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How can action research be used to change an organization towards a market orientation?

Diane Kalendra[1]

Abstract

Organizations need to be market-oriented to survive and perform well in today's turbulent markets. Previous research has explored the concept of a market orientation and its links to performance and measurability. However, many practitioners still encounter difficulties interpreting it and implementing it in their organizations. This article aims to explore the use of an action research methodology to change an organization towards a market orientation. Data was collected using an innovative two-stage action research project involving 34 senior managers over four years in the regional operating division of a national government business enterprise (GBE), significant to the economy. Findings reveal that the use of action research is an appropriate methodology because it can be used to identify and increase dissatisfaction with the status quo, and helps to establish a market orientation because the methodology is consistent with the conditions necessary to support a market orientation; however, its use needs to be sustained over the long-term to overcome resistance. An in-depth view of using action research is provided with important implications for practitioners using it to implement a market orientation in other GBEs as well as private business enterprises.

Keywords: market orientation; organizational culture; action research

[1] Research Fellow at Gibaran Graduate School of Business

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Introduction

Organizations need to be market-oriented to survive and perform well in turbulent markets (Kasper 2002). Most studies on market orientation support the view that market-oriented organizations perform better financially, and achieve better customer and employee outcomes (Jaworski & Kohli 1993, 1996; Kirca et al 2005; Pelham & Wilson 1996; Slater & Narver 1994, 2000). This finding is supported across large and small firms, manufacturers and service providers, industrial and consumer goods companies, for profit and not-for-profit organizations, and in industrialized and transition economies (Gonzalez-Benito & Gonzalez-Benito 2005; Kirca et al. 2005; Rodriguez Cano et al. 2004)

However, the market orientation literature points out some under-explored areas. While previous research explored the nature of market orientation and its links to performance and measurability (Deshpande & Farley 1998; Jaworski & Kohli 1993; Kohli & Jaworski 1990; Narver & Slater 1990) relatively little research exists into *implementing* a market orientation, particularly about how to improve the market orientation of an organization (Van Raaij & Stoelhorst 2008), and especially about how to use action research to change towards a market orientation in a GBE in Australia. Indeed, many practitioners still encounter difficulties in interpreting the market orientation concept and implementing it in their organizations (Mason & Harris 2005).

This research explores how action research can be used to develop and implement a market orientation by addressing three issues in the context of a GBE in Australia: (1) What was the market orientation of the GBE at the beginning of the action research project? (2) How did the market orientation change during the action research cycles? (3) How can action research be effective in developing a market orientation?

The action research methodology used in this research is an innovative approach to research in this area and so this article makes several contributions to the literature. First, this research confirms the use of action research cycles as an appropriate process to change

market orientation because it can be used to identify and increase dissatisfaction. Second, the research identifies that the action research process is conducive to change market orientation because the methodology is consistent with the conditions necessary to support a market orientation. Finally, the research shows that top management commitment to using action research to change market orientation needs to be sustained over the long term to overcome resistance.

While the scope of this research is delimited to a GBE in Australia, the research setting is significant to the economy and microeconomic reform. GBEs serve key sectors of the economy; including electricity, water, urban transport, railways, ports, and forestry. They control significant assets, generate revenue, and make dividend, tax and tax-equivalent payments to owner governments (Productivity Commission 2006). Although governments have embraced corporatization of GBEs to transform mostly state-owned monopolies into more commercial organizations while retaining them in public ownership, this move has not improved their performance. Nearly half of 85 national GBEs earned less than the long-term bond rate in 2004/05 and 52% failed to earn a commercial rate of return, suggesting other impediments to improved performance remain. The findings could have implications for other GBEs as well as private business enterprises considering developing and implementing a market orientation to improve performance in a commercial environment.

The following section briefly reviews the extant literature. The third section outlines the action research methodology which was both the actual tool used to develop a market orientation and the researcher's technique for collecting data. The fourth section discusses the results of data analysis. The article concludes with the significance of the findings, managerial implications, and future research directions.

Literature review

Market orientation

Market orientation has its roots in the development of the marketing concept almost half a century ago (Gray & Hooley 2002). Interest in marketing orientation increased when Kohli and Jaworski (1990) and Narver and Slater (1990) produced two complementary models

testing the link between marketing orientation and performance. Since then researchers have explored the nature of market orientation, its links to performance, and whether these links are mediated or moderated by firm or market variables.

Still, there is no consensus on a *definition* of market orientation with researchers divided over whether market orientation is a corporate culture that effectively creates all the necessary conditions for generating superior value to customers (Deshpande et al. 1993; Narver & Slater 1990), or a guiding philosophy traceable to an organization's behavior with respect to the gathering and dissemination of customer information (Kohli & Jaworski 1990; Rueket 1992; Shapiro 1988). More recently, it has been suggested a true market orientation is a synthesis of attitudes and practices that are related and inseparable (Avlonitis & Gounaris 1999; Homburg & Pflesser 2000). Gray and Hooley's (2002, p. 981) definition incorporates both views in an appropriate way for this real-world investigation: 'Market orientation is the implementation of a corporate culture or philosophy which encourages behaviors aimed at gathering, disseminating, and responding to information on customers, competitors, and the wider environment.'

The generally agreed-upon conditions necessary to support a market orientation are: top management support for an external focus on customers and competitors; congruent measurement and individualistic reward systems; informal and decentralized organizational structures and interdepartmental connectedness (Jaworski & Kohli 1993; Kirca et al. 2005). Playing additional roles are risk-taking (Baker & Sinkula 1999; Jaworski & Kohli 1993; Kohli & Jaworski 1990; Matear et al. 2002), and continuous learning (Hurley & Hult 1998; Slater & Narver 1995).

