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8-24-2010

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Recommended Citation

Rex E. McClure, (2010) "The influence of organizational culture and conflict on market orientation", Journal of Business & Industrial Marketing, Vol. 25 Issue: 7, pp.514-524, https://doi.org/10.1108/08858621011077745

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THE INFLUENCE OF MEDIATING VARIABLES ON MARKET ORIENTATION DURING ORGANIZATIONAL CHANGE

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ABSTRACT

This study examines the relationship between organizational change initiatives and market orientation. Considering the strategic approach to organizational change, a number of key behavioral variables can be affected, which in turn affect market orientation. Data were collected from 253 mid-level managers in marketing-related positions. The results suggest that convergent change, or classic downsizing, had no significant effect on market orientation or the mediating variables. Change initiatives directed reorienting affected market orientation in a positive way, though mediated by organizational commitment, trust, and internal communication.

INTRODUCTION

Previous studies investigating the relationship between organizational change initiatives and market orientation have shown that organizational change can substantially impact an organization's ability to maintain market orientation. Farrell (2003) offered a model showing that this relationship was contingent on the approach taken toward the change process. Farrell's study suggested that organizations that placed emphasis on headcount reductions had lower levels of market orientation than those that focused on new products, markets, and process re-engineering. While Farrell offered a connection between organizational change and market orientation, the study did not present evidence to describe the causal influences of the connection.

Engelen, Brettel and Heinemann (2010) investigated the relationship between organization age and the antecedents of market orientation. They argue that increased size and age can be detrimental to an organization's ability to maintain the internal behaviors that facilitate market orientation. Further, drawing on the lessons of myopic marketing (Levitt, 1960), successful organizations seek to sustain themselves through market focused activities which are, in essence, the antecedents of market orientation. Levitt's arguments suggest that the ongoing success of an organization hinges on its ability to assess external dynamics and formulate appropriate responses. Synthesizing the work of Engelen et al. (2010) and Levitt (1960), successful organizations tend to seek growth through responsive reactions to market dynamics, and as they age they may lose sight of environmental dynamics.

Conduit, Metanda and Movando (2014) examined the relationship human resource practices and an organization's customer orientation. Their findings suggest that the way in which employees are treated plays a significant role in an organization's ability to achieve and maintain growth. They found that successful organizations need to recognize and nurture internal customers, as well as external customers, in developing effective lines of communication. Similarly, Harris (2002) argues that market orientation more that observable behaviors with which it is commonly associated. Harris suggests that market orientation resides in the hearts and minds of employees, and is manifested in their attitudes and beliefs. In order for employees to fully embrace organizational goals, they need to feel supported and involved in the organization.

From a theoretical standpoint, it stands to reason that organizational change, frequently termed downsizing, would have an effect on market orientation. Employees' reactions to

organizational change can be explained by the theories associated with psychological contracts. A psychological contract is a tacit agreement between an employer and employee where employees expect fair and just treatment from their superiors; in return superiors expect citizenship behaviors and motivated performance (Rousseau, 1995). Several studies concluded that organizational change initiatives were perceived by employees as breaching the psychological contract and resulted in lower degrees of loyalty, depression, abrasiveness, and compulsive behavior (Baruch & Hind, 1999; Kets de Vries & Balazs, 1997; Stroh & O'Reilly, 1997). Thus, the effect of change on market orientation may not be direct, but mediated by a number of behavioral and psychological factors which affect employees at lower, functional levels of the organization.

The purpose of this study is to explore the causal influences linking organizational change initiatives and market orientation. This study attempts to identify how certain approaches to organizational change can affect employees' motivation and interactions, and thereby affecting market orientation. In doing so, this study also attempts to identify the best approaches to organizational change for the purpose maintaining, or bolstering, market orientation. In the next section we will offer a brief overview of the organizational change associated with downsizing and its consequences. Next, a short review of market orientation and its antecedents will be discussed. Then an integrated model and hypotheses will be presented.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

A snapshot of two literature streams

A substantial body of literature describes the effect of organizational change on the employees and the organization itself (see Table 1). Four major effects have been described in the literature: declines in trust, organizational commitment, and commitment; along with an increase in internal conflict. Similarly, the marketing literature identifies this same set of variables as antecedents of market orientation, but the signs are reversed where trust, commitment, and communication are positively related to market orientation and conflict is related negatively.

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Table 1.

Shared constructs among downsizing consequences and market orientation antecedents

Relevant Studies	Downsizing Constructs	Market Orientation Constructs	Comments/Findings
Allen et al. (2001), Fedor et al., (2006), Freeman & Cameron (1993), Hallier & Lyon (1996), Lines (2007)	Commitment	-----	As the personal impact of downsizing increases, commitment is more negatively affected
Farrell (2003), Conduit & Mavondo (2001), Jaworski & Kohli (1993)	-----	Commitment	Commitment is a positively related antecedent of market orientation

Allen et al., (2007), Armstrong-Stassen (2002), Cameron (1994), Lee (1992), Lee & Teo (2005), Salem (2008), Wagar (1998)	Trust	-----	Trust in senior management is negatively affected by downsizing
Farrell (2004), Farrelly & Quester (2003), Sanzo et al., (2003), Siguaw et al.. (1998)	-----	Trust	Trust is positively associated with market orientation
Allen et al. (2007), Appelbaum et al., (1999), Cameron (1994), Cascio (1993), Mone (1997), Salem (2008), Schweiger & DeNisi (1991), Sutton et al., (1986)	Communication	-----	Meaningful, goal-focused communication suffers with downsizing
Jaworski & Kohli (1993), Narver & Slater (1990), Pitta (2007), Pulendran et al., (2000)	-----	Communication	Sharing information relevant to customers and competitors is key to MO
Cameron (1994), Mone (1997), Robinson & Griffiths (2005), Salem(2008)	Conflict	------	Fewer resources to share increases conflict
Jaworski & Kohli (1993), Menguc & Auh (2008), Menon et al., (1997), Pulendran et al., (2000)	-----	Conflict	Dysfunctional conflict impedes market orientation

Each literature stream presents a model, one of the consequences of downsizing and the other of the antecedents of market orientation. Together, these streams suggest a compelling model describing how downsizing can potentially affect market orientation. Based on the findings of previous studies, downsizing should have an affect on an organization in deleterious ways regarding communication, conflict, commitment, and trust. These same variables have been shown to influence market orientation. By offering a model describing this set of relationships, this study will demonstrate how downsizing may have a negative effect on market orientation.

