	☐	☐

28.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to live in secure surroundings. He/she avoids anything that might endanger his/her safety.	☐	☐	☐	☐	☐	☐

29.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her that his/her country be safe from threats from within and without. He/she is concerned that social order be protected.	☐	☐	☐	☐	☐	☐

30.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her that things be organized and clean. He/she doesn't want things to be a mess.	☐	☐	☐	☐	☐	☐

31.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she tries hard to avoid getting sick. Staying healthy is very important to him/her.	☐	☐	☐	☐	☐	☐

32.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
Having a stable government is important to him/her. He/she is concerned that the social order be protected.	☐	☐	☐	☐	☐	☐

33.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she believes that people should do what they are told. He/she thinks people should follow rules at all times, even when no-one is watching.	☐	☐	☐	☐	☐	☐

34.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her always to behave properly. He/she wants to avoid anything people would say is wrong.	☐	☐	☐	☐	☐	☐

35.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to be obedient. He/she believes he/she should always show respect to his/her parents and to older people.	☐	☐	☐	☐	☐	☐

36.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/her to be polite to other people all the time. He/she tries never to disturb irritate others.	☐	☐	☐	☐	☐	☐

37.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she thinks it is important not to ask for more than what you have. He/she believes that people should be satisfied with what they have.	☐	☐	☐	☐	☐	☐

38.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
Religious belief is important to him/her. He/she tries hard to do what his religion requires.	☐	☐	☐	☐	☐	☐

39.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
He/she believes it is best to do things in traditional ways. It is important to him to follow the customs he/she has learned.	☐	☐	☐	☐	☐	☐

40.

	Very much like me	Like me	Some-what like me	A little like me	Not like me	Not like me at all
It is important to him/he to be humble and modest. He/she tries not to draw attention to himself/herself	☐	☐	☐	☐	☐	☐

LIMASSOL COOPERATIVE SAVINGS BANK

MANAGEMENT REPORT

To:	General Maoager
	Top Management
From:	Operations Manager
Inform:	Committee of the Bank
Date:	20th of August, 2008
Subject:	LCSB's level of Market Orientation

Abstract

This Management Report is one of the outcomes of the D/Prof research project conducted with Middlesex University on how LCSB can improve its performance by enhancing its market orientation. The Report starts with the statement of the problem and goes on to review the literature on the theory of market orientation (MO) and its relationship to business performance. The Report then presents the findings of the surveys administered to LCSB's workforce meant to measure the organisation's present level of MO and its cultural values. The surveys used to measure LCSB's level of MO are the MARKOR survey (Kohli, Jaworski and Kumar 1993) and the Antecedents and Moderators surveys (Jaworski and Kohli 1993); for cultural values, Schwartz's (2003) Portrait Value Questionnaire was used. The findings show that LCSB does not have in place the necessary structures and systems able to support MO practices and does not engage systematically and organisation-widely in gathering intelligence about customers and competition, disseminating this intelligence promptly within the organisation and responding to it in effective ways. However, the surveys indicate that the present market environment is favourable to the enhancement of performance through market orientation and that LCSB's predominantly collectivistic values are a good basis for furthering smooth interfunctional coordination given that the necessary structures and systems are in place to stimulate it. These findings regarding LCSB's present level of MO and its preparedness for enhancing its MO strategies constitute the basis to which the theory of MO will be applied so as to recommend the adequate and locally specific measures that LCSB should take in order to improve its market drive and its business performance.

1. Introduction

1.1 LCSB's present business environment

The year 2003 was an important turning point in LCSB's history. Given that Cyprus was about to join the EU in May 2004, the harmonisation with the *'acquis communautaire'* required the liberalisation of interest rates, the free flow of capital and free trade in financial services as *sine qua non* conditions for the establishment of a single EU market characterised by fair competition. These new directives, in force as of January 2003, affected all the financial institutions in Cyprus. In addition, as of the same date, the Co-operative Societies Supervision and Development Authority issued the Co-operative Reform Law that abolished all Co-operative institutions' business privileges linked to their social mission. Thus, LCSB as well as all Co-operative institutions had to start paying corporation tax became free to engage in corporate banking and the customers were not exempt from stamp duties and mortgage fees anymore. As a result, since 2003 Co-operative institutions have suffered a constant loss of customers and a marked decline in their profitability. Also their contribution to social projects has dwindled proportionately. It must be said that in the five years that have passed since the introduction of these reforms, the Co-operative movement in Cyprus has not found the means to stay competitive and profitable.

1.2 Statement of the problem

Although LCSB has remained the Co-operative leader throughout this period of transformations, the organisation has been undergoing lack of growth and stagnation. LCSB's net profits have hovered slightly above CYP 6 million until 2006 and for the year 2007 the profits appear to be slightly above that level but still behind expectations. (see Fig. 1). Although LCSB has started entering the corporate market, it has lost retailing market to the local and foreign commercial banks operating on the island. In summary, LCSB's environment is now marked by strong competition both from the Co-operative sector and from the commercial banks. The problem this project is addressing is how LCSB can break out of stagnation in the present context characterised by high competitive intensity on the one hand and on the other hand by the obstacles to growth imposed by the Co-operative law, which is still not in tune with the EU Banking Directives.

THE PROBLEM:
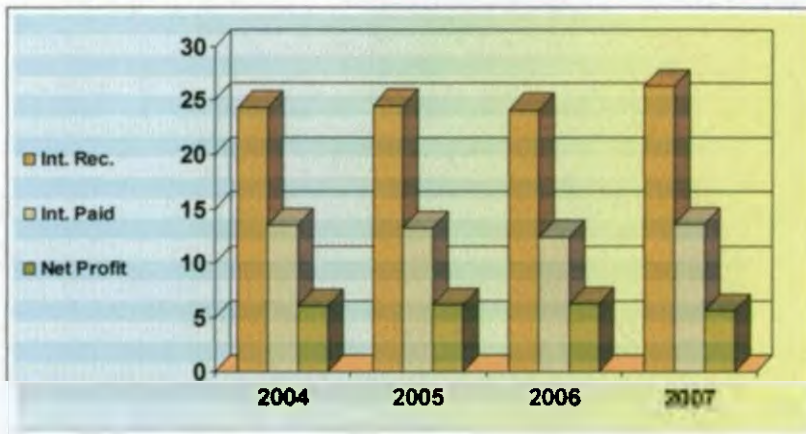**LCSB'S FINANCIAL TREND**

Fig. 1 LCSB's financial trend 2004-2007

1.3 The aims, objectives and the outcomes of this project

Based on the last two decades' literature on business performance, this project proposes that LCSB could improve its performance by becoming more market oriented. The aim of this project is to draw a set of Recommendations on how this could be achieved in LCSB's case, which constitutes one of the outcomes of this research. As each business has its own level of market orientation (MO), it was first necessary to establish LCSB's level so as to tailor the recommendations to its specific MO weaknesses. To do so, a number of surveys were used to measure LCSB's level of MO, its readiness to support MO behaviours through adequate structures and systems as well as the organisation's values, some of which promote or hinder MO practices. The surveys used were the MARKOR survey (Kohli, Jaworski and Kumar 1993), the Antecedents and Moderators surveys (Jaworski and Kohli 1993) and Schwartz's (1993) Portrait Value Questionnaire. The results of these surveys constitute the second outcome of the project and are the substance of this report on LCSB's present level of market orientation.

