

The effect of a market orientation and employee learning orientation on organizational commitment

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PURPOSE OF THE STUDY

The purpose of this study is to investigate the effect of a market orientation on employees' organizational commitment, and the relationship between learning orientation and organizational commitment. This study explores particularly of the effects of managers' perception of market orientation on organizational commitment. The first part of this study concentrates on summarizing the previous literature and research around the subject. Based on the literature review the conceptual model, consisting of three research hypotheses, is constructed. Second part of the study introduces the empirical research conducted and represents the empirical evidence to test the hypothesis of the research.

METHODOLOGY

The data used in this study was collected as part of the survey conducted for Innonets II –project of Aalto University School of Economics' Marketing department. The web-based questionnaire was nationwide, covering varying sizes of companies from different industries. The survey consisted of two separate questionnaires targeted to two hierarchical levels of employees within the organizations, to middle management level and employee level. The data collected included altogether 415 responses; 366 employee level and 49 managerial level responses. The Hierarchical Linear Modeling (HLM) analysis technique was used to test the hypotheses.

FINDINGS

The findings of this study reveal that managers' perception of market orientation positively affects the organizational commitment of employees. Additionally, the findings supported the hypotheses that there is a positive relationship between learning orientation and organizational commitment. The results of this study point to the importance of the managers' responsibility to create an environment that enables the process of satisfying customers and to communicate these market-oriented values to the employees. The importance of creating market-oriented culture is that it should result in employees feeling valuable to the organization. Consequently, employees feel a sense of pride of belonging to the organization and become more committed to the organization, which is essential in today's fast-paced and highly competitive business world.

KEY WORDS: Market orientation, learning orientation, organizational commitment

MARKKINAORIENTAATION JA TYÖNTEKIJÖIDEN OPPIMISORIENTAATION VAIKUTUS ORGANISAATIOSITOUTUMISEEN

TUTKIMUKSEN TAVOITTEET

Tämän tutkimuksen tavoitteen on tarkastella markkinaorientaation ja organisaatiositoutumisen suhdetta, sekä oppimisorientaation vaikutusta organisaatiositoutumiseen. Tutkimuksen näkökulma markkinaorientaatiosta keskittyy erityisesti esimiehen kokemaan yrityksen markkinaorientaatioon ja miten tämä vaikuttaa organisaatiositoutumiseen. Tutkimuksen kirjallisuuskatsaus tarkastelee aiheeseen liittyvää aiempaa kirjallisuutta ja tutkimuksia. Tieteellisen kirjallisuuden ja aikaisempien tutkimuksen pohjalta muodostetaan tutkimuksen teorettinen viitekehys sisältäen kolme hypoteesia. Tutkimuksen toinen osa käsittelee empiiristä lähestymistapaa ja tutkimustuloksia.

TUTKIMUSMENETELMÄT

Tutkimuksessa käytetty aineisto kerättiin osana Aalto-yliopiston kauppakorkeakoulun Innonets II -projektia. Kaksi internet-pohjaista kyselyä lähetettiin ennalta valituille Suomessa toimiville eri alojen yrityksille; toinen yrityksen keskijohdolle ja toinen heidän alaisilleen. Yhteensä 415 henkilöä vastasi kyselyyn, joista 366 oli työntekijätason ja 49 esimiestason vastaajaa. Tutkimuksen analysoinnissa käytettiin Hierarchical Linear Modeling (HLM) – ohjelmaa, jonka avulla testattiin tutkimukselle asetetut hypoteesit.

TUTKIMUSTULOKET

Tutkimuksen tulokset osoittavat, että esimiesten kokema markkinaorientaatio vaikuttaa positiivisesti organisaatiositoutumiseen. Tutkimustulokset osoittivat myös, että oppimisorientaation ja sitoutuneisuuden välillä on positiivinen suhde. Tämän tutkimuksen tulokset näyttävät esimiesten roolin merkityksen asiakastyytyväisyyttä edesauttavan yrityskulttuurin luomisessa, sekä näiden markkinasuuntautuneiden arvojen kommunikoinnissa muille yrityksen työntekijöille. Tutkimus osoittaa, että markkinaorientoituneen yrityskulttuurin luominen on ensiarvoista, sillä se edesauttaa yrityksen työntekijöiden tunnetta siitä, että heidän työnsä on yritykselle merkittävää. Työntekijöiden tunne siitä, että heidän työpanoksensa on ensiarvoista ja, että sitä arvostetaan, johtaa otaksuttavasti korkeampaan organisaatiositoutumisen tasoon. Työntekijöiden sitoutuneisuus organisaatioon on välttämättömyys nykypäivän nopeatempoisessa ja erittäin kilpailukykyisessä yritysmaailmassa.

AVAINSANAT: Markkinaorientaatio, oppimisorientaatio, organisaatiositoutuminen

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1. Introduction

This study is a master's thesis conducted in Aalto University of School of Economics and its main aim is to investigate the effect of organization's market orientation on employees' organizational commitment, and the relationship between learning orientation and organizational commitment. This chapter begins by an introduction of the topic and the relevant background of this study shows the research gap in this area of study. Next, I will represent the research problem and objectives of this study, addressing the relevance for the current research. The next section continues with the introduction of the methodology and the scope of the study. Relevant key concepts are introduced in the following section and the chapter concludes with a short introduction of the structure and organization of this study.

1.1. Background

Marketers have for some time understood the important contribution that employees have on the competitiveness of the firm. An important factor of increasing the competitiveness of the organization is considered to be the organizational commitment of employees. (Swales, 2002; Cohen, 2007) Organizational commitment has been found to capture the employee's emotional attachment to and identification with the organization, which may, from the perspective of organizations, increase performance and reduce turnover and absenteeism. Marketing researchers' interest in organisational commitment appears to have grown over time and there has been an increasing concentration of the research on the antecedents that influence the stability and intensity of employee dedication to organizations. (Eisenberg & Huntington, 1986)

One of the antecedents of organizational commitment of employees discussed in the literature is the market orientation of organization. The concept of market orientation (Kohli & Jaworski, 1990, Narver & Slater, 1990) is a basis of marketing and strategic marketing research and it has received a great deal of attention in the literature (Bard, 2007, p.13). Marketing concept was first introduced in the early 1950's, and it was defined as "a philosophical foundation of a market orientation concept". (Jaworski & Kohli, 1993) Market orientation research has largely diverged to a cultural versus behavioural approach. The cultural approach first introduced by Narver and Slater (1990) views market orientation as an aspect of an organizational culture that prioritizes the creation and maintenance of superior customer value. The cultural market orientation approach includes three dimensions: customer orientation, competitor orientation and interfunctional coordination. The

behavioural approach, introduced by Kohli and Jaworski (1990) is action oriented and views market orientation as “the generation of, dissemination of and response to customer intelligence”. Market orientation concept in general highlights the need to understand the existing and potential customers and competitors thoroughly, as well as interfunctional coordination of firm’s resources and activities (Zhou et al., 2008).

The unit of analysis of market orientation is typically the organization or a unit of an organization. The market orientation analysis is often centred around top management’s emphasis on collecting and disseminating market information to employees, enhancing interdepartmental connectedness within the organization, and creating a customer-oriented organizational culture in which the core of the business is to satisfy customers. For a market orientation to be effective, employees have to implement the market orientation behaviour, formed by the managers in order to transfer the benefits of a market-oriented organization to the customers. A critical test of an organization’s market orientation is the extent to which the employees perceive the organization to be concerned with satisfying customer needs. The behaviour and attitudes of managers are likely to be influenced by his/her perceptions of the organization’s market orientation. When a manager displays the market-oriented behaviour consistent with the organization’s market orientation in the interaction with his/her employees, the employees are likely to associate the managers’ behaviour as the values of the organization, hence enhancing the employees’ perception of the market orientation of the organization. (Jones et al., 2003) Given the importance of the attitude and behaviour of employees on customer satisfaction and the role of managers influencing these attitudes and behaviours, the need for specific research on the effects of perceived market orientation on employees’ attitudes is emphasized.

A separate, but related literature stream with market orientation is learning orientation. The unit of analysis for learning orientation for this research is the individual. A learning orientation is defined as “a concern for, and dedication to, developing one’s competence”. (Gong et al., 2009) Although the relationship between learning orientation and job attitudes is a widely discussed topic in the literature, there is only a little empirical support that learning orientation positively influence organizational commitment. (Joo & Lim, 2009)

This study extends prior research of the relationship of market orientation and employee attitude, by exploring the effects of managers’ perception of market orientation on employee level organisational commitment. The goal of this study is to investigate the influence of market orientation on the employees and the interface between managers and employees in order to

advance the knowledge of social relations. I expect that managers' perception significantly influence employees' attitudes and behaviours despite the limited literature on the subject.

1.2. Research problem and objectives

Many studies strongly support the notion that firms adopt a market orientation to achieve competitive advantage, as market orientation is frequently posited to improve business performance (Narver & Slater, 1990; Kohli & Jaworski, 1990). The rationale behind this argument is that as market-oriented organizations understand their customers, they are able to respond to customer needs and preferences and also able to differentiate their offerings from competitors. This may further lead to a better performance of the organization. Despite recent interest in the relationship between organizational processes, such as market orientation, and individual behaviours, surprisingly little is known about market-oriented employee attitudes and behaviours, which provide longer term organizational benefits (Bell et al., 2010). To understand employees' job attitudes is critical as the employees are in many organizations the primary contact point of the customers reflecting the firms values, and also directly responsible for implementing the firm's strategy.

The purpose of this study is to discover the role of market orientation in influencing employee attitudes, and the role of employees' learning orientation as a predictor of organizational commitment. Particularly, it finds out whether the management practices or market orientation directly influence the attitudes of employees. Additionally, it is investigated whether an individual factor, i.e. the learning orientation of the employees affects the organizational commitment, and if the market orientation moderates this learning orientation - organizational commitment relationship. A moderator means a variable that affects the direction and/or the strength of the relationship between an independent and dependent variable, here organizational commitment and learning orientation (Lin & Lin, 2011). I chose learning orientation as a predictor of organizational commitment, as it is closely related to individual's actions intended to improve his/her competences that may lead to commitment. Although the link between learning orientation and organizational commitment has been widely discussed, there are only a few empirical studies on the relationship between these two constructs (Joo & Lim, 2009). Additionally, most common the studies concentrate on the organizational level learning orientation rather than the employee level learning orientation. (Joo & Lim, 2009)

The deeper insight of the market orientation learning orientation relationship is presented in the theoretical part of this study. The theoretical part of this study attempts to create a conceptual model that links these elements with each other.

The importance of this study to managers is that it explicates the issue of whether market orientation activities that are formed at the top level of the organization affects the employees that implement the activities.

The main research questions of this master's thesis are:

What effect does manager's perception of market orientation have on organizational commitment?

The research question is divided into sub questions, which specify the focus of this study.

What effect does individual learning orientation have on organizational commitment?

What effect does manager's perception of market orientation have on learning orientation - organizational commitment relationship?

1.3. Key concepts of the study

In this section I will briefly present the key concepts of this study: market orientation, organizational commitment and learning orientation. The concepts are explained in a more detail in the next chapter. Other concepts apart from the previously listed are explained when used in the text.

Organizational commitment. The definition of organizational commitment in the literature depends of the field of study. Therefore there are different variations of the organizational commitment concept. In this study, the organizational commitment is represented as an affective commitment of an individual to the organization. This concept is developed by Allen and Meyer (1990) consisting of three components: affective, continuous and normative commitment. As each of these components employ different effects on work behaviour, I only use the affective component in this study to represent the commitment of individuals. The affective commitment refers to individual's emotional attachment to the organization (Lok & Crawford, 2001).

Market orientation. There are numerous perspectives to conceptualize the market orientation construct. However, there is a general agreement of the concept that market orientation reflects the organization to be market oriented or market driven. (Lafferty & Hult, 2001) Despite the various definitions of market orientation, there are two main approaches in the literature: behavioural approach developed by Kohli and Jaworski (1990) and cultural approach developed by Narver & Slater (1990). In this study I focus on the cultural approach that states that market orientation is “the organization culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business”. (Narver & Slater, 1990) According to this view, market orientation consists of three components: customer orientation, competitor orientation and interfunctional coordination. In this study market orientation is examined from managers’ perspective. More specifically, the critical test of organization’s market orientation is considered from the extent to which the managers perceive the organization as being concerned with customer satisfaction.

Learning orientation. In the literature the same concept is used for individual learning and organizational learning. In this study a learning orientation term is referred to individual learning, although organizational learning is also discussed. The definition of learning orientation as “a concern for, and dedication to, developing one’s competence” is used in this study. It refers to individuals’ willingness to learn from their jobs and to gain a broader and deeper knowledge. This definition of learning orientation also refers to individuals’ willingness to take tasks that challenge them in order to learn new things. (Gong et al., 2009)

1.4. Scope and Methodology

The scope of the relationship between manager’s perception of organization’s market orientation, employee level learning orientation and employees’ organizational commitment is relative large, so not all the details related to the relationships are included. This study focuses on each of the main concepts in general and then focuses on the relationship between them in a more detail. Market orientation is examined from the cultural perspective, although other theories are also discussed, in order to build a coherent view of the concept. This study focuses particularly on how managers perceive the organization’s market orientation they are working at. Therefore, an important aspect that is discussed in the hypotheses development is the interface between managers and employees to find out how the perception of managers affects employee attitudes. In this section the social

learning theory is examined to understand the effect that managers have on their employees. In this study, the concept of learning orientation refers to individual level learning, although sometimes in the literature the organizational learning and learning organization is also referred as learning orientation. The differences and similarities are discussed in the literature review section. Organizational commitment refers to attachment of employees to organizations on an affective level, but also other levels and forms of commitment are discussed. All of these concepts are examined in detail in the literature review section.

The foundation literature of this study is mainly organizational behaviour literature. Especially in the sections where I discuss about organizational commitment and learning orientation I use the organizational management literature. The empirical study is conducted as a part of the InnoNets II –project of Aalto University School of Economics, which is a project attempting to find out how organizations are able to be simultaneously innovative and effective at different levels of organization. The survey conducted for InnoNets II–project is a nation-wide survey in Finland targeted to different sized companies from different industries to avoid bias results from a particular industry or particular sized organizations. The survey is only in Finnish, hence limiting the respondents to Finnish speaking people. The survey results a sample of 49 managerial level and 366 employee level respondents. The survey is discussed in more detail in Chapter 3.

1.5. Structure

This study is organized as follows. First, the chapter 2 provides a brief review of the relevant literature on organizational commitment, market orientation and learning orientation, and the earlier research on the topics. Next, I state the specific hypothesis based on the literature and earlier research introduced in the literature review section. Last, a conceptual framework is drawn based on the hypotheses. Chapter 3 presents the data of the empirical study conducted to test the hypotheses. Following, the analysis method is introduced and empirical findings of the study are presented. Chapter 4 concludes the study with a discussion of the relevance of the empirical findings and their suitability to the theoretical framework. The managerial implications, limitations of the study and direction for future research are also presented in this chapter.

2. Literature Review

This chapter provides the theoretical background of the master's thesis. The theoretical section of this study is divided into three sections explaining the different concepts that relate to this study to. The concepts are explained first in a general matter and last emphasising the perspectives used in this study. After introducing the concepts, the following section discusses the relationship between them to form the hypotheses of this study. First the relationship between learning orientation and organizational commitment is discussed, next the relationship between manager's perception of market orientation and organizational commitment is examined, and lastly the moderating effect of perceived market orientation is analysed. The chapter is concluded by presenting the conceptual framework of the study.

2.1. Organizational commitment

This section is divided into five parts. First the overview to organizational commitment in early management thought is introduced, following with the discussion of meaning of organizational commitment. Next, the historical development of the concept is discussed and finally the relevance of organizational commitment is presented.

