LONDON METROPOLITAN UNIVERSITY, LONDON

# ALIGNING INTERNAL MARKET ORIENTATION (IMO) WITH MARKET ORIENTATION (MO) TO IMPACT PERFORMANCE IN THE BANKING SECTOR IN GHANA

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A THESIS SUBMITTED TO THE FACULTY OF BUSINESS AND LAW, LONDON METROPOLITAN UNIVERSITY IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

AUGUST 2017

## DECLARATION

I declare that this research project entitled 'Aligning Internal Market Orientation (IMO) with Market Orientation (MO) to Impact Performance in the Banking Sector in Ghana' submitted to the Faculty of Business and Law, London Metropolitan University, London, is a record of an original work done by me under the supervision of Professor Nana Owusu Frimpong. This project work has not been submitted to any university or institution or published earlier for any award in part or in whole. All quotations and references cited from other sources have been duly acknowledged.

# DEDICATION

What is it that I have that I did not receive from God This work is first and foremost dedicated to God Almighty who continues to be my life, joy and strength. I also dedicate this work to my family, my siblings, especially those that encouraged and believed in me and supported me every step of the way.

## ACKNOWLEDGEMENT

This journey involved a lot of determination, time and a sense of purpose from me and my hard working lead supervisor, Professor Nana Owusu Frimpong. I therefore thank him with a lot of love and gratitude for his fortitude, dedicated support, meticulous guidance and fatherly encouragement during this tortuous journey. His passion to inculcate the skill of research into others and his critical thinking and direction have made this work, though challenging, yet very inspiring and interesting.

Let me also acknowledge my work colleagues whose contributions and constructive feedback kept me focused.

I wish to express my appreciation and gratitude to the management of Central University College for their financial support, to the Head pastor of Liberty Church, Accra, Ghana, Rev. Anim Nketia for his support and candid encouragement.

I earnestly thank Professor Jillian Farquhar, Professor Roger Bennet and Chiara Francesconi, all of London Metropolitan University, for their critical guidance, critique, direction and assistance to successfully come to the end of this project work.

Finally, I acknowledge the managers and customers of the selected banks who took time off their busy schedules to engage in the in-depth discussions, and those that responded to the questionnaires to champion this cause.

## ABSTRACT

The study is the first in Sub-Saharan Africa to use the aligned effects of IMO/MO to determine their relationship with employee/customer satisfaction in the financial services industry. The pioneering studies of Lings and Greenley on internal market orientation (IMO) in the 2000s and that of Kohli and Jaworski experience enormous investigation empirically. Although some reasonable amount of studies on the above constructs have been undertaken within the newly developed and developing economies, there have been little attempt at exploring the alignment of the two concepts, in terms of their relationship with organizational performance, particularly in the services sector. To address this research gap, a multidimensional construct describing the five managerial behaviours associated with internal marketing conceptualized as IMO in alignment with market orientation (MO) has been tested to see how their integration relates with employee/customer satisfaction. The first stage involved a qualitative study to gain a deeper and better understanding of the IMO/MO constructs and their implementation in the commercial and universal banking sector in Ghana. The qualitative research findings independently established a strong association between IMO/MO and employee/customer satisfaction. The second stage employed a survey to test a conceptual framework based on the IMO/MO constructs using hypotheses formulated based on reviewed literature. Confirmatory factor analysis (CFA) and structural equation modeling (SEM) were employed to analyse the survey responses. The model demonstrated a good fit to the data in terms of face and content validity; convergent, discriminant and nomological validity; reliability and stability; and showing improvement to existing scales. A major contribution of this research was the use of a robust model that explained the application of the five dimensions of the IMO construct and their effect on employee in-role behaviour (IRB) to impact employee satisfaction within the Ghanaian banking sector. These findings were not totally consistent with various previous research works in the IMO literature. However, employee in-role behaviour (IRB) has been seen to drive market orientation, and market orientation has been established as a key driver of performance in terms of customer value and satisfaction. These findings are in support of established theoretical positions in the MO literature. Another contribution of the study to knowledge in managerial decision making is that, a better understanding and implementation of the IMO construct in the strategic planning efforts of the banks and subsequent employment in their business processes, and activities will positively affect employee job satisfaction. Effective staff commitment to duty will drive the banks' prospects to exploit the vast opportunities in financial intermediation driven by liberalization and deepening of Ghana's economic development and growth in higher levels of savings, investment, production and poverty alleviation. Again, positive in-role behaviours of the banks' managers will affect their commitment to their subordinates in their work roles, and this will increase the responsiveness of staff to customers' needs and wants. This process will create trust among customers to their banks to accept formal banking as a good, safe, convenient and rewarding experience.

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# INTRODUCTION

## 1.1 Introduction

The Ghanaian banking industry has begun to experience a phenomenal change because of intense competition during the last ten years. There has been an influx of new entrants into the sector, both local and foreign. To sustain the sector, players must behave strategically as they design their processes, and manage and deliver superior value to their customers. How then do these banks acquire, cultivate, maintain and retain their customers both inside the banking firms and externally? It is estimated that only 30% of Ghanaians use banks (World Bank/IMF April, 2012), so what happens to the other 70%? A concerted effort must be made to reverse the declining trends in the levels of savings as over 75% of total currency is said to be in the homes of citizens (George and Bob-Milliar, 2007). A critical analysis of the above reveals that, for the formal banking sector to become sustainable, both the needs of employees of the banks and the needs of customers must be well analysed and understood to enable the best approaches to be designed and implemented to satisfy the customers of the banks.

A modest amount of research has been conducted on market orientation in the Ghanaian banking industry (Owusu-Frimpong, 1999; Hinson and Hammond, 2006; Owusu-Frimpong, Hinson and Dasah, 2009; Owusu-Frimpong, 2001; Owusu-Frimpong et al., 2006; Martins and Owusu-Frimpong, 2010); however, no identified empirical work has studied the linkage between internal market orientation (IMO) and market orientation (MO) and their joint impact on organisational performance. The main aim of this study is dyadic in nature, it tries to investigate how the alignment of the IMO measures put forward by Lings and Greenley (2005), with MO measures MARKOR put forward by Kohli et. al. (1993), within an established nomological network, will impact the performance of banks in Ghana. The study is to determine how the integration of the internal processes, practices and policies and company external customer needs will affect performance and customer satisfaction in the banks. With the passage of the universal banking law in Ghana, all types of business can be conducted under a single corporate banking entity and this greatly reorganises the competitive scope of several banking products in Ghana (Hinson and Hammond, 2006). It is equally believed that the willingness and ability of managers of banks in Ghana to respond to changes in the banking sector will determine whether their banks survive and prosper (Owusu-Frimpong, Hinson, and Dasah, 2009).

### 1.2 Developments in the Banking Sector in Ghana

The experience of financial liberalisation in Ghana so far has raised questions about the capacity of Ghanaian banks to reconcile their microeconomic objectives of private profitability with the nation's macroeconomic objectives of growth and development (Gockel, 2003). According to Gockel, the assets of these banks show that loanable funds are largely invested in riskless government papers and short term end of the financial market for commercial purposes. The highly protected state-led industrialisation strategy created weaknesses between the state and the private sector with state-owned enterprises depending on government subvention for their survival; slow movement of enterprises from the informal sector to the formal; and poorly developed technological and engineering capacities and capabilities in public and private enterprises (Owusu-Afari, 2010). Through the early part of 1980s, the above weaknesses had led to the introduction of the Economic Recovery Programme (ERP) in 1983, with a major shift in industrial strategy to an outward-oriented, less protected or liberalised industrial policy. In the 1990s, the private sector was declared the engine of growth with collaboration between government and the private sector. The ultimate goal of both measures was to maintain 5% annual economic growth, achieve balance of payment equilibrium and improve public sector management.

Specific interventions in the financial sector of the economy started in 1989, for example, the Financial Sector Adjustment Credit (FSAC) from the World Bank (Owusu-Antwi, 2009). With the ERP in 1983, came the Financial Sector Adjustment Programme (FINSAP) in 1989 to address the institutional deficiencies of the financial system by restructuring the distressed banks, reforming prudential legislation and the supervisory system, permitting new entry into the financial market by public and private sector financial institutions (FIs), and developing money and capital markets. The second part of FINSAP took place in 1994, with the goal of privatising the public sector banks and development of Non Bank Financial Institutions

(NBFIs) to fill the gaps in the financial market not served by the banks (Owusu-Antwi, 2009). The components of FINSAP that most directly influenced the banks were:

1) bank restructuring
2) reforms of a prudential system
3) the liberalisation of financial markets

Currently, all the banks are virtually performing universal banking (commercial, development and merchant). Particularly, the new banks are one stop shop banks for financial supermarkets offering virtually all types of financial services under one roof (Gockel, 2003). Since 2002, Ghana has witnessed further financial sector reforms that allowed the influx of foreign and multinational financial institutions in Ghana to provide financial services that were not offered by the state owned banks. Many other financial intermediaries, such as savings and loans schemes, rural and community banks, as well as insurance firms have been licensed to operate thereby providing essential services for the business sector. This has created competition in the sector although the cost of credit is still high and access to long term capital is still lacking (Owusu-Afari, 2010).

Over the past five years, the banking industry has grown from 22 banks in 2006 to 28 banks in 2014, while the number of bank branches has increased from 397 to 920, and total assets have grown by over 130%, that is GH¢17.4 billion in 2010. Currently, by the close of 2015, 29 Deposit Money Banks (DMBs) have been registered with 1,173 branches (Ghana Banking Survey, 2016). The efficiency of the banking systems operation is also constrained by the Ghanaian economy's technological underdevelopment as well as information asymmetry. The production of banking services in Ghana is labour intensive as bank ledgers, customer accounts and other records are still processed by hand. This has led to low productivity, underutilisation of human capital and inefficient operation in the banking sector. One therefore meets a considerable amount of waiting time at the banks, resulting in a large section of the population preferring to hold liquid cash outside the banking system. Aryeetey and Kanbur (2005) and Bucks and Mathisen (2005) maintain that the low level as well as inefficient financial intermediation in Ghana contribute to the absence of a competitive structure since there is still no one-to-one relationship between concentration and competition in the banking sector. Aryeetey and Senbert (2004) claim that the banking system remains grossly inefficient, illiquid and febrile despite the ample reforms that have occurred in the financial environment. The poor reach of financial services is further highlighted in a contribution on savings by Quartey and Blankson (2005). They attributed this to a combination of micro and macroeconomic, as well as political factors. What really matters for the net effect on competition, according to Bucks and Mathisen (2005), is the level of contestability in the market.

## 1.3 Problem Statement

The formal Ghanaian banking business environment captures a typical service market, which is experiencing intense competition as a result of the new entrants, both domestic and foreign, into the sector. To be able to operate sustainably and continue to gain competitive advantage, banks within the sector must consistently understand the complexities and dynamism creating change in the behaviours of both employees and customers. Identification of the change drivers in the form of information flow would enable the banks to appropriately leverage the strategies for financial intermediation to enable customer-centric relationships that would lead to financial deepening and inclusion, where financial inclusion has the genereal definition as:

> *"the state in which all people have access to appropriate, desired financial products and services in order to manage their money effectively. It is achieved by financial literacy, and financial capability on the part of the consumer and access on the part of financial products, services and advice suppliers."* (Ghana Banking Survey, 2013)

The efficiency of banking operations has, for a long time, been constrained by the Ghanaian economy's technological underdevelopment and information flow. The above have characterized low productivity due to under utilization of human capital and inefficiencies in operations in the sector. As at 2014, financial literacy in Ghana has been considered to be low, compounded by rapid technological and financial market development. While these factors have driven many to waste time at the banks, those who do not want to be exposed to these challenges and frustrations, prefer to hold liquid cash outside the banking system (Aryeetey and Kanbur, 2005; Bank of Ghana Annual Report, 2014).

With the influx of new entrants creating a large number of banks in the economy, lending rates have been consistently high with loans also targeted at commercially high interest yielding portfolios such as real estates, trade finance and government securities. According to McKinnon (1973), the efficiency of financial markets in promoting financial deepening and savings mobilization of financial resources leads to higher levels of savings, investment, production, growth and poverty alleviation. However, in Ghana as a developing nation, financial market interventions by the government have constrained the potential of the financial markets in mobilizing savings for growth and development (Ziorklui, 2001). The repressive attitude of the government to control deposit and lending rates contributed to low deposits and financial deepening until sectoral reforms and liberalisation of the sector through the Banking Act, 1970 (Ziorklui.2001).

It is savings mobilization that can deepen any financial system and this could be achieved through the collaborative effort of the banks and other stakeholders. The declining trends in the levels of savings, caused over 75% of total currency issued by the Bank of Ghana to lie in the homes of citizens, resulting in a large pool of funds to circulate outside the formal financial system (George and Bob-Milliar, 2007).

Amissah-Arthur (2011) reiterated that the Ghanaian banking sector is in competition with banks beyond their borders and the banks' customers were looking beyond them to see what opportunities were available elsewhere. The Ghanaian banking sector could achieve growth by developing new economic models with deeper focus on alternative revenue streams, transformation of customer segmentation, risk management, robust management information systems and human capital geared towards a performance culture. Since the opportunities are great and with the right transformation strategy, banks in Ghana could benefit tremendously from sustained profitability.

Amissah-Arthur (2011) posited that attracting, developing and retaining the appropriate human capital was key to sustainable growth in the sector. For a bank's strategy to be successful in its core business operations it is highly dependent on an updated and transformed human capital. The environment of the financial services industry, particularly the banking sector in 2011, anticipated growth mainly on account of the oil production in

Ghana. It meant that the banking sector must have to reposition itself to contribute to this growth.

Again, Addo (2012) intimated that the way forward for banks is to re-visit their customer operating models and re-define the next drivers of growth in terms of products, sectors and geography, in order to allocate the right level of risk capital and people to serve the customer. To him, this has become very critical because consumer behaviour is changing towards a more advanced lifestyle, where technology driven products and services have become standard requirements. For banks to be seen to respond more effectively to growing consumer expectations, they will be required to develop risk profiles around the new business direction that is driven largely by technology. With stiff competition among 28 universal banks and over 120 other financial institutions, the customer is open to choice and it is expected that banks demonstrate that they are capable of effectively meeting customer expectations in their attempt to drive growth and expansion in deposits, loans, commissions and fees and improved profitability in the medium to long term. Sustainable growth in the sector requires the transformation of service offerings to customers. What is left is the regulator, the Bank of Ghana (BoG), to provide the enabling environment for the banks to begin to see their customers as partners with mutual and complimentary needs.

The Ghana Banking Survey (2012) identified critical success drivers for the banking industry in Ghana for the next five years, among which competition, additional capital and capacity, business segments, economic sectors and institutional banking clients are the dominant and most promising segments of banking transactions. This is in addition to the Small and Medium Sized Enterprises (SMEs) segments. These are followed by the mid-tier income retail customers (the mass affluent retail customers and the oil and gas sub-sector). Mensah (2012) proffered that effective banking should be based on trust with risk, with the banks acting in the interests of their clients. Risk dominated banking operations are characterized by financial services that are structured on laws, regulations, contracts, and supervision; and all these add onto costs.

On the contrary, to sustain gains and serve customers better, financial institutions should be based on trust so that returns can be maximized.

There is a critical lack of the requisite capacity and capability (capital and knowledge in the industry) for most banks to convert the identified opportunities in the above markets into tangible business transactions. To optimally operationalise trust between the banks and customers, this researcher considers the adoption of the internal market orientation and market orientation constructs, effectively aligned and operationalised, as the biggest opportunity for these banks to deliver the required levels of business performance to their immediate stakeholders. It is through the adoption of a market-oriented approach to business that a bank can create the efficiency and effectiveness required to deliver superior value to customers. This can only happen when there is a good alignment of the internal processes, people and physical evidences of the banks with the identified needs of customers. This is, and should be, the vision of every organisation, particularly firms in the services industry such as the banking sector in Ghana.

## 1.4 Research Objectives

The research objectives are:-

1. To determine how strongly the dimensions of IMO are related to internal customer needs in the selected banks;
2. To examine the association between the dimensions of MO and external customer needs in the selected banks;
3. To assess any association between the dimensions of IMO and the dimensions of MO in the selected banks;
4. To determine the practical contribution of the adoption of IMO/MO to bank performance (internal customer satisfaction/customer satisfaction); and
5. To ascertain the practical importance of the adoption of IMO/MO to management decision making in the banking sector in Ghana.

## 1.5 Research Questions

1. How strongly related are the dimensions of IMO to internal customer needs in the selected banks?
2. What is the association between the dimensions of MO and external customer needs in the selected banks?

3. What is the association between the dimensions of IMO and dimensions of MO in the selected banks?
4. What is the practical contribution of the adoption of IMO/MO to bank performance (internal customer satisfaction/customer satisfaction)?
5. How practically important is the adoption of IMO/MO to management decision making in the banking sector in Ghana?

## 1.6 Positioning and Originality of the Study

Previous studies on IMO and MO in Ghana or Sub-Saharan Africa have not exploited the joint impact of both constructs on business performance. Such studies have mostly been done in the developed economies and partly in the developing, such that the implications of these studies cannot be generalised for a developing economy like Ghana. The service landscape, particularly the banking sector and its culture, is still emerging with little or no documented knowledge and understanding of the IMO construct impacting MO for effective business performance. Originality of this research lies in the empirical documentary evidence of the adoption of IMO/MO on business performance and their joint impact in Ghana even though there are anecdotal traces of IMO in the bank's operations.

The model is therefore novel in the context of the banking sector in Ghana. IMO is imperative for any business to establish, maintain and consistently enhance a competitive business culture that will mirror performance. In the service industry, this has become an ultimate objective, particularly in the banking sector, where the aim of the bank should be to make their managers and employees loyal by making them committed to the firm (Zaman et al., 2012). Commitment of employees through the conscious, deliberate engagement of IMO in the banks' strategic intent will be achieved when the concept is operationalised and implemented in terms of strategic IMO knowledge development, effective training, rewards and a shared vision to make employees 'partners' of the bank in the long run. The value the organisation places on employees can drive managers to care to know more about employee needs and wants, job related skills, service ethos and how to synchronise these to help employees to become more aware of their contribution to the organisation. This will also endear employees to know more about customers' needs and wants and how committed they should become in providing excellent service to their customers to influence the organisation’s performance.

The originality of this study also stems from the fact that the Sub-Saharan business environment provides a very fertile yet untapped environment for measuring the behavioural constructs of IMO/MO from both academic and managerial perspectives.

As indicated by Chelariu et al. (2002),

- *managers and employees in African organisations are culturally different from their counterparts in the USA and other Western industrialised countries, where cultural differences have been seen to affect the level of market orientation (Bhuian, 1998)*
- *environmental conditions tend to be less munificent in African countries, given the state of environmental uncertainty and strong governmental control.*

Even though extensive work on MO has been done and its impact on business in Sub-Saharan Africa, (Owusu-Frimpong, 2000, Mahmoud et al., 2016, Martins and Owusu Frimpong (2010, p. 79) work on the IMO aspect has not been tapped, let alone an attempt made to integrate IMO and MO to determine their joint impact on business performance.

This researcher argues that the dynamic and unstable business environment and strong governmental control drive fear into most potential customers who would have agreed to do business with these formal banks. The deliberate incorporation of IMO into the organisation’s corporate planning process to strengthen management/employee knowledge and understanding and subsequent implementation of IMO will bridge the gap between the organisation and the customer through responsible and committed employees. This will increase the trust between managers/employees and the banks and between the banks and its customers in order to encourage financial intermediation and inclusion for returns, both financial and non-financial, to be maximised and sustained.

This researcher considers it to be scholarly prudent to do a related empirical study of an integrated match between IMO and MO to determine its impact on banking in the Ghanaian economy. This study is very relevant and timely in Ghana because of the proliferation of banks, both domestic and foreign driven by the liberalization policy, that heightened competition in the face of technological advancements in the sector and underneath these were the effects of the remote drivers of the financial system such as the Economic Recovery Programme (1983) and the Financial Sector Adjustment Programmes (FINSAP, 1983-1989). Again, on record, no such empirical investigation in terms of the joint adoption of IMO/MO has been done in a developing economy, let alone in Africa or Ghana.

While research on MO is somehow established in the Ghanaian business landscape and spread over various products/service organisations, this is not the case with IMO. It means that more research must be undertaken with the IMO construct in other diverse industrial sectors to warrant its grounding and adoption as a universal measure of the broadened marketing philosophy. However, this researcher argues that, since IMO as a concept has not been embedded in the strategic intent of the organisation's understudy, proper training and knowledge development with regard to this critical concept must be a priority.

## 1.7 Contribution to Existing Knowledge

It is thought that findings from this research (aligning IMO with MO) to determine their integrative impact on banking performances in Ghana will add to existing knowledge, which sees effective marketing as an exchange relationship between the supplier and customer (Davidson, 1997; Kotler and Armstrong, 2010). It will equally help theoretical positions by generalising the findings to the services industry (Marshall and Rossman, 2011). This possibly will be the first empirical study in Ghana that attempts to investigate the alignment of IMO with MO and so offers a good support of normative arguments for the need to keep a balance between a company's external customers and its internal focus.

The major contributions of this research include:

1. Understanding the principles of IMO and making a more conscientious, deliberate and committed effort in the planning and practice of IMO in the banks' business processes that will positively affect employee job satisfaction. This will promote greater staff commitment towards increasing the drive to win more prospects to be qualified as customers of these banks, which will lead to an increase in the bankable population in

Ghana from its current percentage status of 30% upwards (World Bank/IMF, April, 2012).

2. Positive in-role behaviours of bank managers will affect their commitment to subordinates in their work roles, and this will affect the responsiveness demonstrated by staff towards customer needs and wants. This process will create trust among customers and prospects to accept formal banking as a good, safe, convenient and rewarding experience.
3. Effective in-role behaviour of employees to foster, facilitate and instil IMO in the company will highly depend on the establishment of the appropriate structures, systems and processes to generate the requisite information as the product to be disseminated interdepartmentally to encouraged the customer to experience the services of the banks.
4. It is not necessarily important for information to be generated in a face-to-face encounter between the manager and subordinates before responsiveness can occur. Mobile technologies and employment of ICT have made this encounter possible, particularly in service organisations, setting them apart from the brick and mortar channels.
5. It is envisaged that effective implementation of IMO will lead to a reduction in staff costs as a percentage of operating cost in the banks understudy. This is so because the inclusion of IMO as part of the bank's strategic intent will call for the recruitment, training and development of the right human capital that will ensure effective implementation and demonstration of appropriate in-role behaviours.

## 1.8 Structure of the Thesis

**Chapter One:** This chapter provides an introduction and the background to the study, the context of the study and the problem identification. These are followed by the study objectives. It concludes with contributions to knowledge, and chapter summary.

**Chapter Two:** This is made up of the background to the study, looking at the formal banking industry – its inception, structural developments and change from pre-independence, post-independence through to 2016 with innovations in practice.

**Chapter Three:** This is made up of the literature review embracing relevant literature on internal market orientation and market orientation. It includes the historical evolution, developments, orientations and definitions of these concepts. It also includes relevnt literature on organisational performance, evaluation, developments and metrices such as satisfaction.

**Chapter Four:** This chapter covers the conceptualisation and operationalization of the study constructs: internal market orientation, market orientation, performance and how they have been employed by the researcher.

**Chapter Five:** This chapter covers the research design and methodology. It captured philosophical responsiveness and the research paradigm driving the research strategy and methodology – qualitative and quantitative (mixed methods) approach, population and sampling design through to data collection. This is followed by qualitative/ quantitative data analyses.

**Chapter Six:** This chapter covers the analysis of qualitative data and findings.

**Chapter Seven:** This chapter covers the quantitative research and findings.

**Chapter Eight:** Chapter Eight covers the triangulation between the qualitative and quantitative findings and the discussion of findings.

**Chapter Nine:** This covers the summary, contributions to knowledge, conclusion of the study, limitations of the study and future research directions.

## 1.9 Chapter Summary

The key aim of this research is to uncover the knowledge of the marketing constructs of IMO and MO in corporate Ghana and to understand how the banking sector in particular is able to operationalise these constructs in its business strategies and programmes to benefit its employees,customers and the banks. Particularly, it aims to see what contribution to marketing theory development in Ghana there is when IMO/MO are aligned and rigorously tested to determine their joint impact on firm performance in terms of overall satisfaction for employees and customers. The next chapter covers the background information to the study.

# CHAPTER TWO

# BACKGROUND INFORMATION ON THE GHANAIAN BANKING SECTOR

## 2.1 Introduction

The adoption of a market-oriented approach to business has been seen to be a unifying system connecting banks to their target customers. Efficiency and effectiveness in delivering superior value to customers will result when there is a good alignment of the internal processes, people and physical evidences with the identified needs of customers. Financial liberalization is a key component of a country's strategy for economic development and growth. According to McKinnon and Shaw (1973), the efficiency of financial markets in promoting financial deepening and savings mobilization of financial resources has been recognized by policy makers. To them, an increase in holding financial assets (financial deepening) by the public promotes savings mobilizations that would lead to higher levels of savings, investment, production, growth and poverty alleviation. Contrary to this assertion, financial market interventions by governments in developing countries such as Ghana constrain the potential of financial markets in mobilizing savings for growth and development (Ziorklui, 2001). A key factor that contributed to the low deposit rate before the financial sector reform was the repressive attitude of government to control deposit and lending rates. The expectation was that, with sectoral reforms and the liberalization of interest rates, there would be greater real interest rates to induce savings mobilization and inclusion. However, policy makers and stakeholders in the Ghanaian economy continue to ask why, with the financial sector reforms, the sector has still not yielded the anticipated results in the form of increased domestic savings mobilization through the banking sector (Ziorklui, 2001). To corroborate this, Business and Financial Times (2012), quoting a World Bank Report 23rd April, 2012 published that only 30% of Ghanaians use banks, citing poverty, cost, travel distance and the amount of paper work involved as the reasons.

With the phenomenal growth being witnessed in the financial sector, interest rates are still too high for the average Ghanaian worker, and a great majority of Ghanaians are unbanked. High interest rates surely deter people from borrowing from the banks. The banking sector is one which can explore innovative ways to take advantage of the opportunities offered by government's policy towards infrastructural developmet and growth. Savings mobilisation is a critical monetary tool that can be used to deepen financial intermediaton and inclusion. There should be a collaborated effort to reverse the declining trends in the levels of savings, as it is on record that over 75% of total currency issued by the Bank of Ghana lies in the homes of citizens, causing a large pool of funds to circulate outside the formal financial system (George and Bob-Milliar, 2007).

In Ghana, over seventy percent (70%) of adults do not have a bank account and the reasons stated included poverty, cost, travel distance and cumbersome operational steps involved in opening an account (General News, April, 23, 2012). Interestingly, although only 30% of Ghanaians have bank accounts, records show that this figure is comparatively higher than the Sub-Saharan African average of 24.1% and that of the lower middle income countries' average of 28.1%. It is also recorded that only 27.1% of women have bank accounts in Ghana whereas 31.8% of men have one and out of the total number of bank account holders in Ghana, 52% live in the urban areas. One of these urban areas, the Accra-Tem metropolitan area constituted the unit of analysis of this research.

## 2.2 Pre-independence Development of Formal Banking Sector in Ghana

Formal banking began in Ghana (then Gold Coast Colony) in 1896 when Elder Dempster and the African Banking Corporation established a branch of Bank of British West Africa (BBWA) (Fry, 1976), which became the Standard Chartered Bank and was followed by Barclays Bank DCO in 1917 (Crossley and Blandford, 1975, cited in Mensah, 2009).

By 1918, having noticed that the operations of BBWA in the Gold Coast were very successful, another expatriate bank, the Colonial Bank, decided to start business there. In 1925, the Colonial Bank merged with the Anglo-Egyptian Bank, the National Bank of South Africa and Barclays Bank under the leadership and name of Barclays Bank (Dominion Colonial and Overseas). From that time, Barclays Bank became a strong competitor of BBWA. Until the 1950s, banking services continued to be provided exclusively by the above two foreign banks. They played the roles of being commercial banks assisting in revenue collection and payment of salaries of the colonial government. BBWA had the additional function of being the bank of issues for the colonial government. Branches of these banks sprang up in the provincial capital towns in Ashanti and the Northern Territories of the Gold Coast. In 1902, a branch was opened in Sekondi while an agency was opened in Obuasi in 1905, which became a branch in 1909. By 1906, BBWA had expanded its network to cover most of the main business centres in the Gold Coast like Kumasi and so became the dominant commercial bank (Baster, 1926/1977; Fry, 1976).

Gold Coast attained political independence in 1957 and was named Ghana and established its own Central Bank, the Bank of Ghana (BoG). The Bank of Ghana Ordinance (1957) charged the bank to issue currency by taking over the functions of the West Africa Currency Board, which was originally responsible for issuing currency for the then Gold Coast. It also served as the banker and the fiscal agent of government while pursuing pragmatic policies to leverage the credit system, create financial institutions and exercise the fundamental responsibilities of currency management to shape the social and economic progress of Ghana.

The foreign banks or Standard Chartered Bank (BBWA) and the Barclays Bank (Colonial Bank) exploited Ghanaians by charging very high bank charges for minor services rendered and this led to a lot of frustration among the indigenous folks because it was discovered that they focused on conservative lending policies, which served the interests of the few elite and the expatriate community (George and Bob-Milliar, 2007). For example, in 2003, the acceptable minimum deposit for a current account was ¢1million (George and Bob-Milliar, 2007). Dissatisfaction with the performances of the imperialist banks led to a recommendation made by the Trevor-Report (an enquiry commissioned by the Government of Ghana) into banking in the Gold Coast for the possibility of establishing an indigenous bank. This led to the establishment of the Ghana Commercial Bank (GCB) in 1953.

Ghana, like many African nations, has had its fair share of political and economic turbulence, and its banking sector has been highly influenced by these turbulent times (Armah, 2012).