2.0 The concept of Market Orientation and its relation to business performance

There are many factors that may influence an organisation's profitability. Narver and Slater (1990) mention eight such situational variables which he classifies as Market-Level Factors

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and Business-Specific Factors. The former comprise buyer power, supplier power, competitive intensity, rate of market growth, ease of entry of new competitors and rate of technological change. The common characteristic of these Market-level factors is that they are not under a company's control and analysing them from the perspective of the present outlook of the Cypriot financial market, they are clearly obstacles to LCSB's struggle for higher profitability. The Business-Specific Factors refer to the size of a business and to its average total operating costs. Businesses can usually control these factors, but in LCSB's case there are legal obstacles to mergers and acquisitions and operating costs can be reduced only so far.

Apart from these factors, the literature of the 1990s (Narver and Slater 1990, Kohli and Jaworski 1990) has advanced the concept of Market Orientation (MO) as an organisation-wide endeavour that leads to customer satisfaction and higher business performance. As becoming market oriented means adopting certain practices and the values underlying them, it follows that it lies in the power of an organisation to change its way of doing business in order to increase its profitability. For this reason, this project proposes that, despite the present market and legal obstacles to growth, LCSB should attempt to enhance its performance by becoming more market oriented.

So what is market orientation? Kohli and Jaworski (1990) define market orientation as the organisation-wide generation of market intelligence and its dissemination across the various functional areas of the business and the organization-wide response to it. Thus, the three components of MO are:

- **Intelligence Generation** refers to the organization-wide gathering of information about customers and competition; it is important to note that nowadays, customer intelligence is understood to comprise both the expressed and the unexpressed needs of the customers as well as the customers' future and business-chain needs (Slater 2001). Gathering competitor intelligence means acquiring information about the competition's short-term strengths and weaknesses and long-term plans and capabilities in a systematic and anticipatory manner (Narver and Slater 1990). More recent research (Dawes 2000) points to Competitor Intelligence as the variable with the strongest association with business performance.
- **Intelligence Dissemination** refers to the prompt dissemination of information about customers and competition within the organisation along communication channels that link various types of information to their adequate destinations, be they individuals or departments.

- **Response Design and Implementation** refers to the coordinated utilisation of intelligence about customers and competition and of other company resources in creating superior value for customers.

The positive correlation between MO and performance has been clarified by Mc Kitterick (Dawes 2000) for a long time: in a competitive environment organisations must be highly aware of and responsive to customer needs, or else rivals will devise products more attuned to those needs and capture their business. Indeed, many empirical studies (Deshpande and Farley 1999, Dawes 2000) have found a direct positive correlation between MO and return on assets, sales growth and growth in market share. The studies have also shown that the three components of MO have a different weight on profitability, with competitor intelligence having the strongest association with performance.

As mentioned before, performance also depends on market factors that Jaworski and Kohli (1993) call environmental Moderators. They are Market Turbulence (the rate at which customers' preferences change), Technological Turbulence (the rate of change in technology) and Competitive Intensity, each of which moderates the relationship between MO and performance. Although some researchers do not agree on how each environmental factor moderates the relation between MO and performance, this project has adopted Narver and Slater's (1994) view that environmental variables are transient and that market orientation is beneficial regardless of the environmental factors because MO provides a company with better understanding of its environment and customers, which enables it to integrate better the many determinants of performance in their business strategies.

Kohli, Jaworski and Kumar (1993) developed the MARKOR scale for determining an organisation's level of MO, and Jaworski and Kohli (1993) designed a scale for measuring the Moderators. Both scales have been used in this project to measure LCSB's present level of MO.

2.1 The concept of Antecedents to MO

Jaworski and Kohli (1993) added to the three MO components the concept of Antecedents to MO and also a scale for measuring the degree to which the Antecedents are in place in an organisation. The Antecedents are preconditions which an organisation must meet in order to increase its level of market orientation. The preconditions refer to:
- **Senior Management Factors,** which are *Top Management Emphasis* and commitment to MO and *Risk Posture*

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- **Organisational Systems,** which refer to *Formalisation, Centralisation* and *Rewards*
- **Interdepartmental Dynamics,** which refer to *Connectedness* versus *Conflict*

For practical purposes, the Antecedents can be recategorised, according to Justice and Jamieson's diagram (1999), as the Structures, Systems and Behaviours that support MO practices. The Structures comprise issues of De-Centralisation; The Systems map Antecedents like Rewards, Promotion and Conflict resolution, while the Behaviours consist of Formalisation issues, Risk-taking attitudes and Management Emphasis. Justice and Jamieson's (1999) framework was preferred as a basis for structuring the Recommendations because it is more detailed, making explicit aspects of structures and systems that are implicit in Jaworski and Kohli's Antecedents.

The value of the concept of Antecedents is that it clarifies for the Management how the changes leading to more MO must be prioritised, that is, what changes in an organisation's structures and systems must be in place before it can engage in successful MO behaviours: intelligence generation, dissemination and response.

2.2 Market Orientation and individual values

Market orientation is based on the organisation's values and attitudes which translate as the way an organisation does business. In this sense MO is a matter of organisational culture. The literature on organizational culture (Schwartz 2003, Furrer, Lantz & Perrinjaquet 2006) has been researching the influence of individual values, attitudes and beliefs on an organisation's level of MO. Thus, Schwartz (2003) proposes ten universal values that may either stimulate or hinder MO: Self-Direction, Stimulation, Hedonism, Achievement, Power, Security, Conformity, Tradition, Benevolence and Universalism. The ten values form four groups on a continuum ranging from Individualistic to Collectivistic values. Thus the Self-Enhancement group is opposed to the Self-Transcendence group, with Power and Achievement opposing Universalism and Benevolence. The Openness to Change group opposes the Conservatism group, with Self-Direction and Stimulation opposing Security, Conformity and Tradition. Furrer et al. (2006) argue that various values from the entire range correlate positively with various aspects of MO behaviours and practices. Thus, individualistic values like Openness to Change are beneficial for a learning and decentralised organisation where the employees engage in innovative and prompt response to intelligence about customers and competitions. On the other hand, Collectivistic values from the Self-Transcendence group are likely to be beneficial for the organisation's interfunctional coordination —or smooth flow of intelligence within the organisation-- and cooperation in response design and implementation. Measuring

the values entertained by LCSB's employees will help the management realise what changes towards more MO will be facilitated or hindered by the employees' individual values. The results from Schwartz' (2003) Portrait Value Questionnaire (PVQ) are included in the present Report.