Organizational change defined

When organizations engage in activities that alter their structure, assets, or reduce employment, they are frequently described as engaging in downsizing. In classifying these activities, the literature has offered two broad approaches to these change initiatives: convergence and reorientation (Freeman & Cameron, 1993; Tushman & Romanelli, 1985). Convergence, in it purest form, is considered to be a general reduction of the organization’s

headcount while retaining the same mission, strategies, and markets. It is often associated with lay-offs, facility closings, out-sourcing and the elimination of products or product lines that fail to meet performance goals. The intention of convergent change is to strike a balance between the organization's size and its demand, but frequently it is an ongoing process and done incrementally over extended periods of time (Tushman & Romanelli, 1985).

Reorientation takes of different approach to organizational change. Reorientation involves an alteration of the firm's strategic direction, markets served, products offered, etc. This approach calls for an abrupt and speedy break with the past and involves simultaneous shifts in structure, strategy, power distribution and control systems. Reorientation is usually accompanied by changes in the top management team, technologies used, a general redesign of operations, and ultimately the structure of the organization itself (Freeman & Cameron, 1993). A degree of confusion exists in the literature addressing this strategic initiative; some authors refer to reorientation as a form of downsizing while others consider it a separate strategy. Authors considering reorientation to be a form of downsizing discuss headcount reductions which are driven by the reorientation process (Appelbaum, Henson, & Knee, 1999; Freeman & Cameron, 1993; Tushman & Romanelli, 1985). Others view it as a separate, but related, strategy which may or may not result in headcount changes (Farrell & Mavondo, 2004; Gordon, Stewart, Sweo, & Luker, 2000). Still others make no distinction and use the terms downsizing or organizational change to describe any reduction in headcount regardless of the approach (Cascio, 1993; Cascio & Wynn, 2004; Mone, 1997). This study takes the position that reorientation is a separate strategy, and will use the terms convergence and reorientation to identify the specific strategy undertaken and use organizational change as a general term which encompasses both.

Freeman and Cameron (1993) offer distinctive descriptions of the organizational changes associated with convergence and reorientation. Their model suggests that convergent downsizing is incremental; occurring in stages of redesign and assessment, with the goal of achieving improved efficiency while retaining the current corporate mission. Convergence typically involves change on a narrow scope: retention of the current top management team, limiting changes in technology/systems, and frequently includes targeted headcount reductions. After a convergent event the remaining employees often experience a loss of trust, lower morale, increased absenteeism, and a general feeling of powerlessness (e.g., Allen, Jimmieson, Bordia, & Irmer, 2001; Appelbaum, Simpson, & Shapiro, 1987; Mishra, Spreitzer, & Mishra, 1998). Moreover, it is often accompanied by a weakening of communication and inter-organizational relationships (Appelbaum et al., 1999). Conjecturally, convergence may degrade the firm's relationships with its customers—as communication and relationships break-down within the firm, customers' needs (and responsiveness to those needs) may not receive adequate attention.

On the other hand, reorientation creates a different climate in the organization. Freeman and Cameron (1993) argue that successful reorientation efforts are associated with more extensive use of communication, denser interorganizational relationships, emphasis on flexibility and adaptability, and greater focus on the external environment. This suggests that reorientation reinforces several aspects of market orientation. For example, the emphasis on information generation and dissemination, a focus on customers and competitors, coordination among departments, and responsiveness are suggestive of market orientation (Jaworski & Kohli, 1993; Narver & Slater, 1990). Because reorientation emphasizes that elements which are associated with market orientation should be maintained, it is conjectured that degradation of the firms' customer relationships will not occur following reorientation events. Reorientation is expected to encourage external orientation, communication and adaptiveness.

Comparing the net effect of reorientation to that of convergence, these two strategies will likely have differing effects on the ability to create or maintain a market orientation. Convergence is predicted to hamper market orientation because key components of market orientation are damaged. On the other hand, the consequences of reorientation on market orientation are mixed--some variables are likely to be negatively affected and some positively. The organization-wide effect on market orientation following reorientation is not expected to be as strong as that of convergence. For example, external orientation, communication, and adaptiveness are not expected to be degraded following reorientation events. At the same time, literature suggests that reorientation and convergence have similar effects on organizational commitment (Allen et al., 1995; DeLuca, 1988; Probst, 2003).

In the accounts of the consequences of organizational change described above, a number of issues familiar to marketing scholars emerge. Key among these are trust, commitment, conflict, and communication, all of which have been addressed by the market orientation literature (e.g., Conduit & Mavondo, 2001; Farrell, 2003; Farrelly & Quester, 2003; Jaworski & Kohli, 1993; Menon, Jaworski, & Kohli, 1997; Narver & Slater, 1990; Pulendran, Speed & Widing, 2000; Siguaw, Simpson, & Baker, 1998). In the next section, we review these more familiar concepts, offering a brief account of market orientation and relevant findings, with the objective of correlating and integrating organizational change and market orientation literatures.

Market orientation defined

Market orientation became the subject of numerous studies and debate in the 1990s (e.g., Deshpande & Farley, 1998; Deshpande, Farley, & Webster, 1993; Jaworski & Kohli, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990; Slater & Narver, 1995). From this work, two related definitions of market orientation have emerged. First Kohli and Jaworski (1990) define market orientation as

> …the organizationwide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the intelligence across departments, and organizationwide *responsiveness* to it (p.6, italics in original).

This definition brings managerial behaviors to the forefront and suggests clear and observable activities. Kohli and Jaworski (1990) go on to emphasize the point that those activities that facilitate the marketing concept are central to market orientation.

The second definition, offered by Narver and Slater (1990), presents a slightly different perspective on the market-oriented firm, arguing that market orientation is

> …the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business (p. 21).

Narver and Slater (1990) go on to argue that market orientation has three components (customer orientation, competitor orientation, and interfunctional coordination) which, when used in concert, facilitate the creation of superior customer value. Customer orientation embodies a thorough understanding of the buyer's value chain. Competitor orientation entails gaining an understanding of short term strengths and weaknesses as well as long term strategies of current and potential competitors. Interfunctional coordination suggests that market orientation is not possible unless there is effective and efficient use of resources across and within the firm's

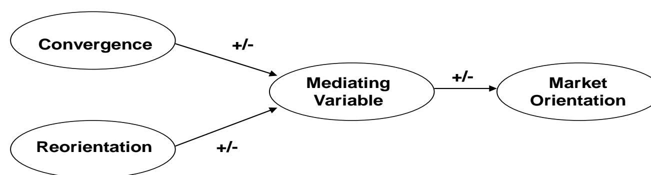
various functions. Unlike Jaworski and Kohli (1993), who viewed market orientation primarily in terms of critical behaviors, Narver and Slater argue that market orientation is primarily a cultural issue.