### 2.2.1 Post–independence and Bank of Ghana

Following the attainment of political independence in 1957, Ghana decided to establish its own independent central bank, and the Bank of Ghana (BoG) as it is called took over the functions of the former West Africa Currency Board (WACB), which had the responsibility of issuing currency for the then Gold Coast. The Bank of Ghana Ordinance (1957) charged the bank to issue currency, serve as banker as well as being the fiscal agent of Government. The Bank of Ghana equally pursued proactive policies to bolster the credit system, creating financial institutions as growth-monitoring vehicles, as it exercised its fundamental responsibilities of currency management as well as acting as the government's banker. The BoG grew through the influence of men and women who used the power of their ideas to chart the path of social and economic progress for Ghana. At the time of independence, the banking industry consisted of three (3) banks (Acquah, 2007). To respond to changing domestic conditions, and developments in central banking and monetary policy worldwide, the Bank of Ghana Act (2002) was passed, which bestowed independence on the Central Bank leaving it free to refocus its policies on price and financial stability as a principal mandate. This marked the beginning of a new paradigm in defining what the Bank of Ghana represented and its role in monetary and fiscal management (Acquah, 2007). The mandate of the Central Bank, according to the Bank of Ghana Act (2002), created the situation where businesses and consumers could widen their horizons and plans that were based on projected expectations with regard to investments, savings, productivity and value for their money (Acquah, 2007). Accelerated growth in the Ghanaian economy on a sustained basis, relied very much on the credibility of macroeconomic policies (Acquah, 2007).

The thrust of the Bank of Ghana was to promote the development of a financial system that could be effectively integrated with the global financial system, and which was capable of providing a diversified range of financial instruments to support a complex and dynamic growing economy. It was envisaged that a nucleus of a payments systems infrastructure should be built, which could, over time, develop into a vibrant segment of the global (transnational) international financial industry in the West African sub-region, such a financial centre of global standards in terms of the quality and incentives built into the regulatory environment, should influence financial institutions and the service they could deliver (Acquah, 2007). In this regard, the effective positioning of the financial services industry, with the Bank of Ghana as the regulator was even more crucial in the context of the entire Economic Community of West African States (ECOWAS). This regional market could well come under a common currency regime, and so create a single economic space, with free mobility of capital, goods, services and labour (Acquah, 2006). The Bank of Ghana's regulatory regime was responsible for maintaining the stability and soundness of the banking industry by building confidence in the financial system as a whole (Acquah, 2006).

### 2.3 Establishment of Public Sector Banks

In 1953, the Ghana Commercial Bank (GCB) was established to improve access to credit by the indigenous business and farmers. Branch networks were extended, rurally, so that people in the hinterland would have access to banking facilities. This led to the separation of commercial banking functions from the Central bank (Steel and Andah, 2005). The Government of Ghana acquired 40% equity stakes in the two foreign-owned banks with an indigenisation decree in 1975 (Owusu-Antwi, 2009). The GCB, as the largest bank in Ghana with about 36% of the total bank deposits in the 1980s, took up the role and functions of government banks and the finances of most government departments and public corporations (Brownbridge and Gockel, 1996).

Other domestic banks were established to play various roles in the development of the Ghanaian economy (Adjetey, 1978; Brownbridge and Gockel, 1996) and these include:

1. National Investment Bank (NIB) was established in 1963 to provide long-term finance for industries.
2. Agricultural Development Bank (ADB) formerly called the Agricultural Credit and Cooperative Bank was established in 1965 to provide credit facilities to farmers to stimulate agricultural projects.
3. Merchant Bank, Ghana (MBG) was set up as a joint-venture between ANZ Grindlays, the government and public sector financial institutions (FIs) in 1972.
4. Bank for Housing and Construction (BHC) was established in 1974 to support the housing and construction industry.
5. National Savings and Credit and Cooperative Banks were established in 1975 to provide consumers loans and credit for small industries and cooperatives.
6. Social Security Bank (SSB) was established in 1977 to provide credit including longer term loans for business and consumers and grew rapidly to become the second largest bank with 18% of deposits in the 1980s.

7. Bank of Credit and Commerce (The Premier Bank) was set up in 1978, but collapsed as its parent bank, Bank of Credit and Commerce International was closed down in 1991.

According to Micco, Panniza and Yanez, (2007), banks in developing nations, particularly public banks, played a developmental role in their economies and this was, and is, the case in Ghana.

## 2.4 Regulatory Framework for the Banking Industry (1970)

The Banking Act (1970) established the regulatory framework for the banking industry. It imposed minimum paid-up capital requirements for foreign and domestically owned banks of ¢2 million and ¢0.5 million respectively with the banks required to maintain capital and reserves of at least 5% of their total deposits (Owusu-Antwi, 2009). It is on record that the capital adequacy measures were meaningless since there were no clear and proper accounting standards regarding the recognition of loan losses, and no provision for non-performing assets and accrual of unpaid interest (Owusu-Antwi, 2009).

Again, the true state of the banks' balance sheets including the erosion of their capital as a result of loan loss could be concealed. There were also no regulations as to the limits on single borrower loan exposures, even though the Act provided some measures to restrain imprudential behaviour by the banks and penalties for any infractions (World Bank Report, 1986; Browbridge and Gockel, 1996). A Bank Examination Department was established in the BoG in 1964, but its activities were confined to ensuring that banks complied with allocative monetary policy directives rather than with prudential regulations. There were no adequate resources to monitor and inspect the banks, since only five professional staff were available in the early 1980s, with only two having been trained in banking supervision. On-site examinations and evaluations were infrequent while off-site supervision was impeded because of deficiencies in bank reporting. It was therefore difficult to evaluate the conditions of the banks' asset portfolios, their profitability and solvency (World Bank Report, 1986).

## 2.5 Impact of the Pre-Reform Policies in Bank Markets

Financial repression had a number of grave consequences for the banking sector during the pre-reform period. There was a collapse in financial depth with the banking system unable to supply credit to the priority areas such as the agricultural sector. All the banks became insolvent due to the result of bad debts and investments in commercially unviable projects (Brownbridge and Gockel, 1996). For example, in 1977 bank deposits to GDP got to 19.5% but fell to 7.4% in 1984.

Aryeetey and Gockel (1990), cited in Owusu-Antwi (2009), after a study on the informal financial sector in Ghana, found increases in street banking rather than formal banking sector intermediation. Owusu-Antwi (2009) identified the main causes of decline in financial depth to include sharp negative real deposit rates that deterred savers from holding financial assets; the 1979 and 1982 currency appropriations; customers' frozen bank accounts; and the decree that allowed the military government of the time to demand the details of customers' bank accounts. These exercises greatly eroded public confidence in holding domestic currency and the use of the formal banking system.

Again, the banks were discouraged from active deposit mobilisation because of interest rate controls and high reserve and liquid asset requirements. The banks also refused to open new time and savings deposit accounts and refused to pay interest on accounts above a certain threshold. The above situation prevented the banks from channelling depositors' funds into value-added and revenue generating outlets. These challenges gave way to the use of informal financial intermediaries and the holding of savings in the form of physical assets such as building and construction materials or foreign assets.

While the pre-reform financial sector policies were meant to support priority sectors by using sectoral credit guidelines and preferential interest rates, the supply of credit to these critical sectors fell sharply in real terms. For example, in 1983, credit to the non-governmental sector (both priority and non-priority) was recorded at 3.6% of the GDP compared to 9.8% recorded in 1977 (Aryeetey and Gockel, 1990, cited in Owusu-Antwi, 2009). The cause of the fall in credit supply was the fall in financial depth and the crowding out by the government's borrowing requirements that reduced the aggregate volume of the funds that banks had to lend to all non-governmental borrowers including public enterprises.

According to the World Bank Report (1986), banks were discouraged from allocating available funds to priority sectors because of lending rate controls that made no allowance for the risk of lending or for transaction costs. Domestic lending fell (in volume) as sectoral directives were ineffective in ensuring that the desired sectoral distributions of credit were realised. Banks therefore preferred investing in government securities, since these offered the same or almost the same interest rates, were liquid and virtually risk free (Brownbridge and Gockel, 1996).

## 2.6 Public Sector Banks and Financial Distress

All the public banks were financially distressed in the 1980s (Brownbridge and Gockel, 1996). The development finance institutions (DFIs) were the first to run into serious difficulties, while the emergence of distress in the two main commercial banks – GCB and SSB - was delayed until the mid 1980s (Owusu-Antwi, 2009). All the banks became insolvent due to non-performing assets (NPAs) and had to be restructured between 1989 and1991, when a total of ¢62 billion was identified in the banking system and replaced by BoG bonds or offset against liabilities of the banks to the BoG. Most of the NPAs were transferred to the Non Performing Assets Recovery Trust (NPART) in 1991. It should be noted that Barclays, SCB and MBG accounted for only 4% of the NPAs transferred to NPART (Brownbridge and Gockel, 1996). The NPAs included assets that yielded no income, such as non-performing loans, letters of credit and equity investments.

Aggregate capital and reserves of the banks were negative ¢2.4 billion at the end of 1989 (Bank of Ghana, QEB, 1992, Statements 2A and 2B). The major reasons adduced for the losses incurred by the public sector banks were:

1. They had been pressured to extend finance to unbankable projects to meet developmental and political objectives. For example, around 47% of the NPAs transferred to NPART were extended to SOEs, many of which were not economically viable. Government equally extended guarantees for some of the loans to these State

Owned Enterprises (SOEs), but these had not been honoured. The other 53% of NPAs transferred to NPART were accounted for by private creditors or joint ventures between the private sector, traditional councils and the banks. Many of these projects were not properly appraised by the banks hence the finance and the collateral provided had little resale value.

2. There was deterioration in the bank's asset portfolios as a result of the economic crisis and the radical changes in economic policies implemented during the 1980s. For example, NPART (1994:7–12) stated why four projects financed by BHC, NIB and SSB collapsed. The projects had inappropriate technical design, equipment breakdown, disputes between shareholders, and the withdrawal of foreign partners and the unavailability of inputs. Assets such as equipment were left lying around in fields without maintenance for years after the collapse of the projects and hence became scrap and finally auctioned by NPART.
3. Corruption and fraud where politically connected borrowers were allowed to access unsecured loans that were not given to them on commercial grounds and so were under no obligation to repay.
4. The governor of the Central Bank was appointed by the President and so did the bidding of the government making operations of the BoG not insulated from political pressures from the government. This practice made the BoG an automatic extension of the Finance Ministry in carrying out the economic objectives of government. It ended up compromising the autonomy and neutrality of the Central Bank as a monetary and fiscal control institution for the stabilisation of the nation's economy.
5. The majority of the banks were publicly owned and this led to the lack of a competitive banking environment, market ineffectiveness and political patronage in the system.
6. Government control and regulation of interest rates at this time led to the distortion in the allocation function of interest rates. In addition to lowering the cost of borrowing to consumers, the business community, government and non-government agencies, the government imposed ceilings on commercial bank lending and borrowing and deposit rates. The result of the above was double to triple digits inflation rates

reaching over 100% in 1981, 1983, 1985 and 1987 respectively, which prevented many potential savers from saving in the formal banking system.

7. In addition, lending rates were ridiculously low and this provided no incentive for commercial banks to lend money to the private sector, resulting in large excess liquidity in the banking system.

The public sector banks, particularly GCB and SSB, continued to operate throughout the 1980s despite the poor quality of their asset portfolios. They avoided liquidity shortages because the high reserve requirements imposed in the 1970s and the credit ceilings in 1988 forced them to hold large volumes of liquid assets. BHC and NIB had injections of equity and loans from the BoG to maintain liquidity and boost capital, but this further created larger losses in the second half of the decade (NIB and BHC received ¢880 million from the BoG in 1983/84 (World Bank Report, 1986). The true state of the banks' balance sheets was concealed by the failure to make adequate provisions for NPAs and to suspend accruing unpaid interest as income. The banks appeared solvent, based on data in their published accounts (even though the capital adequacy levels in some of these banks were very low) when the right and appropriate accounting standards would have revealed that losses had eaten up capital. Diagnostic studies carried out in 1987 as part of the preparations for the Financial Sector Adjustment Programme revealed the depth of financial distress of these banks.

As a result of the low lending rates, the commercial banks discouraged potential depositors from opening savings accounts, and encouraged customers to open chequeing accounts, which did not attract interest payments (Ziorklui, 2001). The consequence was to decrease private savings and encourage excessive aggregate demand, which fuelled inflation. To control aggregate money supply and inflation, the BoG imposed credit ceilings on bank lending to the private sector. This became the predominant instrument for monetary control of the BoG, and on record, this instrument created a negative impact on excess reserves in the banking system resulting in a lack of competition among lending institutions, and inhibited the development of an efficient money market in Ghana.

**Fall outs:**

- A critical feature of the financial system had been the excessive borrowing from the banking institutions by the government. To motivate the banking sector to provide loans to the government to cover its budget deficits, commercial banks were permitted to include short-term Government treasury bills as part of the short-term liquid assets that could satisfy their cash reserves requirements. For this reason, many commercial banks preferred to hold large portfolios in government short-term treasury bills and very few assets in private business loans, depriving SMEs of financial capital for business expansion.
- There was no insurance fund to cover commercial banks and savings and loans in Ghana. As a result the government, as the owner of commercial banks and savings and loans, had to cover the risk of loss for any insolvent financial institution.
- The Ghanaian financial system lacked a well-developed capital market that would facilitate the accumulation of financial capital for business expansion.
- There was a lot of inefficiency in deposit mobilization by the banking system, which could be attributed to the inferior quality of a number of commercial banks' customer services. In a similar manner, the limited scope of financial instruments and banking services discouraged increased savings mobilisation. Lack of competition equally prevented any form of innovation organically and externally.
- There was low savings in the financial sector because of lack of confidence in the banking system. For example, the government passed the infamous AFRC Decree 17 in 1987 that allowed the government access to individual bank accounts without the knowledge of the individual bank account holder. This situation caused many individual depositors to pull out their savings from the banking sector for fear that the government would question them about the sources of their savings.
- Banking hours were inconvenient and negatively affected financial intermediation in the banking sector. Aryeetey and Gockel (1989) found that regular banking hours had not been convenient for market women and office workers many of whom preferred to save with informal savings institutions. Change in the banking hours and the addition of weekend banking hours were necessary to encourage many people to put

money into the banking system. This regulation limited the ability of the banks to respond to the needs of the banks' customers in terms of convenient banking hours.

- There was also the lack of adequate prudential regulatory enforcement and supervision of commercial banks and this created major problems in the banking sector during the 1970s and early 1980s. For example, less attention was paid to the provision of required reserves and capital requirements and this resulted in the insolvency of many banks in Ghana and other Sub-Saharan African countries.
- Another constraint was the technological underdevelopment and limited information flow. Lack of automation and the use of ICT impeded the productivity and efficiency of bank employees; the production of banking services had been labour intensive with bank ledgers, customer accounts and other records being processed by hand. The results had been low productivity, under-utilisation of human capital, and inefficiency in operation in the banking sector, with a considerable amount of waiting time at the banks, which culminated in a large section of the Ghanaian population preferring to hold liquid cash outside the banking system.
- Poor banking processes created a lot of inconveniences for customers and potential customers and this negatively affected financial intermediation and inclusion in the banking sector.

The above factors mostly necessitated the withholding of large currency holdings and savings outside the formal banking sector and in so doing created a booming informal cash sector.

## 2.7 The Economic Recovery Programme

In April, 1983, the Government of Ghana, the World Bank and the International Monetary Fund (IMF) through a collaborative programme began a comprehensive Economic Recovery Programme (ERP) to reverse Ghana's poor and inefficient economic performance (Owusu-Antwi, 2009). To respond to the financial collapse in the banking sector in particular, the Government of Ghana embarked on the financial sector reform known as Financial Institution Sector Adjustment Programme (FINSAP) (Ziorklui, 2001) and this programme was supported by Financial Sector Adjustment Credit (FSAC) from the World Bank (Aboagye-Debrah, 2007) with technical and financial assistance from the International

Development Association (IDA) through a financial sector credit (FINSACI). This package comprised of FINSAP 1 and FINSAP 2. Ziorklui (2001) asserted that the macroeconomic challenges caused by high inflation due to continuous government budget deficit discouraged the public from holding financial assets and increased savings in the banking system. A World Bank Report (1994) concluded that Ghana had the potential for faster growth if policies were designed to improve the efficiency of savings mobilisation through the banking system, with the efficient allocation of resources in the productive sections of the economy. Another World Bank Report (1989) on development reiterated that regulations and bank supervision in developing countries should emphasize compliance with monetary policy and foreign exchange guidelines. It added that the goal of bank supervision should be to encourage the promotion of the banking sector's safety, stability and efficiency.

Key policy initiatives under this programme included: a massive devaluation of the Ghanaian currency; removal of controls on foreign exchange transactions; decontrol of domestic prices; and liberalisation of access to foreign exchange and the licensing of a foreign exchange bureau. One critical impact of the macroeconomic policy change in 1983 was the reduction of the inflation rate from over 100% in the 1970s and early, 80s to 10% in 1991, with accompanying growth in GDP. The first phase of the ERP dated from 1983 to 1986 and focused mainly on stabilisation measures including higher fiscal management and liberalisation of prices including interest rates (Aboagye-Debrah, 2007).

### 2.7.1 Financial Sector Adjustment Programme (FINSAP)

The government embarked upon the financial sector reform programme, FINSAP 1 in 1988 to 1990 with the following key objectives: (Ziorklui, 2001)

**FINSAP I** was carried out from 1988-1990 with the following key objectives:

- To restructure the financially distressed banks;
- To improve saving mobilisation, deepen financial inclusion and enhance the efficiency of credit allocation;
- Improve the banking regulatory and supervisory framework so as to enhance the soundness of the banking system;
- To develop the money and capital markets;

- To establish a non-performing assets recovery trust; and
- To permit new entry into the financial market by both public and private sector financial institutions.

According to Ziorklui (2001), FINSAP 2 was launched in 1990 based on the following objectives:

- To reduce state shareholding in Ghanaian banks;
- To continue the bank restructuring programme started under FINSAP 1;
- To intensify the recovery of non-performing loans by the Non-performing Assets Recovery Trust;
- To enhance the effectiveness of a broad range of non-bank financial institutions; and
- Privatise public sector banks and develop non-bank financial institutions (NBFIs) to fill the gap in the financial market not served by the formal banks.s

The IDA-supported study (ibid) identified seven distressed banks and their restructuring involved the following measures: reconstitution and strengthening of affected bank's Board of Directors; cleaning of balance sheets by off-loading non-performing loans to state owned enterprises, loans guaranteed by the Government of Ghana, and non-performing loans to the private sector; closure of unprofitable banks; reduction of operating costs through entrenchment of staff; upgrading managerial capacity and deficiency of distressed banks; intensifying staff training for affected banks; provision of sufficient capital and liquidity to enable the distressed banks to operate in a self-sustaining manner after restructuring; swapping government bond issues with non-performing loans; and transferring the non-performing assets of the distressed banks to a newly created and wholly government-owned agency known as the Non-Performing Assets Recovery Trust (NPART), whose mandate was to realize the highest proceeds from such assets. The outflow of the above was that the distressed banks were issued interest-bearing FINSAP bonds to be reduced in annual instalments. Part of the provisions of the 1989 Banking Law that set up the NPART limited the life of NPART to a six-year time frame.

## 2.8 Financial Liberalisation

Financial liberalisation in the banking sector entailed the removal of many of the allocative controls such as interest rate controls, the sectoral composition of bank lending and the introduction of market-based instruments of money control in addition to the easing of entry restrictions into the banking system. Several merchant banks with private sector participation were licensed whereas some of the government-owned banks were partially privatized (Leith and Soderling, 2000; Owusu-Antwi, 2009). It is believed that liberalisation of controls over interest rates and credit can improve the efficiency of credit allocation. This can enable banks to direct credit to those borrowers who are capable of generating the highest rate of return. However, macroeconomic instability constrained this effort towards lending, much as the high ratios imposed by the BoG in an attempt to restrain monetary growth. For example, bank lending to the private sector had remained at very low levels since the financial sector reforms began, and in 1994, bank lending was only 5.3% of GDP (Brownbridge and Gockel, 1996; Owusu-Antwi, 2009).

Remittances of money to Ghana by Ghanaians working abroad were massive, but the banks did not provide adequate facilities to attract this business. Transfers of money from abroad through the banks however had increased through “Western Union”, “Vigo” and “Money Gram”. The reasons for the failure of the financial liberalisation effort to stimulate greater improvements in the range and quality of retail banking services could be explained. There was the lack of competitive pressures on the banks to generate profits in the 1990s mainly from investing in securities, without having to compete seriously for either deposits or borrowers. It could also be that the very low usage of the banking system by the public (as shown by the lack of financial depth) made the introduction of innovative retail services uneconomical. As such, the public was (and still is) deterred from using the banks, partly because services were and are poor, but also because bank deposits have been unattractive given the high rates of inflation and interest yields on deposits. It is likely that a combination of sustained low inflation and greater competition will be needed if retail services are to improve. In addition, the ongoing revolution in information and communication technology has improved service delivery efforts, for example, ATMs and mobile money transfer facilities.

## 2.9 Restructuring the Public Sector Banks

Actual restructuring, which started in 1989, involved the restoration of adequate levels of capitalisation from future profits and was necessarily from public funds. NPAs amounting to ¢62 billion ($170 million or 4.4% of 1989 GDP) were removed from the banks' balance sheets and replaced with BoG bonds or offset against debts owed to the government or the BoG in 1990/91. The Non-Performing Assets Recovery Trust (NPART) took over the NPAs and attempted to recover as many of them as possible. The banks were given bonds with maturities of two to five years yielding rates from 7-12% and were subsequently rolled over at rates of 15% (World Bank Report, 1994; Brownbridge and Gockel, 1996).

The replacement of NPAs on the banks' balance sheets enabled all but one of the public sector banks to meet the minimum capital adequacy requirement of 6% by 1990 as prescribed by the 1989 Banking Law. To forestall bad debts from recurring and to reduce operating costs, new boards of directors and executives were appointed to the public banks in 1990 with turnaround plans developed for each of the banks. Technical assistance in the form of support came through twinning arrangements with foreign banks, such as the State Bank of India. There was an overhaul of credit policies, as well as credit appraisal, loan monitoring and loan recovery systems. Internal control, inspection and audit were improved and budgets were established. While staff training programmes were encouraged, staff levels were reduced by 38% between 1988 and 1992, and some bank branches were closed down to cut down costs (World Bank Report, 1994:57; Brownbridge and Gockel, 1995; 1996).

Public sector banks had their lending policies changed to agree with commercial criteria, and loan decisions were freed of political interference. The idea of privatisation of the banks came to the fore when, in 1995, the government sold part of its equity stake in the SSB to the public and then sold 30% of its shares in GCB in 1996. Plans for the divestiture of government equity in the DFIs also started. By 1995, most of the public sector banks had improved their financial performance considerably with the exception of Ghana Cooperative Bank. The banks generated profits, their rates of return to capital exceeded inflation on average from 1991 to 1995 and they were able to build up their capital and reserves to meet the minimum capital adequacy ratios imposed by the 1989 banking laws and so were generally highly liquid. After the restructuring exercise, most of the banks did very little lending, but had most of their assets being held as liquid assets, primarily government and BoG securities, which came with the introduction of the Treasury bill auction providing a remunerative and safe source of income. The average ratio of loans to total assets of the five public sector banks was only 22% from 1991 to 1995. Bankers interviewed in 1995/96 conceded that creditworthy borrowers were very scarce and that they would be reluctant to increase lending even if reserve ratios were lower especially in view of their past experience of bad debts (Brownbridge and Gockel, 1996).

### 2.9.1 Financial Reform and Aggregate Financial Savings

Greater opportunities for greater savings mobilisation and credit allocation to the productive sectors of the Ghanaian economy came with the emergence of the new banks. The developments in ICT for savings mobilisation and the relaxation of interest rates on deposits and lending had made a positive impact on this sector, according to by Ziorklui (2001) who analysed mobilization of deposits in the banking sector for the pre and post reform periods between 1960 and 1997. The study result showed that the annual nominal growth rate of total deposits barely increased from the pre-reform (31.68%) to the post-reform period (33.05%). Interestingly, the practice of commercial bank savings mobilisation through demand deposits gradually diminished from the financial reform period. High inflationary pressures in Ghana over the pre-and-post reform periods caused a real annual growth rate of total deposits of 2.60% during the pre-reform period, and 3.43% during the post-reform period. Alternatively, the real annual rate of change in savings and demand deposits went from 7.70% and 2.75% to 5.68% and 2.34% respectively. These indicated a decline in the real savings and demand deposit growth rates during the post-reform period.

Ziorklui (2001) indicated that 34% of depositors withdrew their savings from the formal banking system and deposited them with the ‘magic banks’, a form of micro-finance institutions where depositors were enticed with a 360% rate of interest per annum. Even high ranking army officers who earned foreign exchange from peace missions abroad deposited their funds with the ‘magic banks’. Traders on the Ghana Stock Exchange (GSE) complained about the activities of these banks because they affected patronage in the stock market as most of the investors left for the ‘magic banks’. According to Ziorklui (ibid), discussions with BoG officials revealed examples of people borrowing money from the formal banking system at about 39% per annum and depositing such funds with the magic banks for at least a 360% rate of interest. Other factors that affected savings mobilization included:

- **The Proximity Factor:** It was discovered that over 80% of the respondents indicated that their choice of bank was largely influenced by proximity to work place or to their place of residence.
- **The Issue of Lack of Confidence:** Low public confidence was identified with the banking sector. This could be traced to the macroeconomic instability created by high inflation and persistent depreciation of the cedi and the bad policy measures of the late 1970s and early 1980s that still lingered in the minds of the public.
- **The Level of Satisfaction with the Quality of Banking Services:** Ziorklui (2001) examined the satisfaction of banks' customers with bank services and came up with the following findings. Over 76% of the respondents stated that they were treated well at the bank. However, 3.2% indicated that they were treated badly by the bank tellers, while 5% felt that tellers consciously and intentionally delayed attending to customers as they queued. Concerning the hours of banking, the majority of the respondents indicated that the timing was inconvenient. Most of them (over 65%) felt the hours should start from 8:30am to 4:30pm. It could be observed that most workers would want to patronize their banks for business transaction, but it was discovered that most of the tellers went on break at this time. Some respondents also opted for individual opening hours on Saturdays, as in other developed countries. It was also identified that the banks offered a very narrow scope of banking services. Accordingly, 31.7% respondents intimated that they would want to secure investment counselling; there should be credit cards, safe deposit boxes, travellers' checks, venture capital insurance and money orders. 68% of the respondents also indicated that they would apply for a credit card if the bank decided to introduce it.
- **Impact of Direct Deposit Payment to Government Employees:** In 1991, the government of Ghana made it mandatory for salaries of all civil servants, teachers, nurses and other government workers to be paid directly through the banks. This was done to encourage the culture of savings and to inculcate a banking spirit among majority of these employees by policy makers.

- **Impact of Reform on Bank Employee's Professional Development:** After surveying 415 bank employees in a random selection process, it was found that over 65% started work as clerks while only 8.5% started at the officers' ranks. While 56.1% had a secondary school certificate, 17.6% had university degrees and diplomas, 11% had professional training qualifications, and 15.6% and 10.4% were seen to be sub-officer and senior officer ranks, respectively. Branch managers constituted 6.5% of the bank employee while deputy chief managers constituted only 0.5%. According to Ziorklui (2001), some major objectives to the financial sector reform were employees' recruitment, professional development and training.

### 2.10 The Emergence of New Banks

Ziorklui (2001) indicates that nine (9) banks were licensed to operate in Ghana in the 1990s. Out of the nine banks, five were licensed as commercial banks, and the others were licensed as merchant banks. Again, with the divestiture of about 40% of government shares in SSB and GCB in the 1990s there was more private involvement in the banking industry in Ghana than there was before the reforms. Two of the merchant banks – Continental Acceptances Limited (CAL) and Ecobank started operating in 1990, both as joint ventures involving local public sector shareholders and foreign shareholders. Meridian Banks (BIAO), a foreign commercial bank, was set up in 1992 with a minority local shareholding by SSNIT. Two more merchant banks started operations in 1995 – First Atlantic and Metropolitan and Allied Banks. Four Nigerian banks had at that time entered the industry, causing competition to intensify. Accordingly, the number of banks increased from 11 as at 1989 to 21 (Aboagye-Debrah, 2007).

It was observed that, as at 1995, local private sector investment in banking was limited to two banks. This trend was attributed to the conservative bank licensing policy of the BoG and the Ministry of Finance. There was also the weakness of the local business class and its lack of clear links to the government. Local investors were wary of entering a high profile sector, such as banking, without the protection of political connections. In addition, local investors in financial markets had instead opted for less ambitious ventures, such as foreign exchange bureaus (forex) and NBFIS where the capital investment required was lower than that needed to set up a bank. In addition to the new entrants into the banking markets, around 20 NBFIs, including leasing companies, finance houses, building societies and savings and loan companies, were established during the 1990s. Many of these NBFIs accepted deposits and extended credit, and therefore provided some competition for the services offered by banks (Brownbridge and Gockel, 1996; Aboagye-Debrah, 2007).

As stated by Ziorklui (2001), top posts in the management teams of the new banks emerged out of top posts held in some of the old banks, including two former Governors of the Bank of Ghana. Most of the staff of the new banks were also made up of experienced bank officials from the older banks who had been enticed to join the new banks. Even though most of the new banks were licensed as merchant banks, in practice they performed commercial as well as development and merchant banking services. These new banks were therefore "one-stop-shopping" banks or financial supermarkets, offering virtually all types of financial services under one roof. The services were a combination of deposit taking and credit allocation to the private sector. They equally operated subsidiaries for providing diversified services to their clients; for example, Ecobank Ghana Limited has, as subsidiaries, Ecobank Stockbrokers Limited (ESL) and EBG-Investment Managers Limited (EBG-IMC) to perform specialized services. ELS is one of the three pioneer licensed dealing members of the Ghana Stock Exchange engaged in portfolio management, equity research, initial public offering, debt/equity swap, and retail and institutional brokerage services to both domestic and international clients. Trust Bank started as a 'universal bank' because it provided a variety of services including corporate financial advisory services and provision of trade finance facilities, such as pre-shipment advances among others.

The new banks had some advantages as the BoG accepted them as a nucleus of universal banks. Some of these new banks, particularly Cal Merchant Bank, Trust Bank and Metropolitan Allied Bank had, on average, a larger nominal interest rate spread than the established commercial and development banks (Ziorklui, 2001), an assertion that negated the earlier findings of the World Bank (1994) that the new banks had lower interest margins than the older banks. Ziorklui (2001) also supported the earlier findings that, on average, the new banks mobilized more long-term funds from the public than the older established banks. However, this exercise did not translate into increased credit to the private sector. Instead, the newer banks had increased their investment in relatively safe short-term government

Treasury bills. The newer banks also contributed the largest percentage of their funds to investment in government securities.