Organizations adopt this market orientation to improve outcomes such as business performance like better sales, market share and profitability (Jaworski & Kohli 1993; Kirca et al. 2005; Pelham & Wilson 1996; Slater & Narver 1994); better customer outcomes like perceived quality, customer satisfaction and customer loyalty (Becker & Homburg 1999;

Homburg & Pflesser 2000; Jaworski & Kohli 1996; Kirca et al. 2005; Slater & Narver 2000; Woodruff 1997); and better employee outcomes like job satisfaction, trust in leadership, organizational commitment and esprit de corps (Jaworski & Kohli 1993; Kirca et al. 2005; Kohli & Jaworski 1990; Ruekert 1992; Siguaw et al. 1994).

The links between market orientation and these outcomes are not well understood (Wrenn 1997; Kirca et al. 2005), but evidence suggests the links are potentially moderated by environmental factors such as market turbulence, technological turbulence, competitive intensity, market growth, and buyer power (Appiah-Adu 1998; Greenley 1995; Harris 2001; Houston 1986; Jaworski & Kohli 1993; Slater & Narver 1994b). Furthermore, they are potentially mediated by innovation (Atuahene-Gima 1996; Cooper 1979; Han et al. 1998; Kirca et al. 2005; Langerak et al. 2004; Vazquez et al. 2001), as well as by customer relationship management and supply chain management (Day 1994; Martin & Grbac 2003; Srivastava et al. 1999).

However, relatively little research exists into *implementing* a market orientation. Different implementation approaches make recommendations for diagnosing, intervening and evaluating a market orientation based on viewing market orientation as activities (Jaworski & Kohli 1993; Kohli & Jaworski 1990; Kohli et al. 1993; Ruekert 1992), behavioural norms (Lichtenthal & Wilson 1992), capability (Day 1999), culture (Gebhardt et al. 2006; Harris 2002a, 2002b; Harris & Ogbonna2001, Harris & Piercy 1999 Kennedy et al. 2003; Narver et al. 1998), and organizational systems (Homburg et al. 2000). But they offer very different perspectives on what should be changed and how to structure the change process towards improved market orientation (Kaaij & Stoelhorst 2008). Furthermore, while studies have sought to substantiate different implementation approaches (Ballantyne 1997; Borjesson & Dahlsten 2004; Day 1999; Gebhardt et al. 2006; Hennestad 1999; Harris 2002b; Harris & Ogbanna 2000, 2001; Harris & Piercy 1999; Homburg & Pflesser 2000; Kennedy et al. 2003; Strong & Harris 2004), none have sought to identify a suitable strategic change management process for application in a GBE in Australia.

Strategic change management

Developing and implementing a market orientation is a strategic management issue, involving an organizational change that is a complex of emotional and rational factors. Transformational leadership offers an 'emotional' approach can be looked at from three perspectives: leader, follower and situation (Avolio & Bass 2000; Conger & Kanungo 1998; House 1997). The approach puts emphasis on leadership skills, relationships and the presence of a crisis to drive organizational change by developing and articulating a vision of the future, heightening emotions, and empowering others to act on the vision. In turn, Beer (1998, 1999) offers a 'rational' approach to leading organizational change that addresses many of the issues raised by other authors (Bennis & Nanus 1985; Bridges 1991; Burns 1978; Collins & Porras 1997; Fryer 2001; Kanter 1983; Kotter 1998; O-Toole 1995; Tichy & Devanna 1986). His approach is summarised in the formula: Change = Dissatisfaction x Model for change x Process > Resistance. The amount of change can be increased by increasing the level of dissatisfaction, increasing the clarity of vision, developing a well thought out change plan, or decreasing the amount of resistance in followers. The formula is multiplicative, for example, increasing dissatisfaction but having no plan will result in little change; likewise, if followers are content with the status quo, then it may be very difficult to get change, no matter how compelling the vision or change plan may be. Clearly, strategic change management is complex.

From the above discussion, the question arises: how can market orientation be implemented as a complex strategic change management operation? This research investigated whether the action research approach provided an answer.

Methodology

The action research approach was selected for this research because an ability to generate, disseminate and respond to market intelligence requires an environment that is conducive to learning and improvement - a market orientation is a learning organization (Grinstein 2008;

Hurley & Hult 1998; Slater & Narver 1995). Action research is a learning organization method in which members of an organization work collaboratively with a facilitator (the researcher in this project) to address problems of concern to the group (Abraham 1997). Cycles of planning, action, observation and reflection are repeated to form a spiral with two aims: bringing about changes in some community or organization, program or intervention (Carson et al. 2001; McKay & Marshall 2001); and increasing knowledge and understanding on the part of the researcher or the client or both, or some wider community (Dick 2000).

The origins of action research can be traced to American social psychologist Kurt Lewin (Lewin 1946). Many other writers have attempted to define and characterize action research (Cunningham 1976, 1993; Hult & Lennung 1980; McKernan 1991; Rapoport 1970; Susman & Everard 1978). A comprehensive definition, provided by Zuber-Skerrit (2000), emphasizes three key aspects: a group of people working together; involved in the cycle of planning, acting, observing and reflecting on their work more deliberately and systematically than usual; and, a public report of that experience. Twelve characteristics were identified by Abraham (1997) based on a survey by Peters and Robinson (1984): problem focus, action orientation, cyclical process, collaborative, ethical, experimental, scientific, re-educative, emancipatory, naturalistic, normative, and group dynamics. In brief, action research is comprehensive.