Due to the increasing speed and scale of change in organizations, managers are constantly seeking ways to generate greater employee's commitment to the organization. Because of the importance of organizational commitment it has received a great deal of interest and has been a focus of extensive discussions and empirical investigations by many researchers. (Lok & Crawford, 2001) The word commitment is often used to indicate the "sense of being bound emotionally or intellectually to some course of action" that may include a person's commitment to another person, group or organization (Eisenberg & Huntington, 1986). Despite the increase interest towards to the study of workplace commitment, there appears to be still confusion and disagreement of the concept of organizational commitment (Meyer & Herscovitch, 2001). The concept of organizational commitment is not unambiguously explained and it can take multiple forms. There remains disagreement within commitment literature about "what commitment is its dimensionality, how it develops and how it affects behaviour" (Meyer & Herscovitch, 2001). Despite the various nuances of the definition of organizational commitment, it is often perceived as a concept for explaining the

relationships between individuals and their employing organizations. (Grant et al., 2008). Mowday et al. (1982) argue that the reason why organizational commitment has been defined and measured in various ways in the literature is because researchers tend to make their own definitions to the term of organizational commitment, and therefore there is no agreement on the nature of the concept. Additionally, certain concepts have been used as synonyms for other terms, such as “loyalty, allegiance, engagement and attachment”, which has created even more confusion and disagreement to the definition of the concept (Mowday et al., 1982).

2.1.1. Commitment in early management thought

Swales (2002) propose that the modern concept of commitment is presented by Fayol (1949; see Swales, 2002). Fayol’s (1949) principles of management developed during the nineteenth century, propose that organization’s interests dominate the interests of individuals or groups of employees. Fayol’s (1949) second principle that relates to organizational commitment emphasize the significance of stable established post, which is argued to be the most reliable consequence of organizational commitment. According to Fayol (1949) tenure provides continuity by providing enough time for the employees to understand their job thoroughly and to be able to properly perform. (Swales, 2002)

Swales (2002) argue that the modern concept of organizational commitment can be traced to Weber’s (1947; see Swales, 2002) research on “rational action in relation to goals”, and “rational action in relation to values”, which appears to be similar to the meaning of organizational commitment prevalent in the literature today. Weber (1947) believed that “formal rules, career structures in hierarchical bureaucracies, and fair and logical reward systems” are needed in order to obtain identification with goals. (Swales, 2002)

The classic study by Burns and Stalker (1966; see Swales, 2002) noted that the organic form of organization, which is successful of managing with changing environmental circumstances, is characterized by the “spread of commitment” to the organization and the tasks within the organization. They proposed that employees have obligations to work groups and to their career, which are called “sectional commitments”, and that this system of commitments can obstruct the adoption of organic over mechanistic forms of organization. By the early 1960s commitment had emerged as a distinctive construct, and it was used in the theoretical networks as both an independent and a dependent variable. (Swales, 2002)

2.1.2. Meaning of organizational commitment

Since the 1970s the theoretical network of organizational commitment had enlarged, according to Swailes (2002) there was not an increase in the conceptual clarity (Swailes, 2002). The widely cited conceptualization for organizational commitment introduced by Mowday et al. (1982) defines commitment as the “psychological bond between an organization and an employee” and it is related to “(1) a strong belief in and acceptance of the organizations goals and values, (2) willingness to exert considerable effort on behalf of the organization, and (3) a strong desire to maintain membership in the organization”. This widely used concept of organizational commitment indicates that the employees do not only want to stay in the organization because of their own benefits, but also for the advantages for the whole work community.

Some researchers see organizational commitment as an “individual’s identification with and involvement in a particular organization” (Asham & Winstanley, 2006). Identifications in this case refer to employee’s “sense of unity with the organisation”. (Eisenberg & Huntington, 1986) According to this view employees, with a strong commitment, continue employment with the organization because of their own will. (Asham & Winstanley, 2006)

The economical view of organizational commitment emphasizes the economic costs that would be caused for an employee if he or she was leaving the organization. According to economical view employees may believe that the specialized skills acquired for their job would not be valued as much elsewhere, or their stability would be threaten because of damaged loyalty or reputation in the market caused by frequent job changes. (Eisenberg & Huntington, 1986) Clearly, this would increase employees’ willingness to continue the employment within the organization.

According to O’Reilly and Chatman (1986) the bond between an employee and an organization could take three forms: compliance, identification, and internalization. *Compliance* is referred as an instrumental behaviour that is adopted in order to gain specific rewards (Meyer & Herscovitch, 2001). *Identification* reflects the willingness of employees to maintain a relationship with an organization due its attractive values or goals, no matter whether they represent the values and goals of an individual. *Internalization* reflects behaviour driven by individual’s internal values or goals that are consistent with those of the organization. (O’Reilly & Chatman, 1986)

A well-known model by Allen and Meyer (1990) proposes that organizational commitment consist of three components: affective, continuous and normative commitment. Each of the three

components refers to individual's emotional attachment to an organization. Affective commitment occurs when an individual feels the goals of the organization as his/her own and is willing to assist the organization to achieve these goals (Ketchand & Strawser, 2001). The continuance component refers to commitment based on the costs that the employee associates if he/she was leaving the organization. Continuance commitment is also related employee's desire towards to his/her job. The normative component refers to the employee's feeling of obligation to remain at the organization. (Lok & Crawford, 2001) Desire, necessity and obligation form the most important dimensions within the nature of commitment. (Antón, 2009)

According to Asham and Winstanley (2006) a common sense meaning of organizational commitment is that it is "an intense feeling of attachment, involvement, and promise to an entity", which is based on trust between an individual and an entity. The level of commitment can vary over time as an on-going process however it does not change as quickly as mood and emotions, which may change from day to day. There are a number of different concepts represented in the literature to explain individuals' attitudes within the organization such as "motivation, satisfaction, loyalty, conflict, dedication, productivity" and so on (Asham & Winstanley, 2006). Asham and Winstanley (2006) propose that organizational commitment is argued in the contemporary literature to be something other, and perhaps more than the concepts listed above. Asham and Winstanley (2006) continue that some researchers suggest that such concepts are somehow "downstream of commitment". To explain this argument, Asham & Winstanley (2006) propose that the committed employees will experience greater satisfaction as a result from the attachment to the organization. The employees will also be more loyal, dedicated and hence more productive as a result of their commitment.

Lämsä & Savolainen (2000) divide organizational commitment into two dimensions: reward-based commitment and trust-based commitment. Reward-based commitment refers to the advantages that the employee receives by committing to the organization, such as economic advantages, status and social benefits, and interesting content of a task. The nature of these rewards is material, social or psychological. When the commitment is trust-based, employees trust the organization, its strategy and its values. The commitment can change in the four theoretical types of commitment shown in Figure 1.

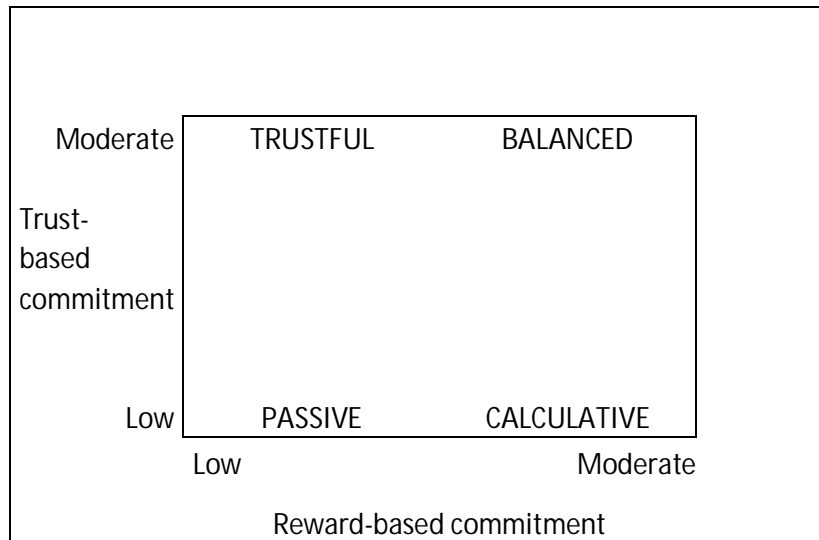


Figure 1 Four dimension of organizational commitment (Lämsä & Savolainen, 2000)

The passive type of commitment involves low reward- and low trust-based commitment and it can result in alienation and exit of an individual. In the calculative commitment the rewards are high in relation to the low level of trust. Hence, the basis of this type of commitment is self-interest. The trustful type of commitment is based on employees' moral and emotional attachment towards the organization, where the rewards may be relatively low but the level of trust is high. The balanced-type of commitment occurs when the level of both trust and rewards are at the moderate level. At this type of commitment, the job is sensible and the employee is attached to the work place and his/her job. (Lämsä & Savolainen, 2000)

2.1.3. The development of the concept of organizational commitment

To understand the current state of organizational commitment research and the various definitions of the concept in the past literature, I look into the development of the concept of organizational commitment over a period of time and its different dimensions. The organizational commitment and how it can be measured, is extensively researched and hence many scales and conceptualization have been developed (Cohen, 2007). According to Cohen (2007) the concept of organizational commitment has developed over a period of three eras: side-bet theory, the psychological attachment approach and the multi-dimensional approach.

2.1.3.1. Side-bet theory

Cohen (2007) argues that the theory that represents the earliest attempts to understand the concept of commitment is based on side-bet theory. This early era of organizational commitment research is based on Becker's (1960) conceptualization that defined the individual's relationship with the organization using side-bet theory.

According to the side-bet theory the reason why employees are committed to the organization is because of the hidden investments, "side-bets". These side-bets are the ground reason why employees want to stay at the organization. The hidden investments refer to the benefits that employees would lose if he or she were to leave the organization. Becker (1960) argues that over a period of time certain costs accumulate so that it is more difficult for an employee to disengage from the particular pattern of activity. Therefore, employees are more willing to maintain the membership in the organization, when the pattern of activity has continued for a longer time. According to Becker (1960) the threat of losing these investments (side-bets) and a fear of lack of other alternatives to replace for loss of the investments commit the person to the organization even stronger (Cohen, 2007).

Although side-bets can take various forms, Becker (1960) suggests that they will fall into several broad categories, such as: "(1) generalized cultural expectations, (2) self-presentation concerns, (3) impersonal bureaucratic arrangements, (4) individual adjustments to social positions and (5) non-work concerns". *Generalized cultural expectations* refer to the expectations that a person have regarding a responsible behaviour (e.g. general opinion of how long one should stay at a particular job). If these expectations were violated it would result as negative consequences. *Self-presentation concerns* refer to the public image or a status that a person is attempting to present. This image requires a particular behaviour from the person. *Impersonal bureaucratic arrangements* are rules of the organization to encourage for a long-term employment (e.g. compensation system for seniors). *Individual adjustments to social positions* refer to the efforts that an individual make to adapt a situation whilst making him or her less fit for other situations (e.g. time and effort to acquire skills required by the organization). The individual is tied to his or her position, as his or hers know-how is narrow. *Non-work concerns* refer to investments made outside the organization itself (e.g. moving to another geographical location due to the job). (Powell & Meyer, 2004)

According to Cohen (2007) side-bet theory and the scales developed by Becker (1960) were adopted by later research and affected most of the later conceptualizations of organizational commitment.

2.1.3.2. The psychological attachment approach

The focus of organizational commitment shifted on the 1970 from the side-bet theory to the psychological perspective. The main approach of the psychological era was advanced by Porter et al. (1974; see Cohen, 2007) attempting to describe commitment measure individual's commitment to the organization from other than economical stimuli. According to Porter et al. (1974; see Cohen, 2007), organizational commitment was defined as "...the relative strength of an individual's identification with and involvement in a particular organization..." With the theory Porter et al. (1974) tried to advance commitment as an alternative construct to job satisfaction. Additionally, they argued that commitment is often a better predictor of turnover than job satisfaction. (Cohen, 2007)

According to the psychological attachment approach commitment is characterized by three factors: "(1) a strong belief in and acceptance of the organization's goals and values; (2) a willingness to exert considerable effort on behalf of the organization; and (3) a strong desire to maintain membership in the organization..." (Mowday et al., 1979) The theory by Porter et al. was developed to describe commitment as a focused attitude, and designed to measure employees' affective commitment to the organization. Although presenting a different view of commitment, Porter et al. still continued with on the assumptions by Becker (1960), the strong ties between commitment and turnover. (Cohen, 2007)

The tool that was designed to measure organizational commitment based on approach by Porter et al. is known as the organizational commitment questionnaire (OCQ). The tool was developed from the three-dimensional instrument explained above, although most of the researchers used this tool as a one-dimensional instrument. There is a lot of criticism towards the OCQ. Some of the critics of the OCQ argue that all of the dimensions of the scale reflect more of behavioural intentions than attitudes, and that some of the items of the scale deal with turnover intentions. (Cohen, 2007) O'Reilly and Chatman (1986) criticise that only the first component of Mowday's et al. (1979) model, "a strong belief in and acceptance of the organization's goals and values", focuses on the "psychological basis for attachment", whereas the latter two components can be seen more as consequences of commitment, rather than antecedents (Cohen, 2007).

Another critic of OCQ deals with the scales used for the model. Ashman & Winstanley (2006) criticise that “the sense of morality of commitment”, that the definition retains, is somehow lost when the level of an individual’s commitment is rated on a five- or seven-point Likert scale. They also argue that the commitment measured with OCQ does not represent commitment that is directed towards the organization, but rather towards specific acts. Due to the criticism of the scale, alternative scales for OCQ were needed (Cohen, 2007).

2.1.3.3. The multi-dimensional approaches

According to Cohen (2007) the third era of organizational commitment was advanced in 1980s by O’Reilly & Chatman (1986) and Meyer & Allen (1984). O’Reilly and Chatman (1986) defined organizational commitment as the psychological attachment of the individuals for the organization, reflecting the degree to which the individual adopts the perspectives of the organization. This approach emphasized the different dimensions of commitment that may vary within and across individuals. It also made a clear distinction between the antecedents and consequences of the commitment. (Cohen, 2007)

According to O’Reilly and Chatman (1986) the basis for psychological attachment can be predicted on three foundations: (1) *compliance or instrumental* (b) *identification or involvement* and (c) *internalization*. *Compliance* refers to situation where attitudes and corresponding behaviours are adopted in order to gain particular rewards. *Identification* occurs when an individual agrees to create or maintain a satisfying relationship with the organization. *Internalization* refers to situation when the attitudes one is being encouraged to adapt are corresponding with the existing value. (Meyer & Herscovitch, 2001) O’Reilly and Chatman (1986) made a clear distinction between two types of commitment, the instrumental attachment and psychological attachment. The instrumental attachment represents the reward-based attachment and it is often considered as a weaker form of commitment of an individual to the organization. The deeper attachment results from the psychological attachment formed by identification and internalization. Contrary to Porter et al. (1974; see Cohen, 2007) view of the relationship between organizational commitment and outcomes, O’Reilly and Chatman (1986) argued that the psychological attachment could result in other behaviours as well (Cohen, 2007).

Vandenberg et al. (1994) criticised O'Reilly and Chatman's (1986) scales. They argue that the internalization and identification measures are indistinguishable and are better treated as one dimensional scale. Vandenberg et al. (1994) claim that there is a lack of reliability and validity on the scales. The second critic of Vandenberg et al. (1994) concerns the superiority of the scales compared to the OCQ. They argue that it cannot be determined whether the three attachment measures significantly differ from the studies conducted earlier.

