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Individual-level antecedents to market-oriented actions

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ABSTRACT

Although often assessed at an organizational level, a market-oriented culture is supported by the attitudes and actions of the organization's employees. A firm cannot develop a market orientation strategy without each employee's active understanding, willingness, and ability to perform in a market-oriented fashion. Therefore, individual employees must experience a responsibility to gather and assess the value of market information, and a willingness to share it with other employees. We surveyed a cross-section of employees at many levels and roles in different North American financial services organizations. This research identified important individual level antecedents that organizations must account for when attempting to stimulate company-wide market-oriented behaviors. These include the fostering of high quality and matched psychological contracts, modeling of learning strategies by agile learners, and increased opportunities and time to develop personal ties between customers and employees in diverse roles within the firm.

Key Words: Market Orientation, Services Marketing, Psychological Contract,
Learning Orientation, Customer Contact

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INDIVIDUAL LEVEL ANTECEDENTS TO MARKET-ORIENTED ACTIONS

INTRODUCTION

Market orientation is an important theme in the marketing literature, and there is a substantial literature on it. Market-oriented firms "seek to understand customers' expressed and latent needs, and develop superior solutions to those needs" (Slater and Narver, 1999, p. 1165). A firm's market orientation builds upon three dimensions: the organization-wide acquisition, dissemination, and co-ordination of market intelligence (Jaworski and Kohli, 1993).

The market orientation literature is replete with theoretical and empirical studies describing the importance of market orientation to firm performance at an organizational level of analysis (e.g., Farrell, 2000, Han et al., 1998, Jaworski and Kohli, 1993, Narver and Slater, 1990). However, researchers have rarely studied the contribution of individuals. A concentration on the firm level construct ignores the underlying routines carried out by individuals that develop and form the orientation (Nelson and Winter, 1982). Although researchers have viewed these routines from an organizational level, few consider the actions of individual employees, or attempt to understand the social-psychological drivers of market orientation within a firm (e.g., Farrelly and Quester, 2003, Jones et al., 2003).

Narver (1990) suggested firm market orientation requires internalization of core customer-oriented values by individual employees. A psychological contract represents exchanged promises between employee and employer and is a key mechanism in this internalization process. To explain, when employers promise stable employment, and promotion and development opportunities, employees reciprocate by promising to take actions to fulfill core values expressed by the company, including market-oriented actions. Rousseau (1995) maintains that individuals voluntarily enter into a psychological contract, and choose whether they will fulfill a promise or obligation. However, although there may be a voluntary element about the process, a feeling of "obligation" implies no choice for a conscientious person. When employees initiate market-oriented actions, they are likely to internalize market-oriented values through a process of cognitive dissonance and routine (Festinger, 1957, Salancik, 1977). Cognitive dissonance occurs when a person's beliefs and feelings are inconsistent with their behaviors. Consequently, tension or dissonance occurs that can only be resolved by aligning these perceptions. If behaviours are not market-oriented, yet employees feel obligated to be market-oriented, then the employees are likely to reframe their belief so that they rationalize why they are, in fact, not obligated to be market-oriented.

Individuals contribute to organization level market-orientation through actions such as fostering internal and external relationships (Helfert et al., 2002), and communicating tacit knowledge (Darroch and McNaughton, 2003). This research adapts the organizational level definition of market orientation provided by Kohli and Jaworski (1990) to the individual; that is, the market orientation of individuals reflects the attitudes and behaviors of employees as they acquire, share, and respond to market intelligence. In order to develop a market orientation strategy, firms must convince employees to "buy-into" the concept (Piercy et al., 2002). If organizations are unable to build awareness, ability, and motivation to act in market-oriented ways, they may face employee resistance to market-oriented initiatives causing an inability to effectively implement strategy (Harris, 2002).

A firm's market orientation depends upon obligations of market-oriented behaviors shared by management and its employees. Employees acquire information about customers and competitors, and share it with others within the same firm (Darroch and McNaughton, 2003).

Thus it is important to understand individual and interpersonal variables that enhance the exchange of knowledge within the organization. Unwritten role obligations are communicated through relationships between employer and employee, and are often studied within the theoretical framework of the psychological contract (Rousseau, 1989). Accordingly, Rousseau (1998, p. 668) notes that "individual beliefs comprising the contract involve sets of reciprocal obligations – not expectations alone – to which both the individual and the other party are believed to have committed themselves…Although obligations are a form of expectation, not all expectations held by a person need to be promissory or entail a belief in mutuality or reciprocity. By definition, a psychological contract must be based upon a belief that a reciprocal exchange exists which is mutually understood."

Employees may be unwilling to act in market-oriented ways if they perceive an organization to contribute at a low level or less than the employee expects, given the employees' own contributions to the psychological contract. For example, by being reluctant to be involved in organizational decision-making processes (Paul et al., 2000), or hoarding market information in anticipation of self-employment or for employment opportunities with competitors (Harris and Ogbonna, 2001). Additionally, employees may not feel obligated to develop strong customer relationships if they believe that in general the company does not fulfill its obligations (Eddleston et al., 2002). Thus, this research considers how market-oriented behaviors may be shaped by mutual obligations within the psychological contract between the employee and employer.

Although popular with psychologists, the study of psychological contracts is largely overlooked by researchers in the marketing field. Notably, only a few articles exist that apply the theory of psychological contracts in the context of marketing activity within the firm.