This research probed to see if action research was a suitable strategic change management methodology in a GBE in Australia. Little empirical support exists for using action research as a change management tool. While action research has been used as a methodology to make changes in a wide range of industrial and community development settings (Sankara et al. 2002), its use to change market orientation has been limited to two studies (Ballantyne 2004; Karvinen 2002), and, it has not been used to change market orientation in a GBE in Australia.

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The action research methodology uses cycles of plan/act/observe/reflect to improve processes of a work team, and to build theories about those processes (Perry & Rao 2007). It was appropriate for this research project for four reasons. (1) This methodology provided inductive theory building. (2) The research investigated the complex social science phenomena in which people work together; where the context and phenomena are not clearly distinct, the selected methodology provided the flexibility to deal with this complexity. (3) The methodology dealt with an exploratory situation because the phenomenon was contemporary and dynamic. (4) The methodology provided an in-depth approach to critical phenomena because the researcher was a manager in the GBE.

Three research questions were identified. An assessment of the organization's market orientation and dissatisfaction with the status quo was an obvious first research question for this research project:

RQ 1 What was the market orientation of the GBE at the beginning of the action research project?

This research involves the implementation of a series of action research cycles designed to affect a change of market orientation in a GBE in Australia with the intention that, eventually, changes will be absorbed into the organization's culture and the organization will benefit as a result, so the second research question explores this methodology as a model and process for change:

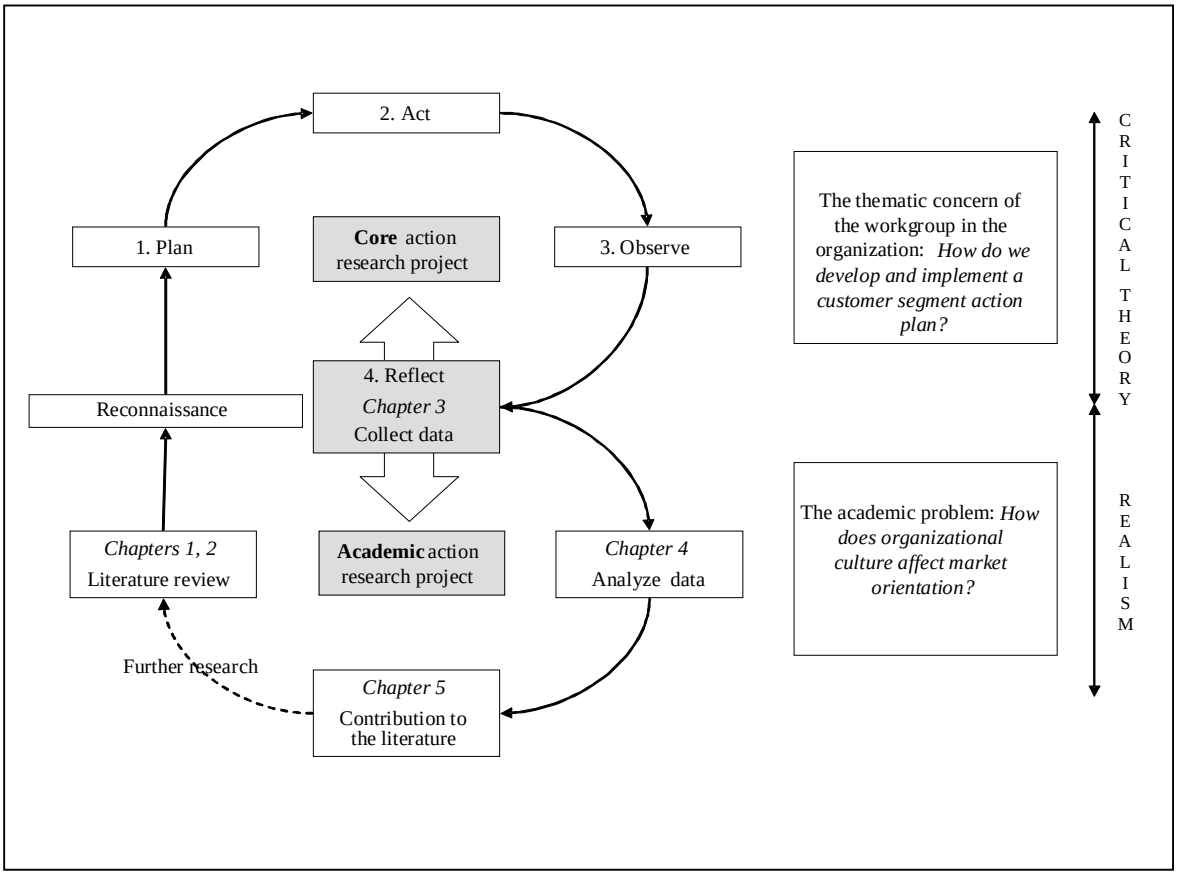
RQ 2 How did the market orientation change during the action research cycles?

The first two research questions had to be specific to the research project. But the third research question is more general and refers to action research as a technique to change market orientation in research projects, so the third research question is about improving the linkages between action research and change management of market orientation in other situations:

RQ 3 How can action research be effective in developing a market orientation?

The research was done over four years in two action research projects: the *core* action research project (Perry & Zuber-Skerritt 1992) developed and implemented a customer segment action plan for the GBE's regional operating division (see Figure 1); and the *academic* action research project produced this later academic report. This two-project process ensured that analytic generalization (Yin 1994) from the findings of the core project to a body of knowledge was included in this research, unlike some other action research projects (Perry & Rao 2007).