The subsequent literature on market orientation is familiar to academics and previous studies relevant to this study are summarized above in Table 1. Evident in this table is a common set of variables—the consequences of downsizing and antecedents of market orientation. Each of these bivariate relationships has been well established in management and marketing literatures, respectively, and continues to garner the interest of scholars. The next section presents a model describing the mediating influence of these variables on two approaches to downsizing and market orientation.

MEDIATED MODEL OF ORGANIZATIONAL CHANGE AND MARKET ORIENTATION

Table 1 offers an initial glimpse at a model that brings organizational change and market orientation together via mediating variables. In this section we will delve deeper into the literature supporting these relationships and offer hypotheses describing the connections among these variables. Figure 1 offers a generic depiction of the causal relationships studied herein, where organizational change is considered an independent event which affects mediating variables, and ultimately affecting market orientation.

Figure 1.
Mediation of the organizational change-market orientation relationship.



Organizational commitment

Organizational commitment is defined as the degree to which an individual identifies with and gets involved in a particular organization (Mowday, Steers, & Porter, 1979). Subsequently, it has further been divided into three dimensions describing an individual's

motives: affective commitment, continuance commitment and normative commitment (Meyer & Allen, 1997). Affective commitment is defined as an employee's desire to continue employment because he or she *wants* to do so. Continuance commitment is an employee's desire to remain with a firm because they *need* to do so. Employees with a high level of normative commitment feel they *ought to* remain with the organization. In this study we will measure and discuss affective commitment because it is more aligned with the market orientation literature. Additionally, the affective commitment is consistent with the measures used by Jaworski and Kohli (1993) and Farrell (2003).

Several studies have found organizational commitment to be negatively affected by organizational change (e.g. Allen, Jimmieson, Bordia, & Irmer, 1995; Allen et al., 2001; Freeman & Cameron, 1993; Hallier & Lyon, 1996). These studies suggest that commitment is reciprocal and the types of lay-offs associated with convergence violate the mutual agreement between employer and employee. In other words, the employees feel that the employer has reneged on its commitment to its employees, and employees reciprocate though lower commitment to their employer (Cascio, 1993). In a cross-sectional study, Probst (2003) found that commitment was profoundly and negatively affected by convergence, and this was consistent in all phases of the study. Longitudinal studies have shown that commitment is significantly harmed initially, but over time commitment tends to rebound (Allen et al., 2001; Hallier & Lyon, 1996).

In the short-term, reorientation has been shown to influence commitment in a way that is similar to convergence. Surveying managers, Thomas and Dunkerly (1999) found a correlation between reorientation and the perception that their organizations are in chaos, resulting in increased stress, burnout and lowered organizational commitment. Cascio and Wynn (2004) argued that loyalty and commitment suffered in any change scenario. They based their argument upon change being a violation of the psychological contract between employers and employees, thereby lowering commitment, loyalty, trust, and intentions to stay.

In the long-term, however, it is reasonable to expect different outcomes, considering the differing natures of reorientation and convergence. Convergence, being an ongoing and incremental approach, should have a more protracted affect on commitment. Reorientation, although it is a more radical strategy, it is generally approached as a single event, communicated well in advance, and involves all employees. Thus, it is expected that commitment should rebound more quickly after an event geared toward reorientation, resulting higher overall levels of commitment relative to an event geared toward convergence.

A number of studies report a connection between communication and organizational commitment. Pate, Martin, and Staines (2000) found that communication and commitment were closely linked in organizations undergoing change initiatives and found that poor communication can lead to lower levels of commitment. Fedor, Caldwell and Herold (2006) offered a model contingent on how employees view a change, if it is viewed as being fair and positive for the organization their commitment tended to increase, but it was neutral or negative if they felt otherwise. Lines (2007) found that communication regarding sensegiving and a participative approach resulted in higher commitment. Assuming that communication is more likely to be used extensively in a reorientation effort (Freeman & Cameron, 1993), it stands to reason that reorientation may result in higher levels of commitment.

Several studies have also suggested that commitment is positively related to market orientation (e.g., Conduit & Mavondo, 2001; Farrell, 2003; Harris, 2002; Jaworski & Kohli, 1993). In these studies, commitment to the organization and commitment to organizational

initiatives were found to be significant predictors of market orientation. Thus, the effect of reorientation will be to raise commitment and convergence will lower it, yet commitment is a necessary antecedent of market orientation. This leads to the following:

H1 *The relationship between organizational change and market orientation is mediated by organizational commitment, where:*

H1a *the greater degree the organization engages in convergent change, the less the organizational commitment,*

H1b *the greater the degree the organization engages in reorientation, the greater the organizational commitment, and*

H1c *the greater the organizational commitment, the greater degree the organization is market oriented.*

Trust

Trust is defined as 'the willingness of a party to be vulnerable to the action of another party based on the expectation that the other will perform a particular action important to the truster irrespective of the ability to monitor or control the other party' (Mayer, Davis, & Schoorman, 1995, p. 712). While this definition does not identify the organizational roles of the parties, trust between managers and subordinates is of primary interest. Similar to commitment, trust has also been shown to be negatively affected by convergent change. The effect is not limited to trust between management and subordinates, but a general atmosphere of distrust can permeate an organization (Cameron, 1994). Exemplifying this, Lee (1992) suggests survivors commonly follow a predictable pattern of reactions to convergent events that start with anger, fear and cynicism; stress increases due to shifting workloads, and ultimately trust in management and the firm itself declines. In a more general context, employer-employee relations tend to suffer regardless of how a change initiative is approached or programs introduced to maintain relations (Wagar, 1998). In a longitudinal study of survivors, Armstrong-Stassen (2002) found low levels trust throughout. Allen, Jimmieson, Bordia, and Irmer (2007) found that employees who are uncertain of their current situation, or the future direction of the organization, will be skeptical of communications directed toward them and more distrustful of management. Evidence also suggests that if an organization simply reduces headcount without altering its direction, employees tend to be more skeptical of management (Salem, 2008). Overall, the organizational strategies described by Allen et al. (2007) and Salem (2008) would be more consistent with a convergence, rather than reorientation, strategy.