According to Cohen (2007), the approach by Meyer & Allen (1984) was developed based on the measures of side-bets. The scale does not really measure side-bets but rather attitudinal commitment. According to Meyer & Allen (1984), the best way to measure side-bets was to measure individuals' perceptions regarding the number and the scale of side-bets they had made. They compared the interrelationship among previous scales of commitment and as a result developed a two-dimensional scale; one representing affective commitment and the other continuance commitment. The affective commitment was an improvement of the OCQ scale, assessing individuals "identification with, involvement in and attachment to the organization". Individuals with strong affective commitment are willing to pursue actions that are relevant to the organization. (Meyer & Herscovitch, 2001) The continuance dimension was developed from Becker's (1960) approach assessing the extent to which employees feel attached to the organization (Cohen, 2007). Continuance committed people have a perception that it would be costly to discontinue the activity. This type of commitment develops after a person has made some investments or side-bets that he or she would lose if leaving the organization. (Meyer & Herscovitch, 2001) Later, the third dimension was developed, (i.e. the normative commitment), which measured the employees feeling of obligation to stay at the organization (Cohen, 2007). The scales developed by Meyer and Allen have become the main instrument for studying commitment and the three dimensions have been characterized as a three-component conceptualization of organizational commitment. (Cohen, 2007)

There are some criticism towards the approach of Meyer and Allen. Ko et al. (1997) argue that Meyer and Allen (1984) did not offer a coherent definition of commitment that takes into account the three-components of the model. They only stated that the psychological state is common to affective, normative and continuance components, but not clearly explain what psychological state stands for. The second critic of Ko et al. (1997) focuses on the relationship between affective commitment and normative commitment. They argue that there is a considerable conceptual overlap between these two components. According to Ko et al. (1997) it is unclear how normative commitment can be separable from affective commitment, as the normative commitment is based

on the belief that it is the right thing to remain with the organization, whereas the affective commitment shows that attachment of an individual to the organization. (Ko et al., 2007)

As explained above, throughout the years, there have been some changes in the scales of organizational commitment. However, the conceptualization and scales have been developed and improved from the previous models and hence, it can be claimed, that the basis for later approaches of organizational commitment are based on Becker's (1960) and Mowday's et al. (1974) theories (Cohen, 2007). Cohen (2007) propose as a further improvement of organizational commitment that the outcomes of commitment should go beyond turnover by supporting other valuable outcomes in the workplace. Second, the notion of time should be taken into consideration in the conceptualization of commitment, as employees are found to understand the concept of commitment differently depending on the stages in their organizational career. Third, the normative and affective commitment should be re-examined, and their high correlation found in commitment conceptualization. (Cohen, 2007)

The Table 1 illustrates the development of organizational commitment based on Cohen's (2007) view explained above.

Organizational commitment perspectives		
Theory	Researchers	Definition
Side-bet theory	Becker (1960)	Employees are committed to the organization because they don't want to lose certain investments (side-bets) that relate to their work.
Psychological attachment	Porter et al. (1974)	Organizational commitment is based on "(1) employees' strong belief in and acceptance of the organization's goals and values, (2) a willingness to exert considerable effort on behalf of the organization, and (3) a strong desire to maintain membership in the organization".
Multi-dimensional approaches	O'Reilly & Chatman (1986)	Commitment is divided between instrumental attachment and psychological attachment. The instrumental attachment represents the reward-based attachment and the psychological attachment represents attachment based identification and internalization.

	Meyer & Allen (1984)	Organizational commitment consist of three components: (1) affective commitment emphasize the emotional attachment to the organization, (2) continuance component refers to commitment based on the costs that the employee associates with leaving the organization, and (3) the normative component refers to the employee's feeling of obligation to remain with the organization.
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Table 1 Organizational commitment perspectives (based on Cohen's, 2007 view)

In this study, the affective commitment conceptualization is used to measure the organizational commitment of employees. When comparing affective commitment with other dimensions of Meyer and Allen's (1984) theory, (continuance and normative commitment), affective commitment is more diverse than these two other dimensions. When the behavioural consequences of continuance and normative commitment to the organization are quite clearly continued employment, the consequences of affective commitment are diverse and it should predict a wider range of behaviours, i.e. continued employment, attendance and performance. Additionally affectively committed employees are considered to be more engaged in the course of action, because they want to do so, contrary to individuals being continuance or normative committed. When employees pursue a course of action to avoid costs or because they are obligated to do it, they are more sensitive to do only what is required or expected of them. (Meyer & Herscovitch, 2001)

Additionally, those who are committed mainly to avoid costs, for example only because his or her skills are uniquely valuable to the organization, might be tempted to find ways to "end" the commitment and search for other employment opportunities where the particular skills are marketable. Furthermore, an individual who feels moral obligation to the organization to complete a project might be unwilling to find ways to complete it quickly or with less effort than if his/her commitment was based on a strong belief of the significance of the project, as it in the case of affective commitment would more likely be. (Meyer & Herscovitch, 2001)

2.1.4. Relevance of organizational commitment

The relevance of organizational commitment has been somewhat argued in the literature. Antón (2009) argues that organizational commitment of employees is considered as a significant issue to research as it can be an important indicator of turnover intention, absenteeism and job performance.

The less that employees feel committed to the organization, the more likely they are willing to seek new opportunities and move to another organization. According to Antón (2009) employees who have developed an affective link with their organization are expected to contribute more to achieve the organization's goals than less committed employees. It is also assumed that a higher level of commitment results as a higher level of organizations performance. (Antón, 2009)

Although the early research on commitment has been driven by the belief that the concept of organizational commitment is relevant to employees and managers, some researchers have questioned due to the changing nature of the employment relationship whether commitment is a relevant research focus (Mowday, 1998). According to Baruch (1998), for instance, the changes in the nature of employment relationships, organizations are unable or unwilling to provide employees the same loyalty they want from employees towards the organization. The basis of Baruch's comment is that organizational commitment to employees is an important antecedent of employee commitment to organizations. The basis of the argument is that as organizational commitment to employees decreases, employee commitment to organizations also diminishes. Supporting this argument, Baruch (1998) provides evidence that over the time the correlations between commitment and behaviour, such as turnover and absenteeism, have declined, hence suggesting that commitment has become a less powerful predictor of whether the employees stay in organizations or not (Mowday, 1998). Contrary to Baruch's view of the relevance of organizational commitment, other researchers have shown that there is increasing evidence that employee commitment is a very relevant management construct, because it can lead to competitive advantage and financial success (Mowday, 1998). In fact, it may be the key source of competitive advantage (Mowday, 1998). There has been also some discussion in the literature of the negative consequences of organizational commitment (Lämsä & Savolainen, 2000). The negative consequences of organizational commitment have been explained with "a danger of lack of creativity, resistance to change, tension in social and family relationships, and unethical acts committed on behalf of the organization" (Lämsä & Savolainen, 2000). Contrary to the view of negative consequences of organizational commitment, there is a strong support in the literature that organizational commitment influences employees' productivity and is an important performance indicator for organizations. Additionally, organizational commitment is closely related to organizations ability to be successful in today's competitive environment, as employees who are strongly committed to their organizations "identify with, get involved in and are loyal towards their organizations". (Dirani, 2009)

2.2. Market orientation

This section describes the roots of the concept of market orientation and the different approaches of market orientation. The different perspectives of market orientation are discussed in order to thoroughly understand the concept, but still focusing on the two main perspectives of market orientation concepts; behavioural and cultural perspective. Since 1990, market orientation has been an important topic of research for the Marketing Science Institute. Moreover the market orientation subject in a form or another has impacted on the theory and practice of marketing strategy for nearly 40 years (Jones et al., 2003). A widely discussed topic in academic literature is the understanding of the needed organizations' strategies to satisfy customer's needs. Equivalent interest exists in understanding organizational influences on employee motivation to satisfy customers' needs (Jones et al. 2003).

2.2.1. Marketing concept

Marketing concept has over the years evolved in the literature to reflect "a philosophy of doing business" that can be considered "the central component of a successful organization's culture" (Narver & Slater, 1990; Lafferty & Hult, 2001; Wrenn, 1997). Three elements that marketing concept consist have been accepted in the literature: "(1) *customer philosophy-attention*, focusing on identifying and satisfying customers' wants and needs, (2) *goal attainment-focus*, by which an organisation can achieve the set goals most efficiently while satisfying customer needs, (3) *integrated marketing organization-integration*, which objective is to satisfy organization's goals by satisfying customer needs and putting the customer in the centre in the organization's strategy and operations". (Wrenn, 1997)

While marketing concept is considered as "a philosophy of doing business" which is part of the organizational culture, many researchers have defined marketing orientation as a synonymous of the implementation of marketing concept, reflected in the activities and behaviours of an organization. (Kohli & Jaworski, 1990; Narver & Slater, 1990) Hence, while marketing concept is the way of thinking about the strategy and operations in order to gain customer satisfaction, marketing orientation is about doing things that are necessary in order to put the marketing philosophy into practice. Marketing oriented organization's functions include the same elements than marketing concept that were mentioned earlier: organization aims at attaining the set goals while identifying

and satisfying customer needs and integrating the different functions of the organization. (Wrenn, 1997)

On the other hand, according to Hunt and Morgan (1995) market orientation is clearly separated from the marketing concept. They argue that market orientation should be considered as an “organizational framework that if adopted and implemented could become culturally embedded in and organization”. Hunt and Morgan (1995) argue that market orientation is an intermediate between business strategy and the cultural business philosophy. Market orientation could guide the selection of business strategy; whereas marketing concept could inform the use of the components of market orientation. (Hunt & Morgan, 1995)

2.2.2. Marketing orientation and market orientation

There has been some differentiation in the literature on the use of the term marketing orientation versus market orientation. Marketing orientation and market orientation have been previously used as synonyms in the literature, as describing the implementation of the marketing concept. (Wrenn, 1997) However, the traditional emphasis on marketing orientation has been customer oriented, focusing mainly on customer needs and attempting to create customer satisfaction and hence making profit with satisfying customers. Contrary to marketing orientation, market orientation is a concept utilized more recently for instituting the marketing concept. The focus of market orientation is more on all the departments in the organizational. (Lafferty & Hult, 2001) Kohli and Jaworski (1990) list three reasons, why market orientation term should be used over marketing orientation term: (1) market orientation clarifies that it is not only a matter of the marketing functions, but rather a matter of processes of all the departments of an organization, (2) market orientation doesn't emphasize the importance of the marketing function in an organization and hence it is most likely accepted by non-marketing departments as well, and (3) market orientation focuses on markets, the whole market including all the forces influencing their needs, such as competitors.

2.2.3. Market orientation concept

Researchers have proposed numerous perspectives to conceptualize the market orientation construct and attempted to implement different propositions of market orientation in business. Market orientation continues to hold a prominent place in the literature, as it's perceived as a philosophy that permeates the organization and directly affects the organization's performance no matter of the nature of the organizational culture. (Lafferty & Hult, 2001) Despite the various definition of market orientation, there is a general consensus that market orientation reflects "the need for an organization to be market oriented or market driven". (Lafferty & Hult, 2001) There are two main conceptualizations of market orientation in the literature, the behavioural approach and the culture-oriented approach. (Ogbonna & Lloyd, 2002; Flavia'n & Lozano, 1999) However, in order to present a more holistic conceptual framework of market orientation also other existing research frameworks of market orientation are presented.

Lafferty and Hult (2001) identify five different perspectives of market orientation in the current literature: (1) decision-making perspective, (2) the strategic focus perspective, (3) the customer-oriented perspective, (4) the behavioural perspective and (5) the culturally-based perspective. The decision-making perspective of market orientation is developed by Shapiro (1988). Shapiro (1988) defines market orientation as "the set of processes touching all aspects of the company". The core of the decision-making view is a strong commitment of management to share information interdepartmentally and to involve different functional personnel to the decision making process. Shapiro (1988) states that there are three characteristics that make an organization market driven: (1) information on all important buying influences is shared among every corporate function, (2) strategic and tactical decision are made interfunctionally and interdivisionally and (3) decision-making process is well coordinated among divisions and they are implemented with a sense of commitment. (Shapiro, 1988) These three characteristic of market orientation indicate the customer focus of an organization. The strategic focused perspective introduced by (Ruekert, 1992) (see Lafferty & Hult, 2001) argues that the most critical dimension of developing a market orientation is the customer. The second dimension of market orientation is the development of a plan of action or a customer focused strategy, which considers the degree to which the strategic planning process takes into account the customers' needs and wants and develops specific strategies to satisfy them. At the third dimension the customer oriented strategy is implemented and executed by organizational responsiveness to the needs and wants of the customers. (Ruekert, 1992)

The customer-oriented perspective puts the customer's interests first, while not excluding the other stakeholders, such as owners, managers, and employees. Deshpande et al. (1993) excludes the competitor orientation from the market oriented view. However, they recognised that interfunctional coordination is consistent with customer orientation and should be part of the meaning. Deshpande's et al. (1993) customer orientation view has some similarities with Narver and Slater's (1990) culture focused market orientation perspective. Like Narver and Slater's (1990) also Deshpande's et al. (1993) view highlights the importance of the creation and maintenance of superior customer value. They also state that the market oriented culture is a basis for creating the norms for organizational behaviour regarding the responsiveness to market information. (Lafferty & Hult, 2010)

At the heart of all these models of market orientation is the emphasis on the organizations' customers. As market orientation is the implementation of the marketing concept, it makes sense that indeed the fundamental basis of all the conceptualizations of market orientation concentrate on satisfying the needs and wants of the organization's customers. (Lafferty & Hult, 2001)

As mentioned earlier, market orientation literature is mainly divided into two perspectives: (1) Kohli and Jaworski's (1990) behavioural approach and (2) Narver and Slater's (1990) culture-oriented approach. Kohli and Jaworski (1990) were the first ones to introduce the behavioural market orientation perspective. According to their view, market orientation is defined as "organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organization wide responsiveness to it." (Kohli & Jaworski, 1990) Behavioural focus of market orientation is present in the previously introduced perspectives as well in Ruekert's (1992) and Shapiro's (1988) conceptualizations. Shapiro (1988) argues that market orientation is a decision-making process, whereas Ruekert (1992) emphasizes the strategic focus of market orientation. Both of the views see that the most critical environment in developing a market orientation is the customer. In addition to Ruekert's (1992) and Shapiro's (1988) view, Kohli and Jaworski (1990) emphasize the role of competitors in the market orientation.

According to Kohli and Jaworski (1990), the first key element in market orientation is the *market intelligence generation*. This element includes market research, discussions with customers, analysis of sales reports etc. Kohli and Jaworski (1990) propose that market intelligence generation is not only consideration of customer needs and preferences, but also includes examination of (1)

external market factors (e.g. competition and regulation) that affect the customer preferences and needs and (2) current as well as the future needs of customers.

The *dissemination of the intelligence across departments* is the second element of behavioural market orientation and it focuses on interfunctional openness in communication. According to Kohli and Jaworski (1990) intelligence dissemination of market information provides a shared basis for concerted actions by different departments. Additionally, the intelligence dissemination is a tool for keeping employees focused on the customers and their needs.

The third element of market orientation according to the behavioural view is *responsiveness to market intelligence*. An organization can generate intelligence and disseminate it internally; however, there is no use of the information if an organization is not able to respond to the market needs. The responsiveness to market intelligence includes: “selecting target markets, designing and offering products/services that respond to their current and potential future needs and producing and promoting the products that counter to the customers’ preferences and needs”. (Kohli & Jaworski, 1990)

2.2.4. Market orientation as an organizational culture

Originators of the cultural perspective of market orientation, Narver and Slater (1990) see market orientation as “the organization culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business”. According to Farrell (2005) the cultural dimension of market orientation allows an understanding of how the different elements of a market-oriented culture affect the behaviour and attitudes of individual employees and moreover relate to a set of values and beliefs. (Farrell, 2005) According to Narver and Slater (1990) a market-oriented organization continuously searches for sources to sustainable competitor advantage in order to create sustainable value for the present and the future customers. To maintain long-run profitability, the relationship between the organization and the customer needs to be mutually beneficial. Hence, a market oriented organization seeks for the best way to share the superior value with the customers it is created for. Additionally, according to the cultural perspective all employees are committed to the continuous creation of superior value for customers, and thus, continuous superior performance for organization’s business. It has been argued that culture effects on embedded values and beliefs of

the employees that guide behaviour. Moreover, the culture guides the behaviours that ultimately influence the performance of a firm. (Desphande & Webster 1989)

Narver and Slater have published a number of studies about the cultural market orientation perspective (e.g. Narver and Slater, 1990; Slater and Narver 1995). According to Narver & Slater (1990) market orientation consist of three components: customer orientation, competitor orientation and interfunctional coordination. They identify that the elements of cultural approach are consistent with Kohli and Jaworksi's (1990) behavioural approach. Customer orientation and competitor orientation include activities related to acquiring information about the targeted customers and competitors and the distribution of this information through the businesses. Interfunctional coordination is based on the distribution of the customer and competitor orientation information among all the departments of the organization in order to create superior value for the customers. Hence, the three components of a market orientation include the activities of market information acquisition, dissemination of the information and coordinated creation of superior customer values. Next, the three components of a market orientation are examined more closely.