The Trust Bank which was established in 1996 and operated as a ‘universal bank’ providing corporate advisory services was later acquired by Ecobank Transnational Incorporated Trade Finance facilities, which was among a variety of services to become Ecobank Ghana in 2011 (Bank of Ghana Annual Report, 2011).

## 2.11 Innovation in Financial Practices

Innovation was an emerging feature of the post-FINSAP era with developments in the financial services and competition in the banking sector in Ghana (Ziorklui, 2001). Competition led the banks to the re-packaging banking services and introduce high technology-driven customer services. According to the author, the banks had made time and savings products more competitive in terms of product differentiation. For example, Standard Chartered, Barclays and Trust Bank had introduced savings accounts that attracted multi-tiered interest rates that were linked to free personal accident insurance. Standard Bank’s saving and insurance packages entitled savers to a lump sum benefit, which was twice the current balance in an account not exceeding ¢1 million. Similarly, the Trust Bank offered a ‘Gold Account’, which was a hybrid of normal current and savings accounts and offered the depositor an opportunity to issue cheques drawn on the account with no bank charges while the account continued to earn a higher premium.

There were other process innovations regarding the methods used by the banks to deliver bank services and products to the public. For example, there had been the introduction of micro-electronic technology with the potential of broadening the payment system, which was mainly cash based. The introduction of computers at bank branches and the installation of ATMs seemed to set in motion a revolution in Ghana’s banking system. The big foreign-owned banks, Standard Chartered and Barclays had centralized operations at their respective head offices, networking all their branches to enable customers to check their balances, make withdrawals or deposit funds into their accounts.

Ecobank (ECONET), Standard Chartered Bank and Barclays had created opportunities, especially for their corporate clients, to initiate a range of automated transactions from their own offices or homes. With a personal computer, telephone, modem and bank-installed software, a customer was able to access his/her account and other information about exchange rates and interest rates, outstanding balance and statement of accounts.

The Agricultural Development Bank, for example, has linked up with Western Union Money Transfer to allow its customers to receive funds from the rest of the world at any of the bank's branches. The SSB similarly introduced an electronic funds transfer scheme, the Money-Gram, receivable at any SSB branch throughout the nation. The benefits of the application of microelectronics to the above banks included an increase in the efficiency of banking activities; reduction in operating costs associated with manual operations; and the need to access stored information quickly and update such information continually. The state of innovation in the banking sector has moved it from the cash-based payment system to electronic. Currency is the main means of payment. Survey results from Ziorklui (2001) indicated that cheque usage levels were low due to a general lack of confidence in cheques as a payment medium. Many large firms and government departments, such as Internal Revenue Service, Customs, Excise and Preventive Service, preferred not to receive business cheques as payments. The reasons were that, (a) there were delays in clearing cheques and (b) the possibility that cheques could be dishonoured. So in place of these, they would rather request a bank draft, which was as good as cash. It has been perceived that, at the cost to the payee, an intra-Accra cheque transaction took three days, whereas cheques drawn on banks outside Accra took a week to four weeks to clear (Ziorklui, 2001).

Again, cheque guarantee cards were introduced, for example, the 'Barclays Card' but executives still hesitated to use it because the clearing system was slow. Even though these cards were welcomed, electronic means of payment, such as SSB's 'Sika Card', Trust Bank's 'auto cash card', SCB's 'money link card' and Barclays Bank's 'cash card' were preferred as they offered the opportunity to electronically make a deposit or a withdrawal from a bank account. Somehow, these innovative processes gave Ghana the potential to increase financial deepening and increase mobilisation of savings for investment and growth. The adoption of new technology and the training received by bank staff led to improvements in the operations of the banks (Ziorklui, 2001).

Due to the improvements in bank operations between 1989 and 1997, the staff costs per revenue generated were reduced by half, from 32.03% in 1989 to 16.41% in 1997. An interesting finding showed that staff costs as a percentage of operating costs increased across the banking industry, from 29.81% in 1989 to 48.55% in 1997 (Ziorklui, 2001). Staff costs increased because (a) post-reform competition for staff from the private sector encouraged recruitment and training of staff; and (b) staff demand for higher wages due to inflationary pressures and constant devaluation of the local currency.

Another factor that was considered was the extent to which the banks were able to deal with or mitigate risks in terms of their management of the resources of depositors to generate income to pay interest to depositors and shareholders. The mitigation measures covered: (a) the inability of the borrower to pay loans (default risk); (b) the inability of owner contributed capital to cover losses on business transactions (capital risk); (c) the inadequacy of fund availability to meet unexpected withdrawals by depositors (liquidity risk); and (d) the potential of unexpected changes in interest risks that had adverse impacts on the revenues and expenses of banks.

## 2.12 Competition in the Banking Sector

Liberalisation stimulated a lot of competition in the banking markets through several channels. Among these were the new entrants into the banking markets; the diversification of the operation of the DFLs away from purely specialized functions; the universal banking business; the removal of interest rate controls and credit ceilings (which allowed for greater freedom for the banks to compete for customers); and the privatisation of government banks, accepting that private sector banks would be expected to compete more aggressively against each other than with public sector ones (Aboagy-Debrah, 2007). New entry created a minimum reduction in market concentration in the banking sector. For example, according to Aboagye-Debrah (2007), the share of the largest four banks in total bank deposits fell from 76% in 1988 to 70% in 1994 and reduced further to 60%. According to Aryeetey (2005), competition was limited to the segments of the deposit and credit markets involving corporate and institutional customers. Liberalisation did not have any major impact on innovation in the banking markets nor on the quality of services offered to the public. Even in the early 2000s, there was little innovation in terms of the range of instruments and services provided. There were basic savings and lending instruments available from the banks, and interest bearing chequeing accounts were only available to customers with large deposits (World Bank Report, 1994, p.61; Aboagye-Debrah, 2007). The NBIFs, however, introduced some leases as new credit instruments.

#### 2.12.1 The Impact of Reform on Bank Management and Efficiency of Operations

Again, Ziorklui (2001) undertook some surveys at the headquarters of various banks in Accra and in other rural banks and discovered a number of constraints on efficiency; for example, most of the banks lacked computerisation and training for officers before and even after the reform. However, liberalisation was thought to have had a great impact on operations, as interest rates changed and sectoral ceilings on loans and advances emerged: 70% of the respondents conceded that the introduction of high yielding government Treasury bills had dampened savings in the banking system since many depositors preferred to hold government Treasury bills rather than savings deposits. Another major hindrance to savings mobilisation in Ghana was the fact that many depositors, particularly large depositors, would decline using the banking system because of fear of government probes and clamp downs on banking deposits. The constant devaluation of the cedi and the low subsistence income of the bankable public has been another factor, partly because the financial reform did not do much to remove these constraints. The banks relied heavily on interest rates on loans as their major source of revenue. However, after the financial sector reform, the interest rate on government Treasury bills were very high, and this discouraged banks’ lending to other lucrative areas that might have generated growth in the economy. Payment systems resulting from the use of cheques also brought on board their challenges such as the lack of universal acceptability of cheques by the public, lack of verification, and lack of universal identification numbers to verify the identity of the issuer of cheques.

The banking system at this time was characterized by a mixed ownership structure and was based on customer needs (Table 2.2). By the close of 2003, there were 18 banks in operation. This number increased to 21 by the end of 2005. The rural community banks also increased to 121 (Bank of Ghana, Annual Report, 2005; Owusu-Antwi, 2009). The commercial banks engaged in traditional business, with a focus on retail services. Merchant banks were free-based banking institutions and mostly engaged in corporate banking services. On the other hand, development banks specialized in the provision of medium to long term finance (Bucks and Mathiesen, 2005). The four largest commercial banks controlled about 51.2% of the total assets of the banking sector and held about 13.3% of the total deposits. However, the nine smaller commercial banks owned about 14.2% of the total assets and 13.3% of the total deposits. The universal banks and the merchant banks controlled about 18.6% and the development banks shared about 15.8% of the total assets base of the banking system (Ziorklui, 2001).

The Central Bank of Ghana authorized the adoption of universal banking business (UBB), meaning that all the banks in the country were to operate retail, corporate and investment banking. This move indicated that demand capacities were still high in the industry. According to the Ghana Statistical Service in 2002 and 2003, the finance and insurance sub-sector's contribution to growth in GDP was 5.2% and 4.3% respectively (Aboagye-Deborah, 2007). In 2002, the ARB Apex Bank was officially opened to provide mini-central banking services to the rural banks. The Deposit Money Banks (DMBs) and rural banks recorded high growth in their balance sheets. The Ghana inter-banks settlement system was initiated in 2002 and it linked the participating banks by electronic means to ensure computerized processing and settlement of inter-bank transactions on a gross basis in real time. Three banks also introduced an online debit card and e-card in collaboration with a network provider within the Accra-Tema metropolitan area.

Retail banking at this time reflected deposits from individuals constituting about 55%; and of this, over 50% was concentrated in the hands of only Barclays, GCB, Stanchart, and SG-SSB, together holding over half of the industry's retail deposits (Aboagye-Debrah, 2007). Key improvements in the training service delivery at this time was the injection of innovative products such as the SSB Sika Card, ATMs, of Stanchart and Barclays and networking that facilitated transactions and reduced transaction costs to the public. Bank performance using key financial indicators showed a mixed result. The industry's capital adequacy ratio (CAR) was about 12.5% as at the end of December 2005. Bucks and Mathiesen (2003) and Aboagye-Debrah (2007) reported that adverse microeconomic developments in the 1990-2000s impacted badly on the asset quality of the banks' loan portfolio.

High overhead costs worked against the sector; and these high overheads were attributed to the investments in innovation in banking infrastructure and telecommunication. The trend reflected the low level of marketing practices in the sector in terms of cost sharing; for example, the refusal to network the automated teller machines possibly led to huge private investments in telecommunications (Bucks and Mathiesen, 2005). The relative stability enjoyed in the sector was undermined by a rush on the banks in December, 2000. According to Aboagye-Debrah (2007), a panic situation occurred when some banks could not satisfy depositor's withdrawals and they were asked to come back on later days for their money. The panic situation was attributed to an increased withdrawal of money from the banking system by political parties for political activities and political risk depreciated the cedi highly. These instances led people to withdraw their monies from the banking system and convert them into foreign currencies.

### 2.12.2 Bank Profitability and Efficiency of Intermediation

The marginal improvements in cost-asset and cost-income ratios reflected the sustained growth in asset and income, rather than improved cost levels whose growth remained relatively stable (Bank of Ghana, 2007). The financial deepening in Ghana over the years had been limited by key factors that explained the trend in terms of profitability and efficiency in the banking system. It takes healthy macroeconomic policies to shape a positive financial sector. However, Ghana's macroeconomic policies over the decade had been characterized by periodic slippages in financial discipline, creating high inflation, large exchange rate swings, and negative real interest rate over the years (Bank of Ghana, 2004; Owusu Antwi, 2009). Examples of macroeconomic imbalances included the severe terms of trade shocks that took place between 1999 and 2000 that, combined with fiscal slippages, resulted in inflation pressures, 15% exchange rate depreciation and the build-up of sizeable domestic government debt. The unbalanced macroeconomic state of Ghana's economy negatively affected both the size and the quality of financial intermediation. This was evidenced by the low level of overall savings and investment. For example, between 1996 and 2002, the savings to GDP ratio was recorded at 15.9%, while the private investment ratio was 10.6%, (Bucks and Mathiesen, 2005; Aboagye Debrah, 2007).

According to Owusu-Antwi (2009), on average, Ghana compared poorly to other African countries on financial intermediation. The low bank intermediation co-existed with a wide range of savings ratio. Additionally, loanable bank facilities were based on the short-term in the whole financial sector. Long term saving was nonexistent, because a third of all deposits were demand deposits and terms for bank loans barely extended beyond one year. Another reason that explained the bank's non-profitability and inefficiency of intermediation in Ghana had been the uncertain lending environments that existed. There were high levels of nonperforming loans (NPLs) reflected in the banking system over the years. For example, the NPLs, as a percentage of total loans, rose from an average of 10.62% in the year 2000 to 18.72% at the close of the first quarter of 2004 (Bank of Ghana, 2004). Again, the lack of any central credit information system and the lack of cooperation among banks in sharing customer information contributed to the high degree of NPLs (Bucks and Mathisen, 2005). The uncompetitive nature of the structure of the financial market also contributed to the low and inefficient intermediation in Ghana. According to the Bank of Ghana (2004), the uncompetitive financial market structure which encouraged monopolistic or oligopolistic behaviours of the banks resulted in higher intermediation costs and management loses. This structure created the presence of wide interest rate margins and spreads that discouraged prospective depositors and possible borrowers resulting in low lending ratios. Another reason for the high costs associated with the banking environment was the increase in infrastructural investment particularly ICT facilities by the banks. Despite these investments, the respective banks behaved individually in peacemeal fashion which did not encourage comprehensive interconnectivity in terms of telecommunications in the sector. Structural and policy issues also contributed to high overhead costs in the banking sector at this period. Key among these was the Bank of Ghana reserved requirements, especially the non-interest earnings on primary reserves.

### 2.12.3 Evaluation of Reforms

There have been successful improvements in the banking sector after the reforms of the last decade. In many areas, the outcome of the reforms reflected the pace of its implementation. Possible outcomes included the nominal deposit and lending rates increasing gradually from 1984 with the scope of liberalisation. Five years later, the average lending rate increased by just 3.7% over its level at the start of the programme (Emenuga, 2000; Owusu-Antwi, 2009). Real deposit rates also saw improvement. For example, in the first year of the reforms (stabilisation with interest-rate liberalisation), real deposit rates increased by 86.7% points (-111.5% to +24.8%). Between the pre-reform and the reform periods, the real deposit rate increased by 52.2%, although it remained negative (Emenuga, 2000). This was due mainly to the stabilization efforts that led to lower rates of inflation. For four continuous years preceding the reforms, the real GDP growth ranged from 3.0% to 5.6% (Emenuga, 2000; Owusu-Antwi, 2009).

From the joint IMF-World Bank Financial Sector Assessment Programme (FSAP) in 2000, a profound transformation of the banking sector was observed. This was updated in 2003 and the FSAP indentified key elements of the medium-term financial-sector strategy showing government priorities. These included Ghana's financial sector development having had a big impact on growth, rising to 6.3% in 2007 from 4.5% in 2002. The ratio of money (M2) to GDP, the traditional measure of financial deepening, doubled after 2004 reaching 43% of GDP by the end of 2007. Much of this increase was funded by an increase in demand and saving deposits. The banking system grew rapidly because of fast credit expansion, and banks could account for about 70% of the financial sector at this time. Improved banking supervision gave priority to capital adequacy, banks' risk management, and more on-site supervision. Most of the bills recommended by the 2003 FSAP to improve prudential supervision and financial intermediation were passed by government.

According to Owusu-Antwi (2009), the ratio of the total banking system asset to GDP was 72.4% in 2007. The banking system was concentrated, however, in the three largest banks accounting for 41% of banking sector assets (Bawumia et al., 2008; Mclntyre, 2008; Owusu-Antwi, 2009). Determined regulation, significant technological advances in the banking sector and more forceful risk management led to credit expansion and sound growth. This encouraged more lending that, hitherto, did not affect the capital adequacy of the banking system. The capital adequacy ratio at this time reached 14.8% in 2007 from 9.5% in 2003. This resulted in better loan recovery and rapid credit growth. In fact, Ghana's financial reforms increased the banking system's resilience to potential financial shocks. The Central Bank continued to mentor the system's stability as it published a periodic financial stability report that is discussed by the Central Bank's monetary policy committee (Bawumia et al., 2008; Owusu-Antwi, 2009).

There has been a phenomenal growth in the Ghanaian banking sector, with the financial sector well capitalized, very liquid, and profitable with strong asset growth (Ekow, 2011). The total banking assets of the banking sector by the end of October, 2006 was ¢48353.0 billion, representing an annual growth of 35.5% as against 16.6% as the end of October, 2005 (Ghanaweb.com April 30, 2007). The banking sector witnessed a major capital injection partly because of the political stability, attainment of micro and macroeconomic stability and the government's desire to make Ghana the financial hub of the sub-region. A major feature of the sector has been the level of ownership by the private sector, either directly or through the capital market. Additionally, a large number of the new banks are owned and managed by Africans as the sector records a number of highly qualified, skilled and experienced bankers. It could be observed that the new banks were attempting to revolutionize access to banking services, which were hitherto denied the public. This can be seen by the determined efforts by these foreign banks to roll out the use of internet banking, smartcard technology, mobile phone banking and the use of biometric technology to cover all their operations.

The Bank of Ghana consistently exercised its regulatory powers to meet international standards through the implementation of tough supervisory measures. While the banks that served the interest of the elite concentrated on investment banking, increasing competition from the new banks turned the tables around as they opened their doors to the poor in the bankable society in Ghana. The foreign banks, Barclays Bank and Standard Chartered, actually exploited Ghanaians by charging high bank rates for minimal services rendered. An example was the minimum deposit in a current account acceptable to these two foreign banks being ¢1 million in 2003 (ghanaweb.com). The question to ask is how many Ghanaians could afford to deposit ¢1 million in a current account considering the income levels of public sector workers? As a result, Barclays and Standard Chartered began to lose credibility and savings deposits.

The interesting thing is that these foreign banks have now begun to dance to the new rhythm by accepting deposits from the low income group in the Ghanaian society. Western businesses usually claimed to incur high overhead costs in doing business in Africa; however, multinational firms in Ghana, for example, declared fabulous profits every year. The quick return mentality harboured and orchestrated by the financial institutions in Africa to satisfy their shareholders, meant that they only looked for investments that would provide the highest rate of return. This position could explain why the foreign banks neglected the larger segment of the Ghanaian bankable public. Again, some financial institutions could not commit to long term financing of development projects in Africa where there was perceived high political risk.

Total assets of the banking sector grew by 24.2% (¢6,094.4 billion) in December 2003 to ¢31,279,000 billion December, 2004. Growth in assets was driven mainly by three banks that accounted for 41.2% of the total increase and this growth reflected in net advances, investments, cash and short-term funds, which moved up by ¢2,242.7 billion, ¢1,760.0 billion and ¢1,153.7 billion respectively. Credit remained moderately concentrated in the manufacturing sector taking 21.4%, commerce and finance sector 15.8%, the services sector 11.2%, with miscellaneous taking 11.4% (Bank of Ghana Annual Report, 2004).

Performance in earnings by year ended December 2004 was quite high, but lower than what occurred in 2003. This was so because of a decline in return on assets, return on earning assets and return on equity. The spread between the credit and savings deposit rate widened in the last quarter of 2004 having narrowed in the first half of the year. The spread between credit and rates on a three month term deposit widened for most of the year, declining towards the tail end of the year. General decline in yields spread during the year leading to moderating interest earnings (Bank of Ghana Annual Report, 2005).

### 2.12.4 Developments in the Payment Systems

The BoG initiated the National Electronic Payments System (NEPS) that aimed at providing a framework for electronic delivery of financial services to every segment of the economy on a common platform – such financial intermediation efforts were meant to meet the needs of the 'banked', 'unbanked' and 'under-banked'. The NEPS had as its components – the National Switch and Smartcard Payment System (The Switch), the Cheque Codeline Clearing (CCC) System and the Automated Clearing House (ACH). The National Switch was procured during the year. The Switch was to support ATMs enabling Electronic Funds Transfer at Point of Sale (EFTPOS) system, E-money, internet, SMS and telephone banking. The ARB Apex Bank Limited Regulations (2006) (L/1852) was passed to regulate the activities of the ARB Apex Bank.

By the beginning of 2007, banks and NBFIs had very good growth and responded to growing competition by investing in IT and human capital as they introduced new products, services and strategies in the market. The BoG introduced the Banking Amendment Act, 2007, (Act 738), which allowed for three types of banking licenses: general banking license (for universal and off-shore banking); Class 1 banking license (for universal banking); and Class 2 banking license (for off-shore banking). In September 2007, Barclays Bank launched its first offshore banking operations.

The Anti-Money Laundering Act, 2007 (Act 749) was also promulgated during the year to provide the framework for criminalising money laundering and establishing a financial intelligence centre. The Credit Reporting Act, 2007 (Act 726) was also enacted, which paved the way for setting up a credit reference bureau. At this same time, the BoG published a consultative paper on capitalisation of banks and non-bank financial institutions. The paper proposed a minimum increment in capital requirements of banks from GH¢7 million to GH¢60 million; and for NBFIs from GH¢1 million, GH¢1.5 million to GH¢8 million. The total number of major banks remained 23 with all in compliance with the minimum capital requirement of GH¢7 million for universal banking business under a Class 1 banking license.

Declining trends in profitability were observed, which were as a result of increases in average total assets without a corresponding increase in profit levels, due mainly to the narrowing net interest spreads. Additionally, the impact of expenditure by the banks in respect of ICT re-engineering resulted in reduced earnings performance as presented in Table 2.1.

**Table 2.1: Profitability Indicators**

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| Return on Assets | 6.3 | 4.6 | 3.3 | 4.8 | 3.7 |
| Return on Earning Assets | 8.0 | 5.9 | 6.3 | 6.0 | 4.8 |
| Return on Equity | 33.4 | 22.9 | 24.1 | 27.4 | 25.8 |
| Net Interest Spread | 12.3 | 8.9 | 10.8 | 9.9 | 8.4 |
| Expense to Income | 63.9 | 63.9 | 68.7 | 59.3 | 62.5 |
| Net Interest Margin | 10.6 | 9.6 | 6.5 | 11.2 | 9.7 |
| Gross Yield | 14.7 | 17.2 | 17.1 | 15.6 | 15.0 |
| Interest Payable | 5.6 | 5.2 | 6.4 | 5.7 | 6.7 |

Source: Bank of Ghana Annual Report (2007)

At the end of 2007, banks met the primary reserve requirement of 9.0%. The industry cash ratio was 10.0% in domestic primary reserves and 20.3% in foreign primary reserves. The Central Securities Depository Bill was passed into law as the Central Securities Depository Act, 2007 (Act 733). It provided the legal and regulatory framework for the establishment, operation and regulation of central depositories for the development and promotion of vibrant primary and secondary money and capital markets in Ghana. The redenomination of the cedi, which was announced by the Bank of Ghana (Acquah, 2006) was gazetted in March, 2007 and the exercise took effect on July 3, 2007. The Ghana Interbank Payment and Settlement System (GhIPSS) platform and the roll-out of e-zwich biometric smartcards to support branchless banking and a strategy of promoting financial inclusion started in 2008. The Cheque Codeline Clearing (CCC) as well as the establishment of an Automated Clearing House (ACH) started the same year. Similarly, the first credit reference bureau in Ghana, XDS Data Ltd was given a provisional license under the Credit Reporting Act (Act 726) to provide credible information on prospective borrowers and reduce the information asymmetry that had characterised the lending function. To aid the effective financial intermediation, the bank actively supported the passage of the Borrowers and Lenders Act, the Non-Bank Financial Institution Act and the Home Mortgage Finance Act. New capitalisation levels for the major banks were also announced for implementation in the 2009 to 2012 period. This policy was to strengthen the capital of the banks and help them assume greater levels of risk; and to position themselves to support the developing oil industry. Banks were, for the first time, to report their financial position and performance in accordance with the International Financial Reporting Standards (IFRS) to encourage transparency and improve on their operations.

The promulgation of the Credit Reporting Act, 2007 (Act 726) provided guidelines for licensing the operations of the Credit bureaux. The guidelines led to improvements in the industry's liquidity position, enabling 23 out of the 26 formal banks to attain the mandatory capital injection by the close of 2010. This meant that only one foreign and two domestic banks failed to meet the minimum capital requirement of GH₵60 million and GH₵25 million respectively (Bank of Ghana Annual Report, 2011).

The Cheque Codeline Clearing (CCC) system was introduced in January, 2009 to help banks and other financial institutions speed up the processing and settlement of cheque transactions so that within 3 days, depositors of cheques were expected to get value.

### 2.13 Participating Banks in Ghana

There are presently 28 formally licensed banks operating in Ghana, and these deposit money banks (DMBs) have been listed in Table 2.2 showing those that are foreign and domestic as well as the number of branches respectively.

World Bank/IMF reported in April, 2012 that only 30% of Ghanaians use the formal banks. Again, over the past five years, the banking sector has kept on expanding with the total number of deposit money banks (DMBs) increasing from 27 to 28 in 2014, with 13 being Ghanaian-owned and 15 foreign-owned. Accordingly, bank branches and ATMs have moved from 892 to 903 in 2013 to 920 and 967 respectively in 2014 (Bank of Ghana Annual Report, 2014).

**Table 2.2: Banks Licensed to Operate in Ghana**

| No | Name of Bank | Year of Incorp. | Majority Ownership | Number of Branches |
|---|---|---|---|---|
| 1 | Access Bank (Ghana) Limited | 2008 | Foreign | 31 |
| 2 | Agricultural Development Bank Limited | 1965 | Local | 91 |
| 3 | Bank For Africa | 1997 | Foreign | 20 |
| 4 | Bank of Baroda (Ghana) Limited | 2007 | Foreign | 1 |
| 5 | Barclays Bank of Ghana Limited | 1917 | Foreign | 92 |
| 6 | BSIC (Ghana) Limited | 2008 | Foreign | 11 |
| 7 | CAL Bank Limited | 1990 | Local | 18 |
| 8 | Ecobank Ghana Limited | 1990 | Foreign | 78 |
| 9 | Energy Bank (Ghana) Limited | 2010 | Foreign | 3 |
| 10 | Fidelity Bank Limited | 2006 | Local | 31 |
| 11 | First Atlantic Merchant Bank Limited | 1994 | Local | 7 |
| 12 | First Capital Plus Bank Limited | 2009 | Local | 15 |
| 13 | Ghana Commercial Bank Limited | 1953 | Local | 157 |
| 14 | GN Bank | 2014 | Local | 6 |
| 15 | Guaranty Trust Bank (Ghana) Limited | 2004 | Foreign | 22 |
| 16 | HFC Bank Ghana Limited | 1990 | Local | 24 |
| 17 | International Commercial Bank Limited | 1996 | Foreign | 17 |
| 18 | Merchant Bank Ghana Limited | 1971 | Local | 22 |
| 19 | National Investment Bank Limited | 1963 | Local | 27 |
| 20 | Prudential Bank Limited | 1993 | Local | 32 |
| 21 | The Royal Bank Limited | 2011 | Local | 11 |
| 22 | SG-SSB Bank Limited | 1975 | Foreign | 45 |
| 23 | Stanbic Bank Ghana Limited | 1999 | Foreign | 23 |
| 24 | Standard Chartered Bank Ghana Limited | 1896 | Foreign | 35 |
| 25 | Unibank (Ghana) Limited | 1997 | Local | 19 |
| 26 | United Bank for Africa (Ghana) Limited | 2004 | Foreign | 32 |
| 27 | UT Bank Limited | 1995 | Local | 24 |

| | | | | |
|---|---|---|---|---|
| 28 | Zenith Bank (Ghana) Limited | 2005 | Foreign | 26 |
| | **Total** | | | **920** |

Source: Ghana Banking Survey (2014).

During 2007, the bank reviewed its policy of capitalisation from GH¢7 million to GH¢60 million after due consultations with the banking industry. All foreign owned banks were required to attain this new level by the close of 2009, while Ghanaian owned banks were given up to the close of 2012 to attain the same level of capitalisation (Ghanaian owned banks were to reach GH¢25 million by the end of 2009 as in Table 2.2).

## 2.14 Branchless Banking and Other Financial Institutions

In August, 2008, guidelines on branchless banking were published. This was to allow banks to harness ICT to provide banking and financial services through partnerships and agency relationships to a wider audience. These innovations were expected to complement the GhIPSS platform to increase access to financial services by the unbanked segment of the population. Total assets of banks and NBFIs increased by 37.0% to GH¢11,764.2 million as at end of 2008. Deposits increased the growth in assets, which increased by GH¢2,073.8 million, being 65.2% of the growth. Total assets grew by 37.2% to GH¢692.2 million, making 90.8% of the total assets of banks and NBFIs (Bank of Ghana, Annual Report, 2008). The profitability of the industry remained but trends were in decline. This was as a result of increases in average total assets without a corresponding growth in profit levels, due mainly to narrowing net interest spreads. The GhIPSS started operations in 2008, with the National Switch and Smartcard Payments System linking all bank switches in the country that enabled cardholders to undertake transactions at any payment terminal belonging to participating financial institutions in the e-zwich system. The Interbank Settlement (GIS) system continued to provide the platform for making high value and time critical payments for banks and their customers.

The publication of guidelines on branchless banking in 2008, allowed banks to harness ICT to provide banking and financial servces through partnerships and agency relationships to a wider audience. Three companies namely; Scancom Ltd, Africa Express Ghana Limited and e-transact Ghana Limitied in collaboration with some deposit money banks (DMBs), introduced money service products through the use of mobile phones. The services they offered included the purchase of airline tickets, money transfers, cash deposits, cash withdrawals, balance enquiries, credit top-up and payment of utility bills. The rationale for these services was to offer mobile phone users the opportunity to access banking services without necessarily maintaining bank accounts. Risk-based supervision of the banks was deepened as supervisors became more confident in the practices and methodologies. Relationship managers of DMBs stayed in touch with their institutions, raising genres on developments, convening meetings on matters of supervisory concern and also receiving prudential reports.

The year 2009 saw major developments in the payments system as the banks introduced new processes of clearing cheques and other paper payment instruments. The Ghana Interbank Payment and Settlement System Ltd (GhIPSS) came into operation as the centralised processing unit of physical cheques at the banks using the Cheque Codeline Clearing system. New re-capitalisation of licensed financial institutions and new levels of minimum paid-up capital were announced for non-bank financial institutions to be implemented in phases up to 2012. The number of banks and NBFLS continued to increase with one deposit money bank (DMB), five rural and community banks (RCBs) and two non-bank financial institutions being licensed. There was also an increase in the number of the bank branches of DMBs from 640 in 2008 to 706 in 2009, while the number of agencies of RCBs went up from 436 to 441, as presented in Table 2.3. The banking system remained profitable, liquid and solvent. XDS Data Limited obtained its license in April 2009, becoming the first credit reference bureau in Ghana to provide requisite information on prospective borrowers.