Figure 1 **Two projects in action research**

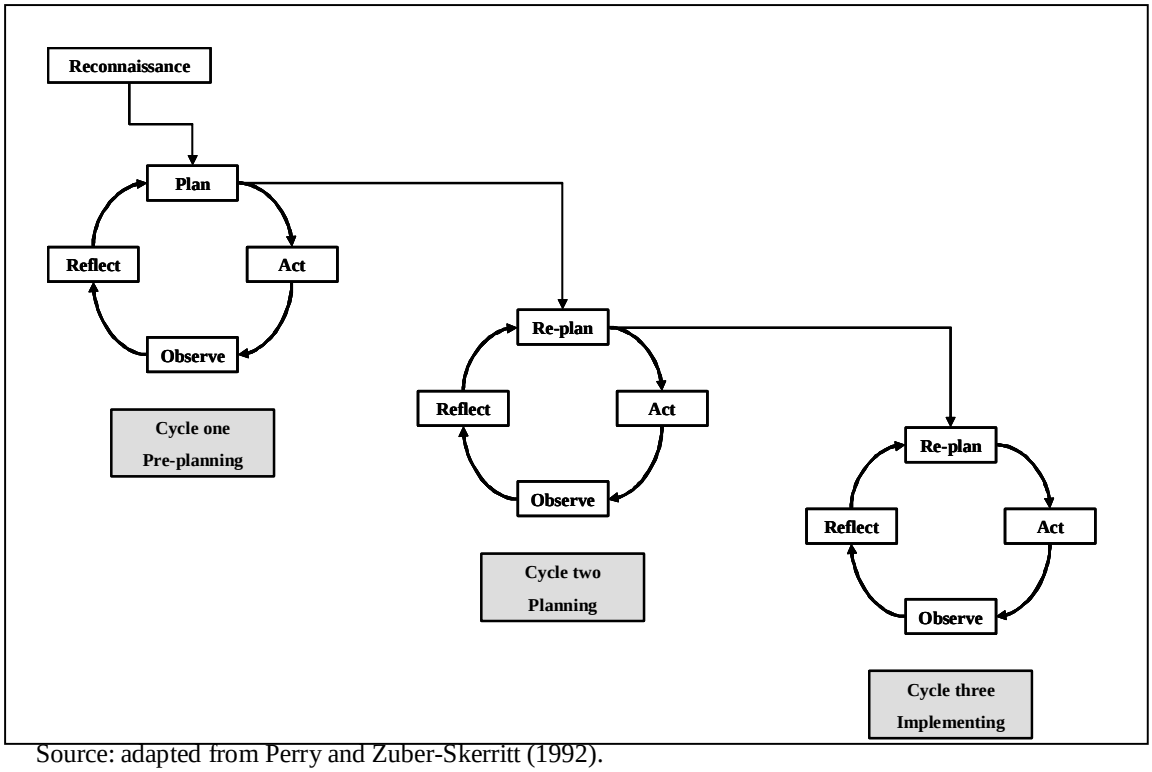


Source: adapted from Perry and Sankara 2002.

The core action research project involved collaborative action research in the field aimed at practical improvement (Perry & Zuber-Skerritt 1992, p. 201; Zuber-Skerritt & Perry 2002). It addressed the organization's thematic concern (Kemmis & McTaggart 1988): How do we

develop and implement a customer segment action plan? The customer segment action plan was the market orientation plan and the means to achieving a market orientation. Data collection incorporated three action research spirals (see Figure 2), following Lewin's (1946) learning model. The preplanning cycle involved the sponsor, the researcher, and eight steering committee members. The planning cycle involved 25 participants including the sponsor, the researcher, the steering committee and three customer segment action teams representing: large businesses and industry partners on long-term contracts that were account managed by sales teams depending on the size of the account; small to medium enterprises (SMEs) account managed either by sales teams or retail outlets depending on the size of the account; and, very small businesses and consumers transacting in retail outlets. The implementation cycle involved 34 participants including the sponsor, the researcher, the steering committee and seven key project action teams. In turn, the academic action research project involved peers and academics in a workgroup akin to an action learning 'set of associates' (Perry & Zuber-Skerritt 1992, p. 202), and included workshops, discussions, and a questionnaire culminating in this article and a thesis.

Figure 2 **Three core action research project cycles**



Source: adapted from Perry and Zuber-Skerritt (1992).

The main data collection activities and dates within both the core and academic action research projects were divided into five stages:

1. The reconnaissance phase of the core and academic action research projects was based on the experience and past interests of the researcher, a literature review, supervisor input, peer discussions and academic workshops. It lasted three months.
2. The first cycle of the core action research project included reviewing customer segment briefing materials, meeting with the sponsor and key stakeholders, recording meeting minutes, and maintaining an action research journal. Stage two also included a questionnaire to all core action research project participants, reviewing business performance reports and results of customer segment satisfaction surveys, and a staff attitude survey as part of the academic action research project. It lasted three months.
3. The second cycle of the core action research project included data from a two-day, off-site, customer segment planning workshop; minutes from steering committee meetings; a half-day review workshop; and an action research journal. It lasted six months.
4. The third cycle of the core action research project included meetings with project teams, project team presentations to the steering committee, and an action research journal. It lasted 12 months.
5. The final stage included triangulating post-core action research project semi-structured interviews with customer segment and project action team leaders, peer discussion, a second questionnaire to participants in core action research cycles one to three, a review of business performance reports, and the results of customer segment satisfaction surveys and staff attitude surveys as part of the academic research project. It lasted two years.