3. The survey instruments

The surveys administered at LCSB are grouped into Questionnaire A and B. Questionnaire A consists of the MARKOR survey (Kohli, Jaworski and Kumar 1993) and the Antecedents and Moderators surveys (Jaworski and Kohli 1993). The MARKOR and Antecedents surveys are very much praised for asking questions about actual MO behaviours in the organisation; thus the majority of the questions refer to facts, not to opinions. All the surveys included in Questionnaire A use a 5 point Likert scale, with 1 for *I strongly agree* and 5 for *I strongly disagree*. Questionnaire B, which measures cultural values, features Schwartz's (1993) Portrait Value Questionnaire. For the PVQ a 6 point Likert scale was used, with 1 for *Very much like me* and 6 for *not like me at all*. The questionnaires are attached in the Appendices to this Report.

4. The research design

The surveys were translated into Greek, piloted and then administered in November 2006 to two respondent groups: the Top Management Group and the Employee Group. The cover page of the questionnaires included an explanation of the purpose of this project, a pledge to anonymity and confidentiality and a number of questions pertaining to personal data, such as the respondents' gender, age, level of education and years of service at LCSB. The branch managers were asked to distribute the questionnaires and then collect them in 15 days. The response rate was 80 %. The questionnaires were then sent to RUBSl of Intercollege Nicosia for ANOVA analysis (analysis of variation, that is, whether and how the answers vary according to the personal data variables).
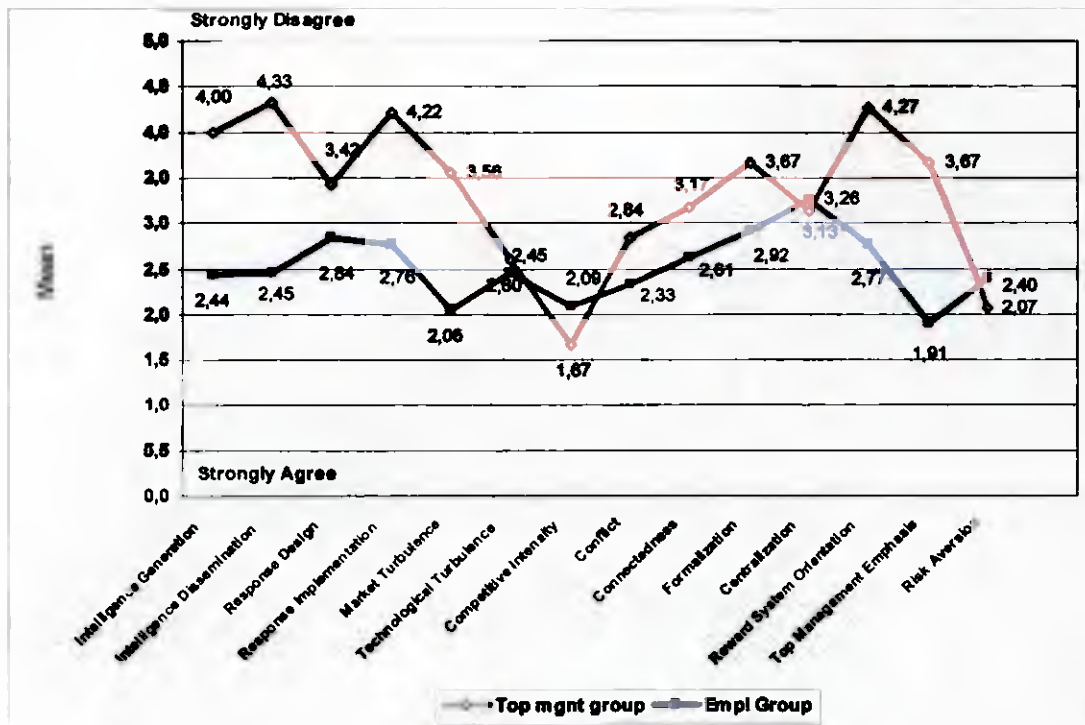
4. The research findings

Fig.2 Results of the MARKOR, Moderators and Antecedents Surveys for LCSB

The MARKOR survey consists of 16 questions referring to Jaworski and Kohli's (19993) three components of MO: Intelligence Gathering, Intelligence Dissemination and Response Design and Implementation. For all the components, the answers of the two groups vary to a large degree, so that the average score for LCSB's level of MO is 2.62 according to the Employee Group and 4.0 according to the Top Management group. Given that the MARKOR survey consists of statements of fact regarding MO practices with which the respondents have to agree or disagree, the Employees' average score placed between *I agree* and *Neutral* would indicate that LCSB has a high to medium level of MO. The Top Management's score (4.0), on the other hand, expresses the contrary view, namely that LCSB's level of MO is quite low. The fact that most of the Employee Group's answers are around the *I agree* mark even for conflicting statements suggests that there is a strong acquiescence bias in the Employee Group (the tendency to answer "yes" to all questions), rather than a different opinion about the state of affairs in the organization. This makes the Employee Group's assessment less reliable and the Management's more credible.

Thus, according to the Top Management's assessment, LCSB scores lowest for Intelligence Dissemination (4.33), followed by Response Implementation (4.22), Intelligence Gathering (4.0) and Response design (3.42). The fact that LCSB scores low in Intelligence

Dissemination means that the organization does not have *established* and *organisation-wide policies and channels* for disseminating information about customers and competition in a systematic way. The next lowest score (4.22) for Response implementation indicates that LCSB's departments fail to operate *in concert* and *promptly* to enact their marketing plans to meet customer satisfaction in a timely manner. The weakness in Intelligence Gathering (4.0) refers to LCSB's lack of *systematic* and *organisation-wide* practices of gathering information about customers and competition. (Jaworski and Kohli stress that Intelligence Gathering, Dissemination and Response must be an *organisation-wide* effort, not the responsibility of just one individual or department, if the practices are to lead to better business performance.) With respect to Response design, the score (3.42) shows that LCSB should intensify its efforts to review product development *periodically* and ensure that it is in line with what the customers want and with the changes in the business environment.