(specifically, Blancero et al., 1996, Blancero and Johnson, 2001, Eddleston et al., 2002, Llewellyn, 2001). Few of the marketing studies develop the role of psychological contracts from the perspectives of employees across the organization, preferring to focus on those with close customer contact, such as sales. This study extends empirical knowledge of marketing orientation from the opinions of senior level marketing or quality control managers (e.g., Kennedy et al., 2002) to other front-line employees. It contributes knowledge gained from social psychology to the marketing field.

First, this paper reviews the literature on employee psychological contracts. Then we present and explain hypotheses relating employee perceptions of the psychological contract, learning orientation, and role-based customer interaction to perceptions of their own market-oriented behaviors. These relationships are tested and discussed in a cross-sectional survey of financial services employees. Finally, we discuss the implications, limitations and contributions of the research to the marketing field.

INDIVIDUAL LEVEL ANTECEDENTS TO INDIVIDUAL MARKET-ORIENTED BEHAVIORS

Previous market orientation research at the individual level has focused upon either a customer-oriented disposition (e.g., Brown et al., 2002) or alternatively on various individual level antecedents or outcomes of a market orientation strategy (e.g., Celuch et al., 2000). This is problematic because the customer-oriented disposition narrowly targets the customer and does not identify trainable actions. The other stream identifies important individual level issues, but does not test them in the context of market-oriented behaviors performed by each employee. To fill the void, this research examines selected antecedents to individual market-oriented behaviors.

At the organizational level, researchers relate market orientation to learning orientation (Baker and Sinkula, 1999), to channel relationships (Langerak, 2001, Siguaw et al., 1998), and to inter-functional differences (Atuahene-Gima, 1996). These contributing factors at an organizational level provide some rationale for further investigation at an individual level because an organization collectively reflects the values and actions of individuals it employs. Consequently, this research tests individual level constructs related to learning orientation, channel relationships, and inter-functional differences. Specifically, we posit several reasons for market-oriented actions at the individual level, based upon individual learning agility, the psychological contract, and role-related differences in the level of customer contact.

Developing Market Orientation Obligation within Psychological Contracts

The psychological contract explains how role obligations shared by the employee and employer can shape the employee's market-oriented practices. "The psychological contract is individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization." (Rousseau, 1995, p. 34). These beliefs reflect the promises made, accepted, and relied on between themselves and another (employee, client, manager, organization). Here, the concept of psychological contract obligations is extended to consider employee perceptions of their own market-oriented obligations.

The psychological contract envisions the exchange of promises between employee and organization. The organization provides inducements in the form of wages, fringe benefits, nature of the job, and working conditions (March and Simon, 1958). These inducements are realized when employers fulfill their obligations, and can be differentiated from anticipated or future obligations (Coyle-Shapiro, 2002). Obligations require that the employee trust the employer to deliver them at some point in the future. When that trust is present, the employee responds with increased involvement (Coyle-Shapiro, 2002, Paul et al., 2000).

Psychological contracts can be transactional (characterised as usually extrinsic, short-term, static and specified) or relational (intrinsic, long-term, dynamic and open-ended). This paper focuses upon relational contracts because the long-term nature of relational psychological contracts permits a focus upon long-term strategic implications for firm-value. Employees who experience a fulfilled relational contract are less likely to seek employment elsewhere (Cavanaugh and Noe, 1999). Anderson and Schalk (1998) described renewed research interest in the psychological contract, noting that the contract has become more flexible and unstructured. Employees must assume responsibilities, previously considered to be outside of normal role obligations, related to innovation, entrepreneurship, training, and career development. Integral to these new contract promises is a heightened awareness of the need to manage market information.

Psychological Contract Quality and Reciprocity

Rousseau (Rousseau and Tijoriwala, 1998, p. 681) defined the psychological contract as "an individual's belief in the reciprocal obligations arising out of the interpretation of promises". This definition reflects development of "exchange agreement", (Rousseau, 1995) to more clearly reflect reciprocity in the psychological contract. This research uses Rousseau's conception of a psychological contract anchored with strong promises and obligations instead of implied expectations. These entail greater engagement in the contract, make it less likely for employees to tolerate a situation of inequity, and thus increase the salience of reciprocity (Guest, 1998). Applied to the psychological contract, the norm of reciprocity would suggest that when one party

(A) fulfills a promise made to the other party (B), party B feels obligated to reciprocate by fulfilling their promises to party A[1]. For example, when an employer fulfills a perceived promise to share information with an employee, the employer creates a reciprocal obligation, so that the employee is more likely to respond by fulfilling a perceived promise to share information. This fulfillment of promises, combined with the object of the action, (sharing information with each other) demonstrates market orientation resulting from the psychological contract.

A psychological contract is a key mechanism in the internalization of core customer-oriented values by individual employees. To explain, when employers promise stable employment, and promotion and development opportunities, employees reciprocate by promising to take actions to fulfill core values expressed by the company, including market-oriented actions. Rousseau (1995) maintains that individuals voluntarily enter into a psychological contract, and choose whether they will fulfill a promise or obligation. However, although there may be a voluntary element about the process, a feeling of "obligation" implies no choice for a conscientious person.

The principle of reciprocity also supports the notion of equity or fairness, that is, the expectation of an "equal" give and take creating a balanced equity ratio (Adams, 1965). "In the relationship between employer and employee, *mutual obligations* are the central issue" (Anderson and Schalk, 1998, p. 640). To demonstrate, a longitudinal study involving four waves of data indicated that new hires' perceptions of their own commitments were influenced by their perceptions of the commitments of their employer (de Vos et al., 2003).