The author used a three-step general analytic strategy to analyze the data: data reduction, data display, and conclusion drawing/verification. Data reduction selects, focuses, and simplifies data to a structured amount as a conceptual framework emerges and data display

organizes, assembles, and compresses information (Miles & Huberman 1994). Pre- and post-study participant questionnaires confirm or deny the data and create a foundation from which to draw and verify conclusions (Patton 1990).

Different criteria for the critical theory and realism paradigms underlie the two-project approach to ensure validity and reliability, because the quality of scientific research must be judged in terms specific to the paradigm under which the researcher is working (Healy & Perry 2000). Four criteria assessed the core action research project's quality in the critical theory paradigm: truth/credibility, applicability/transferability, consistency/dependability, and neutrality/confirmability (Lincoln & Guba 1985). Six criteria assessed the academic action research project's quality in the realism paradigm: ontological appropriateness, contingent validity, multiple perceptions about a single reality, methodological trustworthiness, analytic generalization, and construct validity (Healy & Perry 2000).

Finally, the research was conducted within ethical guidelines to protect participants and the organization from harm or adverse consequences (Emory & Cooper 1991; Miles & Huberman 1994; Patton 1990). All participants gave informed consent, and privacy was protected through confidential data collection and presentation (Miles & Huberman 1994).

Data-analysis

RQ 1: What was the market orientation of the GBE at the beginning of the action research project?

The market orientation was weak, and dissonance existed with the status quo

To show these findings, the organization's setting was examined in terms of its market orientation and corroborated by responses to the first participant survey (in stage 2). Five organizational culture and behavior themes about its market orientation were identified. First, consider ***organizational orientation***, the degree to which an organization is preoccupied with internal maintenance activities of smoothing and integration or with external positioning issues such as competition and differentiation (Deshpande et al. 1993). A market orientation requires top management support for an external focus on customers and competitors, associated with an external positioning orientation. However, the

organization tended towards *an internal maintenance orientation*. While a commitment to the customer was articulated by top management, it did not demonstrate by its actions that understanding and responding to external market intelligence was important. For example, while executives could build good customer relationships and listened to customer requirements, they did not use feedback from customers to design products and services, and did not create product offers that met the needs of customers. In addition, while the organization had distinctive competencies over competitors, and key executives and managers knew who competitors were, they did not have sufficient contact with customers, and through them information about competitors, and they did not discuss competitors' strategies frequently. Furthermore, what competitor information was gathered by sales was not shared. Thus, while customer and competitor information was gathered, it was not disseminated and therefore responsiveness was limited.

In contrast, the organization did demonstrate by its actions that it was fully committed to quality service. Managers believed it was customers that defined quality service and everybody was responsible for quality. The organization disseminated and responded to quality service issues. Quality issues were discussed as a natural part of work, and if there were problems or issues with customers, products or processes the organization took cross-functional action to solve them. As a result, customer satisfaction surveysindicated high scores for measures of quality service, but low scores for measures of understanding and responding to customer needs.

Second, ***individualism*** is the degree to which people prefer to act in groups as opposed to acting as individuals (Hofstede et al. 2010). Measurement and reward systems are instrumental in shaping the actions of employees (Jaworski 1988). A market orientation requires measurement and reward systems that are congruent with initiative required for gathering, disseminating and responding to market intelligence, more likely associated with high individualism. However, the organization tended towards *low individualism*. Employees were paid a salary based on a collective duty to perform their job. Individual performance based reward systems existed only for key executives and senior managers, and only 10 percent of their gross salary was available as a bonus. Furthermore, key

performance indicators (KPIs) were primarily based on achieving revenue and short-term profitability targets rather long-term customer satisfaction; driving behavior - in the absence of an external orientation - of a focus on delivering quality service and generating cost savings and, rather than generating, disseminating and responding to market intelligence.

Next, **power distance** is the degree to which individuals accept (or have to accept) an unequal distribution of power (Hofstede et al. 2010). Market orientation is affected by the three structural variables of *formalization, centralization and departmentalism*, associated with large power distances. These three variables appear to inhibit the generation and dissemination of market intelligence, but help an organization respond effectively to market intelligence (Kohli & Jaworski 1990). Indeed, the organization tended towards *large power distances*. It had a formal structure that was hierarchical, there were powerful status symbols, and decisions were centralized to powerful individuals with large numbers of staff rather than to functional experts or those closest to the customer.

In turn, ***internal processes*** are the extent to which an organization uses processes that are organic, flexible and spontaneous, or mechanistic, controlled, ordered and stable (Deshpande et al. 1993). Market orientation requires interdepartmental connectivity, most likely associated with mechanistic internal processes that provide a formal and common understanding of priorities. The organization tended to use *mechanistic internal processes* including formal planning, goal setting and review activities. However, while there was good connectivity with functional groups co-operating with each other in order to reach shared goals, and cross-functional action taken to solve problems or issues, the mechanistic internal processes were internally oriented towards improving quality service and generating cost savings rather than externally oriented towards understanding and responding to customer needs, and so the benefits of mechanistic internal processes for market intelligence dissemination and responsiveness were mitigated.