MARKOR SCALE	EMPL.GROUP MEANS	TOP MGMT. MEANS	GAPS
Intelligence Generation	2.44	4.0	1.56
Intelligence Dissemination	2.45	4.33	1.88
Response Design	2.84	3.42	0.58
Response Implementation	2.76	4.22	1.46
EMPL. GROUP OVERALL MEAN	2.62		
TOP MANAGEMENT OVERALL MEAN		4.0	
OVERALL GAP			1.38

Fig.3 Results of MARKOR Survey at LCSB

The Moderators questionnaire assesses the degree to which the environmental factors (Market Turbulence, Technological Turbulence and Competitive Intensity) warrant the costs and efforts to increase LCSB's performance through enhancing its level of MO. The Employee and Top Management groups find similar values for the degree of Technological Turbulence (2.60 and 2.45 respectively) and Competitive Intensity (2.09 and 1.67 respectively). These values are high, expressing the two groups' awareness of the strong competition LCSB is facing and of the technological changes which directly influence banking products and services nowadays. The high values for these two environmental factors definitely indicate that more MO at LCSB is likely to increase its performance. There is, however, a large gap between the two groups' assessment of Market Turbulence, which refers to the rate at which

customer product preferences change. The Top Management's view is that LCSB's customers' preferences do not change very quickly (score 3.56), while the Employees' view is that it does (2.5). The different opinions in this regard may be explained by the fact that the employees do not currently have access to the organisation's customer data base –which is also in its initial stages. What the Top Management's assessment for Market Turbulence means is that there is less need to increase LCSB's level of MO in order just to *retain* its old customers. However, given that the organisation wants to capture more market share from the ranks of young, professional and corporate customers who are more price-sensitive and demand more sophisticated products, increasing LCSB's level of market orientation will be beneficial.

MO MODERATORS	EMPL. GROUP MEANS	TOP MGMT. MEANS	GAPS
Market Turbulence	2.05	3.56	1.51
Technological Turbulence	2.45	2.60	0.15
Competitive Intensity	2.09	1.67	0.42
EMPL. GROUP OVERALL MEAN	2.20		
TOP MGMT.		2.61	
OVERALL GAP			0.41

Fig. 4 Results of MO Moderators Survey at LCSB

The Antecedents survey measures the degree to which the structures, systems and behaviours that enable more market orientation in an organisation are in place. The two groups make close assessments of the degree of Conflict, Connectedness, Formalisation, Centralisation and Risk Aversion, placing their scores around *Neutral (3.0)*. Still, the Top Management group finds slightly more Conflict, more Formalisation and less Connectedness at LCSB than the Employee group. Market orientation thrives on less conflict, less formalization, less centralisation and more connectedness. To become more market oriented LCSB should make changes in all these respects, of which decentralisation is likely to be the most challenging.

The only highly divergent scores in the Antecedents' survey regard the Reward System (Top Mgmt.-- 4.27 and Empl. Group -- 2.77) and the Top Management Emphasis factor (Top Mgmt. –3.67 and Empl. Group –1.91). These large gaps are hard to account for other than through the employees' acquiescence bias or reluctance to sound critical about the management's policies in these respects. Indeed, the reward, evaluation and promotion systems at LCSB are not based –as the survey suggests-- on customer satisfaction polls, on building strong relations with customers and on consistent gathering of market intelligence. Likewise, the Top Management at LCSB may emphasise the importance of serving the

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customer, but do not urge the employees to watch the activities of our competitors or to enquire about the customers' *future and business-chain needs*. The Top Management's assessment of Rewards system and Management Emphasis Antecedents indicate that LCSB has to tailor its Rewards, Evaluation and Promotion systems to stimulate MO behaviours (not performance) and then emphasise them systematically with a view to reinforcing them.

ANTECEDENTS	EMPL. GROUP. MEANS	TOP MGMT MEANS	GAPS
Interdepartmental Conflict	2.33	2.84	0.51
Interdepartmental Connectedness	2.61	3.17	0.56
Formalisation	2.92	3.67	0.77
Centralisation	3.26	3.13	0.13
Reward System	2.77	4.27	1.50
Top Management Emphasis	1.91	3.67	1.76
Risk Aversion	2.40	3.20	0.80
EMPL. GROUP OVERALL MEAN	2.60		
TOP MGMT OVERALL MEAN		3.42	
OVERALL GAP			0.82

Fig.5 Results of the Antecedents Survey at LCSB

Finally, the findings of the Schwartz's (2003) PVQ indicate that the predominant values at LCSB are the Collectivistic ones, with Security (1.76), Universalism (1.88) and Benevolence (1.96) heading the list. Collectivistic values tend to be beneficial for Intelligence Dissemination and Response implementation, while Individualistic values are supposed to impact more Intelligence Generation because such values stimulate interest in both customers and competition (Pulendran, Speed and Widing, 2000). The 50-60 age group appears to be the most traditional and more concerned with risk aversion, which is important, because they are also the group with the highest Power drive (3.33) of all age groups. This raises the question of whether it is beneficial for LCSB's future MO strategies to have in power people attached to "the way things have always been done". Of all Individualistic values, Self-Direction is the best represented at LCSB (1.97), which is encouraging for achieving a higher standard of openness to innovation in the future. Self-Direction is positively correlated with education (Schwartz 2003), so the results may reflect the input of the younger and more educated employees hired recently at LCSB. The survey results show that young people and singles tend to be slightly more individualistic than the older and married employees, whose values are characterised by Conservation and Self-Transcendence (Collectivistic values).

The PVQ survey (Schwartz 2003) was carried out not only to find whether the values of the organisation will benefit or hinder the programme of changes towards more MO, but also to

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find whether there is a subculture at LCSB that features most of the values underlying MO behaviours, so that the management may use this category of employees as allies and role models in the process of change. The ANOVA analysis did not find such a subculture at LCSB, which means that it will be the management's task to spot talented *individuals* and encourage team work to promote and enforce desired MO behaviours.

			MEANS	OVERALL MEANS
INDIVIDUALISM	Openness to change	Self-Direction	1.97	2.24
		Stimulation	2.50	
	Self Enhancement	Hedonism	2.38	2.90
		Achievement	2.63	
		Power	3.70	
	Self Transcendence	Universalism	1.88	1.92
		Benevolence	1.96	
COLLECTIVISM	Conservation	Conformity	2.06	2.30
		Tradition	3.08	
		Security	1.76	

Fig. 6 Results of Schwartz' (2003) PVQ survey

5. Conclusions

The research findings appear to confirm the project's hypothesis that LCSB has a low level of MO: neither are the organisation's structures and systems – the Antecedents-- ready to support a higher MO drive, nor does the organisation display the basic MO behaviours of systematically gathering and disseminating intelligence and responding to it in effective ways. On the other hand, the individual values entertained by the organisation's employees appear promising for nurturing some, if not all the behaviours characteristic of MO driven organisations. In this respect, LCSB's strength seems to be its collectivistic values, which are crucial for effective intelligence dissemination and prompt and harmonious co-operation in business response.