Similarly, a body of evidence suggests that reorientation can also damage trust. Mishra and Spreitzer (1998) argue that organizational changes, especially those that lead to role overload, will lower trust, trigger role withdrawal, and foster cynicism. Morgan and Zeffane (2003) found that changes in workflow and workplace structure overwhelmingly reduced employees' trust in management. Lee and Teo (2005) found a negative relationship between trust and the extent of change required by employees, and the extent of change in management.

As an antecedent to market orientation, trust has received limited attention. Commonly, trust is seen as a consequence of market orientation existing between the firm and its market. Farrelly and Quester (2003) examine relations between athletes and their sponsors (i.e., Tiger Woods and Nike) and found trust to be a significant consequence of market orientation. Siguaw et al. (1998) examined trust and market orientation in channels of distribution finding that market

orientation enhances trust within the channel. Additionally, Sanzo et al. (2003) found market orientation amplifies trust in the buyer-seller dyad within channels.

Trust is integral to a good relationship (Dwyer, Schurr, & Oh, 1987). The literature argues that trust between actors within the firm is a prerequisite of market orientation; however, trust is often negatively affected by change (Armstrong-Stassen, 2002; Cameron, 1994; Lee, 1992; Wagar, 1998). Farrell and Mavondo (2004) offer empirical evidence that trust is a significant antecedent of both market orientation and organizational commitment. Additionally, there is evidence suggesting that trust mediates the relationship between downsizing and market orientation (Farrell, 2003). Thus the following is offered:

H2 *The relationship between organizational change and market orientation is mediated by trust, where*

H2a *the greater the degree the organization engages in convergent change, the less trust subordinates will have in senior management,*

H2b *the greater the degree the organization engages in reorientation, the less trust subordinates will have in senior management, and*

H2c *the greater degree of trust in an organization, the greater degree of market orientation.*

Communication

As convergent and reorientation events are executed, managers often use communication to help maintain organizational stability and ease anxiety among employees (Schweiger & DeNisi, 1991; Sutton, Eisenhardt, & Jucker, 1986). Cameron (1994) found effective and high quality communication to be positive predictors of improved firm performance post-change. In reality, the communication from managers is more often symbolic, rather than addressing the pressing issues facing the organization (Appelbaum, et al., 1999; Mone, 1997). Further, it is not uncommon for management to lose control of the rumor mill, which can lead to implementation problems (Appelbaum et al., 2003). Cameron (1994) argues that only good news is communicated upward for fear that bad news may be interpreted by senior management as undermining efforts to redirect the organization. Since convergence is often accompanied by lay-offs which lead to increased competition for resources, information is less likely to be shared across functions because an atmosphere of fear and distrust typically permeates the organization (Cameron, 1994). In sum, the quality and quantity of communication frequently suffer during and after convergence.

On the other hand, when system, structure, and strategic redesign are called for, communication is often at the forefront before, during, and after the implementation process. Freeman (1999) found a higher volume of communication, in addition to the use of varied and richer media during the planning and implementation phases of reorientation efforts. Freeman and Cameron (1993) argue that extensive organization-wide communication is an integral part of a successful reorientation. They go on to say that less extensive communications, or even secrecy, may be part of a convergence strategy.

While the literature on market orientation rarely uses the term "communication," the concept is implicit. Several authors argue that information exchange within the organization is essential and it is discussed in the context of "interfunctional coordination" (e.g., Narver & Slater, 1990) or "interdepartmental connectedness" (e.g., Jaworski & Kohli, 1993; Pulendran et

al., 2000). Another aspect of market orientation is the concept of intelligence dissemination (Kohli & Jaworski, 1990; Jaworski & Kohli, 1993), which again suggests both the exchange of information and the quality of the information. If people in the organization are unable, unprepared, or unwilling to communication with each other, then interfunctional and interdepartmental coordination are likely to suffer (Conduit et al., 2014; Naude, Desai, & Murphy, 2002). To remedy encumbered communication channels, Pitta (2007) found reward and communication systems enhanced all aspects of market orientation. To summarize, the evidence suggests that the quality of communication is affected by the approach taken in a change event and the exchange and dissemination of information is central to market orientation. Thus, the following is proposed:

H3 *The relationship between organizational change and market orientation is mediated by communication, where:*

H3a *the greater the degree the organization engages in convergent change, the lesser the degree of internal communication will occur,*

H3b *the greater the degree the organization engages in reorientation, the greater the degree of internal communication will occur, and*

H3c *the greater degree of internal communication in an organization, the greater degree of market orientation.*

Conflict

The marketing literature addresses both functional and dysfunctional conflict, but it is usually labeled simply as 'conflict.' Menon et al. (1997) examined the role of both types of conflict in strategy-making and firm performance. They found that functional conflict improved strategy quality and performance while dysfunctional conflict acted as an impediment. Examining any differences between functional and dysfunctional conflict is beyond the scope of this paper and we will consider only dysfunctional conflict.

In the case of convergent change, not only is headcount reduced, but also expenditures across the board. This results in a smaller pool of resources to be shared and increased competition for available resources, which leads to in conflict within the organization (Cameron, 1994). Another outgrowth of convergence is an increase in opportunistic behavior displayed by the survivors (Mone, 1997). Employees will seek ways to further their self-interests at the expense of peers and intraorganizational relationships, again increasing conflict. In spite of the best efforts to communicate the reasons and expected results of downsizing, conflict is an inevitable side-effect (Appelbaum et al., 1999).

Although literature examining how reorientation influences conflict is rare, some evidence suggests that the organizational changes associated with reorientation can also lead to increases in conflict. As organizations become flatter, networked, and adjust to changing environments, conflict can intensify as a result (Susskind, 2004). Additionally, if an organization has misaligned economic and political interests, realigned work relationships, and redistributed resources, conflict can result (Rusaw, 2005). Salem (2008) offered conflict avoidance as a result; where differing opinions and problems were not directly addressed. Rather, these difficulties were simply ignored, resulting in operational deficiencies, but feelings were spared. Together, previous research suggests that organizational change will increase conflict within an organization regardless of how it is approached.