A matched contract indicates a match between the perceived promises of each party. However, this might mean that neither party places much value on the relationship. Although it is matched, it is not a very successful relationship over the long-term. If neither party values the

[1] We'd like to thank the reviewer for this suggested wording.

relationship, then they will not expend energy to make it successful. Instead, they may channel their energy away from this relationship to other more fruitful endeavors. Therefore, a high quality, matched contract might better represent a successful relationship. Supporting this, Shore and Barksdale (1998) found that contracts involving a high level of obligations from both parties were related to greater perceived organizational support, commitment and intent to remain with the organization.

A high-quality relationship requires a foundation of trust (e.g., Flaherty and Pappas, 2000, Lewicki and Bunker, 1996, Robinson, 1996) and has been connected to market orientation in customer relationships (Helfert et al., 2002) and manufacturer-retailer relationships (Bigne and Blesa, 2003). Trust supports the willingness of the employer to delegate to the employee thereby creating an atmosphere of increased autonomy. When given autonomy, employees are more likely to act in market-oriented ways (Harris and Piercy, 1999).

The psychological contract can also be connected to market orientation when fairness, trust, and fulfilled employee expectations create higher organizational commitment (Guest and Conway, 1997). Research links commitment to employee knowledge sharing attitudes and behaviors (Hislop, 2003), and more specifically, to firm level market-orientation (Zhang et al., 2004). Recent empirical work, both quantitative (Dabos and Rousseau, 2004) and qualitative (Llewellyn, 2001), demonstrates this link between employee knowledge sharing and shared expectations of reciprocity. The qualitative study, conducted in a large telecommunications company, found that matched (reciprocal) psychological contracts encouraged the provision of internal customer services whereas unmatched contracts detracted from the service offering (Llewellyn, 2001). These arguments and research support the following hypothesis:

H1: Employee perceptions of high quality and matched employer obligations and employee obligations in the psychological contract, will be related to employee market-oriented behaviors.

Learning Orientation

At the organizational level, learning orientation has also been connected to market orientation (Baker and Sinkula, 1999, Farrell, 2000, Liu et al., 2002, Slater and Narver, 1995). This supports a connection between learning orientation and market orientation at the individual level because a learning organization is built when individuals interact within the organization (Cho, 2002), and exchange knowledge (West and Meyer, 1997). Indeed, a learning agility or mindset has been noted as essential to the evolution of organizations and people (Perkins, 1994, Williams, 1997).

Farrell (2000) found that top management emphasis and value placed on learning-oriented behaviors of individuals developed the learning orientation of a company. This indicates that organizational learning orientation builds upon the learning agility of individual employees. An additional source of organizational learning arises as individuals with high learning agility pursue mastery goals (Bell and Kozlowski, 2002, Cho, 2002) and share their experiences (Levitt and March, 1988).

An extension of organizational level theory to the market orientation of individuals reflects the dynamism of the individual learning process. The learning orientation of an individual (also referred to as “learning agility”) “is characterized by a desire to increase one’s competence by developing new skills and mastering new situations” (Bell and Kozlowski, 2002, p. 498). The correct way of acquiring information necessary to complete a task varies with the frequency, heterogeneity, and causal ambiguity of a task (Zollo and Winter, 2002). For example, sometimes it is appropriate to learn by doing, whereas at other times it is more appropriate to share and to formally record the information. Individuals with a high learning agility tend to persist in spite of failure, pursue more challenging tasks, and use more complex learning strategies (Bell and Kozlowski, 2002). Managers who value learning approach key events as opportunities to learn (Perkins, 1994). Learning agility at the individual level prompts individuals to set goals based on mastering and obtaining knowledge (Bell and Kozlowski, 2002). This knowledge-seeking disposition supported by goal-setting aids in the completion of market-oriented tasks, such as acquiring information. Thus we hypothesize that learning and market orientation are related at an individual level of analysis.

H2: The more employees demonstrate a high learning agility, the more likely they are to perform market-oriented behaviors.

Role-based Differentiation in Individual Market-Oriented Practices

The varying degree of customer contact experienced by employees in different roles is anticipated to influence the extent of market-oriented actions. It is pivotal to understanding how market-oriented behaviors translate throughout an organization. Few previous studies included such a focus, preferring to target marketing and senior management teams. The few that considered differences across business functions contrast marketing with operations in manufacturing firms (e.g., Kahn, 2001) or focus on those with close customer contact in studies of sales force and customer orientation (e.g., Harris, 2000, Langerak, 2001).

Employees fulfill various roles in organizations. Roles require different skills and abilities, some narrowly focused, some broad. Therefore, some employees may have access to more market information than other employees do, and this shapes their degree of information generation. Other employees work in coordinating roles that enable them to develop strong inter-functional networks and enhance their response capability. These differences in roles shape differences in their perceived promises to practice market-oriented behaviors.

In general, the psychological contract has become more flexible and developed a broader responsibility base (Anderson and Schalk, 1998). However, traditional differences in promises related to market responsibilities may influence the adoption of a wider contract. For example, employees who experience varying degrees of customer contact and market exposure may perceive contract promises differently. Sales people sustain a high involvement with the market and increased knowledge of market needs through repeated customer contact. In contrast, internal administrative staff functions may consider themselves quite removed from the external market, and be unable to relate the meaning of their own roles to market conditions. Managers may unconsciously support this inference if they emphasize how internal employees with a market orientation exceed role obligations. In response, internal employees may be more likely to consider market-oriented behaviors as extra-role, and beyond the promises of their psychological contracts.