2.2.4.1. Customer orientation

Customer orientation refers to the understanding of the target customers' needs in order to be able to create continuously superior value for them. Narver and Slater (1990) state, that there are two ways to create value for the customers: increase the benefits for the customers in relation to the costs or decrease the costs in relation to the customer benefits. Deshpande et al. (1993) define customer orientation as "the set of beliefs that puts the customer interest first." Thus, a customer-oriented firm can be defined as a firm with the ability and the will to identify, analyse, understand, and answer customer needs. Contrary to Narver and Slater's (1990) view, some researches see customer orientation and market orientation as being synonymous concepts and hence distinguishing it from the competitor orientation (Deshpande et al., 1993). Deshpande et al. (1993) indeed argue that a competitor orientation can be almost opposing to a customer orientation when the focus is exclusively on strengths of a competitor rather than on the unmet needs of the customer.

With customers Narver and Slater's (1990) refer to different customer groups; to the intermediaries, the business customers and the consumers. They emphasize the need of an organization to understand the cost revenues and the economic and political constrains at all levels in the customer

channel and not only the immediate target customers in order to understand the potential customers at the moment and in the future. Narver and Slater (1990) also emphasize the importance of a broad customer orientation view that goes beyond the customer preferences and needs and involves taking actions based on the market intelligence, not on verbalized customer opinions only.

2.2.4.2. Competitor orientation

Competitor orientation refers to the understanding of “the strengths, weaknesses, capabilities and strategies” of the current and potential competitors, and the ability to analyse and the competitors’ actions and responds to them (Narver and Slater, 1990). Competitor orientation includes identifying and constructing of competitive advantage in terms of quality or specific functionalities in order to position the organization’s products well in a relation to the competitors. According to Narver and Slater (1990), competitor orientation parallels with the customer orientation view in information gathering. The both orientations include an analysis of the technological capabilities of the competitors, in order to assess the competitors’ abilities to satisfy the target customers. Contrary to Narver and Slater’s (1990) view, Dev et al. (2009) argue that customer and competitor orientation are in fact contradicting marketing strategies. Moreover, whether an organization should have either an emphasis on customer or competitor orientation is dependent on factors such as “the state of the economy, the resource availability and the demand of the customers”. Soerensen (2009) supports this view by proposing that distinguishing customer and competitor orientation matter and that market orientation components (e.g. customer and competitor orientation) are not necessarily equally relevant for firms with different strategies and for firms in different business environments.

2.2.4.3. Interfunctional coordination

Narver and Slater (1990) define interfunctional coordination as “coordinated utilization of company resources in creating superior value for target customers” and it is closely tied to both customer and competitor orientation. In order to achieve effective interfunctional coordination, interfunctional dependency between the business functions needs to be created, so that each function perceives its own advantage in cooperating closely with the others. (Narver & Slater, 1990) Gatignon & Xuereb

(1997) define interfunctional coordination as specific aspects of the structure of an organization that facilitate the communication among the organization's different functions. Interfunctional coordination allows an open communication and exchange between the organizational units that are concerned with the customer and competitor orientation. Without interfunctional, for example in a new product development process, the process would be ruled by a single preoccupation which would reduce the innovation's potential performance. Hence, interfunctional coordination is the mechanism that enables the necessary strategic orientations to work jointly. (Gatignon & Xuereb, 1997)

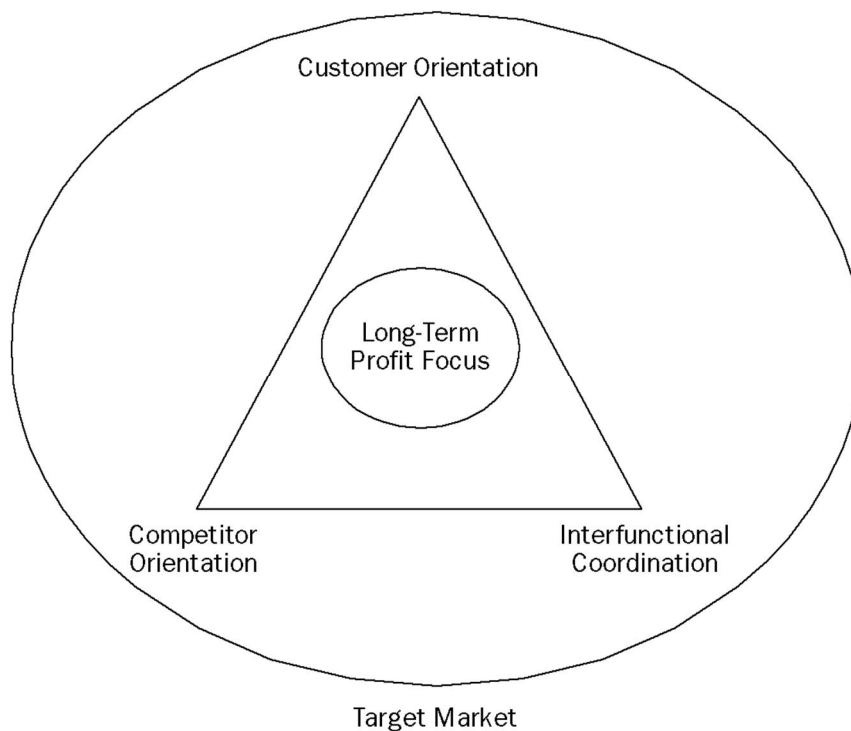


Figure 2 Conceptualization of market orientation (Narver & Slater, 1990)

In this study, I adhere to the cultural view of market orientation as first introduced by Narver and Slater (1990). The Figure 2 above represents Narver and Slater's (1990) conceptualization of market orientation. The importance of the cultural market orientation perspective is strongly supported in the literature (Deshpande et al., 1993; Deshpande & Webster, 1989). This perspective is more suitable for this study compared to the other cultural market orientation perspectives, such as Deshpande's et al. (1993) perspective that also place the highest priority of creating a superior customer value and see that it is the matter of the overall corporate culture that reinforce and enable

market orientation focus, but which unlike Narver and Slater's (1990) view, ignores competitors and other external market forces as players in markets.

2.2.5. Trickle-down theory of market orientation

The market orientation approach of this study is based on the idea of trickle-down theory developed by Kohli and Jaworski (1990) and Narver and Slater (1990). (Jones et al., 2003) The trickle-down theory of market orientation literature suggests that market orientation transmits from the organization's managers and filters down through the organization. According to this view the most important element of market orientation is an appropriate state of mind in the organization, which is attained only if the managers appreciate the need to develop this marketing state of mind. In other words the commitment of the managers in developing the market oriented culture is a significant prerequisite to a market orientation. Additionally Webster (1988) and Celuch et al. (2000) propose that the origin of market orientation is in the top management and their responsibility of dissemination of the customer-oriented values and beliefs. Kohli and Jaworski (1990) argue that one of the factors that facilitate the implementation of the market orientation is the presence of the right signals from the managers to the whole organization. This requires that the managers are continuously committed to the development of the market orientation culture. This argument states that in addition to being committed to market orientation, managers must be able to clearly communicate their commitment to all the members of the organization. Kohli and Jaworski (1990) propose the signals by the managers represent the values and beliefs about serving the customers and affect the market orientation of the entire organization. Based on the trickle-down theory the market orientation is examined in this study from the manager's perspective as it is believed that the managers' roles emerge as an important factor in fostering a market orientation to the employees.

2.3. Learning orientation

Increasing competition, globalization and changes in the business environment have made learning more important than ever before (Wang et al., 2010). There is a strong support by researchers that in order for an organization to adapt to change and grow in today's rapidly changing business environment, the employees within the organization must also change develop and grow. This requires that employees are oriented towards learning (Porter & Tansky, 1996). In fact Porter and

Tansky (1996) argue that an important reason why some organizations do not change is because their employees are not making the change from the old way of doing things to the new.

Learning orientation has been defined differently by different researchers. However, a common view agreed by many researches is that learning is a human process where “skills, knowledge, habit and attitudes are acquired and altered in a way that behaviour is modified” (Bard, 2007 p. 87). The process perspective of learning is that it refers to knowledge acquisition and utilization as well as external interaction. Learning is also referred in the literature as “the acquisition, integration and application of new and unique knowledge through experimentation, improvement and innovation”. Learning orientation is result of internal activities, such as learning by doing, failing and studying and learning outside in resource markets and product markets from customer, competitors, suppliers, technological sources and other key stakeholders. (Bard, 2007 p. 87)

According to Wang et al. (2010) learning orientation is a “forced task occurring in a social context and is collaborative”. This definition has three implications. First, learning orientation includes learning activities taking in the workplace and daily learning activities. Second, the working environment integrates working and learning and allows a learning field for individuals. Third, learning orientation occurs from interpersonal and contextual influences emphasizing social aspects, such as mutual perceptions among employees as learners. Hence, learning orientation is a process in which “individuals and organizations acquire knowledge, skills, and attitudes” within the context of solving business problems and improving performance of the organization. (Wang et al., 2010) Wang et al. (2010) divide learning orientation into three different forms: formal, informal and incidental learning. Formal learning refers to institutionally structured learning, whereas informal learning refers to unstructured or institutionally sponsored learning. Incidental learning is unintended and occurs due to some other activities such as trial or error experimentation.

Gong et al. (2009) consider learning orientation to be an internal mind-set that motivates an individual to improve his/hers competences and therefore lead to learning. Moreover, it stands for an important internal drive of an individual. Individuals, who are learning oriented, actively search for new opportunities and challenges that provide them new learning opportunities. (Gong et al., 2009) Porter and Tansky (1996) argue that employees who are learning oriented will more quickly adapt when a task is not completed successfully, while employees concerned with others’ judgment of their performance will withdraw from the task. Thus, learning oriented people do not view their experience as a failure but rather interpret the feedback as an indication of how to change their strategy or the way of working for the given task.

There are also other key characteristics that have been presented when talking about learning orientation. As learning orientation has a discipline theoretical roots across several fields such as psychology, sociology, organizational theory, marketing and strategic management it leads to a diverse and often confusing set of conceptualizations of learning orientation. (Mavondo et al., 2005) According to Baker and Sinkula (1999) learning orientation is defined as a “mechanism that directly affects a firm’s ability to challenge old assumptions about the market and how a firm should be organize to address it”. Firms with stronger learning orientations encourage employees to constantly question the organizational norms that guide their organizational actions. If an organization places a little value on learning, also little amount of learning is likely to occur.

2.3.1. Dimensions of learning orientation

Some researchers divide learning orientation into two types of learning: single-loop, adaptive learning and double-loop, generative learning. Adaptive learning is considered as the most basic form of learning and it concentrates on the development of core capabilities in order to make functions more effective. This type of learning focuses on detecting and correcting errors in the current operating system by changing the ways in which tasks are performed within the system of operation. (Bard, 2007 p.88) Individual’s actions in an organization lead to organizational interactions with the environment which furthermore responds to the actions of the organization. These responses are interpreted by the individuals of the organization if the outcome is not what first expected, the errors are detected and corrected. If the correction does not involve a change to the organizational norms that guide the organizational behaviour this type of learning is called single-loop or adaptive learning. (Baker & Sinkula, 1999) If the correction requires questioning long-held assumptions about the organization’s mission, customers, capabilities, or strategy (Slater & Narver, 1995) and if the learning results from proactive organizational behaviour not in direct response to environmental events, then the learning is called double-loop or generative learning. (Baker & Sinkula, 1999) This is deeper than adaptive learning as it requires new ways of thinking. Therefore generative learning can be considered to better lead to a competitive advantage than adaptive learning. (Bard, 2007 p. 89) Both types of learning are crucial as they represent the capability to change; to unlearn obsolete perspectives, systems and procedures and proactively replace those with alternative approaches that are identified to better create or maintain the competitive advantage. (Baker & Sinkula, 1999)

According to Huber (1991), learning orientation is typically conceptualized as comprising four different stages: (1) information acquisition, the process by which information is obtained (e.g. customer surveys, research and development activities, performance reviews, and analyses of competitor's products), (2) distribution, the process by which information is shared, (3) interpretation, the process by which information is given meaning and transformed into knowledge and (4) memory, the process by which information or knowledge is stored for further use.

According to Baker and Sinkula (1999), learning orientation is associated around three learning capabilities: (1) *commitment to learning*, (2) *open-mindedness* and (3) *shared vision*. *Commitment to learning* refers to individual's ability to understand the cause and the effect of his/her actions, which is necessary in detecting and correcting errors in theory in use. (Baker & Sinkula, 1999) Commitment to learning is also often referred to the amount that an organization places value on learning within the organization. If an organization places little value on learning, little learning is likely to occur. (Farrell & Mavondo, 2004) Commitment requires that all the members of the organization; employees as well as managers understand the importance of learning and actively participate in its achievement (Jerez-Gómez et al., 2005). *Open-mindedness* is closely linked to individual's or organization's capacity to unlearn. Individuals must be able to be open-minded enough to "surface, confront and question the long-held routines, assumptions, and beliefs as they no longer hold true". (Baker & Sinkula, 1999) Predisposition to openness provides room for new perspectives and viewpoints allowing a constant renewal and improvement of knowledge. Openness to new ideas favours experimentation as it involves the search for new innovative and flexible solutions which to tackle with the current and future business problems. Conflicting assumptions weaken the ability of the management to agree on the interpretation of market information and the ability to respond it in a required manner. (Jerez-Gómez et al., 2005). In order to ensure that individuals in an organization share dominant logics and desired outcomes they need held a *shared vision*. According to Farrell and Mavondo (2004) shared vision is essential for proactive learning, because it provides a focus for learning that foster commitment and purpose for learning among the members of an organization. The lack of openness within the organization about the vision lowers the motivation of individuals to learn (Baker & Sinkula, 1999), as without a shared vision, individuals are less likely to know that the expectations of the organization are, what outcomes to measure, or what theories to use to carry out the operations. (Farrell & Mavondo, 2004) The organization's vision needs to be universally known, understood, and used in a manner that gives the organization direction and sense of purpose. (Baker & Sinkula, 1999)

In this study the learning orientation is understood as individuals' willingness to learn as much as possible from their job to gain a broader and deeper knowledge. Also learning oriented individuals prefer tasks that arouse their curiosity and challenge them in order to ensure learning new things. (Gong et al., 2009)

2.3.2. Individual level learning and organizational learning

Contrary to Wang's et al. (2010) idea of learning orientation, which they define as a process where organizations and individuals acquire knowledge to solve business problems, some researchers see a clear border between individual leaning and organizational learning. Hence, it is important to look into both types of learning orientations: individual learning and organizational learning as the concepts seem to overlap and be distinguished in the literature.