These findings constitute the basic research into the organisation's specifics on which the theoretical considerations on how to enhance its market orientation will further be grafted. Together, the findings regarding LCSB's present preparedness for enhancing its MO practices and the MO theory will constitute the basis for the recommendations this project will make on how, in the present conditions, LCSB could increase its MO drive and improve its performance.

LIMASSOL COOPERATIVE SAVINGS BANK

MANAGEMENT REPORT

To:	General Manager
	Top Management
From:	Operations Manager
Inform:	Committee of the Bank
Date:	20th of August, 2008
Subject:	Recommendations for enhancing LCSB's level of Market Orientation

Abstract

The present Recommendations for increasing LCSB's level of Market Orientation are based on the findings of the surveys carried out at LCSB as well as on MO literature. The surveys have shown that LCSB is lacking in all areas of MO practices – Intelligence Gathering, Intelligence Dissemination and Response Design and Implementation—and does not have in place most of the structures and systems – the Antecedents--needed to support MO behaviours. The literature on which the Recommendations are based consists of Kohli and Jaworski (1990) theory of MO, Jaworski and Kohli's (1993) Antecedents theory and Martin and Martin's (2005) concept of Internal Market Orientation. The Recommendations take the form of two action plans, one regarding the Management's role and one the employees' role in implementing changes at LCSB with a view to making the organisation more market oriented and profitable.

1. Introduction

The present Recommendations for increasing LCSB's level of Market Orientation are based on the findings of the surveys carried out at LCSB as well as on MO literature. The surveys have shown that LCSB is lacking in all areas of MO practices – Intelligence Gathering, Intelligence Dissemination and Response Design and Implementation—and does not have in place most of the structures and systems (the Antecedents) needed to support MO behaviours. The MO theory on which the Recommendations are based consists of Kohli and Jaworski (1990) concept of MO, Jaworski and Kohli's (1993) Antecedents theory and Martin and Martin's (2005) concept of Internal Market Orientation. The Recommendations take the form of two action plans, one regarding the Management's role and one the employees' role in implementing changes at LCSB with a view to making the organisation more market oriented and profitable. The programme of changes recommended to LCSB takes into account both the obstacles lying ahead of it and the opportunities for change.

1.1 Stimuli for cultural change at LCSB

All theorists of organisational culture (e.g. Atkinson and Miller 1999, Katz and Miller 2005, Martin and martin, 2005) agree that cultural change occurs only as a result of dramatic events in the life of an organisation. In LCSB's case there are a number of such events:

- First, it is LCSB's poor financial performance and loss of retailing business caused by a number of factors listed below.
- The EU Banking Directives, consisting of liberalization of interest rates, free movement of capital and the withdrawal of state subsidies for credit societies.
- Loss of market share and competitive edge
- Inability to perform its social mandate
- Strong competition from commercial banks, local and international and the rise of another powerful competitor, the Central Body of Co-operative Societies
- The massive influx of IT in financial services, an area where LCSB is still behind the competition
- Pressure from customers to provide cheap products and services

1.2 Threats to cultural change at LCSB

Threats to change must be identified so as to neutralise them or lessen their impact. In LCSB's case, there are both internal and external threats to change:

1.2.1 External threats

The most important external threats to change come from the present CCSS legal frame, which is still non-aligned with the EU Directives for a level playing field in financial services. Until the CCSS legal framework gradually relaxes, LCSB 's strategies of becoming more market oriented will have to go around these barriers.

- CCSS imposes strict geographical barriers to business and to mergers and acquisitions.
- CCSS Law imposes a non-profit status on credit institutions, which greatly affects their culture, mission, strategy and performance.
- CCSS Law imposes a power structure, investing the Committee with executive powers.

1.2.2 Internal threats

The most significant internal threat to change comes from the organisation's unwillingness to admit, or incapacity to see the *need* for change towards more MO. However, it is the aim of this project to raise the organisation's awareness of the benefits of market orientation and the ways in which it can increase LCSB's performance. As the surveys have shown, there are differences in the degree of awareness of LCSB's weaknesses at various levels in the organisation, with the Management group more open to admit them than the Employee group. Another concern relates to the Committee members' lack of business background, which does not place them in the best position to recommend or approve new measures meant to raise LCSB's profitability. It must be mentioned, however, that the Committee have generously supported the present project, which implies that they are open to its recommendations.

The other significant threat to change is resistance. Resistance, or fear of change is a characteristic phenomenon in adult and on-the-job training, resulting from learning anxiety. Katz and Miller (2005) define learning anxiety as a cocktail of fears consisting of the fear of temporary incompetence, of exposing inadequacies, of discovering one's obsolescence, of loss of self-esteem, status, power, job, identity and group membership. According to Katz and Miller (2005) learning anxiety can be overcome only when the survival anxiety is higher than the learning anxiety. To this should be added a supportive style of management aimed at creating psychological safety, which the present Recommendations take into account.

1.3 LCSB's strengths in implementing cultural transformations

LCSB's most important strengths in engaging in the programme of changes aimed at increasing the organisation's MO drive are:

- LCSB's management team, made up of capable and open-minded professionals who have already initiated a number of policies meant to relax the organisation's centralised style, to acquire new technology, to raise capital through acquisitions, to acquire corporate market share and to hire better educated personnel.

- LCSB's recently recruited personnel, young and with better professional qualifications

- LCSB's strong capital base, which enables the organisation to finance an extensive change programme leading to more MO

2.0 Theoretical concepts informing the Recommendations to increase LCSB's MO drive

The theoretical concepts informing the Recommendations consist of Kohli and Jaworski (1990) MO theory, Jaworski and Kohli's (1993) theory of Antecedents and Martin and Martin's (2005) theory of Internal Market orientation.

2.1 Kohli and Jaworski's (1990) theory of MO

Kohli and Jaworski (1990) have advanced the concept of Market Orientation (MO) as the *organisation-wide* endeavour that leads to customer satisfaction and higher business performance. More specifically, market orientation refers to the organisation-wide generation of market intelligence and its dissemination across the various functional areas of the business and the organisation-wide response to it. Thus, the three components of MO are:

- **Intelligence Generation,** which refers to the organisation-wide gathering of information about customers and competition; it is important to note that nowadays, customer intelligence is understood to comprise both the expressed and the unexpressed needs of the customers as well as the customers' future and business-chain needs (Slater 2001). Gathering competitor intelligence means acquiring information about the competition's short-term strengths and weaknesses and long-term plans and capabilities in a systematic and anticipatory manner (Narver and Slater 1990). More recent research (Dawes 2000) points to Competitor Intelligence as the variable with the strongest association with business performance.

- **Intelligence Dissemination** refers to the prompt dissemination of information about customers and competition within the organisation along communication channels that link various types of information to their adequate destinations, be they individuals or departments.