Front-line customer contact and sales employees are more likely to believe that market-oriented behaviors form an expected part of their roles because acquiring and disseminating market information also form extrinsic (economic) parts of their psychological contracts. For example, sales people are often compensated through sales commissions that directly relate to the ability to compete for and meet customer needs. If tasks are viewed as expected in-role behaviors (duties that are communicated to employees as being integral to specific role performance), employees are more likely to become more satisfied and committed upon task completion (MacKenzie et al., 1998). So, to carry out their core role, sales, marketing and other employees with high customer contact must actively canvass for market information whether they feel satisfied or not. The fulfillment of this duty will increase their satisfaction. However, MacKenzie et al (1998) concluded that only employees who are satisfied with their roles and committed to the organization are likely to perform extra-role behaviors. Organ (1988) described organizational citizenship behaviors (OCBs) as discretionary behaviors that are believed to directly promote the effective functioning of an organization. Thus, employees in areas such as finance or operations who are dissatisified or uncommitted are unlikely to perform discretionary market orientation behaviours.

Additionally, employees who have a high learning agility may be better able to understand the importance of customers to company success. They may deliberately seek out customers in order to better understand the needs of the market. In this way, the more that these employees are exposed to customer needs, the more encouraged these learning agile employees will be to act in market oriented ways. Thus,

H3a): The more frequent their contact with customers, the more likely employees are to perform market-oriented behaviors.

H3b): The frequency of customer contact will mediate the relationship between high learning agility and the performance of market-oriented behaviors.

METHOD

Procedure and Sample

Membership lists from insurance associations accessed on the Internet provided contact information for a cross-section of employees across more than 50 North American insurance and financial services companies. The Canadian sampling frame included members of the Canadian Life Underwriters Association (CLU) and Life Office Management Association (LOMA). The U.S. sampling frame included members of the North American Health Underwriters Association (NAHU), Insurance Accounting and Technology Professionals (IATP), Group Underwriters Association of America (GUAA), and the Society of Financial Service Professionals (SFSP).

The initial survey response rate was less than 40% so actions were undertaken to eliminate concerns of potential non-response bias (Lambert and Harrington, 1990). Accordingly, the response rate was increased by a follow-up email but a number of companies and employees raised concerns about unsolicited emails, and it was clear that follow-up phone calls would be intrusive. Thus, out of 814 survey links delivered in two waves via email, the online website collected 138 useable responses (a response rate of 17%).

In view of the low response rate, the effect of non-responses on survey estimates was clearly of concern. Wave analysis provides a way to assess response bias (Creswell, 1994). This analysis assumes that the way that later, second wave respondents answer a survey will be similar to non-respondents. Building on a method suggested by Lambert and Harrington (1990), the composition of the complete sample was compared to first and second wave respondents and (where possible) non respondents in terms of gender, level, region, company. The demographics of the first group of respondents mirrored the second wave of responses.

Additionally the means of the first wave responses (80 responses) were compared to the means of the second wave responses (66 responses) for all indicators on the survey. As there were no significant differences in means, respondents for the first wave and the second wave very likely belong to the same population. Of interest, the only item that was close to significance at $p=.085$ was one of the market orientation items. This item asked whether the respondent coordinates his/her activities with others inside the organization. Perhaps the widespread merger and acquisition activity occurring over this time created slight differences in how employees in the second wave viewed their desire and ability to internally coordinate knowledge management.

The response rates of 21% Canadian and 15% U.S. (combined response rate of 17%) were further explored in correspondence with non-respondents. Emails from non-respondents provided varying reasons for the decision to abstain. These reasons were generally comparable between the U.S. and Canadian sample. The two main areas of difference lay in suspicion of researcher motives (much higher in Canada than the U.S.) and language issues (due to French speaking non-respondents in Quebec). This suspicion reflects the high level of merger and acquisition activity faced by the financial services industry in Canada, and was unavoidable given the nature of an unsolicited email survey. There were also a large number of emails that were blocked by Internet service providers and by corporate IT departments. Overall, the wide variety of reasons given for not filling out the survey mitigates concern for systematic non-response bias.

The mean age of the sample was between 30 and 55 years of age. Seventy per cent of the sample were women. The mean tenure with the organisation was approximately five years. More than ninety per cent of the sample were found in 1) underwriting (60 observations) and 2) marketing (39 observations) and 3) other (30 observations). There were 29 executives, 49 middle management, and 60 non-supervisory respondents. More variation existed for contact with customers than distributors but most respondents maintained some level of contact with distributors.

Measures

Scale items for the independent and dependent variables are attached in the Appendix.

Psychological Contract. The state of the psychological contract was measured using a shorter version of Rousseau's (1990) widely accepted scale, adapted by Gallo and McNaughton (2003). In Gallo and McNaughton's study, participants were asked to 1) rate the extent to which the employer has made obligations with respect to the participant's role (12 items, original α = .8620) and 2) to assess the extent to which the participant has made obligations to the employer (12 items, original α = .9210) Additionally, two composite validation items that measure the perceived quality of the employer-employee relationship are used in this study to validate the results of the first and second sections of the scale.

Psychological Contract Match and Quality. The research considered the influence of four types of contracts: high quality matched, low quality matched, high quality unmatched, and low quality unmatched. The influence of these variables was assessed by dichotomizing the data into values above and below the sample median for the aggregated average of each of the employer and employee scales. The median ratings for employer commitments (median = 3.83) and employee commitments (median = 4.33) were calculated. Values above each median indicated that employees perceived higher quality commitments, relative to the below-median values that represented lower quality commitments. Additionally, a mismatch in perceived contribution level, where employers were above and employees were below their respective medians, was termed "unmatched" when contrasted with match in positioning either above or below the median ("matched").