Finally, ***uncertainty avoidance*** is the degree to which top managers are made nervous or threatened by situations that they consider to be unstructured, unclear, uncertain or

unpredictable (Hofstede et al. 2010). A market orientation requires risk-taking, associated with innovation and weak uncertainty avoidance. Responding to changing market needs often calls for the introduction of new products and services that run a high risk of failure. If senior management demonstrates willingness to take risks and accept occasional failures, junior managers are more likely to propose and introduce new offerings in response to changing customer needs (Kohli & Jaworski 1990). However, the organization tended towards *strong uncertainty avoidance,* unwilling to make individual or risky financial decisions necessary for responding to market intelligence. Innovation tended to be internally focused on quality service improvement and cost saving initiatives. Furthermore, the organization preferred to minimize the risk of innovation by adopting initiatives that had already proven themselves elsewhere within the organization. It did not seek to get new ideas from outside the organization.

While the market orientation was assessed as weak, the organization was very successful. It survived and thrived by focusing on delivering quality service and generating cost savings in a relatively stable environment with the majority of its revenue derived from a monopoly on its core products and services. However, the organisation was aware new technology was eroding this source of revenue, and dissonance was expressed with the status quo. The sponsor recognized there was a need to *'understand our customers better'* in order to *'reinvent our relevance to them'* and generate new sources of revenue in an unstable and more competitive environment.

Thus, the action research project team asked: how do we develop and implement a customer segment action plan? This question concluded the preplanning cycle, and stages 1 and 2 of the data collection activities.

RQ 2: How did the market orientation change during the action research project?

Market orientation strengthened, but remained weak

To show these findings, the five themes about the organization's market orientation were re-examined and corroborated with the second participant survey (in stage 3). First, while evidence suggested a move towards an external positioning during the core action research

project cycles, the organization's tendency towards an *internal maintenance orientation* did not change over the study. Indeed, the problem focus of the cycles required a shift in orientation from internal to external as participants worked in cross-functional teams to identify and address issues in the three customer segments in the first year of the study. This new externally oriented problem focus resulted in identifying 54 revenue generation initiatives, 35 quality service improvement initiatives, and 25 cost saving initiatives.

However, increased pressure to deliver on short-term profitability targets became evident as second and third year plans were developed with an increasing trend towards identifying and implementing initiatives that were intended to improve quality service and generate cost savings. In particular there was a focus on achieving 'best practice' labour ratios. This strengthened internal focus on saving costs through reducing staff numbers limited market intelligence generation, dissemination and response activities because managers found it increasingly difficult to both engage in market orientation activities and meet operational requirements leading one participant to comment:

> There needs to be more focus on best outcomes for the organization and its customers, rather than meeting divisional kpi's (such as labor ratios). In this regard things have deteriorated in recent years.

Second, while evidence suggested a move towards high individualism during the core action research project cycles, the organization's tendency towards *low individualism* remained over the study. Indeed, the re-educative change in the knowledge base of the researcher and participants and the emancipatory improvement in knowledge required higher levels of individualism during the cycles. One participant was particularly enthusiastic about a greater understanding of the business in general and the financial aspects specifically of the customer segment he was assigned to:

> During our research and practice …. I learnt a great deal about the other parts of the business. One of the benefits also was I gained a greater understanding of my own (customer segment's) financial aspects.

The same participant claimed he gained *'a greater understanding of the business as a whole and how it works together'*. For example, he could:

> …see a benefit for small presentations to be made to my managers on what actual sales representatives and other people do in the Sales/Marketing (for example) to have a sales representative advise the staff in the field of the process of bidding and winning a contract.

However, higher levels of individualism did not extend to measurement and reward systems. While discussions occurred about extending individual performance based rewards systems to middle managers, they were never implemented because of '*a lack of adequate and equitable measurement systems'*. Furthermore, while customer satisfaction scores were included as KPIs for managers as measures of the success of the core action research project, the scores eroded over time, particularly with respect to measures of understanding and responding to customers, as pressure to deliver on short-term profitability targets increased and a focus on generating cost savings intensified. Eventually customer satisfaction was no longer measured.

Next, while evidence suggested power distances reduced during the core action research project cycles, the organization's *large power distances* did not change over the study. Indeed, the collaborative nature of the action research teams and researcher working together to address the thematic concern of the organization required a reduction in power distances for the participants with different levels of seniority and from different functions to operate as an effective team during the cycles.

One of the reasons the sponsor supported the action research methodology was that its design maintained functional responsibilities for day-to-day operations at the same time as overlaying cross-functional action teams. One of the benefits he observed of these cross-functional action teams would be to reduce existing cross-functional barriers and anticipated future cross-functional issues as a result of a move to split the Commercial and Operational Divisions and centralize these two functions. The other major benefit would be to provide leadership learning and development opportunities. In particular, the sponsor was keen for teams to have a blend of youth and experience. Teams would be composed of

people selected from across functions and across management levels. Furthermore, when introducing the action research approach to the participants at pre-planning meetings with the Steering Committee, the sponsor emphasised the egalitarian nature of the team structure to participants. Participants responded positively to this new egalitarian approach. For example, the Steering Committee responded by rejecting the proposed selection of team leaders from senior management and instead selected team leaders from lower levels to ensure leadership development.

However, as pressure to deliver on short-term profitability targets increased and a focus on generating cost savings intensified, decision making was centralized. An egalitarian approach was no longer accepted, and participants increasingly complained of not being trusted. *'We can't make a move without direction'* was the view of one participant. The centralization of decision making frustrated participants, and undermined their confidence in responding to market intelligence locally. As one participant observed:

> Managers should be able to make decisions where their job requires them to without having to continually seek approval from a more senior manager as it really undermines the purpose of having a manager filling a specific role.

Furthermore, the centralization of decision making undermined market intelligence gathering and dissemination, as communication cross divisions became directive rather than participative. As another participant observed:

> There should be more equity in State management, with (for example) Commercial considering Operations senior management as partners. There has been a decline in this area since divisionalization commenced.