Jaworski and Kohli (1993) found that interdepartmental conflict inhibits market orientation, particularly the processes of intelligence dissemination and responsiveness. Jaworski and Kohli argue that conflict is expected between departments given that each has a unique charter and goals which may not be in complete alignment with other departments. Pulendran et al. (2000) confirm the results obtained by Jaworski and Kohli (1993), stating that conflict inhibits communication and exchange of information. Menguc and Auh (2008) studied task oriented and interpersonal relationship oriented conflict as predictors of market orientation. They found that task conflict inhibited market orientation, but found no significant effect for relationship conflict. In sum, the evidence suggests that conflict is detrimental to market orientation, and conflict tends to increase regardless of the approach taken toward change initiatives. This leads to the following hypotheses:

H4 *The relationship between organizational change and market orientation is mediated by dysfunctional conflict, where:*

H4a *the greater the degree the organization engages in convergent change, the greater the degree of conflict,*

H4b *the greater the degree the organization engages in reorientation, the greater the degree of conflict, and*

H4c *the greater degree of conflict in an organization, the lesser degree of market orientation.*

METHODOLOGY

Testing of the hypotheses was carried out using scales that have been previously developed and validated. To accurately capture the impact of downsizing on market orientation the respondents were practitioners working in various marketing-related functions. Following is a detailed description of the scales, sample, data collection, and statistical methodology used.

Sample and Data Collection

Subjects for this study were business practitioners at publicly-traded corporations in the United States. The sample was limited to publicly-traded corporations because these firms tend to be larger, and as such, organized departmentally. This implies an internal landscape through which day-to-day operations must be coordinated. Further, departmentalization creates a set of barriers through which work and communication must flow in order for the firm to function. In addition, publicly-traded firms are scrutinized, by both the SEC and shareholders, to a greater degree than private firms. Due to this scrutiny, top management is expected to provide an acceptable level of profitability. As such, publicly-traded firms tend to be more reactive to the demands of Wall Street and are more likely to engage in organizational change (Budros, 1997).

Subjects were drawn randomly from various functions that were broadly construed as marketing-related. These included positions in marketing, market research, advertising, and sales, as well as research and development, product management, customer service, and business development. A professional data collection service, eRewards, was contracted to administer the data collection. eRewards maintains a vast pool of practitioners (potential subjects) from an array of functions, organization types, and positions within the hierarchy of the organization. Because this study aims to assess how market orientation is influenced by downsizing, subjects were

limited to those individuals whose roles relate to marketing and market-oriented response in a broad sense. Subjects' personal data was pre-screened by eRewards to assess their functions and positions within their organizations, and then randomly selected from this pool. The data collection service tracked the number of completed questionnaires and returned the database containing the coded responses provided by the subjects.

In all, 6,243 practitioners met the criteria for inclusion and were contacted in a "pre-qualification." Prior to data collection, the pre-qualification was simply an email sent by eRewards' to assess potential subjects' interest in a continuing relationship with eRewards, if the individuals still held positions that qualified them for inclusion, and their willingness to participate in this research. From this first round of emails, eRewards received 972 responses from willing and qualified participants. A second email directed the qualified participants to a website dedicated to the data collection for this study. Two hundred sixty-six completed responses were received.

Of the 266 returned questionnaires, 13 had more than 50 percent of the responses missing or coded as "I don't know". These were deemed unusable and were deleted from further analysis. Among those deleted, six of the respondents were male, six were female and one did not disclose their gender. Of the remaining 253 responses, 98 had at least one data point missing, and 155 had completed all the questions. In total, 164 data points were missing which represents 1.27 percent of the complete data set. The missing values were imputed using the expectation-maximization algorithm prior to full analysis of the data (Allison, 2003).

Respondents received compensation for their participation in the form of $24 worth of credits redeemable through one of eRewards partner organizations (e.g., Hilton, Hertz, United Airlines, etc.). Unfortunately, eRewards maintains a confidentiality agreement with its participants, precluding the possibility to directly assess nonresponse bias from the pool of 972 qualified people. Therefore, the only information returned to the researchers was a complete data set, without any information which may compromise the identity of respondents and nonrespondents.

To provide some assessment of non-response bias, data were collected on key variables via phone interviews from twenty individuals who matched the demographic profile of the respondents. Telephone interview respondents were questioned on a limited number of demographic and organizational variables (i.e., gender, tenure, and one item from each subscale). A series of t-tests were performed comparing the respondent group and the telephone group on these variables. T-test values ranged from a high of $t = -1.41$, $p = 0.17$ for intelligence dissemination to a low of $t = -0.11$, $p = 0.91$ for tenure, indicating no significant differences.

A demographic profile of the respondents was also checked against Bureau of Labor Statistics' 2014 and 2015 data (the closest relevant years to the data collection) to assure that the sample was consistent with the broader managerial population. BLS (2014, 2015) reported 39.0 percent of the managerial workforce was female, versus 37.2 percent for the sample; and the average tenure of employment for managers was 6.9 years, versus 11.46 years for the sample. The mode for the sample was 6 years, which more closely coincides with BLS data.

Measures

Organizational change was assessed using a scale that captured both reorientation and convergence that was originally developed by Mishra and Mishra (1994). The subscale measuring convergence consisted of four items that focused on the reduction of employees. The

subscale measuring reorientation had five items focusing on process re-engineering. This scale was adapted by Farrell and Mavondo (2004), who reported Cronbach's alphas of 0.70 for both subscales. Responses were coded on seven-point Likert-type scales, with 1 representing 'strongly disagree' and 7 representing 'strongly agree.' Respondents were also asked to describe if and when their organization engaged in a change initiative, what percentage of employees were layed-off, and if they plan a change initiative in the future.

Market orientation was assessed using a 20 item version of the behavior-based MARKOR scale developed by Kohli, Jaworski, and Kumar (1993). There are two fundamental reasons for using this scale instead of the MKTOR scale developed by Narver and Slater (1990). First, organizational change is considered a set of behaviors or actions executed on an organizationwide basis, so the MARKOR scale is consistent with a behavioral measure of market orientation. Second, Ellis (2006) reported higher composite reliability for the MARKOR scale (0.881) relative to the MKTOR scale (0.850) in a meta-analysis of market orientation. Responses for all measures were coded on a seven-point Likert-type scale with 1 indicating 'strongly disagree' and 7 indicating 'strongly agree', along with the option of responding 'I don't know' to reduce probability of guessing.

In this study, organizational commitment will refer to the affective dimension of commitment, rather than the continuance or normative dimensions discussed above. Affective commitment has to do with the respondents' desire to stay with their organization because they *want* to do so, rather than *need* to do so, or *should* do so. This six-item scale was developed by Ganesan and Weitz (1996) to specifically measure an employee's affective commitment toward their organization. For this scale the authors reported an alpha of 0.86.