The match and quality in perceived employer and employee commitments to the psychological contract were measured by separating responses into quadrants. This technique considered both the match (between employer and employee commitments) and the quality (the absolute level of commitments). This comparison is complicated by differing employer and employee promises, creating different metrics. However, different metrics are necessary because both parties contribute in different ways to the same contract, forcing employees to cognitively translate the metrics as they assess the need for reciprocity. Using this approach, other researchers have found that the combination of high rankings for both employer and employee contributions to the psychological contract is critical to firm performance (Wang et al., 2003), employee intention to remain (Shore and Barksdale, 1998), and career advancement (Dabos and Rousseau, 2004). By separating cases into these quadrants using indicator coding, it is still possible to evaluate the match between employer and employee commitments. Additionally, a better understanding of the level of each behavior is achieved.

Individual Learning Agility. Individual learning agility was measured using a 7-item learning agility instrument adapted from Perkins (1994).

Customer Contact. Customer contact was measured by assessing how often the participant interacted with both premium payer and distributor customers. The aggregated scale was dichotomized at the median of the distribution and each respondent's value was categorized as either frequent or infrequent.

Market-oriented Behaviors. The market orientation of an individual was measured using the I-MARKOR, a 20-item, 3 dimensional measure (Schlosser and McNaughton, under review). Additionally, two composite items assessing general customer focus are used in this study to validate I-MARKOR.

RESULTS

Reliability and Validity of Measures in the Model

Cronbach's alpha for each scale are shown in the Appendix. Reliability for each scale exceeded minimum standards of $\alpha > .70$ established by Nunnally (1976). No scale items were discarded, as the item-to-total correlations were optimal.

Confirmatory Factor Analysis (CFA) (using maximum likelihood) examined the stability of the theorized factor structure (Hair et al., 1998). Additionally, as the composite market orientation measure was multi-dimensional, Cronbach's Alpha was assessed for each dimension (Flynn and Pearcy, 2001, Hair et al., 1998). As Hinkin (1995) noted, reliability is a pre-condition for validity. Inter-factor correlations and item-to-total correlations were examined to guard against multi-collinearity and ensure that the item and factor solution could not be improved upon. In analyzing actual market-oriented behaviors with CFA, the expected three-dimensional model was compared to the two factor model (based on the EFA for market-oriented obligations), to a single-factor first order model, and to a single-factor second order model with three dimensions. Fit indices supported a latent construct with three dimensions, with CMIN/df below 2 (CMIN/df = 1.72), Comparative Fit Index greater than .9 (CFI = .926), and RMSEA less than .08 (RMSEA = .073), as recommended by Hair, Anderson, Tatham, and Black (1998). The measurement model demonstrated that market-oriented behavior explained a large amount of the variation in three factors of information acquisition (IA, r^2 =.79), information sharing (IS, r^2 =.81), and strategic response (SR, r^2 = .48).

Convergent validity was confirmed by strong correlations between 1) the I-MARKOR measure and validation items measuring general customer focus, and 2) the psychological contract measures and validation items measuring the perceived quality of the employer-employee relationship. Nomological validity was also indicated by strong correlations supporting theorized relationships. As expected, the data presented in Table 1 indicates moderate but significant correlations between learning agility and individual market orientation. As no correlation coefficient exceeded the alpha coefficient of the scale, the scales used in the study exhibited discriminant validity (Fornell and Larcker, 1981) and used frequently in studies (e.g., de Vos et al., 2003, Harris and Ogbonna, 2001).

Modeling Relationships

Using Structural Equation Modeling (AMOS), the paths from the exogenous variables (learning agility, psychological contract, and customer contact) to the endogenous variable (market-oriented behavior) tested theorized relationships. To test hypotheses, we aggregated the I-MARKOR scale into three indicators by averaging the measurement items at the first order construct level. According to (Matsuno and Mentzer, 2000), aggregation of first order dimensions is justified because 1) the validity of the second order MO scale with all 20 item measures has been established; 2) given the sample size, aggregation allows maximization of the degrees of freedom in estimating the path coefficients between the MO and performance measures; and 3) it reduces higher levels of random error and retains the three-dimensional scale of market orientation.

Insert Table 1 about here

Antecedents to Market-oriented Behaviors

The structural equation modeled learning as an observed variable, using the average of the 7 items. The variable CONTACT was an average of the customer and distributor contact frequencies, using indicator coding of “1” for frequent contact, and “0” for infrequent contact. The model tested the four quadrants of psychological contract status using 3 dummy variables: 1) matched low rated contract, 2) unmatched contract, greater employer commitments, and 3) unmatched contract, greater employee commitments. The high quality, matched relationship condition was chosen as the referent category because it was the hypothesized condition.

A comparison of the models in Table 2 indicates that the first model (depicted in Figure 1) provides the closest and most parsimonious fit to the data with the greatest explanatory value. Output shown in Figure 1 indicates an SEM that provided some fit to the data, generating absolute fit indices close to limits suggested by Hair et al. (1998), with (CMIN/DF = 2.872, p = .000 although still with higher than desired RMSEA = .117, p = .002). Additionally, the incremental model fit (CFI = .843) is close to the recommended value of .9, although the parsimony adjusted measure is lower than desired (PCFI = .602) and indicates that the model may still be overly complex. This conclusion may be reinforced by the poor RMSEA (which is also a parsimony-adjusted index). However, simpler models were rejected because they did not significantly improve model fit, and we wished to retain all variables for reasons of testing the theory. Previous researchers have cautioned against over-reliance on fit indices (Hu and Bentler, 1995, McDonald and Ho, 2002) and in particular, Curran et al. (2003) suggest that RMSEA may not be accurate for sample sizes smaller than 200.