In turn, evidence suggested the organization's preference for *mechanistic internal processes* that ensured connectivity remained constant over the study. Indeed, the cyclical, spiraling process of the action research methodology including the process of recording of evidence of action taken and using scientific techniques to analyze the data gathered aligned well with the organization's preference for mechanistic internal processes. This alignment was evidenced in the successful completion of a formal report in the form of a

Customer Segment Action Plan. Furthermore, participants indicated the process had improved connectivity. As one participant observed:

> Because the process required team members to work together and also be interdependent on other teams it helped build bridges between different departments and build a better team for [us].

However, as pressure to deliver on short-term profitability increased, the focus of the organization's mechanistic internal processes was increasingly internally oriented towards generating cost savings and so the benefits for marketing intelligence dissemination and responsiveness were mitigated. Furthermore, while formal planning, goal setting and review activities continued throughout the study, less time was afforded to the action research processes and the practice of backfilling positions to free individuals for this project and other learning and development activities became increasingly difficult as they were considered time consuming and *'not essential'*.

Finally, while evidence suggested uncertainty avoidance weakened during the core action research project cycles, the organization's tendency towards *strong uncertainty avoidance* did not change over the study. Indeed, the experimental characteristic of engaging in an exploratory action research study required a tolerance for risk during the cycles because the processes were different. Furthermore, they resulted in identifying and implementing a number of innovative initiatives requiring risk taking. However, uncertainty avoidance remained strong and there was some evidence it increased. As pressure to deliver on short-term profitability targets intensified, an increased unwillingness to make individual and financially risky decisions and accept occasional failures discouraged market intelligence generation, dissemination and response, and impacted innovation because managers were aware initiatives would not be approved unless they could provide certainty of a short-term return on investment. Indeed, while the organization was once considered the '*State of Innovation'*, participants began lamenting where innovation had gone.

Negative impact on business performance, customer and employee outcomes

An analysis of the business performance data indicated while profitability increased over the study, a comparison to other States' performances indicated it had not increased at the same rate as other States. This was because while cost savings were more than any other State, revenue generation was less. The net effect was that profitability relative to other States was down. In addition, customer satisfaction scores decreased, staff attitude surveys indicated employee morale declined, and absenteeism increased.

Thus, increasing dissatisfaction with the status quo was noted during the study. Participants were concerned about the organization's ability to generate new sources of revenue, and frustrated that their efforts to understand and respond to customers were undermined by the focus on cost saving. As one participant commented:

> I used to think like the little train that could…I think I can, I think I can, I think I can. Now,… I know I can't, I know I can't, I know I can't.

Participants were also increasingly concerned about employee morale and absenteeism. As one participant noted, *'cutting staff…it's got to have an impact on staff morale…and, ultimately absenteeism'*. Furthermore, as another participant noted, *'We need to focus more on core business and service quality. It seems this is a secondary issue to growing profitability'*.

RQ 3: How can action research be effective in developing a market orientation?

Top management must commit to the action research methodology

While he had originally supported the action research project to differentiate himself from predecessors, the sponsor also supported the action research methodology because he believed it would deliver the outcome of a Customer Segment Action Plan, as required by headquarters, and also benefit the organization by improving organization wide understanding of customers, improving cross-functional cooperation, and providing learning and development opportunities; so, considerable time was invested early in the core action research project cycles to carefully selecting team members to achieve these outcomes. However, the sponsor also demonstrated some doubts about the action research

methodology early in the cycles, expressing concern it was *'too academic'* and he perceived the researcher was *'an academic'*. However, at this time, he liked this perception because the project challenged him, and he was sure the *'practicality'* of his views challenged the researcher. While allowing the researcher to guide the design, the sponsor sought reassurances *'there would be no academia introduced into this'*. This concern was confirmed by one of the participants. In his view, the sponsor:

> …would be frustrated by a theoretical presentation if it were included in the Commercial Planning Workshop. He would be agitated that the planning process would be compromised, and itching to get on with it.

Furthermore, a proposal to invite an academic facilitator into the process, to work with the researcher, was rejected. This focus on the group's *own* processes was supported by the researcher's supervisor, and also by two participants experienced in action research. However, the sponsor and participants were left with no understanding of *why* the processes worked and this had long-term implications. For example, at a pre-planning meeting for the second year plan, a Steering Committee member suggested there was no reason not to mix up the team members. In his view, *'just because they worked on one team last year, doesn't mean they have to be on the same team this year'*. While this view was not supported by the sponsor, it was evident by the sponsor's lack of reference to the wider benefits of carefully selecting team members, that his focus was now on delivering 'a plan' to satisfy requirements of headquarters and not on the deeper benefits of action research processes.

Top management must commit to the problem focus

The sponsor also demonstrated a lack of commitment to the broader issues of a market orientation. Indeed, while he articulated a focus on the wider benefits, the evidence suggested the sponsor became more focused early in the core action research project cycles on driving costs out of the business. For example, the sponsor expressed concerns about the cost of taking large numbers of managers out of the workplace and accommodating them for a planning conference. Furthermore, questions were raised about the impact on labour ratios if staff were taken off-line to participate.

This internal focus on cost savings intensified over time and by year three of the study only limited funds were set aside for revenue growth, limiting market intelligence generation, dissemination and response activities because participants were aware these activities would incur costs that were not going to be approved. For example, an initiative to supplement staffing at one retail outlet to provide resources to increase the number of SME contracts signed was terminated after three months because the trial could not demonstrate short term revenue streams to offset the additional labour costs. Because the increased revenue was contract based, the revenue streams continued in subsequent months while the labour costs were removed, improving profitability short-term and justifying the removal.