Trust refers to the degree to which the respondents feel that their superiors have their best interests at heart and will not act in an opportunistic manner. Using a five-item scale developed by Rich (1997), respondents were asked to assess their feelings of trust toward their managers or superiors. The author reported an alpha of 0.94 for this scale.

Communication has to do with the degree to which there is two-way exchange across departmental lines. The four-item scale used was originally developed by Fisher, Maltz and Jaworski (1997) to assess communication between marketing and engineering personnel. For this study, it was adapted to assess a broader range of interdepartmental communication by changing the phrase "the engineering department" to "other departments". The authors reported alphas of 0.89 and 0.88 in two studies.

In this study conflict will be operationalized as goal impeding dysfunctional behavior, rather than functional conflict which resolves disagreements with goal oriented solutions. Using a seven item scale developed by Jaworski and Kohli (1993), respondents were asked to assess interdepartmental relations and tensions in their organization. Menon et al. (1997) reported an alpha of 0.87 for this scale.

Prior to the main study, the survey instrument was pre-tested by a focus group of eleven business people who had business experience and demographic composition similar to the main sample. Their goal was to ascertain if the survey was both understandable and relevant to the concepts being measured. The subjects were given a paper version of the questionnaire and asked to fill it out, and then comment on the experience. These subjects were then informed of the purpose of the study and asked to comment on the appropriateness of the survey for capturing the latent constructs. The focus group confirmed the survey was both appropriate and understandable.

RESULTS

Prior to examining the hypotheses, the measurement qualities of the data were appraised. First, common method bias was assessed using the technique recommended by Podsakoff and Organ (1986), where the data were subjected to exploratory factor analysis to determine the underlying structure of the data. In this case, EFA was used to ascertain if a common methods factor accounted for an inordinate amount of variance in the data, fifty percent or more. The results of the EFA confirmed that no common methods factor was present as the first factor accounted for 18.35 percent of the variance and overall factor structure was largely reflective of the constructs as designed. A handful of measurement anomalies were noted, where items cross-loaded or loaded on the wrong construct. Next, confirmatory factor analysis was performed to assess the measurement model for each subset. A subset consisted of the responses for convergence, reorientation, market orientation, and a mediating variable. The fit indices for each CFA were acceptable, but marginally so. The EFA results were re-examined to determine what, if any, reason may underlie marginal fit indices from CFA. A somewhat confounded factor structure was revealed by EFA, where two items loaded on more than one construct and the responses for reorientation formed two constructs. Additionally, market orientation was treated as a single construct throughout the subsequent analysis although EFA reveal it to be three constructs. Intelligence generation was one construct, intelligence dissemination and responsiveness combined to form the second, and reverse scaled items formed the third. In the interest of maintaining the complete data set and simplifying the presentation, all variables were retained as Cronbach's alphas suggested adequate internal consistency. Table 2 shows the summarized scale information.

Table 2.

Summary statistics and correlations[§]

	Mean	SD	Correlation matrix* 1	2	3	4	5	6	7
1. Conv	16.38	6.89	0.796						
2. Reor	24.33	6.99	0.291*	0.793					
3. Conf	12.62	5.37	0.176*	-0.031	0.827				
4.Comm	19.70	4.91	0.073	0.218*	-0.445*	0.901			
5. Trust	25.71	8.74	-0.064	0.192*	-0.197*	0.332*	0.957		
6. O.C.	33.20	8.01	-0.071	0.390*	-0.370*	0.427*	0.549*	0.941	
7. Mkt.O.	96.86	22.13	0.083	0.362*	-0.347*	0.596*	0.387*	0.652*	0.944

[§] derived from CFA: $X^2 = 1631.53$, 1013 df; NNFI = 0.910; CFI = 0.916; IFI = 0.916; RMSEA = 0.049

* indicates $p < 0.05$; Cronbach's alphas appear on the main diagonal

A series of structural equation models and regression equations were used on subsets of the data to examine each hypothesis. First, SEM was used to establish the basic conditions necessary of mediation, i.e., the existence of significant relationships among the variables (see Table 3). Results of SEM revealed no significant relationship between convergent change and market orientation, therefore mediation was not possible for this antecedent. The existence of mediation for reorientation was ascertained using the Freedman-Schatzkin method (Freedman & Schatzkin, 1992; MacKinnon, 2002). This technique uses the change in regression coefficients due to the influence of the mediating variable, in conjunction with the associated standard errors

and correlations, to produce a t-statistic. The results suggest that organizational commitment, trust, and communication significantly mediated the relationship between reorientation and market orientation. No significant result was found the mediating influence of conflict. Interestingly H2b, which stated that there should be a negative relationship between reorientation and trust, was contradicted; the results showed that the relationship was positive.

Table 3.
Results of structural equation modeling

Construct Examined	Structural Model	Standardized Path Coefficients	Fit Indices§	Hypotheses Supported
Organizational Commitment	CFA	N/A	X^2 = 810.48, 521 df NNFI = 0.927 CFI = 0.932 IFI = 0.933 RMSEA = 0.047	
	Direct Conv → MO Reor → MO	 -0.016 0.373***	X^2 = 979.17, 525 df NNFI = 0.887 CFI = 0.894 IFI = 0.895 RMSEA = 0.058	H1: Partially supported H1a: Not supported, mediation not possible
	Indirect Conv → OC Reor → OC OC → MO	 -0.129 0.427*** 0.656***	X^2 = 875.92 524 df NNFI = 0.912 CFI = 0.918 IFI = 0.918 RMSEA = 0.051	H1b: Supported H1c: Supported
	Full Conv → OC Reor → OC OC → MO Conv → MO Reor → MO	 -0.136 0.421*** 0.619*** 0.099 0.113	X^2 = 869.36, 522 df NNFI = 0.913 CFI = 0.919 IFI = 0.920 RMSEA = 0.051	
Trust	CFA	N/A	X^2 = 789.69, 489 df NNFI = 0.932 CFI = 0.937 IFI = 0.937 RMSEA = 0.049	
	Direct Conv → MO Reor → MO	 -0.014 0.373***	X^2 = 871.20, 493 df NNFI = 0.916 CFI = 0.921 IFI = 0.922 RMSEA = 0.055	H2: Partially supported H2a: Not supported, mediation not possible
	Indirect Conv → Trust Reor → Trust Trust → MO	 -0.095 0.225** 0.401***	X^2 = 851.31, 492 df NNFI = 0.920 CFI = 0.925 IFI = 0.926 RMSEA = 0.054	H2b: Contradicted, mediation is significant, but positively related
	Full Conv → Trust Reor → Trust Trust → MO Conv → MO Reor → MO	 -0.096 0.223** 0.341*** 0.046 0.296**	X^2 = 833.64, 490 df NNFI = 0.923 CFI = 0.928 IFI = 0.929 RMSEA = 0.053	H2c: Supported