- **Response Design and Implementation** refers to the coordinated utilisation of intelligence about customers and competition and of other company resources in creating superior value for customers.

2.2 The concept of Antecedents to MO

In 1993, Jaworski and Kohli completed their theory of market orientation with the concept of Antecedents to MO. The Antecedents are preconditions the organisation must meet in order to increase its market orientation. The preconditions refer to the organisation's Structures and Systems, and were grouped by Jaworski and Kohli (1993) as:

- *Senior Management Factors*, such as Top Management Emphasis on MO and Risk Posture;

- *Interdepartmental Dynamics*, which relates to the degree of Connectedness and Conflict in the organization, and

- *Organisational systems*, which refer to the organisation's degree of Formalisation and Centralisation and to its systems of Rewards and Promotion.

These factors may facilitate or hinder an organisation's MO drive in the following way: high levels of Conflict, Formalisation, Centralisation and Risk aversion are likely to be obstacles to MO, while a high level of Management Emphasis and a Rewards system based on *market* behaviours (not performance) will stimulate MO. The results of the Antecedents survey administered at LCSB have shown that LCSB fares worst with regard to Rewards, Top Management Emphasis, and Formalisation, with all the other Antecedent factors revolving around *Neutral*. This indicates that at the moment, LCSB has a low level of readiness for supporting future MO behaviours. Because it is the management's responsibility to design the organisation's structures and systems to suit the company's strategic goals, it follows that putting the Antecedents in place to increase MO will be the role of LCSB's management in the long process of transformations lying ahead of the organization. The necessary steps to put the Antecedents in place at LCSB make up the substance of Action Plan A.

2.3 Internal Market Orientation

Martin and Martin (2005), drawing on work by Kohli and Jaworski (1990) as well as other theorists advocate the development of an *internal customer orientation* as a formula for achieving effective Intelligence Dissemination and harmonious Response Implementation. They propose a dyadic system within which the various departments and individuals in an organisation view themselves simultaneously as internal customers and internal suppliers for each other. In this way the work ethic of serving the external customer is transferred onto the relationships among the employees and departments of the organisation. Additionally, the maps of the dyadic relations between the internal customers and internal suppliers become visual representations of how individuals and departments should interact to achieve the organisation's goals. Thus, internal market orientation, based on team-work, solicitude and efficiency within the organization guarantees high quality service for the *external customer.*

3.0 ACTION PLAN A — The Management's role in building MO at LCSB

The Management's role in building MO at LCSB extends over three phases.

- Phase I is the Induction Phase, when the Committee, the top and middle management and the Trade Union representatives are introduced to this project and the concept of MO and its relation to performance.

- Phase II is the decision-making phase, when the top and middle management work on reshaping LCSB's Structures and Systems to reflect and stimulate an MO culture.

- Phase III is the monitoring and reinforcement of the new MO behaviours by the entire management body.

3.1 Phase I: Induction

The Induction Phase, scheduled for the beginning of 2009, consists of two presentations based on the *Report on LCSB's level of market orientation* and the *Report on the recommendations to enhance LCSB's level of market orientation.*
The first presentation is aimed at LCSB's Committee and top management. Upon endorsement of the proposed transformation plan by the Committee, a second presentation of the same material will be offered to the middle management and trade union representatives.
The presentation has three goals:

- To present the concept of MO (market orientation) and its relation to profitability
- To discuss the results of the surveys measuring LCSB's present level of MO

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- To recommend a programme of changes aimed at increasing LCSB's level of MO and profitability.

Expected outcomes
- A further meeting with the Committee and the top management in which to discuss queries and concerns related to the proposed action plans.
- The Committee's endorsement of the action plans to increase LCSB's level of MO

3.2 Phase II: The decision-making phase

The decision-making phase will possibly extend over one year, in which the top and middle management meet to discuss and decide on the proposed changes to LCSB's structures and systems. The present proposals are based on the researcher's first-hand knowledge of the organisation, but the top and middle management's input, suggestions, improvements and alterations to the action plans are necessary to establish an organisation-wide sense of ownership of the transformation process.

3.2.1 Aligning LCSB's Mission, Vision and Strategy

By wishing to satisfy customers and beat the competition, any business organisation's goals are in fact market oriented. However, not all businesses have the skills and the resources to engage in *systematic* and *organisation-wide* information gathering about customers and competition to reach these goals; and not all concentrate on creating organisational networks to channel this information promptly and respond to it efficiently. Thus they fail to adopt *market oriented strategies* to meet their goals. The first decision facing LCSB's management is to turn market orientation into a strategic goal that informs and sustains the organisation's Mission and Vision. Here is a proposal for LCSB's Mission and Vision that reflects market oriented goals:

Recommended Vision for LCSB

LCSB aims to remain the strongest Co-operative institution in Cyprus, even against the competition with the Co-operative Central Body and to catch up with the market share of the major commercial banks on the island.

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LCSB strives to satisfy customers' present, future and business-chain needs and thus retain and gain market share and improve its financial performance with a view to satisfying its shareholders and honoring its social mandate.

Hoping that the management will decide to settle for such market goals for LCSB, then the next logical step is to use *market-oriented strategies* to reach them and make the *emphasis* on these strategies a hallmark of a new management style aligned with the desired new market oriented values and behaviours the management wishes to enforce in order to reach these goals.

3.2.2 Recommended changes in LCSB's structure

Structural changes	Benefits	Challenges
Decentralisation by delegation of responsibilities and decision-making power to the middle management. The responsibilities should include: • Responding to intelligence • Drawing department budgets • Awareness of more services and products • Decision power for larger transactions • Upgrading their professional skills • Reporting on the department's horizontal evaluations	**Decentralisation** greatly improves response efficiency and customer satisfaction	**Resistance to having more responsibilities without increased remuneration** **Training : CRM, TQM, MIF will be necessary to accomplish the new MO tasks** **Rewards will be expected, even if not necessarily financial**
Redefining job descriptions Because MO is an organisation-wide behaviour, *all* employees' job descriptions should include • Gathering intelligence about customers and competition • Disseminating intelligence to the right dept. or individuals • Responding to intelligence according to the internal supplier-customer dyadagram • Upgrading their professional skills through the provided training	The new job descriptions will officialise the new MO strategy and will inform the employees of what is expected of them, as their duties, for which they are remunerated. They make clear the MO behaviours required of the employees are not favours they do to the organisation.	**Resistance from both** employees and the Trade Union. **Time-consuming** **Implementation of** new duties may be delayed while the Comissioner examines and approves the new job descriptions

Structural changes	Benefits	Challenges
Introducing the internal customer-supplier	The internal customer-	Some resistance is

network. The top management sets a time frame for the middle management to draw internal customer-supplier dyadagrams with their employees. The dyadagrams draw relationships within and between departments.	supplier network **changes work mentality** and behaviours, making internal customer satisfaction the highest goal after the satisfaction of the external customer. This will improve team spirit, business performance and external customer satisfaction. This network will serve as the structural basis for intelligence dissemination and response and for the behaviour-based evaluation and rewards systems.	expected because the new network implies a change in established work mentality.