Narver and Slater (1995) argue that organizational learning is distinguishable from personal learning by information dissemination and accomplishing a shared organizational interpretation of the information. (Narver & Slater, 1995) Interest towards creating a learning organization has grown in the business world as organizations are trying to enhance the capability for innovation, creativity, change and transformation. Flexibility and the ability to adapt to the changing environment has become crucial to organizational survival. Moreover, organizational learning concept is an increasingly growing body of literature with discipline theoretical roots. (Mavondo et al., 2005). The organizational learning concept, defined as learning at an organizational level (Brand, 2007 p.89), has only recently had applications in marketing contexts such as market orientation, a new product development, marketing channels, strategic marketing and marketing management, recognising that learning orientation might additionally be a source of competitive advantage and hence the key to future organizational success. (Mavondo et al., 2005) While individuals may learn themselves, there is no learning organization, unless the learning is shared and acted on and unless the organization as a whole can change. Individual learning and organizational learning are similar in a way that they both involve the same phases of information processing. They are distinct at information processing, as it is carried out at different systemic levels by different structures. Moreover, organizational learning involves dissemination of information, i.e. the transmission of information and knowledge among the members of the organization. (Bard, 2007 p. 89)

Fiol and Lyles (1985) argue that individual learning is important to organizations, but organizational learning is not simply a sum of each individual's learning. They argue that the distinction between organizational learning and individual learning is that organizations develop and maintain cognitive learning systems that first influence their immediate members and then transmit to others by way of organization histories and norm. Whereas individuals develop their personalities, behaviour and beliefs over time, organizations develop ideologies and world views. Additionally the organizational membership varies over time and the leadership changes, but organizations' memories preserve certain habits, norms and values that are more likely to maintain for a long period of time. According to Fiol and Lyles (1985) the learning from organizations to individuals transmits in a particular way. Organizational learning enables organizations to develop an understanding and interpretation of the business environment in order to assess viable strategies. This results as associations and memories that are developed and shared among the members of the organization. (Fiol & Lyles, 1985)

2.3.3. Learning orientation and market orientation

In order to understand the concepts of market orientation and learning orientation thoroughly, this section discusses about the link between these two concepts. Researchers have observed that there are significant overlaps between cultural market orientation and learning orientation. (Baker & Sinkula, 1999; Mavondo; Chimhanzi; & Stewart, 2005) At its most basic level, organizational learning means the development of new knowledge or insights that have the potential to influence behaviour. (Slater & Narver, 1995) Whereas market orientation is a characteristic that directs and prioritizes market orientation activities of an individual, learning orientation is considered as a characteristic that affects individual's propensity to value single-loop and double-loop learning. (Baker & Sinkula, 1999) According to Baker and Sinkula (1999) market orientation reflects from knowledge-producing behaviour, whereas learning orientation is reflected by a set of knowledge questioning values. This proposition supports the argument that learning orientation is more about constantly challenging assumptions of doing things and concentrating on continuous learning, whereas market orientation is more as a knowledge production. Additionally, they claim that a strong market orientation can be readily copied from another organization to another or from a person to another person, whereas learning orientation cannot, as it organizes and translates the output of market orientation behaviours into a comparative advantage. Accordingly, a superior

learning orientation leverages the use of all resources, including the behaviours that accompany a market orientation. (Baker & Sinkula, 1999)

Baker and Sinkula (1999) propose that the process of establishing a learning orientation takes time and the changes in a person's learning orientation are accrued slowly and steadily over time, whereas market-oriented behaviours can be more rapidly changed and hence more likely have an immediate positive effect on profitability. (Baker & Sinkula, 1999) The commonalities of market orientation and learning orientation are, that they both help to explain the critical organizational capability of market sensing, both are concerned with understanding organization-wide phenomena such as organizational culture and norms, and both encompass relationships and interdependencies between individuals and groups and the coordinated use of both tangible and tacit resources. However, learning orientation is observed to be a broader idea than market orientation. Learning orientation can be viewed from (1) psychological perspective, (2) sociological perspective, (3) strategic viewpoint, (4) management science perspective, (5) production management perspective, (6) cultural perspective. (Mavondo et al., 2005)

A market orientation is argued to provide the cultural foundation for learning (Slater & Narver, 1995); hence learning orientation is presented within the literature as an extension of market orientation. (Mavondo et al., 2005) Strong market orientation may lead to adaptive, single-loop, learning about the market (i.e. customers and competitors), but not routinely lead to generative, double-loop, learning unless it is accompanied by a strong learning orientation. If members of an organization are strongly learning oriented, they will not only gather, disseminate information about the markets, but constantly examine the quality of the interpreted knowledge. Therefore, the market-oriented behaviors will be enhanced. Baker & Sinkula (1999) argue that it is the combination of strong market orientation and strong learning orientation that is the true source of sustained competitive advantage. (Baker & Sinkula, 1999) A general view in the literature is that organizations have a higher likelihood of creating sustainable competitive advantage if the organization have a strong market orientation and employees are encouraged to a strong learning orientation. A strong market orientation is required to focus the organization on the environmental events that are likely to affect their ability to maximise customer satisfaction relative to competitors, and it primarily facilitates adaptive learning. Adaptive learning is capable of enabling innovation within a working paradigm, but is not capable of enabling innovation that creates new paradigms. Learning orientation, on the other hand, facilitate discontinuous innovation. (Baker & Sinkula, 1999) In other words, the researchers argue that if members of an organization have an enhanced learning orientation, they are not only gathering and disseminating the information about customers

and competitors, but also constantly examine the quality of the interpreted data and the dominant logic that guides the entire processes within the organization.

2.4. Hypotheses Development

This section represents the part of this literature that discusses the relationship between the perceived market orientation of managers and the employees' organizational commitment. Additionally the effect of employee level learning orientation on organizational commitment is investigated. Consequently, three hypotheses are presented in this section.

2.4.1. The relationship between learning orientation and organizational commitment

Past research has presented compelling arguments about learning orientation and its relation to organizational commitment. There are a number of studies that have investigated the motivation between "skills-hungry employee" and it has been shown that part of the desire for development is originated from fears about employability in an uncertain business world (D'Amato & Herzfeldt, 2008). In addition employees are better understanding the importance of training as it has become a necessity. (D'Amato & Herzfeldt, 2008) There are a number of tactics to retain employees' talent, such as compensations and benefits, promotions, development opportunities, status incentives, and non-monetary rewards, such as flexible working hours and educational programs. The question addressed in this study is whether the individual level learning improves the organizational commitment of employees. (D'Amato & Herzfeldt, 2008)

According to social learning theory there are two types of individual learning: (1) reinforcement learning and (2) vicarious learning. Moreover, people learn from the consequences of their behaviour (reinforcement), and hence are more likely to increase the behaviour that has positive consequences. This type of learning is also referred as experimental learning. On the other hand, people can learn by observing others before engaging in a particular behaviour (vicarious) and thus enabling them to avoid unnecessary and costly errors. (Lam et al., 2010) Both of these types of learning affect acquisition of knowledge and skills. A learning orientation is considered to be internal mind-set that motivates an individual to improve his or hers competence. Individuals who

are learning-oriented seek for new challenges that provide learning opportunities. (Gong et al., 2009) As a result, individuals will be motivated and more willing to share new skills and perspectives. Employees more likely feel that they can take risks without a fear of a failure and hence able to fully develop their potential at the organization. They do not view their experience as a failure, but rather interpret the feedback as an indication of how to change their behaviour for the particular task. (Porter & Tansky, 1996) As the learning orientation improves the psychological and social mind-set of employees, it strengthens the alliance between the individual and the organisation leading employees being more loyal to the organization (Farrel, 1999).

Based on the theories presented on the relationship between learning orientation and organizational commitment, I hypothesize the following:

H1: Employee learning orientation is positively related to organizational commitment.

2.4.2. The relationship between manager's perception of market orientation and employees' organizational commitment

In this section, I examine the interface between the manager and the employee. In particular, I focus on the influence of the managers' perception of the firm's market orientation and the employees' organizational commitment. The hypothesis can be explained by using social learning theory proposed by Bandura (1977; see Lam et al., 2010) explained in the previous section. To explain the connection between market orientation perceived by managers and organizational learning, the social learning theory is used by explaining how managers' behaviour is critical in influencing employees' behaviours. Drawing from this insight, I conceptualize market orientation as an individual-level perception of the organization's construct and propose the application of market orientation framework and its consequences from a learning theory perspective. (Lam et al., 2010)

According to Guthrie's (1935; see Jones et al., 2003) social learning theory, followers learn from leaders' behaviours. This theory suggests that the managers' behaviour is critical in influencing employees' perspective of the organization's values and behaviours. Managers play a vital role in transmitting organizational values from the highest level of organization to the operating levels, and are often seen as representative characters that embody organization's identity and values (Jones et al., 2003). According to social learning theory market orientation does not evolve in a social vacuum, but employees rather undergo experimental learning from role models (e.g. managers) in

their organization (Lam et al., 2010). In this vein, employees are likely to associate the manager's behaviour to what the organizational values, therefore enhancing the employee's perception of the organization's market orientation. (Jones et al., 2003)

The behaviour of the managers is likely to be influenced by his/her perception of the organizational market orientation. In order to maintain an effective working relationship with the managers, employees are likely to conform to norms established by the managers. Thus, when a manager expresses organization's market oriented behaviour in his/her interaction with the employees, the employees are likely to associate the manager's behaviour to what the firm values, further enhancing the employees' perception of the organization's market orientation (Jones et al., 2003), moreover the values and the principals of the organization that enhance the organizational commitment.

Noticeable in the development of market orientation literature is the theory that states that market orientation proceeds from the organization's leadership's attitudes and behaviours and transmits down through the organization (Jones et al., 2003). Market orientation is argued to lead to better psychological performance such as organizational commitment, since it promotes cooperation among departments and individuals leading to a "sense of pride in belonging to an organization in which all departments and individuals work towards the shared and common goal of creating customer value" (Kohli & Jaworski, 1990). As a result of accomplishing this goal, employees are sharing a feeling of worth while contribution as well as higher level of organizational commitment. Kohli and Jaworski (1990) propose that organisational values, that a market-oriented organizational culture provides, are "deep-seated, personal standards that influence individual's moral judgments, responses to others, and commitment to personal and organisational goals". Siguaw et al. (1994) propose that employees perceive their organization to be highly market oriented when the organization culture is evidently attempting to support the employees to deliver superior value for their customers and reduce the difficulties within the business operations. This supportive organizational culture reduces the level of role stress and is related positively to organizational commitment. (Jones et al., 2003)

Based on the theories presented on the interface between managers and employees and the impact that market orientation of an organization has on employees', I hypothesize the following:

H2: The greater market orientation of the organization perceived by the managers, the greater the organisational commitment of employees.

2.4.3. The moderating effect of perceived market orientation on organizational commitment and learning orientation relationship

Significant overlaps between market orientation and learning orientation have been widely discussed in the literature, both in behavioural and cultural contexts (Mavondo et al., 2005). Learning orientation is viewed as the qualitative engine behind market orientation. If members of an organization have an enhanced learning orientation, they will not only gather and disseminate the information about markets and share it among the organizational members, but also constantly examine the quality of their interpreted information and the validity of the dominant logic that guides the entire business processes. (Farrel, 1999)

According to Mavondo et al. (2005), learning orientation is about questioning organizational practices and assumptions, for example about markets, technology and the environment, aiming to improve them. Market orientation is concerned similarly with intelligence relating to customers, competitors and internal organizational integration. Mavondo et al. (2005) propose that market orientation and learning orientation are similar orientations, as both are dealing with organizational culture and norms, both help to explain the organizational capability of market sensing, and both involve relationships between individuals and groups. Nevertheless, learning orientation is often considered as a broader concept than market orientation, including a range of qualities in addition to those of a market orientation.

In this study, I hypothesise that the effects of employee learning orientation on organizational commitment would be stronger when managers' perception of market orientation is heightened. Learning orientation is proposed to have a positive impact on organizational commitment, as it enhances the employees' ability to develop their potential and strengthen the relationship with the organization. I propose that the market orientation perception of the managers' work as a catalyst for employee level learning, as it brings new information regarding the customers' needs and the market environment, and thus enables learning. Additionally, the nature of market oriented culture where the knowledge is disseminated among all the departments of the organization enhances the alliance between employees, resulting as employees feeling attached and worthwhile to the organization.

Given the above discussion, I suggest the following hypothesis:

H3: Perceived market orientation of managers strengthens the relationship between learning orientation and organizational commitment.

2.4.4. Conceptual Framework

This chapter summarizes the theoretical framework of the study. The framework shows the hypothesis developed and based on the relevant literature presented in the previous chapters. The Figure 3 presents the conceptual model of the predictor of organizational commitment (H1), manager's perception on individual attitude, organizational commitment (H2) and the moderating role of the managerial perception on the individual (H3). In the following empirical part of this study the theoretical framework is tested.

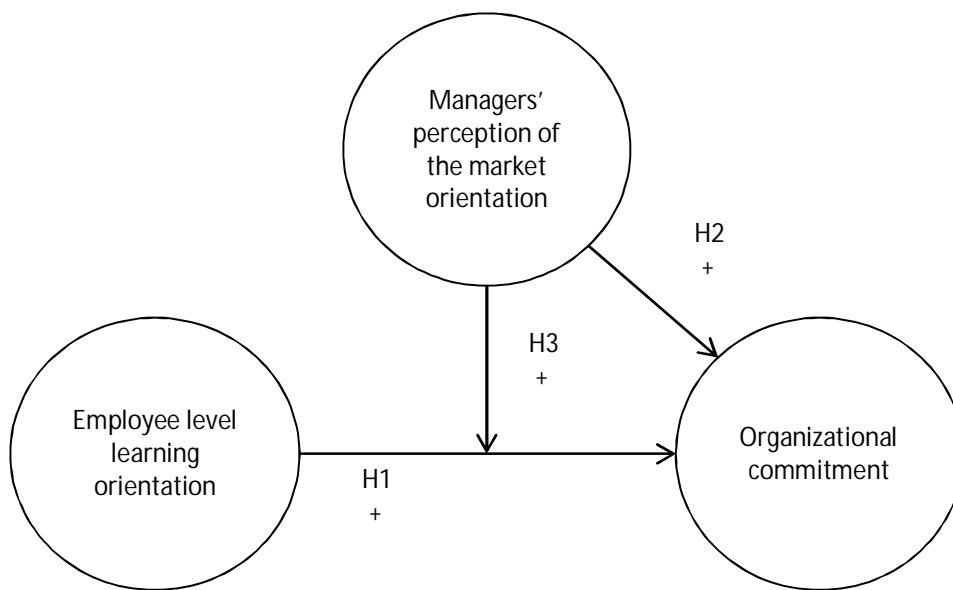


Figure 3 Conceptual framework

3. Research Methods

The main goal of the empirical study is to test the three hypotheses stated in the hypothesis development section. Hence, the aim was to investigate possible connections among organizations' market orientation perceived by the managers, employee level organizational commitment and learning orientation. Special focus was given to different hierarchical levels of organizations: managerial level and employee level. This section outlines the data collection method, what the data consists of, how the variables are constructed and what are the statistical analysis methods used in this study.

3.1. Data collection

The data of this study was gathered as part of the survey conducted for Innonets II –project of Aalto University School of Economics' Marketing department. The web-based questionnaire was nationwide, covering varying sizes of companies from different industries. As the survey consisted of two separate questionnaires targeted to two hierarchical levels of employees within the organizations, to middle management level and employee level, the minimum size of the organizations was set to be 25 personnel, in order get at least five managerial level respondents and four employee level respondents from each organization.

A non-probability sampling technique, snowball sampling, was used to select sampled firms within each firm. The initial group of respondents was selected on a random basis, targeted to a group of organizations that were known to possess the desired characteristics of the target population. First the CEOs or other representatives from the management of the organizations were contacted, in order to get the permission for conducting the survey in the particular organization and getting the contact details of the initial group of respondents, the middle managers. The online questionnaire was sent to the selected group of upper managers and they were asked to identify their employees who would also be suitable for participating to the survey. The major advantage of snowball sampling was identifying the desired manager-employee relationships within the selected organizations.