Communication	CFA	N/A	X^2 = 724.32, 458 df	
			NNFI = 0.925	
			CFI = 0.931	
			IFI = 0.931	
			RMSEA = 0.048	
	Direct			H3: Partially
	Conv → MO	-0.008	X^2 = 860.91, 462 df	supported
	Reor → MO	0.372***	NNFI = 0.889	
			CFI = 0.896	H3a: Not supported,
			IFI = 0.897	mediation not
			RMSEA = 0.058	possible
	Indirect		X^2 = 797.94, 461 df	H3b: Supported
	Conv → Comm	0.033	NNFI = 0.906	
	Reor → Comm	0.225*	CFI = 0.912	H3c: Supported
	Comm → MO	0.603***	IFI = 0.913	
			RMSEA = 0.054	
	Full			
	Conv → Comm	0.034	X^2 = 782.14, 459 df	
	Reor → Comm	0.209*	NNFI = 0.909	
	Comm → MO	0.545***	CFI = 0.916	
	Conv → MO	-0.013	IFI = 0.917	
	Reor → MO	0.259**	RMSEA = 0.053	
Conflict	CFA	N/A	X^2 = 701.45, 458 df	
			NNFI = 0.928	
			CFI = 0.933	
			IFI = 0.934	
			RMSEA = 0.046	
	Direct			
	Conv → MO	-0.012	X^2 = 800.14, 462 df	H4: Not supported
	Reor → MO	0.380***	NNFI = 0.900	
			CFI = 0.907	H4a: Not supported,
			IFI = 0.908	no mediation is
			RMSEA = 0.054	possible
	Indirect		X^2 = 797.47, 461 df	H4b: Not supported
	Conv → Conf	0.132	NNFI = 0.900	
	Reor → Conf	0.067	CFI = 0.907	H4c: Supported
	Conf → MO	-0.383***	IFI = 0.908	
			RMSEA = 0.054	
	Full			
	Conv → Conf	0.136	X^2 = 773.35, 459 df	
	Reor → Conf	-0.073	NNFI = 0.907	
	Conv → MO	-0.010	CFI = 0.914	
	Reor → MO	0.380***	IFI = 0.915	
	Conf → MO	-0.340***	RMSEA = 0.052	

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

§ All fit indices reflect Satorra-Bentler scaling due to non-normal data

Although the Freedman-Schatzkin test showed a significant mediation effect for organizational commitment, trust, and communication, these relationships were all partially mediated. This was concluded as the regression coefficient of the direct effect between reorientation and market orientation never fell to zero, nor non-significance, in the presence of a mediating variable. To further investigate the question of mediation, an additional set of models were created which included only the variables showing a significant effect: reorientation and

market orientation as the independent and dependent variables respectively, and organizational commitment, trust, and communication as mediators (see Figure 2). Notably, the direct path from reorientation to market orientation, which was significant in Figure 2(a), was no longer significant in Figure 2(b). The fit of the model depicted in Figure 2(c) was not worsened by deleting the direct path ($\Delta X^2(1) = 3.07$, $p = 0.08$). In sum, this set of models suggested that in combination these variables acted as mediators.

Unexpectedly, trust was not a significant predictor of market orientation in the expanded model, but was in the individual model. While this study and numerous previous studies have found trust to be significantly related to market orientation, this relationship did not hold in the presence of multiple influences (Farrell, 2004; Farrelly & Quester, 2003; Sanzo, Santos, Vazquez, & Alvarez 2003; Siguaw et al., 1998). This suggested that trust may not be a critical factor in maintaining market orientation during a reorientation event. Previous research which examined the role of trust in a change context found trust to be a necessary antecedent of organizational commitment (Hopkins & Weathington, 2006; Neves & Caetano, 2006). These authors suggest that organizational change initiatives alter the psychological contract between employers and employees, resulting in either enhanced or degraded trust, and ultimately altering the reciprocal nature of commitment. Drawing upon these studies, an additional model was estimated where trust was offered as a mediator between reorientation and commitment, shown in Figure 2(d). The results of this respecified model suggested a marked improvement in fit ($\Delta X^2(0) = 53.65$). The next section discusses these results in greater detail along with implications for academics and practitioners.

Figure 2.
Combined mediation effects and best fit model.

DISCUSSION

One of the primary objectives of this research was to investigate how organizational change affected an organization's ability to be market-oriented. Toward that end, evidence suggested that management's approach to change ultimately had significant influence in shaping the degree to which an organization was market-oriented. There was no support for the contention that targeted head-count reduction, consistent with a convergence strategy, had any effect on market orientation—positive or negative. However, the data showed a significant, positive influence of reorientation on market orientation. As Freeman and Cameron (1993) pointed out, reorientation calls for redesigned workflows as well as new strategies and technologies to meet a changing environment. It is reasonable to assume that the organization-wide nature of redesigning workflows and undertaking new strategic directions was a result of a more acute focus on customer and competitor environs. As an organization changed in order to better fit the competitive landscape, they must searched external environments for potential opportunities, then shared that information and responded to it. Thus, reorientation could be considered a market-oriented shift in an organization.

Although reorientation had a positive net effect, it was expected that the upheaval of internal structures and redistribution of power that is embodied in reorientation would alienate employees, leading to lower organizational commitment. However, the opposite result was found, reorientation boosted commitment. A possible explanation may be through the reciprocal nature of commitment and increased participation from employees. Organizational commitment can viewed as a reciprocal relationship between an employee and the organization. If the

organization demonstrates commitment to an employee through overt and identifiable acts, then the employee will likely feel more committed to the organization (Cheung, 2000). Further, employers can demonstrate commitment through participative management, shared decision making, co-worker integration, and otherwise engaging the employees in the governance of the organization and workflow (Lance, 1991). Assuming that if employers engaged their workers in redesigning workflows, and showed that input and suggestions were taken seriously, it follows that reorientation led to greater commitment.