**Table 2.3: Banking Structure in Ghana**

| | **2006** | **2007** | **2008** | **2009** |
|---|---|---|---|---|
| DMBs | 24 | 24 | 25 | 26 |
| Branches | 450 | 595 | 640 | 706 |
| Rural Community Banks | 125 | 127 | 129 | 134 |
| Agencies | - | - | 436 | 441 |
| Non-Banks | 36 | 41 | 45 | 47 |

Source: Bank of Ghana Annual Report (2009:23)

## 2.15 Recapitalisation Policy

In line with the Bank of Ghana's direct-rule on recapitalisation, all but one foreign owned bank met the new minimum paid-up capital requirement of GH¢60 million. The Ghanaian owned banks were given up to December 2012, to attain the same level of capitalization, but were required to reach GH¢25 million by 2010.

## 2.16 Further Developments in the Banking Sector

GCB with about 157 branches has been and is very popular among low income Ghanaians because of its large network of branches all over Ghana. It is known that the financial sector in most economies, plays a central role in enhancing growth and development (Levine, 1997; Richard, 2003). However, for over a century, the Ghanaian banking sector was dominated by foreign financial institutions. This 'quick return' mentality of western financial institutions in Africa practiced to satisfy their shareholders meant that they usually looked for investments that provided the highest rate of return (George and Bob-Milliar, 2007). According to Bawumia (2007), bank branches in Ghana increased by 11.3% from 309 to 344 between 2002 and 2004 with 81 new branches springing up from 2004 to 2006, showing an increase of 23.5%. Most branches now have put in place cutting edge technologies with new products to meet the needs of their customers. Banking halls have had a lot of improvements in the physical structures to demonstrate the positive effects of their physical evidences, staffed with smart looking ladies and gentlemen. With twenty six banks by the close of 2007, 70% of the unbanked population of Ghana remained as the segment to be tapped (George and Bob-Milliar, 2007). Among the twenty-six banks, six Nigerian banks and standard Bank of South Africa (Stanbic Bank) began to make their presence felt within the 30% of the population that was banked.

There is currently fierce but healthy competition in the banking sector. This is demonstrated by the adverts of re-branded or new products promoted by the banks in an attempt to persuade new customers to patronise their products and services. Many of the banks now work a half day on Saturdays, making it possible for busy workers to access banking services at the weekend. New products and services introduced by various banks from 2006 onwards included: the Home Finance Company (HCF) introduced the 'Homesave Account' to offer prospective homeowners the opportunity to save in return for a down payment on a new house. HCF equally granted long-term mortgage loans to its customers in the same year Cal Bank invited tertiary students to a job fair, and Barclays introduced a new product called 'Aba Pa' savings and current accounts to encourage more Ghanaians to access bank services. These products were targeted at the employed with low-income levels below ¢500,000 and the agricultural sector with initially low deposits, transaction costs and free bank statements to grow their savings balance on a graduated scale. The 'Aba Pa' required a minimum opening balance of ¢40.00 and provided funeral insurance cover, a Visa electronic debit card and access to loans for all its customers (GNA, April 16, 2007). Ecobank came up with the Ecobank's auto leasing promotion with the caption "walk in with an invoice for a new car from any car dealer of your choice and drive your dream car away at the Ecobank base rate" (Daily Graphic, April 17, 2007).

The innovative developments in terms of the use of ICT in banking operations is thought to decongest the banking halls with the installation of automatic teller machines (ATM) at vantage points. However, it is observed that people still use bank tellers as the main mode of bank deposits and withdrawals (Ghanaweb.com, April 23, 2012). This report indicated that 94.3% of account holders use the bank tellers as a mode for deposits while 71.2% use them to withdraw cash.

A number of reasons have been cited for the opening of bank accounts by people in Ghana, namely, to receive and send their remittances and to receive salaries and government payment: 11.7% of account holders use their accounts to receive remittances; 11.2% open accounts in order to receive their salaries; while 7.2% use the account to receive government payments.  Mobile banking is receiving the necessary penetration though it is on record that only 1% of the adult population use mobile phones to receive money and only about 0.9% use mobile phones to pay bills. In 2011, only 36.6% of Ghanaians saved any money while 16.5% saved at a formal institution and 9.5% saved using a savings club (Ghanaweb.com April 23, 2012).

However, a number of challenges continue to plague the banking sector: for example, there has been a strong agitation within the Ghanaian business community about the government borrowing from the domestic market and therefore crowding out the private sector. Despite the changes in the prime rate by the Monetary Policy Committee's (MPC), from 28.5%, (2011) and 25.5%, 2016 (Bank of Ghana Annual Report 2016), the upward and downward revision in base rates by the commercial banks did not follow this trend. Many banks continue to reel under an upsurge in default resulting from the low repayment of bank loans and facilities. Financial Statement written in previous years pointed to non-performing assets with the associated costs yet without any interest on income have been cited as the reasons preventing them from cutting back their lending rates. A number of non-banking financial institutions, continue to provide healthy competition to the formal banking sector. Alternatively the unbanked segment is being exploited by mobile transfer agents and their operations. Using existing telecommunication networks infrastructure, the remote parts of the country are being reached. Developments in the energy sector of the economy with the discovery of oil and gas in commercial quantities have brought enormous opportunities to the banking sector, however, the capital requirements to tap into these opportunities have become challenges facing the banks because they lack the requisite financial capacity to support the oil and gas mining sectors (Ghana Banking Survey, 2011). It is recorded that the unbanked sector, of the population remained over 70-80% and this is a large untapped market for banks, from which cheaper funds can be raised through deposit mobilization to deepen the level of financial intermediation and inclusion (Ghana Banking Survey, 2011). Accordingly, the growth in the Ghanaian economy will demand human capital capacity development in the banks to be able to satisfy the needs of customers. Bank margins will continue to dwindle as customers become better informed and sophisticated and so seek more diversified products and services but do not have very well trained professionals to meet their needs effectively (Ghana Banking Survey, 2012).

According to Addo (2012), the next critical action to be taken by the banking sector is to optimize their allocation of capital across the business value chain, from service delivery to lending. For value to be delivered to their customers, banks must transform their operations, which include people, products, networks, channels, processes and technology, for greater efficiency.

Addo (2012) further added that the way forward is for banks to re-visit their customer operating models and redefine the next drivers of growth in terms of products, sectors, and geography, in order to allocate the right level of risk, capital and people to serve the customer.

Mensah (2012) opined that, without trust, self-interest can defeat the purpose of regulatory mechanisms and undermines institutions, and cause system failures. In order for financial institutions, such as banks to sustain current gains and serve clients better, trust must be built so that returns can be maximised. A critical driver of change in the banking industry in Ghana for the next five years is the role of BoG in regulating the industry (Ghana Banking Survey, 2012). For example, the increase in banks' paid-up capital requirements, the adoption of international financial reporting standards (IFRS) for reporting performance, and the introduction of risk-based banking supervision to be strictly adhered to.

Analysis of the banking industry by bank executives revealed that competition is another key change driver in the sector and any additional capital procured by managers of these banks must be turned into competitive advantage through the generation of average market returns for investors. This exercise has produced significant jostling among players within the industry to secure the domestic market and so creating aggressive competitions among the domestic banks. Additionally, other private and institutional investors have deepened their investments in Ghana, for example, the International Finance Corporation (IFC); Establishment Delhaize Frères (DEG); Papaco, Financiering-Maarschappij voor (cntwikkelings landeu (FMO); and Kedari Nominees) and have fuelled competition in the sector.

Again, a survey undertaken by bank executives on the sector to determine where the next wave of high incomes and profits will be coming from revealed that business segments, economic sectors, products and SMEs are the best sources. Emphasis has been put on institutional banking clients as the dominant and most promising segment of banking transactions. Between 2010 and 2011, it was observed that more than 80% of deposit liabilities held by banks were non-retail in nature (Ghana Banking Survey, 2012).

According to Adjei (2013), most Ghanaian banks reflect on the risk level if they lend for social and national development over the long-term. They prefer lending on a short-term basis and therefore focus on commercial ventures with short-term returns. Interestingly, Article 183 subsection C of the 1992 Ghanaian Constitution draws a causal relationship between a nation's banking sector and its level of development. Levine (1997) and Richard (2003) posited that the most successful nations lend to those that have developed financial institutions and systems targeted at all sectors of the economy. These researchers believe that expanded access to financial services saves time and lowers transaction costs because large-scale financial support to all sectors of an economy will create economies of scale and invariably drive information and transaction costs down.

SMEs actually carry a risk profile that is considered totally different from larger and more structured corporate institutions. It is good that banks develop the appropriate expertise to understand properly the business dynamics and risk profiles of SMEs so that undue exposure of their risk capital will be avoided to forestall losing profits. Mid-tier income retail customers (i.e. the mass affluent retail customers) are also very important in the banking business because they contribute cheap deposits to help optimize net interest margins and profits as presented in Figure 2.1. The oil and gas sub-sector is considered the most likely area of growth. Most banks lamented that the needed requisite capability (capital and knowledge in the industry) to convert the opportunities into tangible business transactions is lacking. Local content legislation must be developed to compel the O&G industry to include domestic banks in funding key transactions and activities in the industry. It is agreed that the value chain of the O&G sub-sector has vast opportunities and the banks should not hesitate in building the needed capacity.

## 2.17 Developments in the Banks (2014)

The total number of deposit money banks (DMBs) increased from 27 to 28 in 2014, following the licensing of GN Bank Limited, formerly called First National Savings and Loans Company Ltd, a former non-bank financial institution (NBFI) as a DMB. The DMBs therefore comprised 13 Ghanaian-owned banks and 15 foreign-owned banks. Accordingly, the number of branches and ATMs of DMBs increased from 892 to 903 in 2013 to 920 and 967 respectively in 2014 (Bank of Ghana Annual Report, 2014).

### 2.17.1 Assets and Liabilities

Total assets of DMBs and NBIFs grew by 40.9 percent to GHc60.344.1 million at the end of 2014. The ratio of total earning assets (loans and advances and investment) to total assets was 66.7 percent compared to 72.3 percent in 2013. Total Assets funded by deposits, borrowing and shareholder funds increased by 38.7 percent, 49.4 percent and 37.6 percent respectively (GHc37.607.1million, GHc23, 942.0 million and GHc8, 793.7 million respectively) in 2014.

However, the share of total assets funded from deposits declined from 63.5 percent in 2013 to 63.0 percent in 2014.

### 2.17.2 Profitability of DMBs

The profitability indicators showed improved performance in 2014 compared with 2013, due to enhanced net interest income.

**Table 2.4: Profitability Indicators (%)**

| Indicators | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| Return on Equity | 19.7 | 25.8 | 30.9 | 33.1 |
| Return on Assets | 3.9 | 4.8 | 6.2 | 6.6 |
| Return on Earning Assets | 5.3 | 6.5 | 8.1 | 8.7 |
| Net Interest Spread (NS) | 9.7 | 10.3 | 10.5 | 12.6 |
| Cost to Income Ratio | 59.9 | 53.8 | 48.2 | 48.3 |
| Net Interest Margin (NM) | 10.2 | 10.9 | 12.6 | 13.4 |

Source: Bank of Ghana Annual Report (2014)

### 2.17.3 Liquidity

The liquidity position of the DMBs was generally satisfactory as all of the DMBs met the primary reserve requirement throughout the year. Cash ratio moved from 9% to 11% in April, 2014 but reduced to 10% in November. The average industry primary reserve ratio was 10.6% in 2014.

### 2.17.4 Consumer Protection

Financial literacy in Ghana even in 2014 was considered low, and this was compounded by the rapid technological and financial market development. The banks continue to put in place efficient and effective consumer protection and redress mechanisms, such as consumer protection regulations; financial literacy education and inclusion; investigation of consumer complaints and regulations; market conduct training programmes; seminars and workshops on complaints; and periodic returns.

**Table 2.5: Consumer Protection**

| **Type of Report** | **2014** | | **2015** | | **% Increase** |
|---|---|---|---|---|---|
| | **Number Share of Total %** | | **Number Share of Total (5)** | | |
| Consumer complaints reporting | 28.1 | 30.4 | 60.5 | 34.1 | 115.3 |
| Fraud and defalcation reporting | 19.5 | 21.1 | 39.6 | 22.3 | 103.1 |
| Enforcement and surveillance | 44.7 | 48.4 | 77.2 | 43.5 | 72.7 |
| **Total** | **92.3** | **100** | **1,773** | **100** | **92.1** |

Source: Bank of Ghana Annual Report ( 2015)

**Development in the Banks in 2015**

Profitability of the DMBs reduced in this review year as shown by the key profitability indicators. The reduction resulted from high interest costs, high non-performing loans (NPL) and this led to high provision for bad debts and high operating costs due to energy supply shortfalls (Bank of Ghana Annual Report, 2015)

**Table 2.6 Profit Indications (%)**

| Indications | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Return on Equity | 25.8 | 30.9 | 33.1 | 22.2 |
| Return on Assets | 4.8 | 6.2 | 6.6 | 4.8 |
| Return on Earning Assets | 6.5 | 8.1 | 8.7 | 6.2 |
| Net Interest Spread (NIS) | 10.3 | 11.5 | 12.6 | 12.5 |
| Cost to Income Ratio | 53.8 | 48.2 | 48.4 | 53.2 |
| Net Interest Margin (NIM) | 10.9 | 12.6 | 13.4 | 13.8 |

**Source:Bank of Ghana Annual Report ( 2015)**

From Table 2.6 profitability levels were high in 2013 and 2014, but began to decline in 2015 considering the return on equity and return on assets.

**Solvency:** In the 2015 review year, the DMBs continued to be solvent and generally complied with the minimum Capital Adequacy Ratio (CAR) of 10.0%. The DMBs' CAR as at the end of 2015 was 17.8% compared with 17.9% in 2014.

The network of DMBs increased by 22.5% to GH10,78.8 million at 2015 ending because of growth in reserves and paid-up capital by 22.4% and 22.7% respectively.

Non-performing loans (NPLs) ratios of the DMBs deteriorated in 2015. The NPL ratio (including the loss category) increased to 14.7% at the end of 2015 from 11.0% in 2014. This was accounted for by a general slowdown in economic activity and the challenges brought about by the worsening energy crisis.

### 2.17.5: Liquidity

In 2015, DMBs were generally liquid even though business transactions were relatively tight compared with 2014. With the exception of a few, most DMBs complied with the Cash Reserve Ratio (CRR) requirement, with actual CRR of 10.38% compared with the mandatory minimum requirement of 10%. DMBs continued to invest a significant portion of their deposits in money market instruments for liquidity management reasons. During the year 2015, 65.1% of the total deposits mobilised were invested in short-term instruments compared with 62.5% in 2014.

### 2.17.6 Developments in the Banking Sector (2015 – 2016)

According to Wampah (2015), the stability of the financial system was threatened by macroeconomic challenges in the economy. This resulted in the profit levels of DMBs and NBFIs declining. Some of these challenges include:

- Decline in profitability due to high operational costs because of the energy crisis in Ghana at the time.
- Rising non-performing loans, in the sector partly due to the 'legacy debt' which resulted from unpaid subsidies on energy prices and foreign exchange under recoveries in relation to firms in the energy sector that prevented these firms from paying back their bank loans on schedule e.g. Tema Oil Refinery (TOR), Volta River Authority, (VRA), Ghana Grid Company (GRIDCO), Electricity Company of Ghana (ECG) and Bulk Distribution Companies (BDCs). The level of NPLs and its impact on the general solvency of banks and the economy at large was of concern to BoG. This resulted in BoG requesting the International Monitory Fund (IMF) to have a diagnostic review of the loan advances and investments held by commercial banks as at 31 May 2015.

Mobile money transfer operations, which was introduced to the Ghanaian market in 2009, began to penetrate the banking market around 2010, and World Bank records maintained that access to formal banking services was around 34%. By 2015, the segment of the population excluded from the financial services system had dropped to 25% (World Bank Report, 2015) cited in Ghana Banking Survey (2016).

The deep penetration of mobile technology in Ghana has made it a great medium for innovation around service delivery. The banking industry has seen a big impact from innovation around mobile phone technology as the introduction of mobile money transactions have become an alternative/ complement to formal banking services for customers to withdraw or send money.

Participants in the mobile money industry have exhibited a high level of trust and awareness and this gives hope that mobile money operations will deepen financial inclusion, particularly in the larger informal unbanked Ghanaian population (Mensah, 2016).

Research findings involving customers of the commercial banks emphasize convenience and service efficiency as key change drivers and it will be in the interest of these banks to partner the telecommunication firms to exploit the vast opportunity offered by the mobile revolution in the financial services industry (PWC, Ghana Banking Survey, 2016). .

In August, 2015, BoG launched ghlinkTM Internet Payment Gateway and GhIPSS Instant Payment Services. These were to serve as infrastructure for fast, reliable and efficient on-the-line payment platforms.

E-money issue guidelines were issued to promote financial inclusion, while agency guidelines were issued to regulate the use of agents as a channel for delivery of financial services and to specify safeguards and controls to mitigate the associated risks and so ensure consumer protection.

Rapid technological developments occurred in the financial market in the face of relatively high levels of financial illiteracy in Ghana. To protect the consumer, BoG tried to ensure efficient and effective consumer protection guidelines that outlined the following:

- Reception of complaints, petitions and grievances from customers,
- To conduct investigations into financial fraud and defalcation,
- Undertake financial literacy programmes, interventions and inclusion, and
- To ensure the operation of the credit bureaux and licensed financial institutions comply with the provisions of the Credit Report Act, 2007 (Act 726). The guidelines served as safeguards and controls to mitigate the associated risks and foster consumer protection (Bank of Ghana Annual Report, 2015).

At the end of 2015, the BoG registered 29 DMBs to operate. These 29 DMBs comprised of 12 Ghanaian controlled and 17 foreign controlled banks. The DMBs operated 1,173 branches and 912 ATMs spread across the ten (10) regions of Ghana with total staff strength of 19,846 compared with 19,849 in 2014. The additional bank registered in 2014 that increased the total number to 29 is First National Bank Limited and foreign owned (Bank of Ghana Annual Report, 2015). By the close of 2016, the Sovereign Bank Limited was incorporated and registered in 2015 with local ownership bringing the total number of formally registered banks to 30 (Price Water House Coopers/ Ghana Banking Survey, 2016).

Badau (2009) suggested that the differences in a banking sector's lending emphasize the type of institutional characteristics, different policies and differences in how they are implemented. With the new entrants into the banking sector in Ghana in the last decade, lending rates have been consistently high, with loans targeted at commercially high interest yielding portfolios, for example, real estate, vehicle loans and trade finance. Seven out of the 28 universal banks in Ghana are listed on the Ghana Stock Exchange. The high lending rate with dominance by only six big banks (using an asset base) shows the level of concentration and monopoly in the sector. The nature of operation adopted by these banks shows that the thrust is geared towards socio-economic development and transformation. If the focus of the banks was to be for socio-economic development and transformation, attention would have been focused on areas such as health, roads and agricultural financing. Adjei (2013) stated that national development is about enhancing the productive capacity of an economy by using available resources such as banks to reduce risks and remove obstacles that could lower transaction costs and improve investments. According to the Chartered Institute of Banking (CIB, Ghana, Adjei, 2013) ,blaming the legal system within which the banks operate does not provide the right environment to strengthen creditors' rights and so enforce contracts. He claims that prevailing regulatory frameworks hinder the banks' ability to recover their loans, leading to the large number of non-performing loans on the balance sheets of banks.

This assertion is counterproductive since, according to Adjei (2013), banks are part of the economic environment and must act as an integral part of the political system designed to serve the common good. Already, it has been established by Richard (2003) and Levine (1997) that the banking system of any economy provides linkages for the development of different sectors of that economy. In Ghana, political institutions, such as Parliament have enacted laws that have helped shape monetary and regulatory controls, for example, section 3.1 of PNDC Law 291. Adjei (2013) argues that if banks are so critical and inextricably linked to national economic development then they must continuously undergo restructuring and appraisal. In this way, banks would be creating shared policies for risk management as they would be subjecting themselves to the wider socio-economic benefits of accountability. It could also be argued that, by now, the banks should be implementing sector development plans, that will ensure an effective and efficient financial lending system. For this plan to work, the enabling environment should be created and strengthened through the appropriate legislative and policy infrastructure that will be in harmony with central government objectives of national development. This calls for a re-positioning of the banking sector that is focused on developing and varying competitive products targeted sectorally and nationally and so leading to an overall upliftment of living standards of Ghanaians. The banking sector must re-direct its energies and resources towards clean water, good roads, electricity and mechanized agriculture for the common good. If properly done, this increased national aggregate, according to Adjei (2013), would impact output, employment generation and the overall positive standard of living for the larger number of Ghanaians being significantly increased. It is envisaged that, with the above re-direction of the banks, the Central Bank (BoG) should cease to be the principal financier of all competing sectors of the economy, causing government to refrain from competing for funds in the marketplace and so reducing the government budget ultimately. This way, the banking architecture would be wholly directed at creating a financial environment where the banking infrastructure has the primary goal of economic development and improvements in living standards for all stakeholders (Adjei, 2013). With reference to the aftermath of the credit crunch in some developed economies, governments and regulators are expected to play a more committed role in market-driven strategies directed at and consumer-driven markets and the BoG is no exception. Banking regulations must be made to become sensitive to bank operational needs, as well as the needs of their investors.

The Bank of Ghana should work in tandem with the fiscal authorities to consolidate and create macroeconomic stability, which would cause inflation and interest rates to fall while maintaining exchange rate stability. If these were done, distortions in the economy would be removed to allow the smooth development of the markets and, with innovation in ICT, there would be efficiency gains and quality services. To deepen financial intermediation and inclusion and to deliver the efficiency gains and quality services, banks must adopt high professional standards, hire and train qualified staff and management teams, and computerize their operations. These changes will help the banks to pay prompt attention to customers' needs, and shorten the time it takes to transact business at the banks, so reducing the public's banking transaction costs (Owusu-Antwi, 2009). From Table 2.4 it can be seen that profitability levels are high and this can be explained by the fact that the banks charge high fees for their services to the detriment of their employees and customers. This business climate creates the avenue for the infusion of IMO/MO into the processes and practices of the banks because the implementation of these constructs would cause transaction costs to reduce for improvement in investments to rise. The infusion of IMO would lead to human capital efficiency and effectiveness in terms of knowledge, skills and competences gained through training and development. This would redirect efforts to tailoring products to target customer needs. The next chapter covers the literature review of internal market orientation and market orientation.

## 2.18 Chapter Summary

The chapter started with the contibutions of the colonial masters of the then Gold Coast in setting up the Financial Services Industry, particular;y banking in the Gold Coast. It outlined developments that led to the establishment of the Central Bank (Bank of Ghana) and the subsequent reforms that culminated in the establishment of public sector banks. The Banking Act (1970) established the regulatory framework for the industry. the Economic Recovery Programme (1983) supported by the Finanacial Institution Sector Adjustment Programme (FIINSAP) (1988) brought about appropriate legislation to reverse the nations poor economic state to redirect efforts towards the public to hold financial assets and increase savings in the banking system. Financial sector liberalisation policy (1994) opened the banking sector to private participation and this encouraged foreign and domestic entrants into the sector.

Operational challenges and governmental control prevented many Ghanaians from gaining the trust of the banks and these prevented them from patronising the services offered by these banks. Changes in the financial services landscape driven by competition, developments in ICT and customer sophistication have influenced choices of banking products by customers. With 28 formally registered banks to operate in the marketplace, only 30% of the bankable segment of the population have been banked. To increase penetration, these banks must look for more diverse and innovative ways to deepen financial intermediation and inclusion. With well trained managers and employees of these banks (IMO) who understand their business environment and the needs of customers (MO), the appropriated levels of satisfaction and value can be delivered to both employees and customers of these banks. The next chapter discussed the relevant literature on IMO and MO, and how the dimensions of these constructs well blended, would influence bank performance.

# CHAPTER THREE
# LITERATURE REVIEW OF INTERNAL MARKET ORIENTATION AND MARKET ORIENTATION

## 3.0 Internal Market Orientation

## 3.1 Introduction

This chapter covers literature on the concept of internal marketing, its inception into marketing literature, and subsequent empirical studies that tried to conceptualise and operationalise the concept into the domain in which it must be applied. It tries to institutionalise the use of the concept in the services industry, particularly the banking sector in Ghana. The main focus of the review is to situate the research in the aligned effects of the internal market orientation (IMO) and the market orientation (MO) constructs with particular emphasis on the measurement scales adopted by Lings and Greenley (2005) for IMO and that adopted by Kohli, et. al. (1993) for MO.

In the banking sector, as an integral part of the financial services, customer relationships are crucial and critical, causing the entire organisation to be responsible for the marketing function as argued by Gronroos (1990, 1999) and Gummesson (1991). The factors that make the banking industry a critical research area of special interest are the on-going changes reflected in the liberalisation policy around 1987 in the sector. This allowed the entry of international banks, competition, the adoption of universal banking, mergers, acquisition and the pace of technological advancements and developments to influence banking operations. In addition, the introduction of market-based instruments of money control, with private sector participation allowed through licensing (Leith and Soderling, 2000) are exerting their influences. The customisable nature of services, the intangibility of the services (Lovelock, 1983) and the critical role of employees in effective service provision underscore the reason to understand how care for bank employees in their work roles influences the needs and wants of the bank's customers to help the banks deliver superior values to their customers and themselves.

### 3.2 Historical Development of Internal Marketing (IM)

It is on record that the earliest definition of the construct came from Sasser and Arbeit's (1976) assertion that employees should be considered as customers. Berry (1981) accepted this view by adding that, by treating employees as customers, there would be improvement in service quality. Gronroos (1984) subsequently supported the development of IM by contending that marketing-like tools could be adopted internally to motivate employees to deliver superior services in a customer-oriented manner. Internal marketing has been regarded as a philosophy of valuing and treating employees as an intermediate set of customers inside the organization and enhancing the value provided to employees with the aim of encouraging them to implement the organization's marketing objectives and strengthen the competitive position of the firm in its external market (Sasser and Arbeit, 1976; Gronroos, 1983; Berry and Parasuraman, 1991; Ahmed et al., 2003).

Gronroos (1985) Gummeson (1987a) Piercy and Morgan (1990) and Harris and Piercy (1999) all posited that internal marketing enables employees to behave in a more market-orientated manner, and motivates them to do so. Similarly, George and Gronroos (1991) established that internal marketing has been a philosophy for satisfying and motivating employees on the marketing perspective, which is also based on the belief that satisfied, motivated employees are essential if customers are to be satisfied. It is important to note that both IMO and MO have a clearly co-ordinated objective, which is to improve the value of both internal and external customers of the organization.

Berry and Parasuraman (1991) conceived that, if internal marketing should be the design of better job products that would meet the wants and needs of internal customers to satisfy and motivate them to better meet the needs of both internal and external customers, then departmental managers are the internal suppliers, and employees should be considered as the organisation's internal customers (Lings and Brooks, 1998).

Primarily, for a market to exist there must be two entities engaged in an exchange that should occur in the form of resources, communication and other non-economic transactions between these entities known as the organisation and employee groups (Berry, 1981; George, 1990). In the exchange process, one would find that employees are key in the transmission of information, transfer of goods and services within the company and among employees in the various departments that constitute the organisation. In this regard, Gronroos (1982) concluded that every employee is both a supplier and a customer to his colleagues in the organisation, which means that every department and every person should regard themselves as customers of their colleagues and suppliers to other internal customers.

George (1990) posited that to view employees as internal customers enables the programmes of the organization to be seen from the viewpoint of management and that all employees must be motivated, trained and supported to behave in a market-oriented manner (Gronroos, 1985). This means that internal marketing has a critical role to play in achieving this, where there is the promotion of the company and its products/services among its employees, a concept that must begin from the top of the organisational hierarchy and cascade down to the very bottom (Berry and Parasuraman, 1991). This assertion led Wieseke et al. (2009) to consider employees as internal customers and their engagements and tasks as internal products, where they are made to design and deliver these products/services to meet the needs of themselves as internal customers (Greene et al.,1994) more efficiently than the competition, (Strauss and Schultze, 1990). It therefore presupposes that for a firm to engage in internal marketing it must focus on achieving the right internal exchanges between a company and its employees (George, 1990) for service mindedness and customer-oriented behaviour (Berry, 1981; Gronroos, 1989), which is a key prerequisite for any effective and successful exchanges with the external customer (Flipo, 1986). Kotler (1991) defined internal marketing as "the task of successfully hiring, training and motivating able employees to show responsiveness to serve the customer well".

Ellis (2005) reported that in matured economies, because markets have been characterized by customer centric drives, becoming a buyer’s market with stable growth and intense competition, firms may be more oriented towards the needs of customers and competitors. However, in developing nations, such as Ghana, where there are ill-defined market boundaries with unidentified and burgeoning demands, firms may be able to ‘get away with’ a minimal amount of MO (Kohli and Jaworski, 1990). This study becomes very important looking at the scarcity of empirical studies to support the robustness and generalisability of the IMO/MO construct across different cultures.

Karantinou and Hogg (2001), Ashill et al. (2003) and Papasolomou-Doukakis and Kitchen (2004) maintain that there is still an unexplained gap between current IM conceptualisations and application. As a result, this research tries to understand the integrative effect of IMO and MO on the performance of banks in Ghana. The focus of IMO and MO on the banking sector is justified because Snell and White (2009) indicated that IMO research should focus on high-involvement services such as financial services, law and management consulting among others. The reasons for this include the highly customisable nature of the services act, the complexity of service offering, the variability of service quality and the intangibility of the service act (Lovelock, 1983).

Hartline and Ferrell (1996) also identified that the role of self-efficacy of employees proves that the professional service is an appropriate industry in which to study internal marketing. For example, Papasolomou-Dukakis (2003) and Papasolomou-Dukakis and Kitchen (2004) did IM research in the financial services; Karantinou and Hogg (2001) and Barnes, Fox and Morris (2004) in management consulting, and Ashill et al. (2003) did so in accounting. According to Snell and White (2009), the identified limitation of these studies has been that they used a single respondent approach, such as the practitioner, the manager or the front-line employee. Therefore this study tries to overcome this limitation by working across a number of different functions within the banking sector in Ghana with a focus on understanding the rhetoric, practices and implementation process of IM to operationalise its conceptual legitimacy.