The drafts of the questionnaires were made during the fall 2010 and pilot-tested among the students participating to the Quantitative Research Methods in Marketing –course of Aalto University as

well as among the workers at Aalto University School of Economics' Marketing Department at Autotalo. The pilot tests were carried out in order to identify and improve the reliability of measures. After the piloting few corrections were made into the wording, the question content and the form and layout of the questionnaire based on the received comments. Additionally, the responses from the pilot-test were coded and analysed in order to eliminate the unnecessary questions and make relevant improvements. The Cronbach's alpha coefficient was calculated separately for each of the dimensions in the questionnaires. After the relevant corrections were made, the questionnaire was considered adequate for the final data collection. The final survey was conducted between October 2010 and March 2011. Besides to an original invitation to participate to the study to the target respondents, also several reminders were sent at one to two week intervals.

3.2. Data

The data was collected in total from 12 organizations. The total number of respondents was 415, including 366 employee level and 49 managerial level respondents. The prerequisite for the respondents to be selected as part of the data was that at least two employees of an employer had responded to the questionnaire. Moreover, managerial level respondents were only selected if a minimum of two of their employees had also responded. The number of respondents from employee and managerial level per organization in relation to the industry is described further in the Table 2.

Respondents

Industry	Firm	Employee level respondents		Managerial level respondents	
			%		%
Health care	1	38	10,4	5	10,2
	2	158	43,2	15	30,6
Construction	3	2	0,5	1	2,0
	4	16	4,4	4	30,6
Manufacturing and metal production	5	5	1,4	1	2,0
	6	10	0,5	2	30,6
	7	20	5,5	3	6,1
	8	14	0,5	3	30,6
	9	37	10,1	4	8,2
Furniture	10	47	12,8	8	30,6
Information technology	11	4	0,5	1	2,0
	12	15	4,1	2	30,6

Table 2 Respondents by industry

As can be seen in Table 3 this sample includes more respondents working at health care industry than other industries included in the study. The least number of respondents is from the information technology. As presented in the Table 3 the industries are very different from each other, which provide data that is not going to be industry biased. The Figure 4 and 5 illustrate the percentual division of the respondents among the different industries.

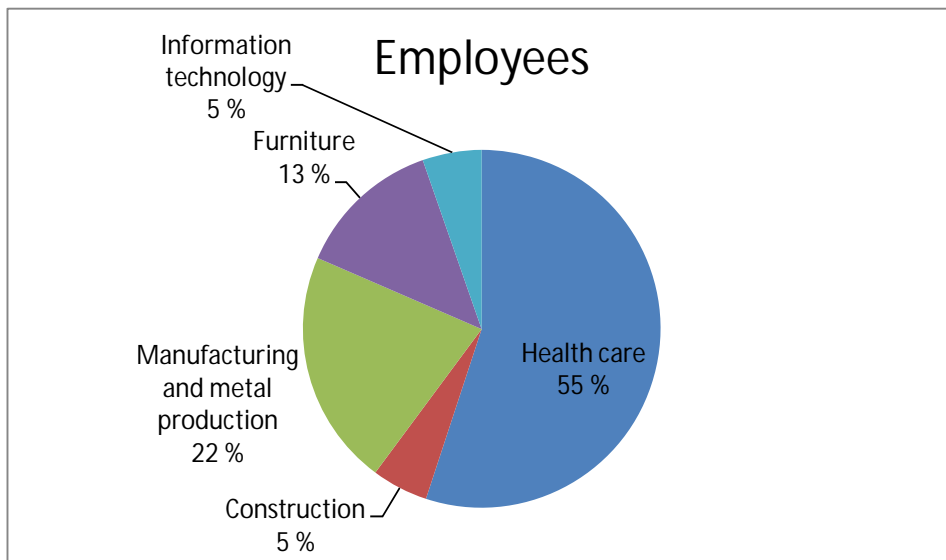


Figure 4 Percentual division of the employee level respondents among the industries

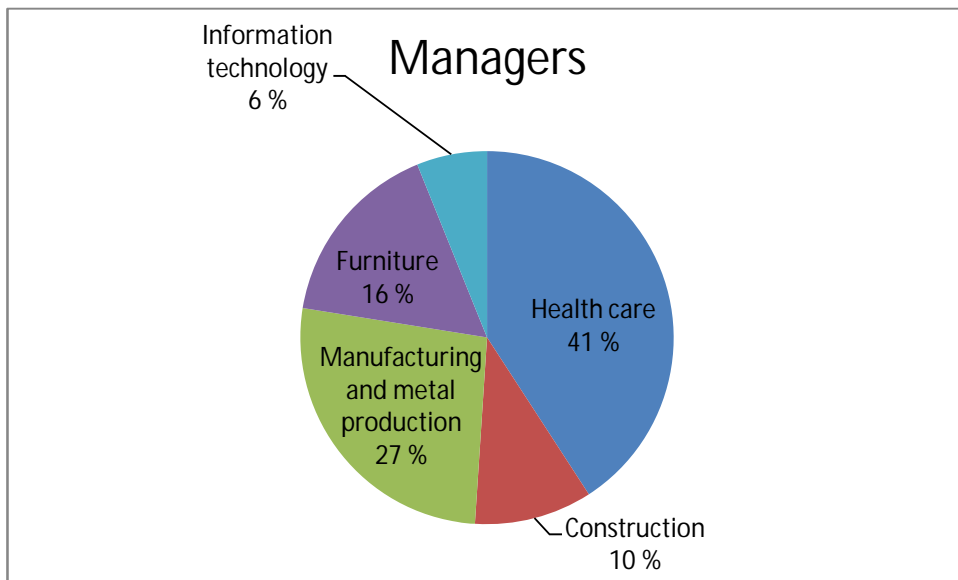


Figure 5 Percentual division of the managerial level respondents among the industries

The data included some missing data, which was handled before starting the analysis. The missing data was mainly due to the action on the part of the respondent, such as refusal to answer. The imputation method was used handling missing data. Imputation is the process of estimating the missing value based on valid values of the variables and/or cases in the sample. The aim is to employ known relationships that can be identifies in the valid values of the sample to help to estimate the missing values. (Hair et al., 1998, p. 54) The missing data for metric variables, such as the control variables, and nonmetric variables were estimated using LISREL software. The imputation enabled that no data was rejected from the analysis because of the missing values.

The data consists of two files from different levels: a level-1 model that represents the employees and the level-2 model that represents the managers. In order to measure the relationships between these two models, the data had to be sorted by the level-2 IDs. The managers at level-2 were all given an ID and the same ID was then linked to their employees on level-1, so that the level-2 ID appeared on every level-1 record. The method of sorting the employees according their managers enabled to identify the right manager-employee relationships

3.3. Measures

All the items in the questionnaires are based on previous research and, thus, are already validated. The questions were translated from English to Finnish as all the respondent organizations were based in Finland and most of the respondents were more likely to be Finnish speaking. The

questionnaire addressed to the middle management, consists questions related to the organizational factor researched in this study, to perceived market orientation. The questionnaire addressed to the employee level, consists questions related to the employee level factors researched in this study, to organizational commitment and employee level learning orientation. All the items included in the questionnaires were answered using a 5-point Likert scale of *strongly disagree* (coded as 1), *disagree* (2), *uncertain* (3), *agree* (4), and *strongly agree* (5). The independent variables and dependent variables are introduced in the following section. The detailed list of all the items is represented on Appendix 1.

3.3.1. Independent variable

The independent variable of this study is market orientation. Narver and Slater's (1990) measure of cultural perspective of market orientation was used in this study. According to Narver and Slater (1990), market orientation is an organizational culture "that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business". The variable is measured from the managerial level or the organization; as managers' understanding of market orientation most likely best represent the market orientation of the whole organization. Managers' role is to transmit the organizational values from the higher level of the organization to the employees that work at the operating level. Therefore, the measure of market orientation in this study represents the market orientation that is perceived by the managers. Thus, how the market oriented culture of the organization is seen by the managers. The market orientation measure by Narver and Slater (1990) is divided into three different categories: customer orientation, competitor orientation and cross-functional integration.

Customer orientation. In order to measure organization's customer orientation, I used the scale developed by Narver and Slater (1990). According to Narver and Slater (1990) customer orientation refers to organization's "understanding of one's target buyers to be able to create superior value for them continuously to create continuously an augmented product". This scale includes five items: (i.e. "Our business objectives are driven primarily by customer satisfaction", "We constantly monitor our level of commitment and orientation to serving customers' needs"...). The reliability estimate for the 5-item customer orientation scale ($\alpha = .708$) indicate a high level of internal consistency.

Competitor orientation. In order to measure organization's understanding of the capabilities of the market and the understanding of the current and potential competitors, I used a scale developed by

Narver and Slater (1990). According to Narver and Slater (1990) competitor orientation means organizations capability to understand the short-term strengths and weaknesses of the organization and long-term capabilities and strategies of both the key current and the key potential competitors. The measure is based on four items. (i.e. “Our salespeople regularly share information within our business concerning competitors’ strategies”, “We rapidly respond to competitive actions that threaten us”...). The reliability estimate for the 4-item competitor orientation scale ($\alpha = .727$) indicate a high level of internal consistency.

Cross-functional integration (Interfunctional coordination) measures the cooperation between the business units within the organization and their shared understanding of the strategies of the organization. According to Narver and Slater (1990) “the interfunctional coordination means the utilization of company in creating superior value for target customers”. The measure consist of four items (i.e. “We freely communicate information about our successful and unsuccessful customer experiences across all business factors”, “All of our business functions are integrated in serving the needs of our target markets”...). The reliability estimate for the 4-item interfunctional coordination scale ($\alpha = .604$) indicate internal consistency.

3.3.2. Dependent variables

Organizational commitment. The measurement scale for the affective organizational commitment used in this study is developed by Meyer et al. (1993; see Grant et al., 2008). According to Meyer et al. (1993) organizational commitment is defined as “emotional attachment to, identification with, and involvement in the organization”. The scale consists of five items (i.e. “I really feel as if this organization’s problems are my own, “I do not feel a strong sense of “belonging” to my organization”...). The reliability test indicate a strong internal consistency ($\alpha = .864$).

Employee learning orientation was measured using the scale developed by Elliot and Church (1997; see Gong et al., 2009). Gong et al. (2009) define learning orientation as “a concern for, and dedication to, developing one’s competence”. The scale consists of five items: (i.e. “I want to learn as much as possible from my job”, “I hope to gain a broader and deeper knowledge of my job as continue in this position”...) ($\alpha = .706$).

3.3.3. Control variables

This research sets the following personal attributes as the control variables: gender, age, education level, years of service within the particular company, years at the particular task and type of task. The type of task was divided into 9 different tasks: sales, marketing and communication, management, HR, financial administration, customer service, R&D, Business operations development, and project and system responsibility. During the analysis gender is configured as a dummy variable; 0 for male and 1 for female. Education level is divided into 4 different categories and coded ranging from 1 to 4: high school, BSc, MSc and postgraduate. Responsibility refers to the main task at the job and it is divided into different categories and indicated with dummy variables 0 or 1.

3.4. Validity and reliability

Measurement error, which is the degree to which the observed values are not representative for the true values, may result in this study from the data entry errors to the imprecision of the measurement (e.g. placing a five-point rating scale for particular question when it is known that the respondents can accurately respond only to a three-point rating). Validity can be defined as the degree the survey measures what it is only supposed to measure. (Alreck & Settle, 1985, p. 64) In order to guarantee a valid and reliable questionnaire, the questions of the survey were based on prior research, thus already validated by other researchers. The original measures were in English, but as the respondents were all Finnish, the questions were translated into Finnish, in order to lower the possibility of misunderstandings and confusions of the respondents that might have appeared due to the foreign language used. In order to ensure that the meaning of the questions remained the same despite the translation, the questions were translated back to English. Before the final questionnaire was carried out, it was first piloted to a small group of people in order to ensure the validity of the questionnaire by asking as correct and accurate questions as possible.

The reliability, on the other hand, refers to the "freedom from random error and the true value". The fundamental test of reliability is the ability to get the same data values from several measurements in a similar manner. If multiple measurements are taken, the reliability measure will all be very consistent in their values. Whereas "validity relates to what should be measured, reliability relates to how it is measured". (Alreck & Settle, 1985, p. 64) The commonly used measure of reliability is called Cronbach's alpha. The alpha varies from 0 to 1, and values greater than 0.60 are considered

acceptable. (Hair et al., 1998, p.88) Cronbach's alpha was also used in this study to define reliability. The Table 3 below presents the Cronbach's alphas of each scale. In this study all the values were 0.7 or greater, and thus they can be considered reliable.

Variables	Cronbach's alpha
Employee learning orientation	0,706
Organizational commitment	0,864
Customer orientation	0,738
Competitor orientation	0,748
Interfunctional coordination	0,727

Table 3 Cronbach's alpha of the variables

Response errors occur when a respondent gives an inaccurate answer or the answer is falsely analysed. Thus, the error can be made by the respondent or the researcher. Response error is defined as the "variation between the true mean value of the variable and the observed mean value". (Malhotra & Birks, 2003, p. 75) As the data for this study was collected via a web based survey, the response error by the researcher is not possible. However, the respondent related response error may occur in this study due to the possible confusion in the wording of the questions or due to other similar causes.

3.5. Methods of Statistical Analysis

In this section the statistical analysis methods used in this study are described. The hierarchical linear modelling (HLM) (Raudenbush et al., 2004) is used in the analysis as the research is dealing with relationships among variables of different hierarchical levels. According to Hoffmann (1997) the HLM model is used over other cross-level data analysis methods, such as disaggregate and aggregate approaches, as it is designed to overcome the weaknesses of these two other approaches. Using the HLM model one can model explicitly both within- and between-group variable, as well as investigate the influence of higher –level units on lower level outcomes, while maintaining the appropriate level of analysis. The disadvantage of the disaggregate approach is that it violates

statistical assumptions and assesses the impact of higher level units based on the number of lower level units. The problem with the aggregate approach is that it discards potentially meaningful lower level variance in the dependent measure. Both models easily lead to an analysis where the conclusion has been made based on one level and the findings based on another level. HLM model recognizes that individuals within a particular group may be more similar to one another than individuals in other groups and, thus, may not provide independent observations. HLM model allows a " simultaneous investigation of the relationships within a particular hierarchical level as well as relationships between or across hierarchical levels". In order to model both within hierarchical level and between level relationships, two models need to be estimated simultaneously: one modelling relationships within each of the lower level units, and modelling how these relationships vary between units. In this study, the employees are referred to the lower-level units (Level-1) and managers to the higher-level units (Level-2). (Hofmann, 1997)

To model both within level and between level relationships, two models must be simultaneously estimated, by performing regression of regression. Conceptually, two-step procedure is used to cross-level investigations where the lower level model is estimated separately for each group. The regression based form of the model is:

$$\text{Level-1: } Y_{ij} = \beta_{0j} + \beta_{1j}X_{ij} + r_{ij} \quad (1)$$

Y_{ij} is the outcome measure for person i in organization j , X_{ij} is the value on the predictor for individual i in group j , β_{0j} and β_{1j} are intercepts and slopes for each organizations, and r_{ij} is the residual. (Hofmann, 1997)

The Level-2 analysis of hierarchical linear model is trying to answer whether there are group level variables associated with the variation across groups. The higher-level units refer to the managers in this study. The level-2 analysis uses the intercepts and slopes from the level-1 analysis as dependent variables. A typical level-2 model may take the following form:

$$\text{Level-2: } \beta_{0j} = \gamma_{00} + \gamma_{01}G_j + U_{0j} \quad (2)$$

$$\beta_{1j} = \gamma_{10} + \gamma_{11}G_j + U_{1j} \quad (3)$$

G_j is a group level variable, γ_{00} and γ_{10} are the second stage intercept terms, γ_{01} and γ_{11} are the slopes relating G_j to the intercept and slope terms from the level-1 equation, and U_{0j} and U_{1j} are the level-2 residuals. The pattern of variance in the level-1 intercepts and slopes determine the level-2 model. For example, if there is no slope variance, given that β_{1j} is identical for all groups, the inclusion of G_j in equation 3 would not be meaningful. Similarly, if there is no intercept variance, the inclusion of G_j in equation 2 would not be meaningful, because there is no variance in: β_{0j} across the groups.

