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

By

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Corrections have been carried out.

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

Katha Upanishad 3:13
Impact of Structural Variables on Market Orientation and Performance: A Study in Indian Retail Banking Context
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ABSTRACT: Service organizations constituted of multiple service delivery units are as good as the subunits constituting them. A superior market orientation at subunit levels of such service organizations could be considered essential for their effectiveness due to the salient features of services that demand on-the-spot adaptations to customer requirements. They would as well need superior decision making freedom since a market oriented behavior calls for it. Thus autonomy at service delivery levels becomes essential to ensure a superior market orientation and performance.

Therefore researcher postulated and tested a conceptual model that examined the influence of sub-unit autonomy, decentralization and formalization on market orientation and organizational performance in retail banking context. The model also posited that the direct impact of autonomy on organizational performance would diminish as the unit becomes more market oriented and the impact would be mediated through a superior market orientation. Since a valid and reliable measure was not available for autonomy researcher developed an 18 item scale with three dimensions and established its validity and reliability. To get initial insights into market orientation of retail banks researcher conducted interviews with eight executives at three retail banks. In the process researcher also personally associated with two market-oriented activities at two of these banks. In the survey that followed data were collected from 122 branch managers of retail banks with national operation.

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

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

a) Development of a conceptual model on the impact of structural variables on market orientation and organizational performance.

b) Development and validation of a scale to measure organizational autonomy at sub-unit level.

c) Test of the proposed model and that of the mediation role of market orientation in autonomy’s influence on performance.

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