Lings (2000) undertook an earlier study where he tried to develop and test a model of IMO that would suit the study and give an understanding of human resources of service firms. This study brought up three behavioural components of IMO: intelligence generation; intelligence dissemination; and responsiveness. Ling (2000) subsequently developed a 20-item scale of IMO that was captured by a six-factor structure of which one represents intelligence generation (external environment); three factors represent the interaction between managers and front-line employees i.e. intelligence dissemination (collegial interaction, group interaction and formal interaction); and two factors represent responsiveness (job and wage flexibility). An additional research conducted by Lings (2004) in services revealed that internal suppliers (managers) should focus on internal customers (employees) much as they focus on the external customers. Lings expressed grave concern that literature on the implementation of marketing remained too focused on the external market to the detriment of the internal market, which is rather critical as far as service markets are concerned. This assertion therefore reiterates the criticality of the integrative link between IMO and MO and points to the fact that IMO may have a direct impact on the internal areas of company performance, which invariably will lead to successful external market orientation. This study adopts the structural model developed by Lings and Greenley (2005) that tried to investigate the integrated relationship between IMO, MO and bank performance.

Gounaris (2008) maintained that even though internal marketing has received great attention in the extant literature, much of the work remains conceptual. Additionally, Wieseke et al. (2009) opined that it is important to delve into insights as to how leaders at different levels of an organisation can influence the adoption of corporate values among employees, since leaders are very instrumental in the implementation of internal marketing. This position therefore makes internal marketing critical to all industries, as it is indispensable to the service industry in particular (Greene et al., 1994; Frost and Kumar, 2000).

Souchon and Lings (2001) opined that the adoption of IMO practices had been seen as the major means of ensuring the level of staff retention, market orientation, customer satisfaction and ultimately, company profitability while Voola et al. (2003) identified a positive relationship between internal marketing and market orientation, as internal marketing has been seen as an antecedent to market orientation. Additionally, Bouranta et al. (2005) proved that internal marketing exerts a strong positive influence on marketing orientation, much as the components of internal marketing have a positive influence on customer orientation and the other components of market orientation. As far as the context of this research is concerned, Kyriazopoalos et al. (2007), after adopting internal marketing from banks' employees, discovered that IMO has a positive effect on MO. This position led Zepf (2008) to conclude that internal marketing must precede external marketing as it makes no sense to promise excellent service before the company's staff is ready to provide it.

In light of the inseparability characteristics of services, such as banking, contact employees are seen as fundamental in the formulation and packaging of the products/services received and consumed by the bank customer. Extant literature can boast of a stream of research investigations into the impact of internal marketing on company performance (Rafiq and Ahmed, 1993; 2003; Ahmed and Ratiq, 2003; Donavan et al., 2001; 2004) to employee job satisfaction (Rafiq and Ahmed, 2000; Conduit and Mavondo, 2001) and on employee customer orientation (Brown et al., 2002). Again, several researchers have identified that the main objective of the internal marketing concept is to make employees the first market of the organisation with the major function of obtaining motivated and conscious personnel at every level (George, 1990; Gronroos, 1981; Bellaouaied and Gam, 2011) who are committed to the development and the increase in the firm's performance. However, as indicated by Rafiq and Ahmed (2000) there is a limited number of empirical studies on the firm's practice of internal marketing.

Harris (2000) actually established that the quality of service provided to a bank's customer is influenced by the quality of service provided in the bank's total internal work environment. Similarly, Gronroos (1982) and Bitner et al. (1994) earlier on conceded that the attitude and behaviour of employees have a great bearing on the level of service provided to the customers, since the job satisfaction of employees has been established to be the primary determinant of service quality (Zeithaml et al., 1990). Gounaris et al. (2010) also asserted that practising marketing internally facilitates the implementation of the market orientation concept; yet, systematic empirical research to explore the validity of this argument remains surprisingly scarce.

Kaur et al. (2009) opined that for any organisation to gain excellent customer support, it must need the effective internal system designed to serve the external customers. Since the early nineties, (Berry, 1981; George, 1990; Gronroos, 1989) recognized employees of an organisation as internal customers and the workplace as its internal market. To these authors, the internal market consists of a group that communicates with the other groups within the organisation and are considered as internal customers and internal suppliers. Accordingly, the satisfaction of the external customer is actively contingent upon the satisfaction of the internal counterparts (Lings, 1999; Berry, 1981 cited in Kaur et al., 2009), and therefore considered internal marketing as the process that creates the appropriate market condition within the organisation that ensures that internal customers' wants and needs are met.

Committed internal customer role performance will lead to ultimate external customer satisfaction (Lings, 2000; Straughan and Cooper, 2002). This behoves employees to treat customers the same way they themselves are treated by their firms; and therefore, the more satisfied and committed employees become in the company, the higher the likelihood that they will deliver superior value to the firm's external customers (Straughan and Cooper, 2002; Carter and Gray, 2007). Accordingly, the objective of this research is to attempt to investigate the aligned effect of internal market orientation (IMO) using the Lings and Greenley (2005) model and market orientation (MO) of Kohli et al. (1993) on bank performance and customer satisfaction in Ghana.

### 3.2.1 Evolvement of Internal Marketing

Varey and Lewis (2000) opined that the term 'internal marketing' was 'invented' in the 1970s as a managerial approach to building and inculcating service delivery competence, because internal customers, according to Ishikawa (1985), were seen as the fulcrum of the manufacturing industry and operations management as far back as the 1950s. This notion was attested to by Sasser and Arbeit (1976) Berry (1981) Carlson (1987) and Gronroos (1990). According to Ballantyne (2000), interest in internal marketing was renewed when Vary and Lewis (2000) published the editorial selection of a new internal marketing research with the concept defined as:

- Those activities that improve internal communications and customer consciousness among employees and the links between these activities and external market place performance (Hogg et al., 1998:880).
- The development of an internal marketing orientation; a culture that most effectively and efficiently creates the behaviours that lead to the provision of superior customer service (Narver and Slater, 1990:20).
- A planned effort using a marketing like approach to overcome organisational resistance to change and to align, motivate, and inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional

strategies in order to deliver customer satisfaction through a process of creating motivated and customer oriented employees (Rafiq and Ahmed, 2000, p. 44).

Ahmed et al. (2003) encouraged the debate on IM by suggesting that the concept should be broadened in definition to include implementation processes of functional strategies. To them, the concept ‘cannot be understood without relating it to the company, organisation or person who gives meaning to it’. Therefore, IM could be seen to operate at strategic, tactical or functional levels of the organisation, suggesting that the concept should work on an integrated level. Varey and Lewis (1999). Ahmed and Rafiq (2003) and Ballantyne (2003) see IM as being operationalised at the functional areas including marketing and HR. Despite the varied attempts to broaden the definition of IM, Lings and Greenley (2005, p.290) conceded that it remains ill-defined and poorly operationalised.

Papasolomou-Doukakis and Kitchen (2004) posited that internal marketing is a term evolved from the understanding that employees form an internal market within the organization. It follows that there is the need to get this market informed, educated, trained, motivated and rewarded in order that external customer needs and expectations are met through the gathering, sharing and usage of relevant, timely and appropriate customer information.

According to Papasolomou-Doukakis and Kitchen (2004), Rafiq and Ahmed’s (2000) definition did not relate to the marketing concept since the focus of the marketing concept is on how the organisation organizes its offerings to be able to satisfy customer needs; whereas internal marketing tries to influence and adopt employee behaviour and attitudes so that they are able to satisfy customer needs. Suffice it to say, two major ideas emerged from the concept of internal marketing:

1. The idea that every individual in a service organisation should recognize that they have customers to serve (both inside and outside the company).
2. To achieve the above, all internal customers (employees) must be persuaded and committed to the quality of the service being provided.

The above positions highlight the critical role that is played by employees in any service organisation, since these employees experience the ‘moments of truth’ in their contact with both the organisation’s internal and external customers. There is therefore no gainsaying the fact that these employees are an integral part of the service delivery process and critical in determining the success of the organisation. This point is supported by Harris (2000) who argued that, by satisfying internal customers, the organisation is creating an excellent foundation for meeting the needs of external customers.

Berry and Parasuraman (1991) define marketing as "attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs... the philosophy of treating employees as customers and the strategy of shaping jobs to fit human needs".

To Tim and Davis (2001), internal marketing programmes and managerial influence strategies must be aligned for internal marketing to become an effective part of the practice of management. Again, Papasolomou and Vrontis (2006) argue that IM, through its emphasis on 'internal customers', creates a people oriented culture that sets the foundation for building a strong corporate brand. Researchers have identified the link between employee satisfaction and organisational performance, the need for research in internal communication strategies and the role of internal marketing for developing organisational competencies (Ahmed and Rafiq, 2003, cited in Zaman, et al., 2012). Additionally, Budhwar et al. (2009) have suggested that a well-structured and rationalised internal marketing approach can greatly improve relations with an organisation's management and with overall organisational competitiveness and performance.

Awwad and Agti (2011) suggested that internal marketing is positively related to organisation commitment in which effective training, reward systems, a positive interaction between employees and shared vision among them emotionally attach employees to their needs and expectations, so that internal marketing strategies can be effectively used to develop and enhance organisational commitment.

### 3.2.2 Characterisations in the IM Construct

According to Rafiq and Ahmed (2000) as reported in Snell and White (2009), IM's development can be characterized into three phases:

a. The employee satisfaction phase: Gronroos (1982) postulated that effective service delivery requires motivated and customer-conscious employees. Consequently, Berry and Parasuraman (1991) defined IM as viewing employees as internal customers and viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the firm. This phase recognizes the complex nature of services marketing and the potential impact of IM in maximizing the delivery of quality services during buyer and seller interactions (Snell and White, 2009).

b. The customer orientation phase: This phase could also be largely attributed to Gronroos' (1982) interactive marketing concept as reported by Snell and White (2009). The argument here as Gronroos (1982) depicted, is that the buyer and seller interaction process does open up marketing opportunities for the firm. For the organisation to exploit these opportunities, it means that customer-oriented, sales-minded personnel must be employed. This phase encapsulated a total quality management approach with a focus on the service delivery process (Perry, 1998).

c. The strategy implementation/change management phase: According to Snell and White (2009), this third and current phase of the IM definition takes insight from a number of researchers who have come to recognize the role of IM as a vehicle for strategy implementation, for example, Rafiq and Ahmed (2000), Ballantyne (2003) and Lings (2004). This new position came as a result of apparent limitations drawn from prior conceptualisation: for example the "employee as customer approach".

According to Snell and White (2009), IM is inexplicably linked to marketing; and how the marketing function is positioned within the firm in terms of perceived value delivery, to a great extent determines the effectiveness of IM within the firm (Lings, 2004). Therefore, for IM to be effective, the company must be market-oriented and any IM efforts needs to be conducted interfunctionally (Varey and Lewis, 2000; Ballantyne, 2003). Extant literature considers marketing as a key strategic intent in any organisation, and in order to achieve market orientation, Papasolomou (2006) suggests that it is desirable for banks to adopt IM concepts, procedures and practices. First and foremost, despite all the above attempts to define IM, Snell and White (2009) contend that the construct continues to attract a lot of contention.

### 3.2.3 Critique of IMO

There has been a lack of a generally agreed definition for internal marketing, since a lot of ubiquity underscored the underlying principles, which resulted in a myriad of implementation formats in practice. There was also a lack of any conceptually agreed framework that could explain and operationalise the scope of internal marketing (Gronroos, 1994; Ahmed and Rafiq, 1993); more so, it is unclear what would constitute the right usage of the concept (Sergeant and Asif, 1998; Foreman and Woodruffe, 1991; Rafiq and Ahmed, 1993; Hales, 1994).

A number of definitions filled earlier literature and rendered the marketing arena with a lot of confusion as to what internal marketing meant (Gilmore and Carlson, 1995). For example, Rust et al. (1996) posited that the term is used to refer to the activities that an organization must undertake in order to “woo and win over the hearts and minds of its employees to achieve service excellence". Woodruffe (1993), on the other hand, defined internal marketing as treating both employees and customers with equal importance through proactive activities in order to achieve set organisational objectives. To Payne (1993), the critical aims of internal marketing include the development of both internal and external customer awareness to the removal of functional barriers that will help achieve organisational effectiveness. A number of critiques in the extant literature centred on the legitimacy of internal marketing; for example, Gilmore and Carson (1995) critiqued the reliance on techniques and concepts used in implementing external marketing programmes that have been inappropriately adopted for internal markets.

Rust et al. (1996) also posited that there has been over-emphasis on the importance of frontline personnel, which to them could create conflicts and discontent among other staff members. Rafiq and Ahmed (1993) stated that internal marketing was incompatible in trying to meet the needs of both internal and external customers concurrently. Again, Thomson and Whitewell (1993) critiqued the idea that the employee is sovereign implying that the employee is being considered as ‘king’. This situation, to him, would cause employees’ needs to be in conflict with organisational needs since the company could not be subservient to the individuals’ needs and wants. Bateson (1991) and Hales (1994), however, considered internal marketing as an element of good human resource management. They critiqued internal marketing as stressing individualism and so being unable to produce a solid conceptual base. Rafiq and Ahmed (1993) conceded that only a few firms employ the internal marketing concept in practice but went ahead to provide how marketing techniques, such as internal marketing, can be a major source of motivating employees.

Extant literature on IM carries controversy about its conceptual legitimacy; Papasolomou-Doukakis and Kitchen (2004) on its measurement; Ballantyne (2000) Lings and Greenley (2005) and Gounaris (2006) on its application; and Karantinou and Hogg (2001), Ashill, Davis and Thompson (2003) and Papasolomou-Dukakis (2004) on conceptualisation and application. Rafiq and Ahmed (2000) argued that the employee as customer might associate negative utility with the product being sold or the fact that it might not be wanted. To them, because employees do not have a choice in the products being sold, management could employ a number of coercive means to force them into compliance. Secondly, they argued that considering employees as customers would be tantamount to the demotion of the customer to a second grade. Mudie (2003) also critiqued the view taken by Gronroos of using marketing-like techniques to motivate employees into behaving in a customer-oriented way. Mudie contended that IM's view of the internal customer as a means to an end affords little concern for care and much desire for control.

The above controversy led Varey and Lewis (2000) to broaden the definition of IM to include terms such as "internal relationship marketing", "internal relationship management" or "internal social process management". To them, this broadened view would accommodate the role of 'political forces' such as the differing views held by managers and employees. Accordingly, Rafiq and Ahmed (2000) further extended the above view by proffering that IM includes strategy implementation and change management. This position recognizes the need for improved internal communication and integration as keys to successful implementation of change programmes.

## 3.3 Market Orientation (MO)

### 3.3.1 Introduction

Contemporary marketing is understood to revolve around the understanding of the needs and wants of the customer since information there from determines the firm's strategies and action programmes. Marketing is said to be effective when there is the right product, at the right price, through the right place and supported by the right promotion. In the case of banking as a service, there must be the right people, and the right processes driven by the right physical evidence. What is ‘right’ is germane and is the preserve of the appropriate customer or stakeholder to determine; and he/she is the pivot around which everything revolves. The aim of this chapter is to review how the marketing concept came to be conceptualised as market orientation and what relationship the construct has with business performance, particularly in a developing economy such as Ghana.

### 3.3.2 Historical Development of Modern Marketing

It has been established that market orientation has its origin in a management philosophy called ‘the marketing concept’, and this philosophy has been a cornerstone of the marketing discipline since Drucker (1954:39) cited in Raaij and Stoelhorst (2008). It described marketing as ‘the whole business seen from the point-of-view of its final result, that is, from the customer’s point of view’ and argued that there is only one valid definition of business purpose: “to create a customer” (Drucker, 1954:37, cited in Raaij and Stoelhorst, 2008).

According to Al-Shirawi (2012), the term ‘market orientation’ was recognised very early by academics in the mid 20$^{th}$ century (Lear, 1963). A concerted attempt to institutionalise this construct came through a conference organised in April, 1987 by the Marketing Science Institute with the theme “Developing a marketing orientation”. This prompted the earlier adoption and usage of the term in business by Shapiro (1988). The subsequent pioneering researches of Kholi and Jaworski (1990) and Narver and Slater (1990) define the concept; its constructs; its conceptualisation and measurement tools; and its antecedents, consequences and implementation. This attempt led to the explosion of more empirical efforts to define, and determine measurement and implementational approaches in different contexts, and its results and consequences.

Gray et al. (1998) intimated that, over the years, scholars have been trying to establish the appropriate definition for ‘market orientation’. On the one hand, there has been the challenge of the interchangeable usage of the terms ‘marketing orientation’ (a business philosophy) and a market orientation (implementation of that philosophy), often confusing them (Kholi and Jaworski, 1990). While consensus has not been established on what market orientation is, the definitions of Kholi and Jaworski (1990) and Narver and Slater (1990) have gained wide acceptance.

Extant literature has documented the synthesis of the models of Kholi and Jaworski (1990) and Narver and Slater (1990) by Deng and Dart (1994) who defined market orientation as the implementation of the marketing concept as a business philosophy (p. 726).

Accordingly, Deng and Dart (1994) posited that:

> 'market orientation – is the generation of appropriate market intelligence pertaining to current and future customer needs and the relative abilities of competitive entities to satisfy these needs; the integration and dissemination of such intelligence across departments; and the coordinated design and execution of the organisation's strategic response to market opportunities'.

Gray, et al. (1998) considered the marketing concept as a business philosophy that holds that long-term profitability is best achieved by focusing the coordinated activities of the organisation towards satisfying the needs of particular market segment(s).

According to Gray et al., (1998), marketing orientation in line with the marketing concept, investigates differences among the production, selling and marketing philosophy. On the other hand, market orientation research tends to focus more on awareness of responsiveness to environmental influences on marketing decision-making and implementation. They reiterated that, in adopting the Deng and Dart's (1994) definitions of market orientation and the marketing concept, a clearer picture emerges.

Again, Gray et al. (1998) intimated that marketing orientation studies tend to be concerned with the American view of the marketing concept, particularly marketing's functional role in coordinating and managing the 4Ps to position the organisation to become more responsive to meeting customer needs. A limitation of these studies has been the under-estimation of the firm's challenges in implementing the marketing concept. To illustrate, Dunn et al. (1994) agreed that appropriate organisational values, goals and climate all add up to arrive at an improved marketing efficiency and effectiveness by the organisation. In addition, the state of the external market-environment and level of competition in the firm's business environment enable organisations to focus and become more sensitive to customer needs.

To add, market orientation studies try to de-emphasize the financial roles of marketing managers and marketing departments and instead proffer that developing customer relations and instilling and enhancing customer value is the responsibility of everyone in an organisation.

Gray et al. (1998) maintained that the aim of marketing is to develop a long-term customer relationship through the fulfilment of mutual promises, which is in line with the definition adopted by Deng and Dart (1994). Such a definition captured the importance of interdepartmental coordination, the gathering and dissemination of market information and responsiveness to that information (Kholi et al., 1993; Kholi and Jaworski, 1990; Narver and Slater, 1990). Primarily, market orientation should drive the whole organisation to create greater customer value through the implementation of an organisation and the operationalisation of an organisation-wide philosophy that is directed at developing long-term customer relations. The rewards of these activities, according to Slater and Narver (1994a) should be improvement in core capabilities, competitive advantage and performance.

Missaoui and Saidi (2015) wrote to support the clarification of the difference between marketing as a management philosophy and market orientation as a tool for implementing this philosophy in the activities and behaviours of an organisation as captured by Gray et al. (1998).

While the above authors agreed that market orientation research has established two major perspectives (cultural and behavioural), the cultural perspective (Narver and Slater, 1990; Deshpande and Farley, 1998) regard market orientation to be dependent on an efficient and effective organisational culture that would develop the necessary behaviours to create a superior value for customers.

In the same vein, the behavioural perspective (Kholi and Jaworski, 1990; Kholi et al., 1993) postulates that market orientation is the group of activities undertaken to implement the marketing concept (Griffiths and Grover, 1998; Matsuno et al., 2005). In terms of the definitions for market orientation, Narver and Slater (1990) identifies customer orientation, competitor orientation and interfunctional coordination, supported by two consequential factors, which are long-term focus and profitability.

Kholi and Jaworski (1990; Kholi et. al., 1993) identified three components: intelligence generation; intelligence dissemination; and responsiveness. Additionally, Despande et al. (1998) put forward a more cultural definition of market orientation, which focused more on the importance of a customer in an organisational culture that includes other stakeholders, such as the manager and employees, in order to increase the organisation's profit.

Missaoui and Saidi, (2015) conclude that the cultural perspective focused more on the organisation's values and beliefs, while the behavioural perspective, on the other hand, emphasize the organisation's implementational and activity-based initiatives. Notwithstanding these differences, the two perspectives have common drivers such as the customer's role, customer's responses, other stakeholders (competitors) and external orientation (Jaworski and Kholi, 1996) established that the behavioural perspective is more practical than the cultural one because managers are more interested and engaged in activities other than the firm's culture. This perspective establishes new definitions of MO based on customer orientation. The Narver and Slater's (1990) definition is distinguishable by its insistence on the firm's stakeholders (customers and competitors) more than the insistence on the firm's activities (Missaoui and Saidi, 2015).

Despande and Farley (1998) synthesized and validated the market orientation measurement scales: MARKOR, MAKTOR and the Despande, et. al. (1996) measuremet scale through a study and put forward the "MORTN" which is composed of ten items and focused more on activities related to customer orientation than the other market orientation's components. The outcome of this study showed that the three scales are complementary, comparable and interchangeable.

Meldrum (1996) posited that the concern about marketing is the inability of firms to put into actual practice the principles and policies developed in its name, and this dilemma continues to make marketing implementation a useful, researchable and relevant discipline (Bonoma, 1984). To Hooley, et al. (1990), the marketing concept has a tendency to give higher regard and status to marketing, adopting a more proactive approach towards the future with more importance given to marketing training. Similarly, Diamantopoulos and Hart (1993) contended that manifestations of the adoption of the marketing concept are rarely researched or specified in a clear manner.

Ellis (2005) stated that the area of marketing management has been hinged on the assumption that there is a positive relationship between the marketing concept and firm performance. As early as the 1960s, Levitt considered customer focus as the driving force behind the marketing concept. McCarthy et al. (1984) and Hounston (1986) followed with the expectation of gaining long-term prospects in profitability and market position (Webster, 1988).

While organisations know that they have to develop a market orientation, the means to do so are not apparent. Additionally, while much is known about what market orientation is and does, relatively little attention has been dedicated to understanding its antecedents (Lings and Greenly, 2009). Extant literature on market orientation reveals several dimensions that have been seen to give rise to higher levels of market orientation (Bansal, et. al., 2001), but empirical evidence to support such claims is lacking. Again, Stoelhorst and Raaij (2004) opined that the marketing concept remained marketing's implicit theory of the firm by relating performance differentials between firms to their degree of market orientation. Even though generations of managers of organisations saw the marketing concept as very influential in marketing, formal research into the concept did not start until the academic 'rediscovery' of the concept (Webster, 1988).

### 3.3.3 Development and Implementation of Market Orientation

As cited in Raaij and Stoelhorst (2008), Shapiro (1988) spoke about the CEO of Wolverine, a manufacturer of control equipment who was having challenges, conjecturing that the only way they could get out of that mess was for them to become "customer driven" or "market oriented". He said he was not even sure what that meant, but he was damn sure that they would want to be there. The mess was a decline in sales, and a reduction in market share in all product lines with earnings suffering. This earliest thought clearly suggested that improving market orientation of a company would lead to improvement in its performance (Raaij and Stoelhorst, 2008). Contemporary market orientation research happened to have gained heightened interest around the time Shapiro commented on the plight of Wolverine as Kohli and Jaworski (1990), Narver and Slater (1990) and Webster (1988) began vigorous research work. The challenges that confronted organisations as to what market orientation is and how it should be implemented, or what factors contributed to it and how it impacts company performance continues to pose difficulty to managers even today (Mason and Harris, 2005).

### 3.3.4 Definitions of Market Orientation

- Shapiro (1988) – A company is market oriented if information on all important buying influences permeates every corporate function (p. 120), strategic and tactical decisions are made interfunctionally and interdivisionally (p 121); and divisions and functions make well-coordinated decisions and execute them with a sense of commitment (p.122).
- Kholi and Jaworski (1990) – Market orientation is the organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organisation-wide responsiveness to it (p. 6).
- Narver and Slater (1990) – Market orientation is defined as the business culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for customers (p. 20). Market orientation consists of three behavioural components – customer orientation, competitor orientation and interfunctional coordination and two decision criteria – long term focus and profitability (p. 20).
- Ruekert (1992) – The level of market orientation in a business unit: (1) obtains and uses information from customers (2) develops a strategy that will meet customer needs; and (3) implements that strategy by being responsive to customer needs and wants (p. 228).

- Deshpande et al. (1993) – Customer orientation is the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees in order to develop a long-term profitable enterprise (p. 27).
- Day (1994) – Market orientation represents superior skills in understanding and satisfying customers (p. 37).

Extant literature on the definition of market orientation is reminiscent of emphasis on either Kohli and Jaworski's (1990) or Narver and Slater's (1990) definition. The two perspectives have emerged as a result of a behavioural perspective adopted by Kohli and Jaworski (1990) and the cultural perspective adopted by Narver and Slater (1990) and Griffiths and Grover (1998) as cited by Raaij and Stoelhorst (2008). A third perspective – the integrationist was proposed by Homburg and Pflesser (2000) as reported by Raaij and Stoelhorst (2008).

Two major areas of research emerged into market orientation after the 1980s. Ellis (2005) reported of these areas emanating from predominantly American scholars, who tried to demonstrate the link between market orientation (MO) and superior business performance (Baker and Sinkula, 1999; Kohli and Jaworski, 1990; Moorman and Rust, 1999; Narver and Slater, 1990; Pelham and Wilson, 1996). These groups of researchers considered the marketing concept as a business philosophy or corporate culture, which is executed through activities that create superior value for customers (Narver and Slater, 1990 cited in Ellis, 2005). This perspective draws on how the top management team of a firm becomes mindful of customers' ever-changing needs and wants as well as competitors' strategies. On the other hand, another group of European-based scholars have emphasized the execution of the marketing function in terms of specific marketing activities (Akimova, 2000; Avlonitis and Gounaris, 1997; Hooley and Beracs, 1997 cited in Oyedijo et. al., 2012). This latter group emphasized managerial undertones rather than cultural: this has to do with the internal domain of the organisation where performance is seen as a result of the firm's specific implementation and organization of marketing strategies (Tung-lung, 1996; Woodside et al., 1999 cited in Ellis, 2005) as Marketing Practice (MP).

Agarwal et al. (2003) define market orientation as the extent to which an organisation implements the ‘marketing concept’, and the marketing concept holds that the key to achieving organisational goals (for example, market share, sales growth, profitability) depends on how the needs and wants of target markets are determined and the desired levels of satisfaction delivered on to them more efficiently and effectively than competitors. Therefore, to say that a company is market-oriented means that this company has a superior market-sensing and customer-linking capability and these capabilities and abilities would bring in higher profits in comparison with companies that are less market-oriented (ibid).

Again, recent empirical studies (Gounaris, 2006; Lings 2004; Lings and Greenley, 2005) reveal that developing an internal-market orientation (IMO) towards satisfying employees’ needs, precedes the effective implementation of external marketing. Therefore, it is argued that the IMO concept actually reveals a system of values that guide and enact the company’s behaviour towards its employees with the ultimate outcome being improved customer value. It appears therefore that IMO falls under the same marketing philosophy, umbrella as MO (McGee and Spiro, 1988) where MO, according to Becherer et al. (2003), refers to “a culture in which organisations strive to create superior value for their customers and superior performance for the business by focusing on customer needs and long-term profitability”. On record, it was during the early 1990s that a number of researchers tried to focus their attention on empirical work on the relationship between MO adoption and business performance (Kohli and Jaworski, 1990; Narver and Slater, 1990).

Awwad and Agti (2011) cited a number of researches that have scored the importance of market orientation as an antecedent to improved organisational performance and profitability (Farrell et al., 2008; Gonzalez-Benito et al., 2009; Silva et al., 2009; Raaij and Stoelhorst, 2008), with particular reference to the financial services industry (Dwairi et al., 2007). However, extant research literature stops at identifying the antecedents of market orientation, while the interactions and correlations among those antecedents are not typically studied in depth (Sivaramakrishnan, et al. 2008). This researcher is in agreement so far as conclusive empirical investigations into the construct and its antecedents for example IMO have not been done to establish any generalisations across cultures in the world. More so, Voola et al. (2003) appreciated the fact that market orientation plays a critical role in organisational profitability, whereas practitioners remain unclear about the understanding of any antecedents and how they contribute to the implementation of the concept.

According to Ellis (2004b) as reported in Ellis (2005), a recent meta-analysis of extant MO research revealed that the strongest findings linking MO with performance have been located in the developed and developing economies such as the US (Jaworski and Kohli, 1993; Slater and Narver, 1994), Germany (Homburg and Pflesser, 2000) and the Netherlands (Langerak, 2001). However, up to now, only a few studies have been reported from developing nations (Appiah-Adu, 1998; Owusu-Frimpong, 1999; Hinson et al., 2008) or from other researchers who primarily dealt with MO on the one hand or IMO independently. As aptly put by Ellis (2005), before any claims regarding the robustness of the market-orientation construct can be made, more research is needed from developing nations.

As reported by Blunt and Jones (1992), cited in Chelariu et al. (2002), Sub-Saharan Africa is one area of the world that has seen little testing of either indigenous or western business theories, and this arguably holds true for the market orientation theory (Mitchell and Agenmonmen, 1984). Of late, the concept has received considerable attention and progress has been made in terms of its antecedent measurement, potential role and consequences in the organisation (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Narver and Slater, 1990).

Interestingly, empirical efforts to find a positive relationship (or not) between MO and overall business performance can be found in Kohli and Jaworski (1990), Jaworski and Kohli (1993) and Kaynak and Kara (2004). As stated in Jaiyeoba (2011), most of these empirical findings are based on evidence from western economies, the transitional economy of China (Kara et al., 2005), and developing nations such as Chile (Rojas-Mendez et al., 2006).

However, attention has now shifted to new and developing economies for more insights into the market orientation phenomenon. For example, Deshpande and Farley (1998) conducted some studies in India, Vietnam, Thailand and China.  Menguc (1996) was in Turkey, while Bhuian (1998) examined the applicability of Kohli and Jaworski's MARKOR model in Saudi Arabia and found that the generalisability of the concept of market orientation and its antecedents and consequences to other cultures and economies is questionable. Fahy et al.