In estimating the level-1 and level-2 models discussed in the previous section, a distinction is made between fixed effects, random coefficients and variance components. Fixed effects are parameters that are fixed across the groups, for example the γ in the equations 2 and 3. Random coefficients are parameters that are allowed to vary across groups, for example β_{0j} and β_{1j} in the first equation. HLM also include estimates of the variance components: (1) the variance in the level-1 residual, (2) the variance in the level-2 residuals and (3) the covariance of the level-2 residuals. (Hofmann, 1997)

The data was first coded using PASW/SPSS software. The both raw data files: a level-1 file and a level-2 file were sorted by the level-2 ID (i.e. employees were coded by their manager ID). The variable re-specifications were also made using the PASW/SPSS software. Next, correlation analysis was conducted with PASW/SPSS software.

Centering

To clarify the meaning of the slope and intercept parameters, the slope represents the expected increase in the outcome variable (organizational commitment) for a unit increase in the predictor variable (employee level learning orientation). The intercept parameter represents the predicted level of organizational commitment for a person with zero learning orientation. As the meaning of a person to have zero commitment is unclear, to make the intercept more interpretable, different ways to rescale the level-1 predictors are used, called centering.

Centering is an important issue regarding the analysis of cross—level data. Centering describes the rescaling of the level-1 predictors and there are three options to carry through the centering (1) raw metric approaches where no centering takes place, (2) grand mean centering where the grand mean is subtracted from each individual's score on the predictor and (3) group mean centering where the group mean is subtracted from each individual's score on the predictor. The intercept represents the

expected level of the outcome for a person with an average level on the predictor when the grand mean centering method is used. In this study, it would be the expected organizational commitment for a person with an average learning orientation.

4. Results and Analysis

4.1. Correlations

Table 4 displays the means, standard deviations, correlations and reliabilities for all variables, individual-level and group-level. The control variables, presented in Table 4 are measured at the individual level including gender, age, level of education, years of employment at the current organization and different job positions. Table 4 shows that employees working at the financial sector have higher level of learning orientation ($r = 0.111$, $p < 0.05$) than people working at other departments of the organizations.

Additionally, Table 4 shows, that people who are working at the marketing and communication department have higher level of commitment to the organization ($r = 0.159$, $p < 0.01$), whereas people working at the customer service department are less committed to the organization they are working at. Hence, the people from the customer service department more likely move to another organization seeking for new opportunities than individuals from other departments. Additionally, the positive correlation between the employee learning orientation and the organizational commitment ($r = 0.204$, $p < 0.01$) is shown in Table 4.

Table 4 also shows relationships between the organizational-level variable (i.e. market orientation) and the individual characteristics, control variables (i.e. age, gender, education etc.). In order to calculate the correlations between organizational and individual level variables, the organizational variables were allocated according the individual variables. The correlation analysis shows that there is a positive relationship between market orientation and the number of years individual has been working at a particular organization. Hence, the more market oriented the organization is, the longer the employment of the individuals of the particular organization ($r = 0.124$, $p < 0.05$). Additionally, people working at the sales department are shown to have a positive relationship with the market orientation of the organization ($r = 0.240$, $p < 0.01$).

Summary statistics and correlations^a

Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1. Sex ^b	1,40	,490																	
2. Age	40,58	11,047	,022																
3. Edulevel	1,84	1,034	,399**	-,016															
4. Firmyear	7,40	5,932	,231**	,597**	-,014														
5. Taskyear	5,15	4,906	-,006	,441**	-,114*	,542**													
6. Sales ^c	,0902	,2868	-,003	,086	-,082	,156**	,054												
7. Markcom ^c	,0109	,1041	-,032	,004	,016	,002	-,041	-,033											
8. Mgmt ^c	,0082	,0903	-,012	,067	-,016	-,022	,022	-,029	-,010										
9. HR ^c	,0246	,1551	-,093	,012	,007	-,058	-,070	-,050	-,017	-,014									
10. Financial ^c	,0055	,0738	-,060	-,064	-,025	-,055	-,048	-,023	-,008	-,007	-,012								
11. Customserv ^c	,1940	,3960	-,202**	,034	-,100	-,010	,098	-,130*	-,052	-,045	-,078	-,036							
12. R&D ^c	,1967	,3981	,481**	,024	,408**	,172**	,052	-,156**	-,052	-,045	-,079	-,037	-,243**						
13. Bsnsdev ^c	,0109	,1041	,129*	,042	,067	,033	-,035	-,033	-,011	-,010	-,017	-,008	-,052	-,052					
14. Project ^c	,0410	,1985	,169**	,040	,138**	,095	-,043	-,065	-,022	-,019	-,033	-,015	-,101	-,102	-,022				
15. EMLO	4,330	,4482	-,021	,016	-,015	-,024	,020	,057	,063	,001	,072	,111*	-,044	,018	-,031	-,054	(0.706)		
16. OCOM	3,391	,8602	,064	,075	,081	,086	,037	,101	,159**	,020	-,006	-,066	-,127*	,081	,021	-,006	,204**	(0.864)	
17. MOR	-,0056	,5117	,096	,076	,012	,124*	-,013	,240**	,094	-,017	-,003	-,043	,032	,081	,082	,004	,017	,165**	(0.852)

^an = 366, Internal consistency reliability (alpha) estimates are on the diagonal

^b1 = "woman", 2 = "man"

^c dummy variables

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

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

Table 4 Summary statistics and correlations^a

4.2. Hypothesis testing using HLM

Conditions

Hypotheses 1 and 2 suggest that organizational commitment will be significantly related to individual level variable (i.e. learning orientation) and group level variable (i.e. market orientation). Therefore it is proposed that there is a meaningful within and between group variance in organizational commitment. Hypothesis 2 suggests that organizational commitment will be significantly related to perceived market orientation of the managers. The variance in the level-1 intercept term represents the between group variance in organizational commitment. Therefore, for hypothesis 2 to be supported there needs to be significant variance in the intercept term, and moreover the variance needs to be significantly related to the market orientation of organizations. According to hypothesis 3, the relationship between organizational commitment and learning orientation will vary as a function of the market orientation. Hence, for this hypothesis to be supported, there would need to be significant variance in the level-1 slope coefficient across groups (i.e. the relationship between learning orientation and organizational commitment) and this variance would have to be related to the market orientation of employers. (Hofmann, 1997) The following section outlines the sequence of HLM model used in this study.

4.2.1. Null Model

The hypothesis testing using HLM model entails estimating a series of models. The first model is referred as the null model, which includes no predictors at the level-1, and is equivalent to a one-way analysis of variance, ANOVA. The null model allows investigating the amount of within- and between-group variance in the dependent variable, as discussed in the previous section. In this study, the following model is used to determine whether there are significant within- and between-group differences in the organizational commitment of employees. The investigation of within- and between-group variance suggests that the variance in organizational commitment needs to partition into its within and between group components. The incentive for this model is to question on how much organizations vary in their mean employee organizational commitment. (Hofmann, 1997)

$$\text{Level-1: Organizational commitment}_{ij} = \beta_{0j} + r_{ij} \quad (4)$$

$$\text{Level-2: } \beta_{0j} = \gamma_{00} + U_{0j} \quad (5)$$

where:

β_{0j} = mean organizational commitment for group j

γ_{00} = grand mean of organizational commitment

Variance (r_{ij}) = σ^2 = within group variance in organizational commitment

Variance (U_{0j}) = τ_{00} = between group variance in organizational commitment

Substituting the level-1 equation into level-2 equation yields the combined model

$$\text{Organizational commitment} = \gamma_{00} + U_{0j} + r_{ij} \quad (6)$$

In this equation, the level-1 equation includes no predictors and hence, the regression equation includes only an intercept estimate. The organizational commitment is then regressed onto a unit vector, thus producing a regression-based intercept estimate. The level-2 model regresses each group's mean organizational commitment onto a constant, thus β_{0j} is regressed onto a unit vector resulting in a γ_{00} parameter which is equal to the mean organizational commitment. As each of the dependent variables is regressed onto a constant, any within group variance in organizational commitment is forced into the level-2 residual (U_{0j}). (Hofmann, 1997)

In this study the between-group variance in organizational commitment (τ_{00}) resulted 0.06391. The variance between individuals reporting to the same supervisor (σ^2) was 0.68221. These results allow calculating the interclass correlation coefficient (ICC), which represents a ratio of the between group variance in organizational commitment to the total variance in organizational commitment. [$\text{Var}(\text{Organizational commitment}) = \text{Var}(U_{0j} + r_{ij}) = \tau_{00} + \sigma^2$](Hofmann, 1997).

Therefore, the intra-class correlation is

$$ICC = \tau_{00} / (\tau_{00} + \sigma^2) \quad (7)$$

The value of intra-class correlation can range from 0.0 to +1.0. Large value for the ICC indicates that there is a strong relationship between the data collected from individuals within the same organization. In other words, the information provided by any individual in the group is largely redundant with the information provided by the other individuals in the group. (Scherbaum & Ferreter, 2009)

The obtained ICC value obtained for this study was 0.086, indicating that 8.6% of variance in employees commitment resides between organizations, while 91.4% of the variance exists in employees reporting to the same employer. These results provide a basis to examine group-level predictors and individual-predictors on organizational commitment (Hofmann, 1997).

4.2.2. Testing Hypothesis 1: Random Coefficient Regression Model

The next step entails whether there is significant variance in the intercepts and slopes across groups, by adding an individual-level predictor to the equation. In other words, for supporting the hypothesis that learning orientation is a predictor of organizational commitment, there needs to be significant variance across groups in the intercept. (Hofmann, 1997) The random coefficient regression model takes on the following form:

$$\text{Level-1: Organizational commitment}_{ij} = \beta_{0j} + \beta_{1j} (\text{employee level learning orientation}) + r_{ij} \quad (8)$$

$$\text{Level-2: } \beta_{0j} = \gamma_{00} + U_{0j} \quad (9)$$

$$\beta_{1j} = \gamma_{10} + U_{1j} \quad (10)$$

where:

β_{0j} = identification for group j

β_{1j} = slope for group j

γ_{00} = mean of the intercepts across groups

γ_{10} = mean of the slopes across groups

Variance (r_{ij}) = σ^2 = Level-1 residual variance

Variance (U_{0j}) = τ_{00} = variance in intercepts

Variance (U_{1j}) = τ_{11} = variance in slopes

In the equation 3 the β_{0j} and β_{1j} coefficients are modelled as random coefficients in the equations 4 and 5. These coefficients are predicted by the overall mean γ_{00} and the slope γ_{10} for each group (Hofmann, 1997).

As there are no predictors on Level-2, the level-2 regression equation is equal to an intercept term and a residual. T-test related to the γ_{00} and γ_{10} parameters indicate whether the parameters

depart from zero. In this study, the significance of the γ_{10} parameter indicates whether the employee level learning orientation is significantly related to organizational commitment, hence it provides a direct test for hypothesis 1. Thus, this test investigates whether the pooled level-1 slope between employee level learning orientation and organizational commitment differs significantly from zero. (Hofmann, 1997) Excluding all the level-2 predictors at this stage, results indicate that employee learning orientation is positively related to commitment (coeff. = 0.370, $p < 0.001$). Therefore the Hypothesis 1 is supported.

In addition to estimating the fixed and random effects, the level-1 residual variance is also estimated. (i.e. the variance in r_{ij}). In the one-way analysis of variance, σ^2 was equal to the within group variance in organizational commitment. As the level-1 predictor is added to the equation, σ^2 is now equal to the level-1 residual variance. The amount of within-group variance (R^2) in the dependent variable, organizational commitment, is computed using the following ratio (Hofmann, 1997):

$$R^2 = (\sigma^2_{\text{oneway ANOVA}} - \sigma^2_{\text{random regression}}) / \sigma^2_{\text{oneway ANOVA}} \quad (11)$$

This ratio represents the proportion of level-1 variance in organizational commitment by employee level learning orientation. (Hofmann, 1997) Hence, the proportion ratio of level-1 variance (R^2) is 2.9% of the total variance between employees reporting to the same supervisor. The ratio of this proportion is relative small, 2.9%, so it can be concluded that although there is a positive relationship between learning orientation and organizational commitment, learning orientation of individuals does not have a substantial impact on their organizational commitment.

4.2.3. Testing Hypothesis 2: Intercepts-as-outcomes

According to Hofmann (1997), the next step entails identifying whether a group-level variable predicts the variability in the intercepts. In this study, the following set of equations is estimates to test for the relationship between managers' perception of market orientation on organizational commitment after controlling for individual level learning orientation:

$$\begin{aligned} \text{Level-1: Organizational commitment}_{ij} &= \beta_{0j} + \beta_{1j} (\text{Employee level learning} \\ &\text{orientation}) + r_{ij} \end{aligned} \quad (12)$$

$$\text{Level-2: } \beta_{0j} = \gamma_{00} + \gamma_{01}(\text{Perceived market orientation}) + U_{0j} \quad (13)$$

$$\beta_{1j} = \gamma_{10} + U_{1j} \quad (14)$$

where:

γ_{00} = Level-2 intercept

γ_{01} = Level-2 slope

γ_{10} = mean of the slopes across groups

Variance (r_{ij}) = σ^2 = Level-1 residual variance

Variance (U_{0j}) = τ_{00} = residual intercept variance

Variance (U_{1j}) = τ_{11} = variance in slopes

In this intercept-as-outcomes model, a level-2 predictor (perceived market orientation) has been added to the equation rendering τ_{00} equal to the residual between group variance in the intercept term (Hofmann, 1997). Results suggest the significant impact of supervisors' perceived market orientation of the organization on the employee level organizational commitment (coeff. 0.232, $p < 0.05$), hence supporting the hypothesis.

To compare the amount of intercept variance accounted for by market orientation to the total intercept variance, the R^2 is computed as follows:

$$R^2 \text{ for level-2 intercept model} = (\tau_{00\text{-random regression}} - \tau_{00\text{-intercepts-as-outcomes}}) / \tau_{00\text{-random regression}} \quad (15)$$

The results of R^2 suggest that supervisors perceived market orientation accounts for 22.5% of the variance between groups of employees who report to different managers.

4.2.4. Testing Hypothesis 3: Slopes-as-outcomes

To investigate whether the variance in the slope across groups is significantly related to the perceived market orientation of group members, a following set of equations can be calculated:

$$\text{Level-1: Organizational commitment}_{ij} = \beta_{0j} + \beta_{1j}(\text{employee level learning orientation}) + r_{ij} \quad (16)$$

$$\text{Level-2: } \beta_{0j} = \gamma_{00} + \gamma_{01}(\text{perceived market orientation}) + U_{0j} \quad (17)$$

$$\beta_{1j} = \gamma_{10} + \gamma_{11}(\text{perceived market orientation}) + U_{1j} \quad (18)$$

where:

γ_{00} = Level-2 intercept

γ_{01} = Level-2 slope

γ_{10} = mean of the slopes across groups

γ_{11} = Level-2 slope

Variance (r_{ij}) = σ^2 = Level-1 residual variance

Variance (U_{0j}) = τ_{00} = residual intercept variance

Variance (U_{1j}) = τ_{11} = residual slope variance

The difference between this model and the intercept-as-outcomes model is that perceived market orientation is now added as a predictor to the β_{1j} parameter and hence, the U_{1j} variance is the residual variance in the β_{1j} parameter across groups, instead of the total variance across groups. A significant γ_{11} parameter would indicate that perceived market orientation would moderate the relationship between employee level learning orientation and organizational commitment. In this study the significance of the γ_{11} parameter is directly related to testing Hypothesis 3 that suggests that perceived market orientation of the managers will moderate the relationship between employee learning orientation and organizational commitment. In order to test this cross-level interaction, a significant slope should occur in the intercept-as-outcome model calculated previously. (Hofmann, 1997) The results show that there is not a significant residual variance, and hence the hypothesis is not supported (coeff. -0.17, $p > 0.05$). The summary of the results from the hypothesis testing is shown in Table 5.