The model explains 29% of the variance in market-oriented behaviors using a sample size of 138. This indicates that there is sufficient power to provide a confidence rate of 90% (Cohen, 1988). A significant negative effect is noted for a matched low quality contract ($r = -.19$, $p = .042$) and supports Hypothesis One. Significant effects for learning agility ($r = .25$, $p = .004$) and customer contact ($r = .42$, $p = .000$) support Hypotheses Two and Three a). However, Table 2 indicates that Hypothesis Three b) is not strongly supported by the fit of Models Two and Three.

Insert Figure 1 about here

DISCUSSION

The Importance of a High-Quality Matched Contract. Study results identified that a low quality matched psychological contract (relative to a high quality matched contract) significantly and negatively affected the performance of market-oriented behaviors. This implies that employers must provide some level of a quality relationship in order to attract market-oriented behaviors from their employees. Similarly, employees must promise some level of contribution exceeding the median. Previous empirical research (Harris and Piercy, 1999) support this because results indicate employees do not perform market-oriented behaviors if there is a perceived lack of unity and support from upper management.

This finding carries implications for temporary or contract workers who may perceive low employer and employee commitments to the long-term psychological contract. It is important because organizations are increasingly outsourcing administration and service through call centers and contract work. Contract workers are a rich source of market orientation, because the impermanence of their employment makes it necessary that they keep their fingers on the pulse of the market and provide superior services. In order to prompt employees to reciprocate through the sharing of market information, employers must be prepared to invest in relationships with temporary workers.

Breach of the psychological contract occurs when employees perceive a difference between what they were promised and what they received (Morrison and Robinson, 1997). Although much of the psychological contract literature has focused upon contract breach (e.g., Morrison and Robinson, 1997, Pate et al., 2003, Robinson and Rousseau, 1994), the results of this survey indicate that employee perceptions of lower level obligations of both employer and employee are also problematic. A matched but low quality psychological contract appears to be more detrimental than potential inequities originating from discrepancies in the perceived level of each party's obligations. Although correlations were in the expected direction (negative in conditions where the employee perceived low personal obligations), only the matched conditions were significant.

Learning Orientation. Results highlighted the presence of a significant, albeit moderate relationship between the learning orientation of individuals and their market-oriented behaviors ($r = 0.25$, $p = 0.0$). This finding is in line with the contentions of previous researchers of organizational market orientation. For example, Slater and Narver (1995) noted "However, as important as market orientation and entrepreneurship are, they must be complemented by an appropriate climate to produce a learning organization.", and Morgan suggested (2004, p. 22) "the development of a 'learning climate' may be crucial (e.g., a service firm)". Managers can develop this climate through the hiring and rewarding of employees who exhibit a learning orientation. A strong learning orientation prompts employees to accept and adopt learning routines introduced by the company.

This finding challenges managers because a significant antecedent of individual market-oriented behaviors in the framework is a trait-based construct (learning orientation). According to Williams (1997), learning orientation is not a common trait because only 10% of managers are believed to be agile learners. Our research has identified market-oriented behaviors that organizations can ostensibly target and train employees to perform. However, if the performance of the market-oriented behaviors is strongly linked to trait learning orientation, then this will restrict the options for effective training of market-oriented behaviors in non learning-oriented employees. Organizations can potentially stimulate these market-oriented behaviors across all employees through the process of role modeling by agile learners (Wood and Bandura, 1989). Morgan (2004) suggests that organizational learning transcends the individual because continuity is established through the development of operating procedures and collective mental models exist in organizational memory.

Differences in Frequency of Customer and Distributor Contact. The financial services industry relies upon distributors to reach premium payers. Distributor contact related to market orientation came up more frequently in analysis than customer contact. The frequency of customer and distributor contact was the strongest antecedent to the performance of market-oriented behaviors ($r = 0.42$, $p = 0.0$). Frequent contact was measured as making contact weekly or more. This finding indicates that some functions must move beyond traditional notions of in-role duties if they are to become players in the company's strategy. Unless companies encourage employees in all areas to understand their customers through frequent interaction, they cannot pursue a market-oriented strategy. A *market* orientation strategy will not surpass a *marketing* orientation unless strategy-makers in all areas endorse the strategy by providing employees the time to develop informal and frequent relationships with customers. This finding challenges practitioners who complain about internal, often Head Office employees who “live in a tower” to increase the opportunities for internal employees to interact with the external market.

RESEARCH CONTRIBUTIONS

By analysing the interpersonal mechanics of market orientation, this research refines the understanding of how organizations can build competitive advantage. A firm strengthens its competitive advantage through strong employee relationships that increase employee retention and performance (Eddleston et al., 2002). Recruitment and retention of good employees is important to the realization of market based assets, such as intellectual and relational capital (McNaughton et al., 2001), and underlines a need for employee market orientation and relationship management. Good-quality employee relationships also provide a base to develop strong customer relationships that foster customer loyalty (Day, 2000), and strong channel relationships that provide production and distribution advantages (Helfert et al., 2002).