(2000) focused attention on the transitional economies of Eastern Europe by attempting to understand the development of marketing capabilities at the corporate level, much as Martin et al. (1998) sought to understand the role of employees' involvement in promoting a market orientation culture in an organisation.

According to Akaah et al. (1988), Dadzie (1989) and Dadzie et al. (1989), cultural and other macro environmental conditions have long caused marketing scholars to question whether the socio-economic environments in developing economies adversely constrain the construct validity of managerial marketing philosophy. This position was earlier on observed by Drucker (1954), Emlen (1958) and Kinsey (1982). Again, Mahmoud (2011) reiterated the above position by identifying scholars that conducted some conceptual and empirical research on the market orientation construct in the developing economies (Appiah-Adu and Ranchhod, 1998; Mahmoud et al., 2010; Harris, 2002a; Esteban et al., 2001; Green Jr. et al., 2005; Blankson et al., 2006; Ozer et al., 2006; Low et al., 2007). Concerning the developing economies, scholars (Agarwal et al., 2003; Agarwal and Singh, 2004; Kuada and Buatsi, 2005; Osuagwu, 2006; Dwairi et al., 2007; Hinson et al., 2008; Owusu-Frimpong, 1999; Mahmoud et al., 2010) have demonstrated the key role that market orientation plays in any organisation's strategy to achieve superior performance in its target markets. However, there have been mixed results in both the developed and developing countries' studies (Narver and Slarter, 1990; Jaworski and Kohli, 1993; Perry and Shao, 2002; Dwairi et al., 2007). For example, while studies conducted in the US showed a positive effect of market orientation on company performance, researches conducted in the UK and developing nations revealed mixed results (Beamish et al., 1993; Pitt et al., 1996). Surprisingly, Alhakimi and Baharun (2010) stated that, although there have been intensive works on market orientation in developed nations, there is a lack of studies in targeted, less developed nations. The researcher argues that it is imperative that, in trying to arrive at a reasonable understanding of market orientation, the business context with its dimensions must be considered and understood for whatever contribution it has to offer.

Table 3.1 illustrates selected examples of literature developed on the definition conceptualisation of the market orientation construct in terms of authors, date and title of literature and journal to date.

**Table 3.1: Selection of Literature Illustrating the Definition Conceptualisation of Market Orientation**

| Authors | Titles | Journal |
|---|---|---|
| Lear, R.W. (1963) | No Easy Road to Market Orientation | *Harvard Business Review*. September-October, 1963, 53-60 |
| Shapiro, B.P. (1988) | What the Hell is Market Orientation? | *Harvard Business Review, Vol. 88*(6), 119-120 |
| Webster, F.C. (1988) | The Rediscovery of the Marketing Concept | *Business Horizons, 31*(3), 29-39 |
| Lichthenthal, J.D. and Wilson, D.J. (1992) | Becoming Market Oriented | *Journal of Business Research, 24*(3), 191-207 |
| Ruekert, R.W. (1992) | Developing a Market Orientation: An Organisational Strategy Perspective | *International Journal of Research in Marketing*, *9*, 225-45 |
| Desphande, R., Farley, J. U. and Webster, F.E. (1993) | Corporate Culture, Customer Orientation and Innovativeness in Japanese Firms: A Quadrad Analysis | *Journal of Marketing, 57*(1), 23-37 |
| Jaworski, B.J. and Kholi, A.K. (1993) | Market Orientation: Review, Refinement and Roadmap | *Journal of Marketing-Focused Management, 57*, 53-70 |
| Kholi, A.K., Jaworski, B.J. and Kumar, A. (1993) | MARKOR: A Measure of Market Orientation | *Journal of Marketing Research, 30*, 467-477 |
| Day, G.S. (1994b) | The Capabilities of Market-driven Organisations | *Journal of Marketing, 58*, 37-52 |
| Deng, S. and Dart, J. (1994) | Measuring Market Orientation: a Multi-factor, Multi-item Approach | *Journal of Marketing Management, 10*, 725-742 |
| Siguaw, J. A., | The Influence of Market | *Journal of Marketing Research, 31*, |

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| Brown, G. and Widing, R.E. (1994) | Orientation of the Firm on Sales Force Behaviour and Attitudes | 106-16 |
| Slater, S.F. and Narver, J.W. (1994) | Does Competitive Environment Moderate the Market Orientation Performance Relationship | *Journal of Marketing*, *58*, 46-55 |
| Jaworski, B.J. and Kholi, A.K. (1993) | Market Orientation: Antecedents and Consequences | *Journal of Marketing*, *57*, 53-70 |
| Pelman, A.M. and Wilson, D.T. (1996) | A Longitudinal Study of the Impact of Market Structure, Firm Structure, Strategy and Market Orientation Culture on Dimensions of Small-Firm Performance | *Journal of the Academy of Marketing Science*, *24*(1), 27-43. |
| Atuahene-Gima, K. (1996) | Market Orientation and Innovation | *Journal of Business Research*, *35*, 93-103 |
| Harris, L.C. (1996) | Benchmarking against the Theory of Market Orientation | *Management Decision*, *34*(2), 25-29 |
| Farrell, M.A. and Oczkowski, E. (1997) | An analysis of the MKTOR and MARKOR measures of market orientation: An Australian Perspective | *Marketing Bulletin*, *8*(3), 30-40 |
| Sinkula, J. M., Baker, W.E. and Noordewier, T. (1997) | A Framework for Market-based Organisational Learning: Linking Values, Knowledge and Behaviour | *Journal of the Academy of Marketing Science*, *25*(4), 27-43 |
| Desphande, R. and Farley, J.U. (1998) | The Market Orientation Construct: Correlation, Culture and Comprehensiveness | *Journal of Market-Focused Management*, *2*, 237-239 |
| Narver, J.C., Slater, S.F. and Tietje, B.C. | Creating a Market Orientation | *Journal of Market-Focused Management*, *2*(3), 241-255 |

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| (1998) | | |
| Appiah-Adu, K. (1998) | Market Orientation and Performance: Empirical Tests in a Transition Economy | *Journal of Strategic Marketing, Vol. 6*, 25-45 |
| Kumar, K., Sabramaniam, R., and Yauger, C. (1998) | Examining the Market Orientation-Performance Relationship: A context specific study | *Journal of Management, 24*(2), 201-233 |
| Avlonitis, G.J. and Gounaris, S.P. (1997) | Market Orientation and its Determinants: An Empirical Analysis | *European Journal of Marketing, 33*(11/12), pp. 1003-37 |
| Becker, J. and Homburg, C. (1999) | Market-oriented Management: A Systems-Based Perspective | *Journal of Market-Focused Management, 4*(1), 17-41 |
| Harris, L.C. (1999) | Management Behaviour and Barriers to Market Orientation in Retail Companies | *The Journal of Service Marketing, 13*(2), 113-131 |
| Harris, L.C. (2000) | The Organisational Barriers to Developing Market Orientation | *European Journal of Marketing, 34*(5/6), 598-624 |
| Homburg, C. and Pflesser, C. (2000) | A Multiple Layer Model of Market-Oriented Organisational Culture: Measurement Issues and Performance Outcomes | *Journal of Marketing Research, 37*, 449-462 |
| Uncles, M. (2000) | Market Orientation | *Journal of Management, 25*(2), pp. 1-9 |
| Harris, L.C. (2002a) | Developing Market Orientation: An Exploration of Differences in Management Approaches | *Journal of Marketing Management, 18*, 603-32 |
| Harris, L.C. (2002b) | Sabotaging Market-Culture Change: An exploration of Resistance Justification and Approach | *Journal of Marketing, 10*(2), 58-74 |

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| Baker, W.E. (2002) | Market Orientation, Learning Orientation, and Product Innovation: Delving Into the Organisation's Black Box | *Journal of Marketing-Focused Management, 5*, 5-23 |
| Chelariu, C., Ouattarra, A. and Dadzie, K.Q. (2002) | Market Orientation in Ivory Coast: Measurement Validity and organisational Antecedents in a Sub-Saharan African Economy | *Journal of Business and Industrial Marketing, 17*(6), 456-470. |
| Farrell, M.A. (2002) | Are Market-Orientation and Learning Orientation Necessary for Superior Organisational Performance? | *Journal of Market-Focused Management, 5*, 197-217 |
| Jaworski, B. (2002) | Generating Competitive Intelligence in Organisations | *Journal of Market-Focused Management, 5*, 279-307 |
| Anwar, S. A. and Sohail, M. S. (2003) | Testing market orientation of bank managers in the emerging economy of Brunei | *International Journal of Bank Marketing, 21*(6), 289-295 |
| Kennedy, K. N., Goolsby, J. R. and Arnould, E.J. (2003) | Implementing a Customer Orientation: Extension of Theory and Application | *Journal of Marketing, 67*(4), 67-81 |
| Homburg, C., Krohmer, H. and Workman, J. P. (2004) | A Strategy Implementation Perspective of Market Orientation | *Journal of Business Research, 57*, 1331-1340 |
| Kirca, A. H., Jayachandran, S. and Bearden, W. O. (2005) | Market Orientation: A Meta-Analytic Review and Assessment of Its Antecedents And Impact on Performance | *Journal of Marketing, 69*(2), 24-41 |
| Kuada, J. and Buatsi, S. (2005) | Market Orientation and Management Practices in | *Journal of International Marketing, 13*(1), 58-73 |

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| | Ghanaian Firms: Revisiting the Jaworski and Kholi Framework. | |
| Masumo, K., Mentzer, J.T. and Rentz, J. (2005) | A Conceptual and Empirical Comparison of Three Market Orientation Scales | *Journal of Business Research, 58*(1), 1-8 |
| Gebhardt, G.F., Carpenter, G.S. and Sherry, J.F. Jr. (2006) | Creating a Market Orientation: a Longitudinal Multiform, Grounded Analysis of Cultural Transformation | *Journal of Marketing, 70*(4), 37-55 |
| Dwairi, M., Bhuian, S. and Jurkus, A. (2007) | Revising The Pioneering Market Orientation Model in an Emerging Economy | *European Journal of Marketing, 41*(7/8), 713-721 |
| Hadcroft, P. and Jarrat, D. (2007) | Market Orientation: an Interactive Process of Customer and Market Engagement | *Journal of Business to Business Marketing*, *14*(3), 21-57 |
| Nwokah, N.G. (2008) | Strategic Market Orientation And Business Performance: The Study of Food and Beverage Organisations in Nigeria | *European Journal of Marketing, 42*(3), 279-286 |
| Raaij, E. M. V. and Stoelhorst, J. W. (2008) | The Implementation of a Market Orientation: A Review and Integration of the Contributions to Date. | *European Journal of Marketing, 42*(11/12), 1265-1293. |
| Alhakimi, W. and Baharun, R. (2009) | A Synthesis Model of Market Orientation Constructs towards Building Customer Value: A Theoretical Perspective | *Africa Journal of Marketing Management*, *1*(2), 43-49 |
| Foley, A. and Fahy, J. (2009) | Seeing Market Orientation Through a Capabilities Lens | *European Journal of Marketing, 43*(1/2), 13-20 |
| Nwokah, N.G. | Customer-Focus, Competitor | *Measuring Business Excellence,* |

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| (2009) | Focus and Marketing Performance | *13*(3), 20-28 |
| Pandelica, A., Pandelica, L. and Domitru, L. (2009) | What is Market Orientation And How Did it Evolve During Time? What Do Empirical Findings Show? | *The Cambridge Business Review, 13*(1), 238-247. |
| Bodlaj, M. and Rojsek, J. (2010) | The Market Orientation of Slovenian Companies: Two-Group Comparisons | *Economic and Business Review, 12*(2), 89-108 |
| Ellis, P.D. (2010) | Is Market Orientation Affected by the Size and Diversity in Customer? | *Management International Review, 50*(3), 325-345 |
| Engeln, A. and Brettle, M. (2010) | The Antecedents and Consequences of a Market Orientation: The Moderating Role of Organizational Life Cycle | *Journal of Marketing Management, 26*, 515-547 |
| Gray, B. (2010) | Fine Tuning Market Orientated Practices | *Business Horizons*, *53*, 371-383 |
| Lam, S.K., Kraus, F. and Ahearne, M. (2010) | The Diffusion of Market Orientation Throughout the Organisation: A Social Learning Theory Perspective | *Journal of Marketing*, *74*, 61-79 |
| Lim, T.C. and Brown, G. (2010) | Market Orientation and Performance Outcomes: An Empirical Study Travel Agencies in Taiwan | *Asia Pacific Journal of Tourism Research, 15*(1). |
| Taghian, M. (2010) | Marketing Planning: Operationalising the Market Orientation Strategy | *Journal of Marketing Management, 26*(9/10), 825-841 |
| Jaiyeoba, O. (2011) | The Impact of Market | *International Journal of Business* |

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| | Orientation of SMEs in Developing Economies: A Case Study Of Botswana. | *Administration, 2*(3), 132 - 139 |
| Kumar, V., Jones, E., Venkatesan, R. and Leone, R.P. (2011) | Is Market Orientation A Source of Sustainable Competitive Advantage or Simply the Cost of Competing? | *Journal of Marketing, 75*, 16-30 |
| Mahmoud, M.A. (2011) | Market Orientation and Business Performance among SMEs in Ghana | *International Business Research, 4* (1), 241-251 |
| Mamat, M. and Ismail, A. (2011) | Market Orientation and Performance: The Study of Bumiputera Furniture Industry in Kelantan | *American International Journal of Contemporary Research, 1*(3), 88-98 |
| Largat, C., Chelpkwony, J. and Kotut, C.S. (2012) | Market Orientation and Firm Performance in the Manufacturing Sector in Kenya | *European Journal of Business and Management, 4*(1), 20-27 |
| Shin, S. (2012) | Decomposed Approach of Market Orientation and Marketing Mix Capability: Research on their Relationship with Firm Performance in the Korean Context | *International Business Research, 5*(1), 22-33 |
| Mokhtar, S.S.M. (2013) | The Effect of Customer-Focus on New Product Performance | *Business Strategy Series, 14*(2/3), 67-71 |
| Ogbonna, B.U. and Ogwo, O.E. (2013) | Market Orientation and Corporate Performance in Insurance Firms in Nigeria | *International Journal of Marketing Studies, 5*(3), 105-116 |
| Bhattacharyya, S.S. and Jha, S. (2014) | Development of a Model Relating Internal Organisational Variables with Customer | *Asia-Pacific Journal of Business Administration, 6*(1), 4-17 |

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|---|---|---|
| | Orientation in the Context of the Emerging Economy of India | |
| Seilov, G.A. (2015) | Does the Adoption of Customers and Competitor Orientations Make Small Hospitality Businesses more Entrepreneurial? | *International Journal of Contemporary Hospitality Management, 27*(1), 71-86 |

Source: Al-Shirawi, (2012) and adapted by Researcher

The above selection of contributions from various researchers on market orientation significantly highlights the understanding and deepening of knowledge on the construct, even though it is not exhaustive.

### 3.3.5 Critique of MO

Information and effective communication of information about and from the alternative sources that drive a firm's operations would determine how competitive the firm should be once such information is used in crafting strategy with the effective implementation of such strategy. Counter arguments from a number of authors on MO and business performance abound the MO literature. For example, Greenley (1995) found no relationship between MO and business performance and this finding was corroborated by Jaworski and Kohli (1993) in that MO is not related to a firm's actual market share. Narver and Slater (1990) reported a negative coefficient for MO. Diamantopoulos and Hart (1993) cited in Rojas-Mendez et al. (2006) also identified a weak association between MO and business performance, with the observation that the variations in the findings of researches conducted on MO and their impacts on business performance in different contexts could be explained by the variations in culture, which in turn might affect the function of information dissemination (Jaiyeoba, 2011). Cadogan and Diamantopoulos (1995) questioned whether the marketing concept is a philosophy, a business culture, (Slater and Narver, 1998) or a set of activities, (Despande and Farley, 1998).

Arguably, a number of researchers on the relationship between market orientation and company performance raised considerable critique. The key issue raised has been that market orientation as a construct is not distinct and that other types of orientation, such as production, product, cost or employee orientations may even be better in explaining performance; and if the impact of market orientation is considered in isolation, unwanted side effects on other considerations may be overlooked (Fritz, 1996; Henderson, 1998, cited in Nielsen, et al., 2003). These researchers are also of the opinion that, in order to establish a stronger link between market orientation and company performance, implementation and innovation issues must be considered (ibid p. 7).

Gainer and Padanyi (2005) cited in Awwad and Agti (2011), intimated that no conclusive agreement has been reached on the exact nature of market orientation, since some researchers view it as a culture (Narver and Slater, 1990), while others view it as a behaviour (Kohli and Jaworski, 1990; 1993) and others as a hybrid (Olavarrieta and Friendmann, 2008).

### 3.3.6 Critical Issues under MO

Research into the concept fell into four main issues (Van Raaij and Stoelhorst, 2008):

a. The definition issue: this issue tries to look at the conceptualisation of the market orientation construct (Kohli and Jaworski, 1990; Narver and Slater, 1990; Day, 1994).
b. The measurement issue: this issue tries to identify the metrics/measuring scales to operationalise and assess the construct (Deshpandé et al., 1993; Kohli et al., 1993; Narver and Slater, 1990) as captured in Despande and Farley (1998) and Wrenn (1997).
c. The model issue: this tries to consider the causes and effects of market orientation. What should be the likely antecedents and consequences/outcomes of market orientation as well as any moderating or mediating variables e.g. Jaworski and Kohli (1993) and Narver and Slater (1990), as captured in Kirca et al. (2005)?
d. The implementation issue: this is concerned with the kind of managerial activities that would be used to implement the construct as captured by Day (1999), Gebhardt et al. (2006) and Harris and Ogbonna (2001).

Despite the above four categorizations, researchers still have difficulty formulating concrete steps managers can take to improve their firms’ market orientation (Raaij and Stoelhorst, 2008). These researchers argue that the operational meaning of this construct would greatly depend on how the conceptualisation has been constructed with particular interest in the model's implementation and measurement issues.

Ottensen and Gronhaug (2002) intimated that such difficulties are apparent because most academics as well as practitioners, though being able to easily connect with the market orientation theme, would be talking about concepts that deviate from what has been defined as market orientation in the scholarly literature. According to Mason and Harris (2005), the definition problem is often compounded by extant literature containing different conceptualisations and measurements of market orientation since different views reflect different normative implications. Day (1994) stated that another reason for the limited managerial impact of market orientation has been the over-bearing emphasis on the definition, measurement and model issues to the detriment of implementation since 'little is known about the characteristics of successful programmes for building market orientation'. This position was attested to by Jaworski and Kohli (1996) and Slater and Narver (1995).

Harris (2000), upon evaluation of the literature on the construct, held that comparatively few studies have examined the process and dynamics of developing 'market orientation' indeed, until these issues are more fully understood it seems likely that the topic of 'market orientation' will remain perplexing to theorists and continue to be elusive to practitioners. The elusive position as to what market orientation is possibly can be cleared or minimised by attempting to unearth the contributions of employees to the changing of external customer characteristics and needs into superior customer value (satisfaction and performance). Researchers can be categorised according to their definitions of market orientation with an external focus and the customer as the main focus. Interestingly, Deshpande et al. (1993) used the construct 'customer orientation' instead of 'market orientation' but considered the two constructs as interchangeable.

Irrespective of these challenges, it has been agreed by most authors on the construct that market orientation contains elements of market intelligence, dissemination and use with the aim of creating value for customers (Lafferty and Hult, 2001, cited in Raaij and Stoelhorst, 2008). This position captures the importance of information generation and dissemination to the effectiveness of every organisation since relevant and timely information is the livewire of every organisation. Effective integration of the conceptualization of IMO (Lings and Greenley, 2005), and MARKOR (Kohli, et al., 1993) would positively affect organizational performance since satisfied employees would aspire to deliver value to their customers. This position has been attested to by Raaij and Steolhorst (2008) because to them, when it comes to the implementation of market orientation, the different definitions suggest very different levers for improving the market orientation of the firm. Such levers include some organisational behaviours such as information, processing, decision-making and strategy formulation (Kohli and Jaworski, 1990; Ruekert; 1992) and specific skills to enable those behaviours such as market sensing and customer linking (Day, 1994) to underscore the responsiveness of employees to external customer needs.

### 3.3.7 Antecedents of Market Orientation

Kennedy et al. (2003) decided to look at possible antecedents from an implementation viewpoint to determine whether clues could be provided about how market orientation would be developed in an organisation. Accordingly, Raaij and Stoelhorst (2008) tried to distinguish between external antecedents such as environmental factors that stimulate a firm's adoption of market orientation, and internal antecedents such as organisational factors that enable the adoption of market orientation. Avlonitis and Gounaris (1999), Kohli and Jaworski (1990) and Pelham and Wilson (1996) proposed market dynamism and competitive intensity as external antecedents, while Kohli and Jaworski (1990) opined that, in a stable environment, few adjustments to the marketing mix are needed, requiring a low level of market orientation; while Pelham and Wilson (1996) conceded that the lower the competitive intensity, the more a firm can 'get away with' a low level of market orientation.

Ruekert (1992) proposed and empirically tested the following three organisation processes that fostered a market orientation:

1. recruitment and selecting customer focused individuals,
2. market oriented training; and
3. market oriented reward and compensation systems and, as reported by Raaij and Stoelhorst (2008), all three factors were positively correlated with market orientation.

Jaworski and Kohli (1993) also came out with eight antecedents:

a. top management emphasis on market orientation
b. top management risk aversion
c. interdepartmental connectedness
d. interdepartmental conflict
e. degree of formalisation
f. degree of centralisation
g. degree of departmentalisation; and
h. reliance on market-based factors for evaluations and rewards.

However, among the above eight identified antecedents advanced by Jaworski and Kohli (1993), three have been regarded as the most important that supported empirically any relationships with market orientation. These are top management emphasis; interdepartmental conflict and connectedness; and reward systems, as cited in Raaij and Steolhorst (2008). Kirca et al. (2005) conducted a meta-analytic study and confirmed the important role of these three antecedents in market orientation. This study aims to exploit the role of interdepartmental connectedness in terms of information generation, dissemination and responsiveness to effect market orientation to impact company performance and customer satisfaction.

Importantly, Raaij and Stoelhorst (2008) concluded that the antecedents of market orientation represent important levers for increasing market orientation of a firm. These authors corroborated the fact that a better understanding of these antecedents such as an organisation's environmental factors, corporate strategies as well as organisational enablers and/or barriers, if well exploited would certainly help managers in their efforts to implement market orientation. The better managers understand these levers and their contributions, the easier it is for MO to be implemented to arrive at its consequences or outcomes. For example, innovation as a mediator may help to improve a firm's market orientation, but may not be totally adequate for improving the firm's performance. Raaij and Stoelhorst (2008) argue that, to implement market orientation, the firm must have to engage core business processes through re-engineering (innovation); for example, to agree with current needs and wants of customers for superior value to be delivered and anticipated to inform future value delivery.

The implementation dimension of market orientation, according to Raaij and Stoelhorst (2008), takes an explicitly managerial view and asks what firms can do to improve their market orientation. Nine implementations have been published since 1990 (Harris, 2002a; Kennedy et al., 2003; Gebhardt et al., 2006).

The above implementation approaches distinguished between:

- diagnoses (how to assess a firm's market orientation or lack thereof);
- intervention (how to go about improving a firm's market orientation); and
- evaluation (how to assess the effects of the implementation effort).

This study adopted the MARKOR model developed by Kohli et al. (1993) with an implementation viewpoint. In operations, this model involves the engagement in activities and the enlistment of senior managers and their commitment, improvement of interdepartmental connectedness and reduction in interdepartment conflict. Structural reforms and systems which are supported by organisation-wide reward packages form part of the redesign process. It is the expressed view of this researcher that an effective alignment between the banks' IMO and MO will expose the nature of the relationship between organisational performance and internal/external customer satisfaction.

## 3.4 Consequences of IMO and MO Aligned (Customer Satisfaction and Performance)

### 3.4.1 Introduction

The financial services environment in Ghana, and particularly the banking sector, both private and public, have been made very competitive by the introduction of the appropriate marketing strategies to enhance the quality of service, as well as the development of quality control circles to deliver superior customer value and satisfaction (Owusu-Frimpong, 2007). To a bank's staff, their satisfaction must have to do with a pleasant, conducive and proactive work environment that is very invigorating. Satisfaction from the employee's viewpoint will reinforce positive attitudes towards the company, their services and the external customer, leading to a greater likelihood that repeat service purchase will increase firm productivity and continuous customer purchase and vice versa (Assael, 1987). In this regard, the context of this research defines customer satisfaction as the process where customers of Ghanaian banks evaluate service delivery at the point of purchase mirrored by the relevant dimensions of the service package, the service environment and the provider. Customer satisfaction therefore indicates the state of a customer's psyche, as it is seen as the outcome of the difference between a customer's perception and expectation of service quality with the influence of situational factors such as the service encounter and service provider and the ambience of the service environment. It can be argued that this state will be arrived at when there has been an appropriate interaction between the employee, the bank and its customer, using appropriate information to drive the exchange process.

### 3.4.2 Customer Satisfaction

#### 3.4.2.1 Definition of Customer Satisfaction

Oliver (1981) defined customer satisfaction as a summary of a psychological state that results when an emotion surrounding discomfort or expectation is coupled with the customer's prior feelings about the consumption experience. Desatnick and Detzel (1993) opined that customer satisfaction is the degree of happiness experienced by the customer. The above authors emphasized that customer satisfaction is produced within and throughout an organisation's value chain involving all departments, all functions and all people within the organization. This definition is operationalised within the IMO where employees as internal customers of the banks are to be experiencing satisfaction when the internal business environment, people, processes and physical evidences are all right to make work and schedules move according to set targets, such that their personal and psychological states are not compromised.

Harris (1996) considered customer satisfaction as the overall feeling of contentment with customer interaction. It is to be recognized that customer satisfaction identifies the difference between customer expectations and customer perception. To Lamb et al. (1996), customer satisfaction is a feeling that a product or service has met or exceeded the customer's expectation. Similarly, Perrenault and McCarthy (2000) regarded customer satisfaction as the extent to which a company fulfils a customer's needs, desires and expectations.

Mack and Karp (1989) defined a satisfied customer within the private sector as one who receives significant added value to his/her bottom line; and a customer may be satisfied with a product or service, an experience, a purchase decision, a salesperson, store service provider or an attribute or any of these (Padilla, 1996). A bank's service experience therefore encompasses value delivered through the physical evidence and how the service provider manages the service encounter and relationship. Kotler (2003) states that satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's performance in relation to its expectations. It has become the key performance indicator (KPI) for every customer-centric organization. Importantly, in the competitive global marketplace, where there is a battle for customers, customer satisfaction has become a critical differentiator and a major variable in business strategy. As stated by Kristensen et al. (1992), Zeithaml et al. (1996) and McColl-Kennedy and Schneider (2000), the satisfied customer is a key to long-term business success, while Bolton (1998) and Yeung et al. (2002) add that customer satisfaction has become a global issue that affects all organizations, regardless of size, whether profit or non-profit, domestic or multi-national. Organizations that have a more satisfied customer base also experience high economic returns.

With the myriad of definitions of the concept, one would admit that there is no universally accepted one with an accurate measure, a point that was corroborated by Oliver (1997) when he intimated that "everyone knows what it (satisfaction) is until asked to define it; then it seems nobody knows". This means that the quest for more information in terms of knowledge acquisition for more understanding of the construct cannot be overlooked.

Zeithaml and Bitner (2009) adduced the following factors that influence customer satisfaction:

i. Customer emotions: To them, pre-existing emotions such as the mood or the state of mind can significantly affect a customer's level of satisfaction. Additionally; specific emotions can be induced by the experience of the customer, which in turn would influence satisfaction. For example, the case of an employee with an emotional imbalance can affect service delivery.
ii. Product/service factors/benefits: A customer's satisfaction with services can be highly influenced by the customer's evaluation of service features/benefits. Service offerings

lack tangibility making it difficult for the buyer to evaluate service offerings before purchase, leading to an increase in uncertainty. To reduce the level of uncertainty, buyers look for signals of service quality. The task of the company is to help buyers to draw conclusions about quality from the place, people, equipment, communication and price, which should present the buyers with tangible cues to reduce uncertainty (Kotler et al., 1999). This is the relevance of physical evidence as a promoter of customer satisfaction.

iii. Attributes for services' success or failure: When customers are surprised by an outcome in any service delivery (the service is either better or worse than expected) they tend to look for reasons for their satisfaction or dissatisfaction. The assessment can influence their level of satisfaction with the service whether positive or negative. This makes it imperative for service providers like banks to consistently anticipate customer needs and changes. When the service provider, through information gathering and dissemination, changes faster than the rate of change of the customer, satisfaction is guaranteed.

iv. Perception of equity or fairness: According to Ziethaml and Bitner (2009), it has been established that customer satisfaction is influenced by the perception of equity and fairness. To them, customers ask questions after they make a purchase and answers to these questions guide them to know whether they have been given the best deal. This means that notions of fairness are very central to a customer's perception of satisfaction with services. After sales service therefore is highly critical for any service provider, such as a bank.

v. Customer value: Berkowitz et al. (1997) found customer value as a strong factor that could influence customer satisfaction. They defined customer value as the unique combination of benefits received by targeted customers such as quality, price, convenience, on time delivery, and after sales services. It can be argued that if the service provider allows the customer to determine what is 'right', it means that value to that customer is delivered when service is provided and so creating the right level of satisfaction.

vi. Customer service: Bovee and Thill (1992) asserted that customer service covers every step that organisations take to ensure that their customers' satisfaction is guaranteed.

Where the appropriate service, according to the buyer, is delivered, care is given and that creates satisfaction.

#### 3.4.2.2 Internal Customer Satisfaction

The notion of the internal customer is not new to marketing literature as the idea was first mooted more than forty years ago to describe different forms of administrative relationships within the private sector (Sayles, 1964). The idea originated from the understanding that, in any organisation, all staff are both the provider and receiver of services, and if poor internal service exists, then the final service to be delivered to the external customer will be diminished in value. Stauss (1995) stated that internal customer services are understood as covering those services provided by distinctive organisational units/sections, or the people working therein, to other units/sections or individuals within the same organization. In the same context, Berry (1981) opined that organisations should view employees as internal customers and jobs as internal products/services; and thereby seek to provide internal products that satisfy the needs of internal customers at the same time as promoting the aims of the organisation itself.