3.2.3   Changes in systems

Changes in systems	Benefits	Challenges
Creating a combined **communication &evaluation** system. Once the dyadagrams detailing the internal customer-supplier network at LCSB is in place, communication can be made to run in parallel with the evaluation process, so that individuals and departments can evaluate each other horizontally for each instance of intelligence gathering, dissemination and response. The horizontal evaluation regards MO behaviours and the vertical evaluation focuses on the acquisition of skills and knowledge. Instructing the IT Dept. to create a **communication/evaluation template** to be used on the Intranet.	• The system makes channels of horizontal communication clear and efficient. • It creates a horizontal evaluation system for the 1st time at LCSB. • It bases the evaluation process on the desired MO behaviours (not on performance). • The system combines communication and evaluation processes in an innovative and efficient way.	Learning to use the template may take the employees a little time.
Establishing behaviour-based **benchmarks** for evaluation and promotion. The benchmarks cover all MO behaviours as well as learning behaviours in a point-earning system –to be devised in co-operation with other interested stakeholders.	• The benchmarks reinforce all the desired MO behaviours and practices that lead to customer	Agreement on the points allotted to each benchmark may be difficult because of the many stakeholders involved in deciding on

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Benchmarks for vertical evaluation will include: • Upgrading of professional degrees • Effective use of IT • Attendance and active participation in training seminars • Initiatives in the application of knowledge and skills • Dissemination of relevant information from financial publication Benchmarks for horizontal evaluation include: • Volume/frequency of intelligence about competition and about the external customers' present, future and business-chain needs as well as complaints from both internal and external customers. • Speed of Intelligence dissemination • Appropriateness of dissemination destination • Response speed and adequacy (leading to customer satisfaction)	satisfaction	this.
Establishing a behaviour-based rewards system The same criteria informing the evaluation system should be used for the rewards and promotion systems. An array of material and non-material rewards should be offered for *excellence* in performing MO behaviours.	The consistent application of MO criteria for rewards and promotions will surely reinforce the desired behaviours.	The Committee's and the Trade Union's approval must be obtained.
Introducing recruitment policies based on strict professional criteria	Professional qualification will improve the quality of the workforce and thus its performance.	More educated personnel is expected to want promotions faster, which may seem like a threat to the older employees.
Establishing training needs: The Mgmt. must decide what the personnel's training needs are and how they should be prioritized and scheduled. A few recommended area for acquiring desired MO behaviours are: CRM, TQM and MIS. Training should be outsourced.	Training will surely increase skills and performance, but will also enable the older, less qualified personnel to secure their positions by upgrading their professional skills.	The total estimated cost of the training may rise to CYP 100,000. This is affordable, as LCSB can spend 10% of net profits on training. The training will have to be done outside working hours.

3.3 Phase III: Monitoring and enforcement of MO policies

The monitoring and enforcement phase is a long process that should involve the middle management to a large degree. Through monitoring, the management should be able to observe the change process and to keep track of the progress made, of the way expected obstacles are being overcome and new challenges are being addressed. Here are some recommended monitoring and enforcement procedures:

Monitoring	Benefits	Challenges
Use the horizontal communication/evaluation exchanges to detect progress and difficulties in adopting MO behaviours. A monthly Report should be effected by the Heads and handed to the top management.	• Makes the dyadagram network function on yet another level. • As the network functions on the Intranet, the exchanges can be saved and stored for reference. • Enables periodic checks on employees' performance.	One more time-consuming duty is assigned to the Heads.
Monthly meetings (for the first 6 months) 1. Heads with their dept. employees 2. Heads with Top Mgmt. The purpose of these short meetings is to discuss the heads' Monthly Reports, success stories and difficulties as well as ways to overcome them. After this initial period, the meetings can be rarer.	• The meetings will communicate the Management Emphasis on pursuing MO policies. • The meetings will surface problems and may pinpoint talented individuals who can be used as role models.	Heads will be under pressure from both sides: from employees who resist change and from top Mgmt.who insist on MO behaviours.
Customer polling is a revealing, if expensive, way of monitoring the progress LCSB will make in satisfying its customers. It should be used in combination with a study of the customers' complaints.	• Brings invaluable information about how customers feel about LCSB.	Ways must be found to convince customers to answer questionnaires.

Enforcement	Benefits	Challenges
Applying recruitment, rewards and promotion criteria *consistently*. Devise *regular* recognition rituals. Provide constant *encouragement* to the employees with their new tasks.	The employees realize that the MO policies are there to stay and there is constant Mgmt. emphasis on them.	
Adopt a walk-around management style to monitor progress, to enforce practices and help the employees overcome learning anxiety.	This Mgmt. style reduces the level of formality in the organisation and enables the workforce to express more freely their queries and challenges.	This is a new Mgmt. style for LCSB and will have to be learned.

4.0 ACTION PLAN B: The employees' role in implementing MO policies

As soon as the decision-making phase is over, the employees' induction to the new MO strategies can start by a meeting with the entire top and middle management. This should be

followed by meetings in smaller groups to ensure a better understanding of the Internal Customer-Supplier concept.

Phase II of the Action Plan B starts with departmental meetings in which dyadagrams are drawn and employees learn how to use the Communication and Evaluation Template in Intranet form. The training follows, according to the management's schedule which extends over one year.

Phase III concerns the actual implementation by the employees of the newly acquired skills and it overlaps Phase II because skills can be applied as soon as they are learned. The most salient feature of Phase III is the employees' efforts to overcome their learning anxiety.

Phase I: Induction	Benefits	Challenges
1. **Organisation-wide meeting:** Presentation of LCSB's weak performance as rationale for change and the concept of MO and its positive relation with performance. 2. **Small group meetings with Heads** to present the internal Customer-Supplier concept and the usefulness of dyadagrams.	The workforce becomes aware of LCSB's problems and the MO solution to them.	This will increase the employee's survival anxiety. Employees will develop resistance to the many planned changes ahead of them.

Phase II: Training	Benefits	Challenges
1. **Department meetings** to draw dyadagrams and learn how to use the Communication-Evaluation Template. 2. **Other training seminars** –outsourced--: MIS, CRM, TQM	• The dyadagrams will help employees connect according to a new insight into work relations and lessen conflict. • Professional skills will be upgraded.	• Training creates learning anxiety • Training is time-consuming and outside working hours • Training is costly.