Action research must be sustained over the long term

Despite an awareness that the organization needed to better understand its customers to respond more effectively in an increasingly unstable and more competitive environment, as pressure to deliver on short-term profitability targets intensified top management did more of what it knew how to do successfully in the past - only better - and focused on cost savings. New approaches were resisted. Towards the end of the study, the sponsor acknowledged the cost saving approach was all he knew how to do.

Conclusions and implications

The research's findings make three contributions to the marketing orientation literature. First, action research can be used to identify and increase **dissatisfaction** where a weak market orientation is not an appropriate response to complex environmental conditions. While dissatisfaction with the status quo is a pre-requisite for organizational change (Beer, 1988, 1999), no related literature discusses market orientation as a source of dissonance to the literature. Furthermore, while it is suggested a hierarchical organization may have a weak market orientation (Deshpande, et al. 1993), this study provides detailed evidence.

Second, a weak market orientation can be strengthened by using a series of action research cycles because the **methodology** itself is conducive to changing towards a market orientation. A link between the characteristics of action research and the conditions

necessary to support a market orientation contribute the use of an action research methodology as an appropriate process to change the orientation of an organization.

Finally, to be effective, top management commitment to using action research to change a market orientation needs to be sustained over the long term to overcome **resistance** because under stress, an organization may do more of the same only better. While change will not occur if resistance is great (Beer 1988, 1999), no related literature discusses a long term commitment to the problem focus is necessary. Furthermore, this study confirms there are other successful strategic orientations (Grinstein 2008). It also confirms the organizational culture literature that suggests the stress response of some organizations is to do more of the same - only better - because extant values and behavior will be held on to tightly (Beck 2005, Graves 2005).

In brief, no previous literature has examined the use of action research to change a market orientation as precisely or as broadly as this research, especially in a GBE in Australia. Furthermore, the use of an unusual action research methodology may explain why this research is able to make so many contributions.

Implications for practice

First, the research confirms action research can be both anchored in the literature and change practices in the workplace, confirming the usefulness of the process developed by Perry and Zuber-Skeritt (1992, 1994), and updated by Zuber-Skerrit and Perry (2002). The research also demonstrates an inductive or theory building action research methodology within the realism paradigm is a practical alternative to the traditional deductive, positivist approaches used to research market orientation (Perry & Sankara 2002; Yin 1994).

In addition, the research demonstrates the characteristics of action research are conducive to supporting a market orientation, as detailed in Table 1. For example, the re-educative change in the knowledge base of the researcher and the action research team members and the emancipatory improvement in knowledge is individualistic (Blunt & Jones 1992; Hofstede et al. 2010). That is, while action learning occurs in a group, each individual

within that group learns form separate experiences that do not necessarily involve others (Perry & Sankara 2002). The collaborative nature of the action research teams and researcher working together to address the thematic concern of the organization and the group dynamics to operate as an effective team whilst applying this strategy implementation model requires small power distances. That is, the participants require a willingness to accept unequal distribution of power where the emotional distance between boss and subordinate is small (Blunt & Jones 1992; Hofstede 1984). The action orientation requiring the recording of all the evidence of action taken by the action research groups and the researcher, the cyclical process of planning, implementing and learning, the scientific gathering and analysis of data to ensure reliability and validity require mechanistic internal processes (Deshpande, et al. 1993). Finally, the experimental characteristic of engaging in an exploratory study requires a tolerance for risk. That is, participants need to tolerate a situation that is largely unstructured, unclear, uncertain or unpredictable (Hofstede 1984; Newman & Nollen 1996). Thus, the action research methodology itself encourages the same conditions necessary to support a market orientation.

Table 3 Characteristics of action research conducive to supporting market orientation

Action research characteristics		**Conditions necessary to support a market orientation**				
		External orientation	High individualism	Small power distances	Mechanistic internal processes	Weak uncertainty avoidance
1	Problem focus	✓				
2	Action orientation				✓	
3	Cyclical process: spiral of steps				✓	
4	Collaborative			✓		
5	Ethical basis					
6	Experimental					✓
7	Scientific				✓	
8	Re-educative		✓			
9	Emancipatory		✓			

10	Naturalistic					
11	Normative					
12	Group Dynamics			✓		

Source: developed for this research.

Limitations and implications for further research

Despite contributing to the market orientation literature, limitations exist. First, this is one of the first qualitative studies about market orientation with particular reference to action research. This study is necessarily from a single organization's perspective. Further research could use another organization's perspective to confirm the elements found here are generic to organizations in other industries, countries, cultures, and regulatory contexts. Second, this research employed the qualitative action research methodology using an inductive approach to provide analytical generalization, a limitation resulting from the lack of existing theories concerning the development and implementation of market orientation that could be statistically tested (Gray & Hooley 2002). While findings were triangulated in the data analysis and then compared with extant literature, no single approach to theory development is sufficient on its own (Parkhe 1993). Further research could use a deductive approach to test the framework of developing and implementing a market orientation with particular reference to organizational culture dimensions. Statistical generalization should follow this analytical generalization (Yin 1994). Finally, marketing orientation might be considered a limitation of this research insofar as it could reflect a limitation of marketing itself. That is, a culture that emphasizes customers as key stakeholders is not inconsistent with one that also recognizes the needs and concerns of shareholders, employees, managers, and the wider social context in which the organization operates (Hooley, Saunders & Piercy 2004).

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