The results suggested that organizational change did not significantly affect conflict, but conflict did influence market orientation. This set of relationships was consistent with the marketing literature, but offered no support for the organizational change literature. The organizational change literature offers arguments suggesting that asset reduction and/or redistribution may lead to tensions between departments. An examination of the correlation matrix (see Table 2) suggests that conflict may have influenced the other mediating variables under consideration. Examining the role of conflict in relation to these variables was not within the scope of this study, but influence of conflict has been well documented in the organizational behavior literature.

Organizational commitment, trust, and communication did not completely mediate the relationship between reorientation and market orientation when tested individually. In combination, however, results suggested these three variables fully mediated the relationship. One particularly salient feature of the expanded models offered in Figure 2 was that the expanded configuration more closely depicted reality, where several variables asserted their influence simultaneously. The individual models suggested partial mediation, and thus a direct influence of reorientation which persisted even though other variables also effected market orientation. The expanded model suggested that reorientation did not directly influence market orientation, but it did influence market orientation through the mediators.

It was hypothesized that a reorientation strategy would be negatively related to trust based on the extent of change embodied in reorientation. The opposite result was found, reorientation was positively associated with trust. Although this result may be peculiar to this sample, it offers an indication of the inclusiveness of the reorientation process. Reorientation is frequently executed as a single event, well communicated, and done collaboratively; rather than a top-down decision executed without communication or employee input. Because reorientation is an inclusive process it is more likely that employees will feel as sense of procedural justice. It follows that they will not view this as a major breach of the psychological contract and thereby not lose trust in management (Hopkins and Weathington, 2006).

Considering the influence of trust on organizational commitment, the results offered in Figure 2d were consistent with previous research. Neves and Caetano (2006) found trust to be a particularly salient factor in predicting commitment in cases where employees felt they had little control over the change initiative. Regarding the concept control, the sample of this study as limited to mid-level managers; those in this level frequently implement change rather than instigate it—hence the subjects likely had limited control. In a context where a sizeable number of employees have limited control, trust is a key element in maintaining commitment for organizations engaging in change initiatives. Further, this study extends the work of Neves and Caetano (2006) and Farrelly and Quester (2003) by offering a model where the roles trust and commitment were offered as predictors of market orientation.

Managerial Implications

Organizations facing the need to undertake an organizational-wide change event can take advantage of this as an opportunity to make market-oriented adjustments. The results of this study suggested that a strategy focusing solely on headcount reduction will not likely alter market orientation. However, a strategy encompassing new products, altered workflows, updated technologies and organizational structures can result in a greater degree of market orientation. Underlying this contingency is the motivation driving the change initiative. If an organization seeks to improve operating efficiency as the primary focus of change, then it will likely do so through reduced headcount and without regard to the broader dynamics of the marketplace. The result of efficiency focused change is a classic convergent scenario where resources are scarcer, but the core business processes remain the same.

Convergent change showed no significant effect on any variables included in this study. One implication of this finding is that a convergence strategy is not likely to be the best course of action if management has the goal of 'shaking things up'. However, the actions commonly associated with a reorientation strategy are more likely to alter an organization's tenor, structure and operations. A new, externally hired top management team is a common tactical component of reorientation. This tactic was shown to be associated with higher post-hiring performance and sends a signal of change to the organization (Helfat and Bailey, 2005).

Change initiatives focusing on broader strategic, structural, and process changes may have the additional benefit of greater market orientation. One implication of this research suggests that organizational processes associated with reorientation closely parallel the behaviors associated with market orientation. Both reorientation and market orientation call for external focus, which culminates in organizational responses to factors in the external environment.

Limitations and Future Research

Although previous research suggested a variety of negative effects stemming from a convergence strategy, none were found in this study. A possible cause of this, and the positive effects stemming from reorientation, may be a survivor bias in the sampling procedure. Even though the organizations that the respondents represent may have undergone a change event, the respondents themselves remained employed. As survivors, their attitudes may be directly related to levels of change they personally experienced rather than change at the organizational level. Previous research found a direct relationship between the extent of change an individual experienced and their overall attitudes toward their workplace (Fedor et al., 2006). Future research in this area may look to several different methodological approaches to address the results related to convergence. One approach may be to employ a longitudinal design to more accurately capture the effects of convergence over time. Alternatively, a cross-sectional design can include items to address the recency of organizational change and how attitudes and behaviors change over time.

Social desirability bias may also be present in the data as evidenced by the nonsignificant results associated with conflict. Social desirability response bias is the tendency for respondents to answer survey items in a manner in which they present themselves or their organizations in a way that may be perceived as more acceptable by society (Crowne & Marlow 1960). Several scales used in this study are potentially subject to this type of bias, thereby suppressing (or inflating) measurement of the true nature of the respondents and corresponding relations (Manning, Bearden & Tain, 2009). In this study, the conflict scale was positively

skewed which suggests the possibility social desirability bias in the sample. Conversely, organizational commitment is also a construct frequently subject to this type of bias, but this scale was more normally distributed than that of conflict. Together, the distributions of these two scales suggest that social desirability bias may be present, but not universally so. Future research in this area, and any area where self-reports elicit responses to socially desirable behaviors, should include a scale to access respondents' potential biases.

Analysis of the MARKOR scale revealed psychometric and measurement anomalies frequently associated with reverse-scaled items (Weijters & Baumgartner 2012). Given that all the reversed items formed a unique construct, the explanatory power of the scale may have been diluted even though Cronbach's alpha was acceptable. While deleting reversed items would have improved overall model fit, maintaining the integrity and content of the scale was paramount. As new scales are developed, authors must be vigilant in the wording of reversed items to assure that subjects are not confused and can accurately respond.

CONCLUSION

This study offered an interdisciplinary view of organizational change strategies and market orientation. A model was offered and empirically examined that links the consequences of organizational change on behavioral variables and the antecedents of market orientation. Applying theories related to psychological contracts, it was found that reorientation strategies had a positive net effect on market orientation, but the relationship was mediated by trust, organizational commitment, and communication. It was also found that convergence strategies had no net effect on market orientation, or on the hypothesized mediating variables. These findings suggest that a strategy aimed at reducing employee headcount will neither improve, nor hinder, and organization's ability to serve their markets. A strategy aimed at altering work flows, processes and procedures may hold more promise in serving and responding to the needs of markets.

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