Ersen (1997) defined internal customer as a person who works in an organisation, while Schoorman and Schneider (1988) considered internal customer satisfaction as employees' satisfaction with the service received from internal service providers. The concept of internal customer satisfaction is predicated on the fundamental belief that organisations attempting to deliver quality service to their external customers must begin the process by serving the needs of their internal customers (Schoorman and Schneider, 1988). This is so because the quality of service delivered to the external customer is often determined by the quality of service that the internal customer (employees) provides each other, (Cook, 2000). Every worker receives information and resources from other workers in the process of making their own products and/or services. It becomes very imperative that, in order to satisfy external customers, internal customers be delighted first. This is so because the right work environment that encourages effective customer service would lead to customer satisfaction.

Employees are an integral part of the customer satisfaction process. They actually form the foundation upon which organisational success is built. Holdway (2001) in conducting research to understand the impact of employee attitude on customer satisfaction revealed that 8 percent of customers are lured away by better deals, 14 percent because they are unhappy with the product or service, and 68 percent are turned away by a negative attitude shown by an employee of the organization. Morris (1996) earlier on adduced this point that effective investment in employees creates customer satisfaction through the provision of value to the customer, since employees form the beginning of a long path to efficiency, effectiveness and profitability in any organization. As aptly illustrated, Holdway (2001) stated that in terms of satisfaction the starting point is our employees, since delighted employees are better positioned to achieve the corporate objective than those who are just satisfied with their work and responsibilities. Accordingly, Blanchard and Nelson (1996) and Wiley (1996) identified a high correlation between customer satisfaction and employee satisfaction.

Kurtenback (2000) discovered that happy employees provide better service than unhappy ones and appropriate understanding and assessment of job satisfaction can in turn build a better foundation for quality customer service, knowing that involving the right people at the right time to do the right thing within the right time frame is critical to organisational success. It is important to stress that the need to promote good internal communication with respect to building bridges with other departments and services in the organization is also critical. Teas (1993) suggested that it is managerial attitude that sets the tone for staff; meaning that, if the boss does not care too much about satisfying the customer then staff will adopt the same lukewarm attitude towards themselves and their set tasks, rather than making the needs of customers their own.

Vranesevic et al. (2002) discovered a cause and effect relationship between employee satisfaction and customer satisfaction. This assertion might be a good response to Piercy’s (1995) suggestion of the need to further investigate the internal market aspects of the customer satisfaction issue where there will be an examination of how to use internal marketing as an operational approach to handle the implementation issues implicit in external customer satisfaction. Acceptably, front-line personnel who have the most direct contact with the customer and who are satisfied in their job, translate and transfer their satisfaction in providing service to influence external customer satisfaction because of the cascading effect. Bowen and Johnston (1999) stipulated that a positive perception by employees of an organisation's approach to business and the climate in which it operates has beneficial effects on external customers' perception of service quality.

In the context of service delivery in banks, computerisation and technological innovation, for example, have raised customer expectations sky-high. Combined with sophisticated marketing and explosive media coverage of new developments, products and services, the average customer expects a level of speed, quality and reliability that is beyond the means of most organisations. This vicious demand produces immense strain on employees, which can generate discontent. Consequently, when the internal customer is dissatisfied, the relationship with the external customer is bound to suffer. Knowledge of employees to manipulate technology to service the customer might greatly reduce the inconveniences associated with customer dissatisfaction.

#### 3.4.2.3 Determinants of Customer Satisfaction

Extant literature on customer satisfaction is replete with factors that are known to drive this construct. Oliver (1993) Parasuraman et al. (1988), Lovelock and Wirtz (2007) and Gronroos (2001) have all found customer satisfaction to be driven by  the quality of service and the customer service experience. Here service experience is defined as the service encounter and/or service processes that create(s) the customer's cognitive, emotional and behavioural responses, which result in a mental work, a memory, Gronroos (2005) cited by Edvardson (2005) and cited by Nimako and Azumah (2009).

Customer satisfaction has been proven by recent empirical work not to have been driven by only cognitive dimensions of customer perception of service quality, but also by affective dimensions that positively influence post-purchase actions such as repeat purchase, customer loyalty, switching attention and recommendations or referrals (Erevelles1998; Oliver, 1980; 1993). This position was supported by Gronroos (2001), Edvardsson (2005), and Edvardsson et al. (2005) who postulated that perceived service quality is an important determinant of customer satisfaction that entails both cognitive and affective dimensions beyond the mental assessment of customers of the product/service offering.

Perceived value is also considered to be a driver of customer satisfaction. Zeithaml et al. (1988) cited by Nimako and Azumah (2009) suggested that customer value is the overall assessment of the utility of a product based on the perception of what is received and what is given. This researcher argues that value determination greatly depends on the receiver of the service, therefore perceived value must have to be defined as a process in the context of the value system and judgement of the customer/consumer.

Dodds et al. (1991) argued that customers' perceptions represent a trade-off between the quality or benefit they received in the product/service relative to the sacrifice they perceived by paying a price. What is involved in the perceived value process is a trade-off between what the customer gives (such as price/money, sacrifices, perceived risk, opportunity cost, and the learning cost) in exchange for what he/she gets (such as quality, benefits and utilities) (Wang and Hing-PoLo, 2002). Hume and Mort (2008) recently confirmed that value is a positive predictor of satisfaction and their findings have been consistent with the position of Rust and Oliver (1994) that value has a direct and encounter-specific input to satisfaction.

With the above number of dimensions as drivers of customer satisfaction, a number of researchers attests to the fact that there is some kind of intertwined relationship among all the antecedents of customer satisfaction, (Wang and Hing-Polo 2002, cited by Nimako and Azumah ,2009). As stated by Gronroos (1990) and Kauppinen-Raisanen et al. (2007), since customer satisfaction has a number of antecedents, managers must craft effective strategies to manage customer perceived quality, customer expectations, and customer perceived value in order to reap the full benefits of the customer satisfaction measurement. This researcher equally argues that the holistic overall benefits of customer satisfaction must originate from internal customer requirements, organizational environmental dimensions and external customer requirements; which, when properly integrated, would distil into effective customer satisfaction, creating a win-win situation for both the organization and the external customer.

#### 3.4.2.4 Customer Satisfaction and Behaviour Intentions

According to Reichheld (1996), cited by Nimako and Azumah (2009), customer satisfaction is considered a critical antecedent of customer loyalty, which invariably positively impacts profitability and performance (Heskett et al. 1997). Again, many researchers have revealed that customer satisfaction is positively correlated with customer re-purchase, likelihood to recommend positively by word-of-mouth, customer loyalty and retention. On the other hand, customer satisfaction is negatively correlated with customer complaints and switching intentions ( Wang and Hing-PoLo, 2002).

Interestingly, the latter two researchers have argued that loyalty and retention might not necessarily be attributable to customer satisfaction. Customers might become dissatisfied with a service but remain in the relationship when they find it difficult to switch or when switching costs are considered to be high. For example, a bank's customer would remain doing business with his current bank when there is some prestige associated with doing business with that bank. This customer might be considered dissatisfied but forced to continue and remain loyal because of the network effect. Using the determinants such as switching intention and the likelihood of referral as reliable factors to track customer satisfaction would be somehow reliable, since these factors are directly and strongly linked to customer satisfaction (Wang and Hing-PoLo, 2002). Admittedly, satisfied customers of a bank are more likely to recommend services to family and friends and are less likely to switch.

## 3.5 Performance in the Organisation

### 3.5.1 Introduction

Practitioners, researchers and managers of firms try to evaluate the performance of their firms over time to determine how competitive they are, and whether they are achieving their set targets. However, it is discovered that limited attention is paid by researchers to what and when performance is and how it is measured (Richard et al., 2009). March and Sutton (1997) and Kirby (2005) opined that only a few studies use consistent definitions and measures while some researchers felt the definition is unquestionably assumed. In the case of this research, the aim is to determine whether the adoption of IMO/MO is likely to impact positively/negatively on non-financial outcomes of these banks, such as bank effectiveness and customer satisfaction.

### 3.5.2 Measuring Performance in the Organisation

March and Sutton (1997) indicate about 66 papers that included the definition of the construct considered it as a dependent, independent or a control variable. The fact remains that researchers pay little theoretical attention to or methodological rigour about the choice, construction and the use of the myriads of performance measures available to them. Richard et al. (2009), Chakravarthy (1986) and Boyd, Gove and Hitt (2005) proffered that of the 677 dependent variables in papers published in four leading management journals between 1998 and 2000, performance was the most frequent (228, 38.1%); with measurement of performance using single indicators. Using a single indicator however underscores the need to integrate methodological developments into practice, Richard et al. (2009) believed that, in examining the definition of organisational performance, recourse must be made to understanding organisational effectiveness and performance.

Performance measured, whether in financial or accounting terms, denote effectiveness, where effectiveness is a broader construct, but with grounding in organisational theory showing alternate performance goals, (Cameron and Whethen, 1983). Richard et al. (2009) assert that organisational performance covers three specific areas of outcomes:

a. Financial performance (profits, ROA, ROI among others);
b. Market performance (sales, market share among others); and
c. Shareholder return (total shareholder return, economic value added among others).

### 3.5.3 Organisational Effectiveness

This construct covers performance plus internal performance outcomes related to efficient and effective operations and other external measures that seem intangible but powerful; for example, customer satisfaction, reputation, corporate image, innovation among others. Measuring organisational performance, according to Richard et al. (2009), should be multi-dimensional as it is recognized in accounting e.g. Callen (1991), finance e.g. Henri (2004) and somehow discussed in management literature e.g. Venkatraman and Ramanujam (1986;

1987). The multi-dimensionality will be related to three sources in the research context: (1) Who constitutes the stakeholder group for whom a performance measure is appropriate? (2) What is the context within which it is determined? (3) What is the time scale?

According to Freeman (1984), all stakeholders have some claim to rents arising from the activities of the firm, and such stakeholders include anyone that "can affect or is affected by the achievement of the organisation's objectives" and these include managers, employees, suppliers, customers, stockholders, governments and non-governmental organisations (NGOs), who have different measures of performance directly related to their own goals (Fritzgerald and Storbeck, 2003; Hillman and Keim, 2001). Interests of shareholders in terms of what performance outcomes should be are critical in all economies (Dore, 2000). In addition, other stakeholders such as a firm's managers and customers are critical, since the dimensionality of performance must cover items such as employment conditions, environmental sustainability, and conduciveness of the work environment; all of which contribute to organisational effectiveness. It is argued therefore that using a single measure could confound measurement by ignoring the distribution of value created across stakeholder groups. Clarkson (1995) divided an organisation's stakeholders into two groups as far as performance measurement is concerned:

a. Primary stakeholders: these are customers and suppliers or the value chain that have a direct exchange relationship with the firm and are characterised by a degree of mutual dependence and connection to the firm and have been associated with higher performance as measured by return on assets and earnings-per-share.
b. Secondary stakeholders: these constitute the wider public of the firm and do not have direct interests that could be translated into high financial performance (Van der Laan et al., 2008).

Performance measures are seen to be firm specific with emphasis on the firm's internal policies. For example, cash flows, stock prices are known to produce different metrices for managers to impact performance (Dutta and Reichelstein, 2005); and such internal reward systems will influence the type of measures for employee groups. Again, strategies pursued by management can determine what emphasis the firm will place on different aspects of performance. In marketing strategy for example, the key to organisational success is employee/customer satisfaction and care originating from superior value.

It becomes imperative that performance measures must relate to who constitutes the firms local stakeholders. Empirical evidence asserts that large organisations use both financial and non-financial performance measures, but favour financial measures (Malina and Selto, 2004) for very small firms. For example, in a cross-country survey, Laitinen and Chong (2006) found that small Finish firms adopted profitability, product margins, customer satisfaction and liquidity, whereas Davig et al. (2004) earlier found that small UK firms paid much more attention to debt levels and that product performance is regarded prominently in evaluating performance for small firms.

Levenson et al. (2006) indicated that the relationship between performance and measures is affected by the kind of measures the firm uses internally and how these are integrated into reward and control systems within the firm. For example, Kaplan and Norton's (1996) balance scorecard demonstrated how this measurement system plays an active role in the management of focal firms in order to be effective. Equally important has been Stern, et. al. (1995) Economic Value Added (EVA) and its contribution to managerial decision-making. It has been corroborated by Wallace (1997) that EVA adoption shows higher investment control, more capital being returned to the shareholders and greater increases in residual value, as cited in Richard et al. (2009).

Performance measurement must reflect the heterogeneity of business environments, corporate strategies and management practices. Jacobsen (1988) and Waring (1996) stated that, for effective results, performance must be measured over an appreciable time frame looking at various factors, meaning that researchers and managers must be careful in the interpretation of performance differences, as performance measurement adopting short or medium terms can be heavily biased by random fluctuations. Again, change in performance has been seen to occur at different rates for industry, corporate and business unit levels (McGahan and Porter, 1997; 2003). According to Waring (1996), industry factors can sustain performance over the long term: it can be argued therefore that effective performance measurement must employ a time frame to agree with the phenomena being examined.

Anecdotal evidence suggests that many measures of performance are time dependent. For example, reputation effects that link past performance to future performance can create feedback with the dimensionality of performance itself (McGuire et al., 1990; Roberts and Dowling, 2002).

On the other hand, subjective measures can be influenced by the availability of recent events or turbulence (Tversky and Kahreman, 1973), while other relationships between measures, for example, the halo-effect (Rosenzweig, 2007) can create spurious relationships to be seen as substantive (Edwards and Bagozzi, 2000). Accounting measures have been regarded as short-term where such measures only seem to assess the managerial factors being emphasized at that point in time. It is suggested by proponents of shareholder value that one needs a performance measure that not only measures how a decision determines performance today but forever into the future, thereby removing the timeframe from the equation (Benston, 1985; Rappaport, 1978). Accordingly, three issues support the above assertion. Firstly, information is imperfect and the market return can be at best a consensus forecast of value made by stakeholders or investors and managers who might have the best information. Secondly, the market return reflects the consensus forecast at a point in time, which is subject to changes and updates as new information becomes available. Lastly, the market itself cannot escape from the vagaries of structurally and psychologically induced biases, for example, the internet boom-and-burst of the late 1990s (Bond and Cummins, 2000).

Performance measures must be based on the organisational activities that are implemented. Extant literature reveals three common approaches and they include:

(1) a single measure being adopted based on the belief in the relationship of that measure to performance (Roberts and Dowling, 2002; Spanos et al., 2004);

(2) where the researcher uses several different measures to compare analyses with different dependent but identical independent variables (Baum and Wally, 2003; Contractor et al., 2004; Miller, 2004); and

(3) where the researcher would aggregate dependent variables to assume convergent validity based on the correlation between the measures (Cho and Pucik, 2005; Goerzin and Beamish, 2003): this is common with subjective measures of performance where the researcher is looking for something

related to trait-based psychometric validity (Varadarajan and Ramanujam, 1990). According to Richard et al. (2009), any of these approaches would depend on whether the specific measures used meet the assumptions made. This researcher argues that set objectives must relate to the appropriate performance measures to demonstrate validity.

### 3.6 Chapter Summary

Chapter Three examined internal marketing and the marketing concept. It traced the historical perspectives and the development and definitions of various scholars and reviewed relevant literature. It captured the characteristics, antecedents and relevant critique of the constructs. The chapter equally reviewed material on the consequences of the constructs, which include performance measures in organisations, such as customer satisfaction and what they mean. The chapter ended by establishing how various researchers conceptualised internal marketing, the marketing concept and customer satisfaction as important constructs in the business environment. The chapter that follows examines how these constructs are modelled and used in measuring performance in business.

# CHAPTER FOUR

# CONCEPTUALISATION AND OPERATIONALISATION OF INTERNAL MARKET ORIENTATION (IMO) AND MARKET ORIENTATION (MO)

## 4.0 Conceptualisation and Operationalisation of IMO

## 4.1 Introduction

Sasser and Arbeit (1976) tried to define internal marketing as part of the marketing philosophy where they considered the firm's jobs as internal products and employees as internal customers. The employee-employer relationship within the organizational setting was seen to impact the organization-customer exchange process, since both employees and employers must have to use marketing tools and techniques in the environment to enable the exchange mechanism to produce results in the form of value mutually (Greene, et al., 1994). This understanding culminated in the operationalization of internal marketing as internal market orientation (IMO) which serves as an antecedent to external marketing (MO) where managerial behaviours and activities become associated with how the employee-employer interface should be managed to impact external marketing.

The conceptualisation of IMO, which is the internal market sensing and responding activities based on the antecedents, lead to the understanding and meeting of the expressed and latent needs of employees in much the same way as commitment and response are required of employees to provide value for the company's customers (Gounaris, 2006). IMO is therefore meant to align and motivate employees with a firm's market objectives and to encourage them to perform better and to offer superb service, which invariably improves customer retention and enhances the success of the company (Lings and Greenley, 2010).

Katz (1964) saw very early that generally adopting a firm's strategic direction and feeding information into their day to day work behaviour creates adherence to employees and completion of formal job duties and he described this as in-role behaviour. In the same vein, Harris and Piercy (1999), Harris (2002) and Lings and Greenley (2005) recognized IMO to have positive consequences for employee's adherence to, and completion of, specific market oriented directives. Piercy (1995), however, considered that the organization's ability to create value for the customer requires balanced and sustainable strategic thinking of both the external and the internal company environments. Piercy et al. (2002) were doubtful as to whether market-oriented firm's employees' awareness and the critical understanding about the importance of the customer would yield any behaviour change and enhance performance and satisfaction at the customer's interface if not effectively managed.

Extant literature is replete with various researchers who consider the influence of employees' satisfaction with their working conditions and environment on customers' perceived quality and perceived value. For example, research in the banking sector (Yoon, et al., 2001), the restaurants and hotels sector (Hartline and Ferrell, 1996; Karatep, et al., 2004), as well as in the retail sector (Schneider, et al., 2005) has shown that greater levels of employees' job satisfaction actually lead to higher levels of customer perceived service quality.

The development of inward organisational programmes, focused managerial activities, structures, planning, control and reward systems, top management commitment to human capital development, as well as interfunctional dynamics must lead to enacting IMO, which will become a major determinant of MO success (Harris, 2002). Accordingly, the institution of understanding and use of these antecedents to IMO are major considerations for firms wishing to implement the internal marketing philosophy to encourage in-role and market-oriented behaviours within the workplace, (Jaworski and Kohli, 1993; Heskett, et. al., 1994).

Internal marketing philosophy adoption by a firm ensures that employees perform their in-role tasks and adopt market-oriented behaviours (Piercy, 1995). There has, however, not been any empirical evidence to support the above assertion, according to Conduit and Mavondo (2001); and this has been the challenge of this researcher to attempt to establish the relationship between IMO and employee satisfaction driven by appropriate in-role behaviours. The study of the above two researchers yielded the following results:

- IMO is antecedental to and mirrors the application of marketing externally;
- The practice of internal marketing motivates employees to meet their in-role requirements; and
- The scope of internal marketing is externally oriented because it complements and drives the company's overall marketing strategy regarding what customers to target

and what service promises to make given the company's employees' skills, competences, commitment and willingness to serve their customers.

Internal marketing scholars hold the view that satisfying service employees is integral and antecedental to delivering quality customer service. To operationalize the construct, Lings and Greenley (2005) therefore considered the exchanges between the organization and its employees that shape them to be in readiness to serve and service their customers as internal market orientation and reported a measurement scale for IMO that reflects external market orientation (MO), in line with Jaworski and Kohli (1993).

Lings and Greenley (2005) developed the measurement scale for IMO that covers five dimensions of managerial activities that have the potential to influence employee behaviours that will affect customers' perceptions of services that they receive (Hartline and Ferrell, 1996) as presented in Figure 4.1.

From Figure 4.1, the first three formats for information generation create a close physical proximity between the bank managers and the frontline. This close physical proximity enables conversations (both informal and formal) between the two and allows managers to quickly and effectively gather information based on the issues identified in the table that mirror employee needs and wants. For, example, the face-to-face formal interactions (Format 2) adds value to any more structured written formats of information generation through market research and any employee surveys (Johlke and Duhan, 2000). The fourth and fifth formats deal with how the generated information from the first three formats gets disseminated to the relevant functional departments of the firm to support their tactical planning and implementational drives leading to actions and activities that must yield outcomes, such as attitudinal changes in managers, attitudinal changes in staff, behaviour of the company towards staff, employee-in role behaviours and internal customer satisfaction, among others.

**Figure 4.1: Internal Market Oriented Behaviours**

**Internal Market Orientation**

| **Informal Information Generation (1)** | **Formal Information Generation** | **Information Dissemination (4)** | **Responsiveness (5)** |
|---|---|---|---|
| • Exchanges of value<br>• External employee market conditions<br>• Employee attitudes and values<br>• Individual factors | **Face to Face Formal Informal (2)**<br>• Exchanges of value generation<br>• External employee market conditions<br>• Employee attitudes and values<br><br>**Written (3)**<br>• Exchanges of value<br>• External employee market conditions<br>• Employee attitudes and values | • About the service offering<br>• About customers' wants and needs<br>• Product and service benefits and characteristics<br>• Corporate aims and strategy | • Jobs designed to meet the needs of employees<br>• Incentives<br>• Salaries<br>• Bonus schemes<br>• Management consideration<br>• Training<br>• Social elements |

Source: Lings and Greenley (2005)

This researcher argues that the internal business environment that allows such 'warm' conversations to occur will positively drive in-role behaviours of both managers and staff to aspire to realise organisational objectives (Fig. 4.1). Dabholkar and Abston (2008) consider internal marketing as a tool for encouraging and motivating customer contact employees to engage with the firm as internal customers, and Gounaris (2008) conceptualised IMO as a multidimensional hierarchical construct with empirical emphasis that confirmed Lings and Greenley's (2005) work.

Schlosser and McNaughton (2007) revealed that no company can develop a market orientation without each employee's active understanding, willingness and ability to engage in a market-oriented behaviour since a company's employees represent a significant internal market and to take care of the needs of this internal market therefore becomes an important prerequisite for the functioning of marketing (Payne et al., 1998). Managers are the primary link between employees and the company (Katz and Kahn, 1978), and effective management behaviours foster identification of employees with the organization. For the banks to better understand the nature of employees'/managers' behaviours and the impact of these behaviours on contact staff, it is critical for internal marketing to go beyond its embryonic and descriptive or prescriptive position to know how it impacts the customer (Varey, 1995).

### 4.2 Internal Marketing and the Banks

The integration of IMO and MO to affect performance in the banking sector in Ghana has been the focus of this study because both constructs have wide application in the services sector generally even though there has not been much empirical evidence to demonstrate this on the Ghanaian business landscape.

In the context of banking, Hartline and Ferrell (1996) and Schneider et al. (2005) asserted that, since the bank's employees are an essential determinant of their customers' perception of the value they get from the bank, adopting IMO allows the firm to implement the required internal marketing programmes and activities that improve and support the firm's ability and capability to deliver value for the employee, by which the value the firm offers to their customers also improves. It is therefore critically necessary to know and understand the role played by a firm's employees in attempting to establish an effective MO. This is because to do the contrary will lead to a great limitation to understanding and crafting suitable programmes for its development and implementation (Castro et al., 2005).

Farzad et al. (2008) examined the importance of internal marketing criteria and their influence on organisational commitment in the Iranian financial service arena, while Hung and Ling (2008) stated that an employee's perception in the managerial system of internal marketing has a positive impact on the organisational commitment of the Taiwan International Hotel Industry.

Similarly, Awwad and Agti (2011) found that internal marketing has indirect effects on market orientation, possibly through organisational commitment and organisational citizenship behaviour. The above named researchers further observed that banks in Jordan have different practices of internal marketing, such as company vision, training, internal communication and reward systems but do not implement these practices towards the goals of internal marketing, which could explain the existence of citizenship behaviours among the employees that might not result from the investment of the internal marketing programmes within the bank.

Awwad and Agti (2011) again found that internal marketing has a positive direct effect on organisational commitment: this finding tallies with previous studies by Caruana and Calleya (1998), Kyriazopoulos et al. (2007), Hung and Ling (2008) and Farzard et al. (2008). To them, provided that banks deliver effective training, implement a fair reward system, foster a positive interaction between employees within the bank and share the company vision among them, they would create more emotionally attached employees with their bank who would want to remain employed. Therefore, as reported by Ahmed et al. (2003), should commercial banks desire to ultimately provide a better service experience for their customers, it is recommended that more attention be directed toward enhancing organisational commitment among personnel with a focus on the effective criteria of internal marketing.

Waris (2005) argues that, for any bank to become more competitive, its managers have to transform their bank's marketing orientation into a learning environment; a position strongly supported by Awwad and Agti (2011) who conceded that managers need to develop their employees' competences even as they are recognized as internal marketers for the bank who should monitor and improve external customer satisfaction. This means that, if the bank should strive to increase commitment among employees, this action would release a positive impact on market orientation. To them, commercial banks should change and channel internal marketing as strategies and systems into the core concepts to meet employees' demands and the bank's goals by the intangible conversion effect and the conversion would make employees demonstrate their unflinching commitment so that they can express the attitude of organisational citizenship behaviours that are beneficial to the bank's operations and survival. They (ibid) observed that service managers, through training, could sharpen their skills in identifying employees' wants and needs and so develop jobs as solutions to these needs. A continuous learning experience would increase and improve the abilities of the manager to establish a set of values organisation-wide to create knowledge on how the bank can better create and deliver employee value. In addition, the re-engineering of service delivery processes, procedures and structures would enable the banks to meet their goals as well as employees' demands.

Schlessenger and Hesket (1991) argue that motivated employees lead to a "cycle of success", which results in the increased consciousness of employees' roles in customer satisfaction; the integration of employees into winning teams, and a concentration on quality as the core of a service. To these authors, managers of service firms like the bank must breakout of a "cycle of failure". This could be done when there is an effective management of tolerance of dissatisfaction among employees involved in high contact situations that could result in high levels of turnover that would consequently lead to reduction in service quality and long-term decline of the organisation.

Carlson (1987) of Scandinavian Airlines was said to be one of the first to recognize the importance of the interactive process between the contact persons of an organisation and its external customers. He described this situation as 'moments of truth' for the organisation. This interactive process is critical as it fosters the development of long-term relationships, which ensure customer retention and long-term success. This author reiterated an earlier point that the successful service company, like a bank, must first sell the job to its employees before it can sell its services to customers (Sasser and Arbeit, 1976). It is apparent that the key objective of internal marketing is to create a warm internal environment where customer consciousness must permeate behaviours and attitudes of company personnel. This is so because the satisfaction of internal customers is a key to the success of a service firm (Gremler et al., 1994). Rosenblunth and Peters (1992) also argued that the needs of external customers actually should come second to those of employees, since customer needs would only be successfully met after those of employees have been satisfactorily met; and this will increase the organisational commitment of employees, which is a consequence of internal marketing (Tansuhaj et al., 1991).

Schlosser and McNaughton (2007) asserted that to leave out the internal customer in attempting to understand market orientation literature creates a very big gap. As a result, they tried to close this gap by obtaining and measuring the views of internal employee stakeholders at different levels and positions of the organisation. It is imperative to consider and understand the market-oriented behaviours of all employees since access to market information will definitely increase employee understanding of the 'big picture' that creates opportunities for a more effective coordinated strategic responsibility. According to Fisk et al. (1993), services marketing established itself around the middle of the 1980s as an important area of marketing and this has brought to the fore the importance of internal customers. Caruana and Calleya (1998), attesting to the inseparability nature of services considered the contact persons as crucial in the formulation of the product that the customer finally receives. More so, making promises about a product must be kept and it is only employees of service firms who can do so.

To support the above position, Gummesson (2008) reiterated that market orientation alone does not suffice to be the foundation for the marketing philosophy as it renders its implementation only partially. Additionally, the measurement of market orientation as the foundation has failed to yield any meaningful results because it focuses only on the needs of the 'customer' to qualify as the 'foundation credo' of the marketing philosophy. To him, it is imperative to secure the interest of other parties such as the firm's employees. As employees of a firm share the value of market-related internal communication openly, such an activity allows customer and market-related information exchange between different organisational functions to improve the firm's responsiveness to the needs of customers, (Homburg and Pflesser, 2000); and the shaping up of the structures, culture, processes and metrices of a firm will bolster the firm's ability and capability to implement the marketing philosophy (Shah et al., (2006).

Paulin et al. (2006) agreed that when workplace values produce norms and behaviours that are intrinsically motivating and supportive of the employees, they influence the employees' willingness to serve the customer effectively. In the same vein, Simberova (2007) concluded that developing and offering value for the employee is critical to the broadened perspective of the marketing philosophy, where the broadened import of the marketing philosophy must comprise:

- IMO, which focuses on the value the firm generates for the employee; and
- MO, which focuses on the value the firm generates for the customer.

This second-order construct, which is the alignment of the IMO with MO, becomes the broadened view or 'balanced centricity' that translates the marketing philosophy into the delivery of superior value for both customers and employees simultaneously.

Again, Piercy et al. (2002) and Jaworski and Kohli (1993) demonstrated that there is strong evidence to support the relationship between MO and employee in-role attitudes and behaviours. Interestingly, it is still unclear what the strength of the association is even though these researchers testified to the fact that MO has positive consequences for employee behaviour such as job satisfaction and company commitment. Rafiq and Ahmed (1993; 2003) contended that the exact nature of the relationship between employee motivation and customer satisfaction, although explored for over two decades, remains contentious. Piercy et al. (2002) stated that any audit of the interrelationship between the firm's strategies and programmes for MO have become a critical area for research even though conducted only occasionally.