Phase III: Implementation	Benefits	Challenges
The employees attempt to **perform the new behaviours** and skills as best they can, making efforts to overcome their learning anxiety. The employees may **request additional meetings or explanations** from Heads and top management, seeking their support with the new tasks	• The first good effects of MO behaviours will start being noticed. • The workforce and the Mgmt. will feel united in the effort to overcome learning anxiety.	• Mistakes will be made. • There will be some confusion with the new horizontal evaluation system • Policies and practices might be corrected and improved.

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Further to enhancing MO behaviours within LCSB the researcher quotes here below the necessary steps for implementing the new strategy, the resources available, who will be responsible for executing the various responsibilities as regard to new cultural behaviours and change, the time frame needed for adopting the new MO strategy and what the expected outcomes are.

The Mmanagement's roles

Action steps	Time frame	Responsible Person	Resources	Outcomes
Phase 1:Induction 1. **Presentations** of the main concepts of MO and of the Recommendations to the Committee. the Management and the Trade Union	February-March 2009	The Researcher	-Power Point equipment -Copies of the Action Plans -Meetings during office hours	-Committee's approval of the Recommendations -Support from the Trade Union
Phase 2:Decision-making 1. **Establishing LCSB's Mission and Vision** 2. **Changes in structure** -Discuss decentralisation issues and targets -Redefine job descriptions -Adopt a horizontal communication network -Redefine departmental responsibilities 3. **Changes in systems** -Discuss the internal communication system -Establish a Performance Management System and Evaluation benchmarks -Develop a Communication Protocol Template together with IT Dept. -Establish behaviour-based Rewards, Promotion and recognition practices -Decide on a participatory management style -Adopt new recruitment policies -Establish training needs and decide on training outsourcing -Deciding on monitoring techniques -Budgeting the cultural	April to December 2009	The General Manager, part of the top management. branch managers and Heads of the departments	-Free Venue (LCSB's Education Center) -14-20 meeting hours after working time unremunerated) -CYP2100-3000 lunch expenses -Power Point equipment -Posters featuring LCSB's Mission, Vision, Internal Market Dyadagram -photocopies. stationery -CYP300 for posters, stationery, photocopies -CYP1000 bonuses for IT Dept. for adapting software to the new communication and Evaluation System	-Operational Documents concerning changes in Structure and Systems submitted for approval to the Committee and the Commissioner -Communication and Evaluation Protocol Template -Training schedule and contracts -Monthly Horizontal Evaluation -Summary by Senior Operations Manager of the functioning of the Internal Market Network -Yearly Vertical Evaluation Summary by HR Dept. and Heads of Depts., to be submitted to top Management

change expenditure as a % of the profits (3%)				

Action steps	Time frame	Responsible person	Resources	Outcomes
Phase 3: Monitoring and Enforcement -Monthly meetings of Senior Operations Manager with the middle management to provide feedback and enforce the changes -Monthly interdepartmental meetings where Heads provide to the workforce and enforce changes -Developing artifacts, promoting success stories -Branding Introducing job rotation at some stage of the implementation phase -Applying recruitment and reward criteria consistently -Regular recognition rituals to incentivise the desired behaviours -Walk-around management style to monitor progress, to enforce practices and to help the employees overcome learning anxiety -Customer polling	January 2010-2015	The General Manager, part of the top management, branch managers and Heads of Depts.	-All monthly meetings after working hours (unremunerated) -Costs of rewards: 10% of total cultural change expenditure -Branding initiatives pre-date this project and costs are deducted from special fund (reserves) -Outsourcing costing around CYP1000 from total budget	-Schedule of rotation

Table 1. Action Plan A. The Management's role

The Employees' roles

Action steps	Time frame	Responsible person	Resources	Outcomes
Phase 1: Induction **a. Organisation-wide meeting**: Presentation of LCSB's weak performance as rationale for change; the need for an MO culture; MO concepts are introduced;	January-February 2010	The Researcher	-Power point equipment -Free Venue (LCSB's Cultural Centre) -Unremunerated meeting outside working hours	-Survival anxiety
Presentation of LCSB's Mission and Vision as mirrors of enhanced MO **b. Small group meetings** with employees to explain the need for an Internal Customer/Supplier Network; how to Disseminate market Intelligence and how the Performance Management System evaluates behaviour, not performance; how the Internal Customer/Supplier chain aims to satisfy the external customer	January-February 2010	The Researcher	-Power point equipment -Stationery -Free Venue (LCSB's Cultural Centre) -Meeting during working hours	-New understanding of work relationships
Phase 2: Training **1. Departmental meetings** with the Heads of the Depts. to draw Dyadagrams of the department's Customer/Supplier relations within the organization; conduct simulation of an info-exchange to demonstrate how the system provides interdepartmental feedback and evaluation	March – December 2010	Heads of Dept.	-Stationery, PCs	-Dyadagrams for each Dept. -Ability to exchange information and to perform peer evaluation
2. Computer skills		IT. Dept.	PCs	-Ability to use DELTA system. Word, Excel and Power point
3. CRM		External trainer	Power point, stationery, photocopies	-Ability to gather market information and to

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			CYP40,000 training fees	profile customers
4. TQM		External trainer	Power point, Stationery, Photocopies CYP40,000 training fees	-Enhanced ability to satisfy customer needs
Phase 3: Implementation of the new MO behaviours: the apprenticeship stage 1. Attempt to perform the new behaviours as best possible 2. Make efforts to overcome 3. employees leaning anxiety 4. Request additional explanations and seek the Heads' and top management's support in performing the new behaviours	April 2010/ April 2011	All the employees	See costs of enforcement	-Resistance and confusion -Better performance from some employees than others -Some success stories -Many mistakes -Ultimately the new behaviours become internalised

Table. 32 Action Plan B: The Employees' role

5.0 Conclusions

The implications of this research project for LCSB's management are manifold. The most important one is that the management is expected to embark on an effort of systematic transformations towards more MO, realising that the status quo is not an option if LCSB is to survive in the present context of intense competition. Second, it is quite clear that the management should assume a leadership role in initiating the transformation process, which should become the organisation's main competitive strategy. The recommendations featuring in this Report represent an outline of the main directions to which the changes should be targeted, but LCSB's management is expected to adopt a creative attitude to it by suggesting improvements to the practical aspects of implementing each step. Moreover, the management ought to be able to improvise should new circumstances in the present turbulence of the financial markets require it, or should unforeseen events pose a threat to the timeframe or expenses of the present plan. Finally, the cultural overhaul required by MO is likely to make the top management realize that it needs to involve the middle management in all the phases of the transformation plans, from decision making to implementation, reinforcement and monitoring.

Despite the many obstacles the management may encounter in making the organisation more market oriented, the efforts will be worthwhile because gearing LCSB's strategies to meeting the challenges of the market can only improve customer satisfaction, increase the organisation's performance and thus benefit all the organisation's stakeholders.

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