This research seeks to remedy a gap in the current market orientation literature by increasing understanding of employee perspectives and behaviors. It contributes by testing the linkage between matched psychological contracts and the accomplishment of market-oriented behaviors. Such a linkage indicates that more than a top-down market orientation strategy is required for an employee to perform market-oriented behaviors. Additionally, the employee must perceive a strong relationship with their employer, expressed through the psychological contract.

In his appraisal of market orientation research, Langerak (2003) concluded that the nature of the link between organizational market orientation and performance has not yet been adequately explained. This suggests that other considerations may shape the success of a market-oriented strategy. This research has described and tested how and why individual employees may perform market-oriented routines underpinning the market orientation of the organization.

Consideration of individual in the creation of a customer orientation largely been tested with employees in sales and marketing (e.g., Pettijohn and Pettijohn, 2002). In contrast, we considered employees throughout the company. Most empirical market orientation studies gathered information from manufacturing companies, and only recently have studies considered the service sector (e.g., Gray et al., 2003, Harris and Piercy, 1999, Kennedy et al., 2002).

LIMITATIONS AND FUTURE RESEARCH

This research highlights the difficulty in canvassing lower level employees without organizational sponsorship of the research. This survey approached financial services professionals who were members of industry associations, and thus may be employed in more senior roles within their own organizations. In future research, a sponsoring company would broaden the type of employee who participates, and increase the sample size and response rate to the survey. An increased sample size might improve model fit, by decreasing errors of approximation (signaled by a high RMSEA in the current study). Working with one company could extend the current study by allowing the collection of survey data at different times, combating method bias, and permitting longitudinal study of causal relationships. It would also be of great practical and academic value to gain the insight of "extra-firm" respondents, as suggested by Harris (2003).

Future researchers might consider the influence of mentoring on employee learning orientation and the performance of market-oriented behaviors. Employees' beliefs that their managers expect and model market-oriented behaviors will prompt employees to practice similar market-oriented behaviors. For example, Jaworski and Kohli (1993) found that top management emphasis develops the market orientation of a company. In a related line of inquiry, Farrell (2000) concluded that top management emphasis and value placed on learning-oriented behaviors developed the learning orientation of a company. Co-worker behaviors are linked empirically to individual workplace behaviors, for example, coworker organizational citizenship behaviors influence individual levels of organizational citizenship behavior (Bommer et al., 2003). In spite of this direction, there has been little study of modeling in the market orientation literature. A recent article (Jones et al., 2003), considered social exchange and leader influence on employee market-oriented behavior, but findings were inconclusive. Modeling offers a rich venue for future research into the transference of market-oriented behaviors throughout the organization.

CONCLUSION

Although often assessed at an organizational level, a market-oriented culture is supported by the attitudes and actions of the organization's employees. A firm cannot develop a market orientation strategy without each employee's active understanding, willingness, and ability to perform in a market-oriented fashion. Therefore, individual employees must experience a responsibility to gather and assess the value of market information, and a willingness to share it with other employees.

This research identified important individual level antecedents that organizations must account for when attempting to stimulate company-wide market-oriented behaviors. These include the fostering of high quality and matched psychological contracts, modeling of learning strategies by agile learners, and increased opportunities and time to develop personal employee-customer relationships throughout the firm.

APPENDIX

Scales Used in the Study

Learning Agility α = .7191

1. I can better understand and deal with situations that present difficulties or new challenges if I try out new concepts and skills.
2. I adjust or change my approach to learning to match new situations or content that arise in different learning settings
3. I will make and defend judgments about new situations or challenges that may challenge the consensus of others
4. I adjust new learning to complement prior knowledge
5. I see ways in which current knowledge can be effectively applied to other, seemingly unrelated situations
6. I willingly take an active role in meeting and effectively dealing with issues arising from new situations
7. I construct mental models or knowledge maps of information learned from feedback, successes or failures

Psychological Contract

A. Consider your relationship with your current employer. To what extent has your employer made the following commitment or obligation to you? α = .9586

1. Concern for my personal welfare
2. Opportunity for career development within this firm
3. Secure employment
4. Be responsive to my personal concerns and well-being
5. Developmental opportunities with this firm
6. Wages and benefits I can count on
7. Make decisions with my interest in mind
8. Advancement within the firm
9. Steady employment
10. Concern for my long-term well-being
11. Opportunities for promotion
12. Stable benefits for employees' families

B. To what extent have you made the following commitment or obligation to your employer?
α = .9043

1. Make personal sacrifices for this organization
2. Seek out developmental opportunities that enhance my value to this employer
3. Remain with this organization indefinitely
4. Take this organization's concerns personally

5. Build skills to increase my value to this organization
6. Plan to stay here a long time
7. Protect this organization’s image
8. Make myself increasingly valuable to my employer
9. Continue to work here
10. Commit myself personally to this organization
11. Actively seek internal opportunities for training and development
12. Make no plans to work anywhere else

Psychological Contract Validation

1. In general, my employer has not lived up to its promises (REVERSE CODE)
2. Overall, my employer has fulfilled its commitments to me
3. In general, I don’t live up to my promises to my employer (REVERSE CODE)
4. Overall, I am satisfied in my job

I-MARKOR α = .9409

Information Acquisition α = .9250

1. I ask distributors to assess the quality of our products and services.
2. I interact with agencies to find out what products or services customers will need in the future.
3. In my communication with distributors, I periodically review the likely effect of changes in our business environment (e.g., company mergers and acquisitions) on customers.
4. I take responsibility to detect fundamental shifts in our industry (e.g., competition, technology, regulation) in my communication with distributors.
5. I talk to or survey those who can influence our customers’ purchases (e.g., distributors).
6. I review our product development efforts with distributors to ensure that they are in line with what customers want.
7. I participate in informal “hall talk” that concerns our competitor’s tactics or strategies.
8. I collect industry information through informal means (e.g., lunch with industry friends, talks with trade partners).