Results of Hierarchical Linear Modeling Analysis for Organizational commitment ^a

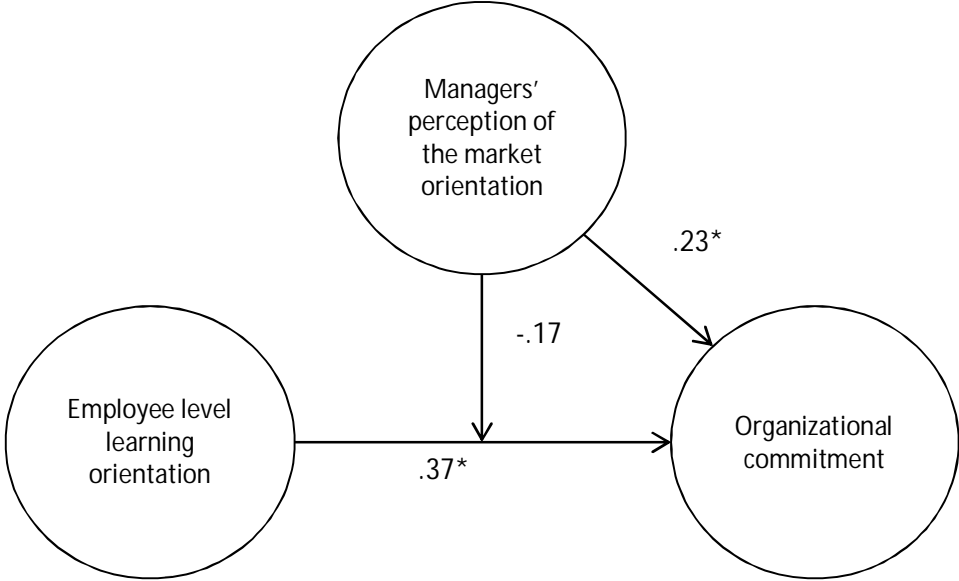
Variables	Organizational commitment		
	Model 1	Model 2	Model 3
<i>Level 1 main effects</i>			
Age	0,00 (0,01)	0,00 (0,00)	0,00 (0,01)
Gender	- 0,02 (0,11)	- 0,02 (0,11)	- 0,02 (0,11)
Level of education	0,06 (0,05)	0,06 (0,05)	0,06 (0,05)
Years at the firm	0,00 (0,01)	0,01 (0,01)	0,01 (0,01)
Task years	0,00 (0,01)	0,00 (0,01)	0,00 (0,01)
Sales	0,23 (0,18)	0,12 (0,18)	0,14 (0,18)
Mgmt	0,18 (0,49)	0,17 (0,48)	0,16 (0,48)
Marketing & communication	1,17* (0,44)	1,06* (0,44)	1,08* (0,44)
HR	- 0,10 (0,29)	- 0,13 (0,29)	- 0,13 (0,29)
Financial adm.	- 0,94 (0,62)	- 0,89 (0,61)	- 0,93 (0,61)
Customer service	- 0,20 (0,12)	- 0,23 (0,12)	- 0,22 (0,12)
R&D	0,08 (0,15)	0,04 (0,15)	0,05 (0,15)
Business operations dev.	0,13 (0,43)	0,03 (0,43)	0,03 (0,43)
Project and system resp.	- 0,07 (0,24)	- 0,09 (0,23)	- 0,08 (0,23)
Employee learning orientation	0,37* (0,1)	0,37* (0,1)	0,37* (0,1)
<i>Level 2 main effects</i>			
Market orientation		0,23* (0,10)	- 0,17 (0,1)
R ²	0,03	0,23	

^an = 49 managers (level 2) with 366 subordinate employees (level 1). Unstandardized estimates based on centering are reported, with standard errors in parentheses. R² values estimate the amount of total variance (both level 1 and level 2) in the dependent variable.

* p < 0,05

Table 5 Results of Hierarchical Linear Modeling Analysis for Organizational commitment

The final results of the hypothesis testing are shown in Figure 6 below.



* = sig. at $p < .001$

Figure 6 The final results of the hypotheses test

5. Summary and conclusion

The main purpose of this study was to examine the relationship between the perceived market orientation of managers and the organizational commitment of employees. The study was motivated by the increasing interest of organizational commitment in today's fluctuating business environment, and the lack of research on how managers' perception of market orientation impacts on employee attitudes.

The present study was motivated by three goals; empirically test the relationship between market orientation perceived by managers and organizational commitment of employees, investigate the effects of employee learning orientation on employee organizational commitment, and to assess managers' perception of market orientation as a moderator of the learning orientation and organizational commitment relationship.

The empirical research was conducted with quantitative study as it was seen suitable approach in responding the aim of this study. The method of the study consisted of two separate web-based questionnaire forms targeted to managers and to employees, from which the data was gathered. The data was analysed with hierarchical linear modelling (HLM) as the research data was gathered from two different hierarchical levels.

This chapter discusses the main results of the present study. The empirical results of each hypothesis are reviewed and compared to the related theory presented in the theoretical part of this study. Consequently, the key findings are represented and their implications on managerial actions are reviewed. Subsequently, the research limitations are described and the directions for future research are discussed.

5.1. Discussion

In particular, this study extends prior research on market orientation, learning orientation and organizational commitment by exploring the relationship between perceived market orientation and organizational commitment, hence emphasizing the influence that managers' perception of organization's prevailing culture has on employees' attitudes. Understanding the relationship among manager's perception and how it influences on the employees attitudes is very critical in a sense that it might affect the whole performance of the organization. The data was collected from two different hierarchical levels, in order to examine the critical interface in the manager-employee relationships. The use of HLM technique in the analysis of the research data provided a novel insight to the common research of market orientation literature. Often the market

orientation and job attitude relationship is investigated by collecting the data for market orientation and job attitudes from the same group of respondents. This study, on the other hand, gathered the organizational related variable and the employee related variable from different respondent groups to get as reliable data as possible and to find out the interface between these two different levels of respondents. The results I obtained lead to three contributions. First, manager's perception of the organization's market orientation relates positively to employee level organizational commitment. Second, an employee learning orientation predicts organizational commitment. Third, managers' perception of the market orientation does not have a significant moderating effect on employee learning orientation and organizational commitment relationship. I now discuss these empirical findings in more in-depth by relating them to previous theories discussed earlier in this study.

Conclusion 1: Manager's perception of market orientation has a positive effect on organizational commitment.

Prior research has shown a positive relationship between market orientation and employee job attitudes, such as, organizational commitment (Kohli & Jaworski, 1990). This study goes beyond this view by emphasising the manager-employee interface in the market orientation-organizational commitment relationship. The results show the issue concerning manager and company influences on the work attitudes of employees. The results indicate that the managers' perception of market orientation play an important role by raising the employee's organizational commitment, by supporting the previous research studies on the matter. Hence, it appears that the encouraging and supporting business environment that market orientation strategy creates, concentrating on satisfying customers' needs, has positive effect on employee perceptions of their work. Borrowing market orientation and social learning theories, these findings emphasize the importance of managers' role in transmitting organization's values, in this case market orientation, through the organization. The trickle-down theory introduced in the literature review section proposes that managers act as representative characters embodying organization's identity and values to the employees of the organization, which the results of this study support. (Jones et al., 2003) As workers see that the organization's culture is market oriented, promoting cooperation among individuals, and thus, making employees to feel belonging to the organization, and promoting a common and shared goal, employees feel more committed to their personal and organizational goals. Moreover, committed employees will experience greater satisfaction as a result from the attachment to the organization and have a stronger intention to stay in the organization

Conclusion 2: Learning orientation is a predictor of organizational commitment

The second conclusion continues with Farrell's (1999) investigation of the antecedents of organizational commitment. The results of this study show a positive relationship between learning orientation and organizational commitment, showing that learning orientations is a predictor of employees' affective attachment to the organization. These results support the social learning theory where people who are learning oriented are motivated to seek for new opportunities in order to learn new things, feel that they can take risks without a fear of a failure and be able to fully develop their potential and hence feel more attached to the organization. The affective organizational commitment dimension developed by Meyer et al. (1993) emphasized the emotional attachment of the employees, so that committed employees felt that the organization has a lot of personal meaning to them. Hence, the results of this study support the investigation already conducted by Farrel (1999).

Conclusion 3: Market orientation does not moderate the learning orientation – organizational commitment relationship

I proposed that the effects of employee learning orientation on organizational commitment would be stronger when managers' perception of organization's market orientation is heightened. Unexpectedly, there was no moderating effect of market orientation when organizational commitment was the dependent variable. As it is found in this study, there is a positive relationship between learning orientation and organizational commitment, and manager's perception of market orientation and organizational commitment, but no moderating effect of market orientation on the learning orientation – organizational commitment relationship. In other words, to the employees the managers represents a part of the organization and its strategic intentions, it is important factor influencing employees job attitudes, but does not strengthen or weaken the relationship between two inner personal factors, in this case learning orientation, and organizational commitment relationship. The reason why there was found not to be a moderating effect of market orientation on the learning orientation and organizational commitment relationship might be that as individuals are already learning oriented the market orientation organizational culture does not anymore increase the learning behaviour that would lead to organizational commitment, but rather stays at the particular level.

5.2. Managerial implications

From a managerial perspective, the results of this study, highlights the importance of organization's market orientation on employee job attitudes. By transmitting the organization's market orientation values and behaviours from the higher level of management down to the operating levels, firms can help employees to reduce role conflict and uncertainty and increase

organizational commitment. This study empirically supports what Jones et al. (2003) had previously researched, proposing, that this transmitting of market orientation from the managers to the employees follows by providing a commitment to customers, producing market information and disseminating the information to all the organizational levels and supporting a cooperative spirit among the departments and individuals.

Another managerial implication that this research illustrates is the importance of the business climate that the managers provide. It is not enough for the managers to only communicate the organization's market orientation values. The managers must also create an environment that encourages for the market orientation processes, thus for customer satisfaction, and demonstrate organizational commitment. This supporting environment is essential to create in today's fast-paced and highly competitive business world, in order to make the employees feel that they are important to the organization and that their contribution to the organization is valued.

Thirdly, in today's business world, not only the growth and development of managers is essential, but also the employees' growth and development as the market is constantly changing and there are fewer opportunities for low-skilled workers who are unable to adapt to these new conditions (Porter & Tansky, 1996). It's a necessity to be able to respond to the change. It is not only the matter of managers not wanting to employ employee who are unwilling to learn, but also the lack of learning orientation will negatively effect on employees' affective attachment to the organization and more likely increase the absenteeism. Therefore, it is important that managers understand the significance of individuals' learning within the organization and provide an environment where affective learning is supported and where the organization culture facilitates the member's learning opportunities. In this kind of environment employees should feel risk-free, comfortable of taking new challenges and willing to share their learning with other member of the organization. The suggestion that I make to develop organizational commitment is to developed human resource management activities that have an impact on employees' organizational commitment and leading to employees' willing to more likely stay at the organization for a longer period of time. Additionally, it is essentially to try to enhance employees' affective attachment to the organization as then people become emotionally committed to the organization.

The fourth managerial implication relates to the perception of employees of the prevailing organizational culture. When managers are attempting to create a suitable organizational culture, it is important to consider how employees are likely to perceive the culture. The culture should create conditions that enable organizational commitment and encourage it, and employees

should be able to acknowledge it. The message of the organizational culture should meet the values of the employees.

The last managerial implication of this study is related to the observation of employee capability to be oriented towards learning. It might be important from a managerial perspective to know whether employees of the organization have a tendency towards learning, as they might require quite different type of training related to employees that are not learning-oriented. (Porter & Tansky, 1996) Employees that are learning oriented, need challenging goals and the opportunity to learn new things and experiment without consequences in order to enable learning. Hence, it appears that identification of individual differences in employees' learning orientation could be valuable and also practical.

5.3. Limitations and directions for future research

There are some limitations of this study. One limitation of this study is the relatively low response rate in the managerial level. I believe that the low response rate was due to the fact that the respondents were from the different hierarchical levels, and therefore managers needed to besides responding to the questionnaire, to also name the potential employee level respondents to the questionnaire. This required some additionally time from the managers to e-mail their employees' contact details, and occasionally this requirement for the additional effort that the managers had to do resulted as neglecting the questionnaire. However, the analyses of the collected data showed significant results. Therefore I was able to carry on the analysis of the research data with HLM.

Another limitation of this study is that it focuses only on managers and employees working in Finland, although in either a domestic or an international organization. This might provide a country biased results of the study. A suggestion for future research is to take an approach to comparing managers and employees from different countries, as their perception of the organization and their willingness to be committed to one particular organization, may differ significantly comparing to people working in Finland.

One of the suggestions for future research is to examine the idea of how the signals from the managers about the values and beliefs about serving the customer affect employees values and beliefs on the same matter. In other words, the future studies could investigate how the managers actually communicate the values of the organization to all the members of the organization and if these communicated values actually have an effect on the employees' values.

Adding this perspective to the study, would make the research more consistent in a sense that it would be better understood how employees experience the dominant organizational culture (e.g. market orientation) from only managers' perception, and how it further influence their attitudes and behaviours.

Another future implication relates to the consequences of organizational commitment. It has been argued that there is a link between organizational commitment and organizational performance (Antón, 2009). Hence, future research should examine the relationship between organizational commitment and profitability, which could provide some interesting impact to managers as providing information for the relevance of organizational commitment.

A suggestion for further research would also be to investigate other job attitudes as dependent variables among organizational commitment. Examples of relevant job attitude variables for the study would be: job satisfaction, role ambiguity and role conflict. This would give a broader idea of the impact that the perceived market orientation have on employees rather than concentrate on one form of job attitude, organizational commitment.

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APPENDIX 1: Independent and dependent variables of the study

Independent variables

Customer orientation

- Our business objectives are driven primarily by customer satisfaction
- We constantly monitor our level of commitment and orientation to serving customers' needs
- Our strategy for competitive advantage is based on our understanding of customers' needs
- Our business strategies are driven by our beliefs about how we can create greater value for customers
- We measure customer satisfaction systematically and frequently

Competitor orientation

- Our salespeople regularly share information within our business concerning competitors' strategies
- We rapidly respond to competitive actions that threaten us
- Top management regularly discusses competitors' strengths and strategies
- We target customers where we have an opportunity for competitive advantage

Interfunctional coordination

- We freely communicate information about our successful and unsuccessful customer experiences across all business factors
- All of our business functions are integrated in serving the needs of our target markets
- All of our managers understand how everyone in our business can contribute to creating customer value
- All functional groups work hard to thoroughly and jointly solve problems

Dependent variables

Organizational commitment

- I really feel as if this organization's problems are my own
- I do not feel a strong sense of "belonging" to my organization
- I do not feel "emotionally attached" to this organization
- I do not feel like "part of the family" at my organization
- This organization has a great deal of personal meaning for me

Learning orientation

- I want to learn as much as possible from my job
- I hope to gain a broader and deeper knowledge of my job as continue in this position
- I desire to completely master my job
- In my job, I prefer tasks that arouses my curiosity, even if they are difficult to learn
- In my job, I prefer tasks that really challenge me so I can learn new things