Information Dissemination α = .8864

9. I participate in interdepartmental meetings to discuss market trends and developments.
10. I let appropriate departments know when I find out that something important has happened to a major distributor or market.
11. I coordinate my activities with the activities of coworkers or departments in this organization.
12. I pass on information that could help company decision-makers to review changes taking place in our business environment.
13. I communicate market developments to departments other than marketing.
14. I communicate with our marketing department concerning market developments.
15. I try to circulate documents (e.g., emails, reports, newsletters) that provide information on my distributor contacts and their customers to appropriate departments

Co-ordination of Strategic Response α = .8370

16. I try to bring a customer with a problem together with a product or person that helps the customer to solve that problem.
17. I try to help distributors achieve their goals.
18. I respond quickly if a distributor has any problems with our offerings.
19. I take action when I find out that customers are unhappy with the quality of our service.
20. I jointly develop solutions for customers with members of our customer / advisor relationship team.

Customer Focus Validation

5. I am primarily interested in satisfying my company's customers
6. I am primarily interested in satisfying the customers who sell my company's product
7. It will help me do my job if I better understand my company's distributors
8. It will help me do my job if I better understand the distributors who sell my company's products

TABLE 1

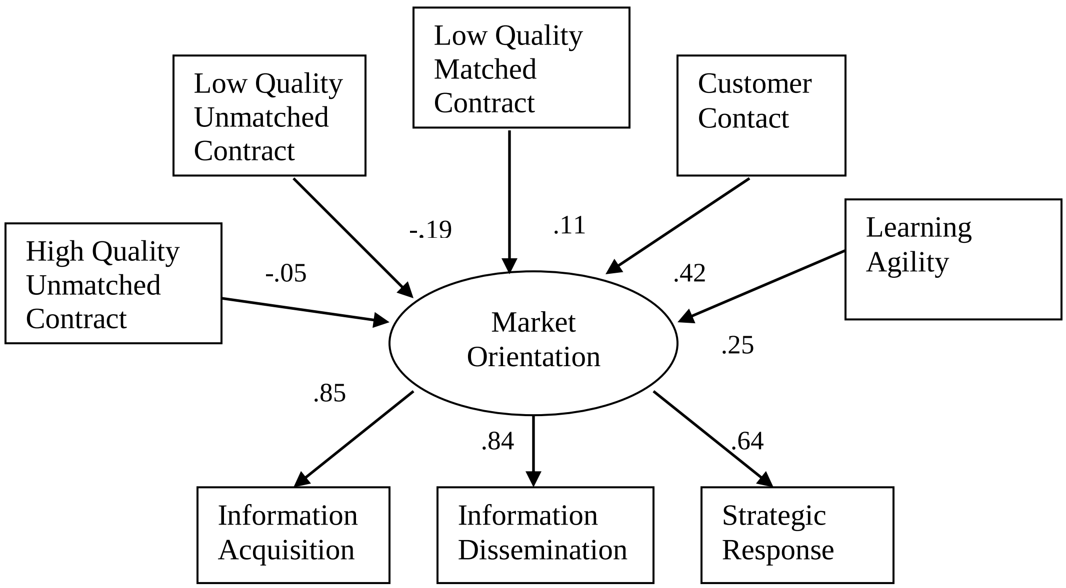
Correlations between Variables in the Model

	1	2	3	4	5	6	7	8
1. Low quality employee, low quality employer psych contract	1	-.257(**)	-.287(**)	-.204(*)	-.267(**)	-.177(*)	-.286(**)	-.254(**)
2. High quality employee, low quality employer psych contract	-.257(**)	1	-.126	-.082	.031	.019	.010	.070
3. Low quality employee, high quality employer psych contract	-.287(**)	-.126	1	-.015	.095	.064	.089	.111
4. Learning Agility	-.204(*)	-.082	-.015	1	.320(**)	.311(**)	.252(**)	.261(**)
5. Market oriented Behaviors	-.267(**)	.031	.095	.320(**)	1	.921(**)	.898(**)	.749(**)
6. Information Acquisition	-.177(*)	.019	.064	.311(**)	.921(**)	1	.728(**)	.561(**)
7. Information Dissemination	-.286(**)	.010	.089	.252(**)	.898(**)	.728(**)	1	.556(**)
8. Co-ordination of Strategic Response	-.254(**)	.070	.111	.261(**)	.749(**)	.561(**)	.556(**)	1

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

FIGURE 1

Market-oriented Behaviors with Hypothesized Relationships



CMIN/df = 2.872

CFI = .843

PCFI = .602

RMSEA = .117 p = .002

TABLE 2

Fit Indices

Model	R^2	CMIN/df	CFI	PCFI	RMSEA
Model 1 all direct paths	.29	2.872	.843	.602	.117 p=.002
Model 2 complete contact mediation	.28	3.202	.816	.583	.127 p=.000
Model 3 partial contact mediation	.31	2.912	.848	.575	.118 p=.002
Model 4 no contact	.14	3.868	.748	.561	.145 p=.000
Model 5 no learning orientation	.28	3.150	.811	.608	.125 p=.000
Model 6 no psychological contract	.25	2.872	.820	.673	.117 p=.001
Model 7 including country of residence	.29	2.997	.784	.470	.121, p = .000

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