## 4.3 Justification for Using the Lings and Greenley (2005) IMO Scale

Even though several measuring scales of internal marketing have been developed (Foreman and Money, 1996; Conduit and Mavondo, 2001; Lings and Greenley, 2005; 2010; Jou et al., 2008), the researcher decided to adopt the Lings and Greenely (2005) framework because:

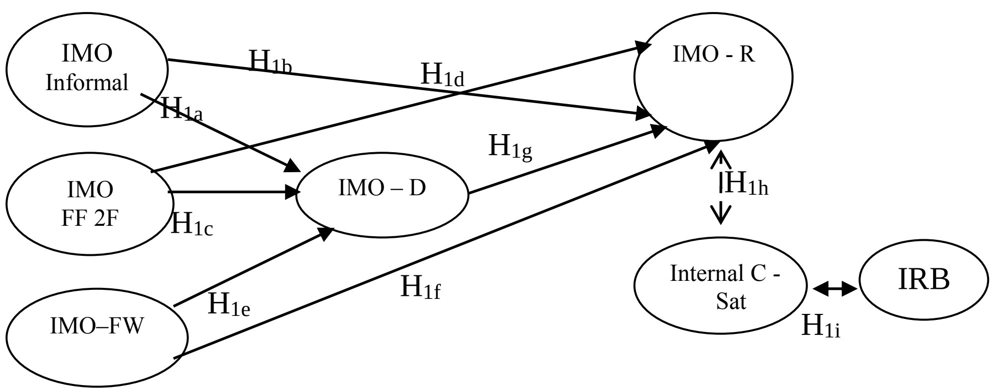
1. The interfactor correlations among the factors in the scale indicate that the scale factors discriminate between the dimensions of IMO that they represent (Anderson and Gerbing, 1988; Fornell and Larcker, 1981);
2. There is internal consistency of the construct indicators, showing that the scale items do measure the latent constructs they are supposed to measure (Hair et al., 1998);
3. Using two validating scales (attitude of managers to IMO and IMO behaviours of the organisations) provides evidence of convergent validity, suggesting that the IMO scale does truly measure IMO (Fornell and Larcker, 1981; Lings and Greenley, 2005); and
4. The IMO scale has been tested to perform nomologically (Childers, 1986; Schwab, 1980; Carmines and Zeller, 1979) by investigating some consequences of IMO such

as internal customer satisfaction, staff attitudes, complaints and staff-in-role behaviours (Rafiq and Ahmed, 2000) since what is required is that "one should be able to state several theoretically derived hypotheses involving a particular construct" (Carmines and Zeller, 1979).

## 4.4 Conceptual Framework

This researcher therefore considers it imperative that the complete lack of any previous empirical research on the joint impact of IMO/MO in Ghana demands a conscious and deliberate effort towards the adaptation and use of appropriate matrices to assess the banks' degree of IMO (Gounaris, 2008), and how this drives MO to impact performance in the formal Ghanaian banks. This area has become one of deeper interest to marketing academic, policy makers and management, (Kaur et al. 2009). Lings and Greenley (2005) developed the network (Fig. 4.2) to illustrate the interrelationships among the five managerial activities likely to influence employee behaviours.

**Figure 4.2: Internal Market Orientation**




Source: Researcher's Adapted Model of IMO (Lings and Greenley, 2005)

**NOTES**

| | | |
|---|---|---|
| IMO - Informal: | - | Internal market informal information generation |
| IMO - FF2F: | - | Internal market face-to-face information generation |
| IMO - FW: | - | Internal market formal written information generation |
| IMO - D: | - | Internal market information dissemination |
| IMO - R: | - | Response to internal market information |
| IMO – C - Sat: | - | Internal market customer satisfaction |
| IRB | - | Employee in-role behaviour |

This network of Fig. 4.2 is based on the formats in Figure 4.1. To explain the network, the dimension IMO informal node is linked to the IMO –D node through the pathway H1a and to the IMO-R node through the pathway H1b. Again, the first three formats (nodes IMO-informal; IMO-formal face-to-face; IMO formal written) are linked to IMO-D through to IMO-R through the pathways $H_{1a}$, $H_{1b}$, $H_{1c}$, $H_{1d}$, $H_{1e}$, $H_{1f}$, and $H_{1g}$. Finally, the IMO-R node is linked to the internal C-Sat node through the reversible pathway $H_{1h}$. The internal C-sat node links the IRB node in a reversible manner through pathway $H_{1i}$. The aim of the researcher is to try to test empirically any associated linkages between the dimensions connected by the respective pathways, to explain how information generated about employee needs and wants are shared and used interfunctionality to enact IMO and its consequences. Figure 4.2 shows the five managerial activities associated with IMO (Lings and Greenley, 2005).

**Arguments in Support of Hypotheses $H1_a$ and $H1_b$**

Johlke and Duhan (2000) cited in Tortosa et al. (2009) report that a two-way communication between managers and staff of the bank, whether formal or information is highly valued as this will engage the attention of managers to give consideration and support to staff requirements and characteristics that should influence staff as they perform their roles.

Again, a two-way direct communication, whether formal or informal between managers and staff of the bank invites a positive reciprocal response from staff, because they are recognised, trusted and appreciated. This would deepen staff in-role behaviour, make staff more committed to role performance and drive to refinement and improvement in service delivery (Aryee et al., 2002, cited in Tortosa, et al. 2009).

Singh (2003) cited in Kaur et al. (2009), opined that information sharing helps managers in the banks to better understand the attitudes and behaviours of employees. De Farias (2010), cited in Mainardes and Cerqueira (2016) intimated that service providing organisations, such as banks, require excellence in services as a goal, and this is related to the performance of employees. This researcher argues that excellent service performance of the employee highly depends on how well the manager knows the employee, how well the manager and the employee share information (formally and informally) and how such shared information would be used to determine what roles are to be given to the employee to perform.

Again, Abzari et al. (2011), cited in Mainardes and Cerqueira (2016), intimated that employees are the main organisational actors and internal marketing is a tool that proposes actions to educate, inform, reward and manage such human capital so as to increase the level of service delivery. For them to become committed to organisational success they must be motivated to show feelings of satisfaction in the roles they perform. As Abzari and Ghajali (2011) reported, internal marketing activities stimulate central employee behaviours related to their core activity, as well as encourage the improvement and practice of additional behaviours such as citizenship (Shekary et al., 2012).

This researcher thinks that the effective performance of the five activities would grant employees some level of satisfaction, which will energize and motivate them to accept external customer needs, expressed in information flow, as their own to become committed to providing value to them. As stated by Lings and Greenley (2005), companies that employ IMO are interested in the views of their employees and the more appropriate information that is generated and understood about employees' needs and wants, the better the organisation is at communicating this information to the right decision makers to respond to such identified needs and wants. Arnolds and Boshoff (2002) reiterated that the communication of the right information about employees can bolster the employee-employer exchange relationship for success. According to Lings and Greenley (2010), IMO should involve endorsement and application in the organisation's operational schemes to develop successful responses to the internal market through information generated by informal/formal interactions between managers and their subordinates. Such interactions require that supervisors and managers talk to, and listen to the problems that their employees face on a day-to-day basis, and identify their wants and needs within their roles and from their employment. This information is communicated throughout the company hierarchy in order for appropriate responses to be designed and implemented. The IMO framework within the organisation must influence managers to be able to communicate employees' wants and needs freely to those who can influence their work conditions and job specifications such that these messages are received and acted upon.

The above would depend highly on commitment to and motivation of interactive internal communication between management and employees. One way of this communication to happen pertains to the willingness of the managers to listen to the problems subordinates face in their day-to-day activities and tasks; for example, using one-on-one informal meetings with subodinates.

From the review of the extant literature, the following hypotheses are formulated:-

$H_{1a}$: Appropriate informal internal market information generation by the bank will positively impact the bank's response to employee needs.

$H_{1b}$: Appropriate informal internal market information generation by the bank will positively impact the level of internal information dissemination through the bank.

**Arguments in Support of Hypotheses $H1_c$ and $H1_d$**

This researcher argues that the inter and ultra-functional face-to-face interaction and communication among the upper, middle and lower level employees and their supervisors will increase internal information dissemination throughout the bank.

Hurley (1998), cited in Omar Salem (2013) indicated that good communication and response from upper, middle and lower level employees need a higher level of interaction of IMO facilities and their rapid acceptance based on organisational command and direction.

Lings (2004) and Gounaris (2008), cited in Omar Salem (2013) reiterated that internal response comprises the proceedings taken in reaction to the needs of the employees and consists of designing jobs to meet the needs of the employees; adjusting the compensation schemes appropriately; making the company's management more understanding and considerate of the employees' wants; and offering them the needed training in order to develop the skills and capabilities that their job description requires.

Again, Omar Salem (2013) indicated a positive relationship between internal response and employee job satisfaction. As response could lead to suggestions for an appropriate job design, Berry and Parasuraman (1991) argued that an employee's internal response can be a critical factor for evaluating the employee's job satisfaction. By taking feedback from the employee, management will be aware of the employee's expectations from the management in terms of employee growth and recognition (Omar Salem, 2013). It involves actions taken in response to the needs of the employees and consists of designing jobs to meet employee needs, adjusting the remuneration schemes and making the company's management more considerate with regard to the employees' needs (Gounaris, 2008) cited in Omar Salem (2013). This evidence is in line with the position of Strauss and Schnize (1990) who indicated that understanding the information about the internal exchange will allow management to make the formation of appropriate responses to the internal market and so make internal products (such as jobs) more glamorous and attractive to potential and existing employees than competitors' jobs.

The need to generate information about the internal market has long been identified by researchers (Johlke and Duhan, 2000), and the need for managers to generate information about the things of value that are exchanged in the internal market is well documented (de Charnatony and Harris, 2001 cited in Lings and Greenley, 2005). According to the IMO model of Lings and Greenley (2005), modes of information generation, as captured by the first three activities involve interactions between managers and front-line staff. Information generated must be communicated for dissemination to occur, and this becomes a critical pre-requite to aligning employees' attitudes and behaviours with the organisation's goals (Boswell and Boudreau, 2001; Guest and Conway, 2002), and internal communication is key in this process (Gronroos, 1990). The internal environment of the company provides a close proximity, whether physical or otherwise, between managers and employees and this enhances opportunities for such communication, and so providing the avenue to gather pertinent information about wants and needs of employees for dissemination to the right people in the organisation at the right time.

Smidts, et. al. (2001) indicated that the process of internal communication of requisite employees' information is important in fostering organisational identification; and in the context of IMO, this process is critical as the close proximity of staff and their managers means that bi-directional communication forms an important part of work-place behaviour (Johlke and Duhan, 2000) and proper internal alignment. This internal alignment, argues this researcher, would provide cohesion and camaraderie (comradeship) among employees and, within the right workplace environment, the needed energy to identify with their company and its goals.

Accordingly, the hypotheses formulated are:-

$H_{1c}$: Appropriate formal face-to-face internal market information generation by the bank will positively impact its responsiveness to employees needs.

$H_{1d}$: Appropriate formal face-to-face internal market information generation by a bank will positively impact the level of internal information that will be disseminated through the bank.

**Arguments in Support of Hypotheses $H1_e$-$H1_f$**

Lings (2004), cited in Gounaris et al. (2010), identified internal market intelligence collection to relate with activities based on intelligence regarding the employee market, which involves the identification of exchanges of value for the employees; the understanding of the labour market conditions; the recognition of specific internal employee segments with different characteristics and needs; and designing of strategies for internal customers.

Dissemination of this intelligence relates to the communication between, on the one hand, managers and employees and, on the other, between managers from different departments and hierarchical levels. According to Lings (2004), the purpose of this communication is two-fold. The first is to communicate new marketing strategies and firm strategic objectives to employees. This type of communication flows through internal mass media, such as newsletters and memos. The second objective is to build an understanding of the employees' needs between the company's managers.

Finally, responsiveness to this intelligence involves the designing of jobs that meet the needs of the employees, adjusting the remuneration packages accordingly, making the firm's management more considerate with regard to the employees needs and giving them the necessary training in order to bridge any skills and capability gaps that employee job descriptions require.

According to Cotton et al. (1988), cited in Gounaris, et. al. (2010), participative management that involves decision making managers and employees, emboldens and stimulates decisions in which they have participated since they derive psychological value by being part of the decision making process (Sashken, 1984), particularly for those decisions that impact their own jobs.

Again, participative management helps to improve the nature and the realism of the tasks management expects him/her to do. Moreso, it facilitates the alignment of the firm's internal objectives with the external objectives (Gounaris, 2010). Therefore, the generation and dissemination of formal information within the bank will enhance the degree of responsiveness hence the degree of IMO adoption, since an internal-market oriented bank will be more committed to participative management in designing and implementing internal market programmes. This reaffirms the findings of Hartline and Ferrell (1996) that empowering self-efficacy (as discretion and self-efficacy levels increase), employees will decide on their own the best ways to perform a task, (Gist and Mitchell, 1992, cited in Gournaris et al., 2010).

Internal market strategies demand an increase in the company's degree of orientation towards its internal market. This means that there must be a deliberate and committed effort to understand the dimensions of value the employees expect from their employment, and to know the dynamics and conditions of the labour market. Knowledge of employment rates, new job opportunities that could attract the bank's employees, and how direct competitors handle their workforce, are important for understanding the system of employees' needs and interpreting their value expectations.

Another way involves the information employees receive from their managers regarding the company's objectives, new policies and so on. Another way is how this interactive communication involves the sharing of the problems employees face at higher levels of seniority. This allows a wider understanding of employees' values and of the challenges in producing the values the employees expect. As a result, solutions to employees' problems can go beyond departmental borders, and managers other than an employee's direct supervisor may contribute in developing this value.

The fifth dimension of IMO, according to Lings and Greenley (2005), is about how information about employees is used in formulating job products that would meet their needs and wants. Marketing literature is replete with how IMO information is used in creating appropriate job-products, meeting employee needs and thus satisfying and motivating them (Sasser and Arbeit, 1976; Stauss and Schultze, 1990; Berry and Parasuraman, 1991). Sasser and Arbeit (1976) saw very early that internal employee responses come in the form of exchanges for time, energy and values for the firm's money; while in the external market, customers exchange cash for products/services. They concluded by saying that, by augmenting internal product offerings (jobs) with things such as flexible working hours, good salaries and other benefits and a warm working environment, managers can facilitate internal exchange. Accordingly, Tansuhaj et al. (1987) added that less tangible, social benefits facilitate internal exchange as much as status, recognition for good work, and sense of commitment and accomplishment are critical (Huseman and Hatfield, 1990).

A useful insight into responding to internal market information has been provided by equity theory. Adams (1963) suggests that employees evaluate their jobs by comparing what they put into their work (inputs) with what they get out of it (output). As a result, employees measure their satisfaction levels at work based on what they get out of their jobs, and when satisfaction is low with a particular output, managers must be sensitive to environmental changes so as to redesign jobs to improve such outputs and change perceptions about them.

Finally, the company has to develop specific personnel related behaviours with the aim to exploit internal-market intelligence in order to deliver value for the employees.These behaviours include internal-market segmentation; internal market segments targeting; adjusting job descriptions; training; adjusting remuneration and bonuses; and showing management concern for the company's employees. This means that the firm's competitiveness increases, because becoming more internal-market oriented facilitates the implementation of IM strategies, which, in turn, results in more proactive and satisfactory service-encounters for its customers.

The researcher formulated the following hypotheses:-

$H_{1e}$: Appropriate formal written internal market information generation by the bank to its employees positively impacts responsiveness to employees' needs.

$H_{1f}$: Appropriate formal written internal information generation by the bank to its employees will positively impact the level of internal information dissemination through the bank.

### 4.4.1 Conceptualisation and Operationalisation of Market Orientation (MO)

Payne (1988) reported that the 1980s called into question the thinking about marketing among marketing scholars who touted the marketing concept to begin to wonder whether the marketing concept was the optimal marketing philosophy after all (Houston, 1986, cited in Ellis, 2005). Seminal presentations by Kholi and Jaworski (1990) and Narver and Slater (1990) actually laid down the conceptual foundations for subsequent MO research (Harris and Ogbonna, 2001). The marketing concept became conceptualised and operationalised more appropriately as MO, which has been captured as the organisation-wide generation of market intelligence relevant to current and future customer needs, and the dissemination of this intelligence across departments and the organisation-wide responsiveness to it with senior managers demonstrating their commitment (Kholi and Jaworski 1993; Raaij and Stoelhorst, 2008). The operationalisation emphasises a corporate-wide philosophy as it goes beyond the marketing mix and demonstrates a measurable outward orientation towards markets (Homburg and Pflesser, 2000).

Kholi, et. al. (1993) developed the MARKOR SCALE as the measurement scale for MO, which has three dimensions:

- Intelligence generation: This represents the firm's capability of collecting and systematically analysing market information on customers' present and future needs, on competitors, technology, legal regulations and other related environmental factors.
- Intelligence dissemination: This refers to the inter-departmental communication and sharing of the relevant information generated about/on the markets.
- Responsiveness: This includes the actions taken in response to the intelligence that has been generated about selected target markets, and shared to relevant functional units for designing and tailoring products/services that cater for the current and anticipated needs, distributing and promoting such products/services in a way that delivers superior customer value and satisfaction.

Market orientation as conceptualized by Kohli and Jaworski (1990) and later Kohli et al. (1993) demonstrates the interaction between intelligence generation, dissemination and responsiveness where intelligence gathering implies gathering information about customers, competitors and the marketing environment (Schalk and Gudlanugsson, 2008).

Accordingly, functional connectedness through effective communication of relevant information both informal and formal through appropriate channels must strengthen interdepartmental dynamics, which must be well managed to reduce interdepartmental conflict. Such interdepartmental activities and employee orientation through appropriate customer information sharing can result in the right interventions to create superior value for customers. Non-arguably, Kohli et al. (1993), cited in Raaij and Stoelhorst (2008), suggested a measurement instrument, MARKOR that can be used for an initial diagnosis of the current degree of market orientation of the company and for post-intervention measurements of the degree, to which MO has been improved.

The MARKOR Scale, developed by Kholi, et al. (1993) has gained a wide acceptance as one of two scales typically used by marketing scholars as a valid and useful metric that captures a firm's market orientation (Darroch and McNaughton, 2004, cited in Alhakimi and Baharun, 2010). With regard to the adoption of MARKOR by this researcher, it is thought that an open attitude towards transmitting and receiving of information along with good thought integration was said to support information sharing (Nakata, 2002). Responsiveness on the part of the organisation gathering intelligence only occurs when there is a formalized process for sharing business intelligence and this system is efficient and effective. If management emphasised information sharing, making each department an internal customer to other departments, and if the organisation's reward system provides incentives for intelligence sharing, the right thing is hoped to be done at the right time at the right place and by the right employee to attend to the targeted customer's needs. This arrangement in turn will create mutual benefits for both the organisation and its customers.

The above position establishes the fact that intelligence can only be gathered from and about the customer by the internal organisational systems, and shared to relevant functions to work upon before external customer needs can be addressed. Accepting that internal customers are in their right "frames of mind" to appreciate information about the customer and are able to turn such information into the right products/services based on how proactive management is, and how conducive the work environment is will determine the level of value to be created for both employees and external customers. This is the point at which the organisation is said to be performing well because customers both internally and externally express satisfaction at what they do, how they do it, and how these activities positively impact external customer needs, wants and desires.

According to Al-Shirawi (2012), the Kholi et al.'s (1993) conceptualisation of MO fostered the operationalisation of the constructs as it focused on organizational behaviour rather than the construct (Harris, 1996). The model fits into the researcher's objectives of attempting to determine the causal relationship between IMO and MO and what impact the alignment of IMO with MO would have on bank performance (internal/external customer satisfaction). It will be appreciated that there are some enablers of the processes by which the banks will create market knowledge before converting them into customer value. These are mediating factors. For example, Table 4.2 shows how the bank manager's commitment to fostering interdepartmental connectedness through employee and customer information generation and flow aided by the appropriate environmental support such as ICT and management information system, can result in the appropriate responsiveness. Within the framework, Hadcroft and Jarrat (2007) intimated that businesses must have to tune their organisational and evaluation systems, improve their interdepartmental connectedness and secure top management commitment towards the achievement of customer satisfaction.

For this to be accomplished, this researcher argues, it cannot be done to the disadvantage of the internal customer and their well-being. As opined by Al-Shirawi (2012), in order to facilitate this process, behavioural and cultural change may be required with shared values and norms that consider internal/external customer satisfaction as the outcomes.

### 4.5 Market Orientation (Conceptual and Empirical Concerns)

Pelham (1993) conducted a pilot study of 51 company presidents and sales managers using both MKTOR and MARKOR. The findings showed that Narver and Slater's MKTOR achieved greater reliability than Jaworski and Kholi's MARKOR.

MKTOR was seen to have achieved a simple structure in factor analysis, while the dimensions of MARKOR did not achieve a simple structure for the proposed four factors, or even for two factors. Indeed only one of the MARKOR measures achieved an item correlation above 0.60 with a total Cronbach’s alpha score (A) for their measure of market orientation of 0.70.

Pelham (1993) therefore argues that Kholi and Jaworski may have presented a conceptualisation of market orientation that is too narrow, arguing that “understanding the customers” needs and responsiveness to those needs requires more than information analysis and decision making based on that information. Again, according to Pelham (1993), “even if this market information is adequately disseminated throughout the organisation, it does not ensure a firm-wide understanding of customers and firm wide orientation behaviours (p. 21). He argues therefore that a more appropriate and rigorous operationlisation of market orientation should include measures relevant to customer understanding and how firms provide total value to customers, as opposed to merely measuring information gathering and dissemination.

Gabel (1994), in using Churchill’s (1979) paradigm for scale development, critiqued the MARKOR scale on the following grounds: (i) that the domain specification of market orientation is based on ambiguous and inconsistent past conceptualisation of both itself and the marketing concept; (ii) that the generation of scale items, data collection, measurement purification and data collection failed to include the perceptions of customers and channel partners; (iii) that reliability is questionable in that MARKOR lacks both strong validity and intersubjective certification; and (iv) that discriminant and face validity are lacking, because Jaworski and Kholi (1993) did not provide evidence of reliability and validity of the market orientation measure other than reporting levels of Cronbach’s alpha.

Nevertheless, the Narver and Slater (1990) scale did provide some evidence of convergent, discriminant and concurrent validity for their MKTOR scale. Deng and Dart’s (1994) synthesis of the Kholi and Jaworski (1990) and the Narver and Slater (1990) measurement scale was assessed for reliability using the Cronbach’s alpha, while construct validity was assessed using simple correlation analysis. But, according to Steenkamp and Von Trip (1991), assessing construct validity of a construct using just the Cronbach’s alpha and bivariate correlations is far less powerful than employing a confirmatory factor analysis approach.

Siguaw and Diamantopoulos (1994) assessed the dimensionality of the original 21-item MKTOR scale developed by Narver and Slater (1990) using exploratory factor analysis. The results led to the extraction of five factors, with the first accounting for more variances (30.8%) than the remaining factors together, and loading on variables reflecting customer orientation, some items reflecting competitor orientation and some items reflecting inter-functional coordination. Again, two of the interfunctional coordination items were cross-loaded on a factor that reflects competitor orientation and includes two of the four items reflecting competitor orientation. Factors 3 and 4 respectively reflect long term profit orientation and short term profit orientation, which factors load on two items of the interfunctional coordination scale; one of which loads similarly on two other factors. The conclusion drawn by Siguaw and Diamantopoulos (1994) was that "veracity of the scale was very questionable" (pp. 150-151).

However, Kholi et al. (1993) critiqued the MKTOR measure on the grounds that it

(i) adopts a focused view of markets by emphasizing customers and competitors as compared to a view that focuses on these two stakeholders and additional factors as drivers of customer needs and expectations (for example, technology and regulations);
(ii) does not tap the speed with which market intelligence is generated and disseminated within the organisation; and
(iii) includes a number of items that do not tap specific activities and behaviours that represent a market orientation (p. 467).

Kholi et al. (1993), in trying to assess the unidimensionality for the MARKOR scale originally with 32 items that were reduced to 20 items for measuring the development of business culture using a confirmatory factor analysis (CFA) approach, found these scale to be "moderately supportive of the validity of the market orientation construct".

Again, Oezkowski and Farrell (1996), in examining the MKTOR and MARKOR scales to determine unidimensionality and within-method convergent validity within the Australian business environment with substantial item reduction (for MKTOR – 14 items, MARKOR – 20 items), obtained an acceptable fit only when several items were deleted but maintained that both measures were problematic. These authors agreed with Kholi et al. (1993) that future assessments of these market orientation measurement scales should include both customers and suppliers and other key players within the firm's environment.

In addition to this, the researcher attempts to capture some of the various conceptual, operational and implementational approaches to market orientation that have evolved (Raaij and Stoelhorst, 2008). As reported by Raaij and Stoelhorst (2008), there is an implied overlap between the implementational approaches and these must be considered by managers attempting to employ any one of the approaches. Some implementational approaches have therefore been reported as set forth in the following sub-sectors.

### 4.5.1 The Information Processing Approach

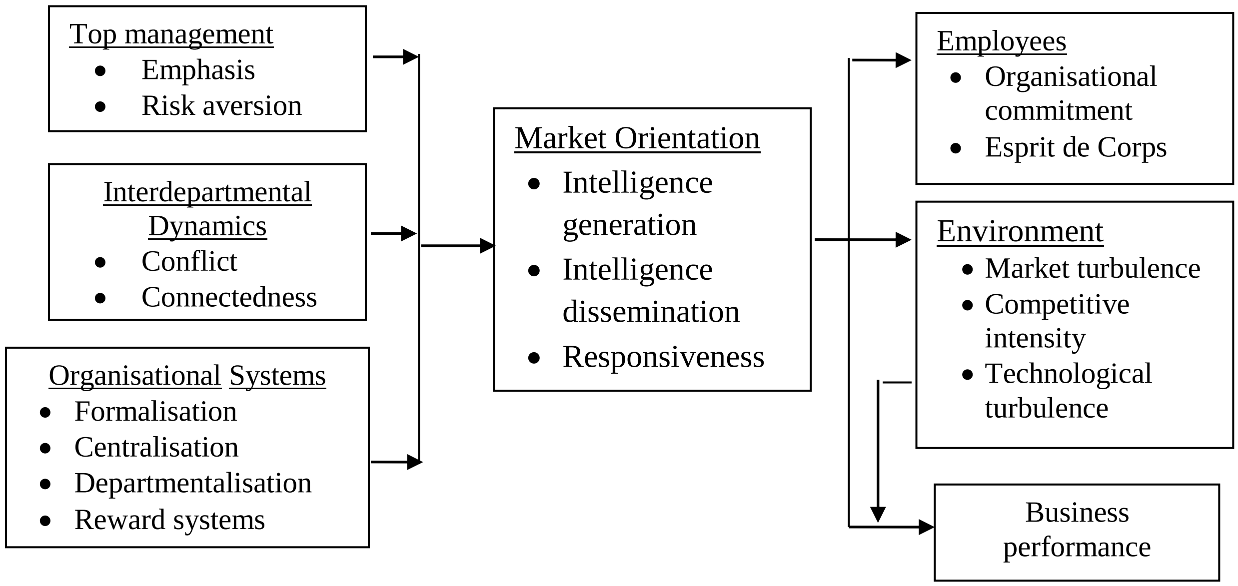
Kholi and Jaworski (1993) underscored the generation of organisation-wide market information in terms of current and future customer needs and the generated information to be shared across departments to enable organisation-wide response to identified customer needs (Raaij and Stoelhorst, 2008). The managerial implications accordingly would entail two sets of activities – response design, (using the acquired information) to craft plans and action programmes that would deliver value to the customer) after intelligence about the market has been generated and disseminated to the appropriate players in the organisation. In order for this to succeed some precursors identified (as antecedents) by Kholi and Jaworski (1990) include top management commitment, interdepartmental dynamics, and organizational systems and structure, which are under the control of senior managers and must be employed to shape managerial interventions that will translate into market orientation (Al-Shirawi, 2012; Raaij and Stoelhorst, 2008).

Intelligence generation and dissemination must start from senior management establishing and sustaining a market-oriented organization, where top management must rather be seen to show commitment to market orientation as they communicate such intelligence through to their junior employees and gatekeepers. Junior managers must be resourced to use such information to develop skills that would drive positive employee in-role behaviours that would demonstrate commitment to the needs of customers. There should be interdepartmental connectedness engendered by a seamless flow of the requisite customer intelligence to enable a holistic responsiveness in terms of value creation and delivery to both internal staff (managers and employees) and customers with the aim of reducing interdepartmental conflict. Finally, the organisational structure should be networked in such a way that systems and processes enable quick and easy information flow, backed by market-based reward systems that would facilitate the implementation of market orientation (Kholi et al., 1993).

Attempts were made by Kholi et al. (1990; 1993) to measure a firm's level of market orientation using a set of activities to drive behaviour relating to market intelligence, market intelligence dissemination cross-functionally within a firm and the action responses based on this intelligence (Despande, 1999). Although the MARKOR scale does not specifically mention customer orientation, inherent in it is a massive set of questions that measure the concept of customer orientation (Kumar, Stern and Anderson, 1993).

This position establishes the fact that intelligence can only be gathered from and about the customer by the internal organisational systems and shared to relevant functions to work upon before external customer needs can properly be addressed.

**Figure 4.3: Conceptual Model of MO Showing Antecedents and Consequences**




Source: Jaworski and Kholi (1993) and adapted by Al-Shirawi (2012) and adopted by researcher

Jaworski and Kholi (1993) proposed a more involving conceptual framework, as presented in Figure 4.3, which was supported by their empirical study findings because of the sample size they employed. This framework in Figure 4.3 provides a snapshot of the model of MO, its antecedents and consequences. The figure shows how the managers' commitment to interdepartmental connectedness through employee and customer information generation and dissemination, aided by the appropriate environmental support, e.g. ICT, can result in the appropriate responsiveness. This model fits into this researcher's aim of determining how IMO and MO, jointly implemented, can affect bank operations for any subsequent outcomes as a result of the joint impact.

Kholi et al. (1993) suggested a measurement instrument, MARKOR, that can be used for an initial diagnosis of the current degree of market orientation in an organisation and for post-intervention measures of the degree to which MO has been improved (cited in Raaij and Stoelhorst, 2008).

Akin to Kholi and Jaworski's behavioural conceptualization of MO, Harris and others focused on the role of cultural change as far as the implementation of market orientation is concerned (Harris, 1998; Harris and Ogbonna, 1999). After more complementary empirical work, they recognised management as a critical factor in the implementation of MO (Harris, 2002a; Harris and Ogbonna, 2001a). These authors found vertical communication as positively impacting market orientation rather than conflict, formalised and political behaviour (Raaij and Stoelhorst, 2008). Again, Harris (2002b), after empirical studies, established that executives, managers and employees can intentionally sabotage market-oriented cultural change using, for example, lip-service, non-commitment and direct conflict. As a result, participative and supportive leadership styles should be encouraged in establishing market oriented organisational behaviour (Raaij and Stoelhorst, 2008). To help managers find their bearings as to how to implement market orientation is to distinguish between the 'where', the 'what' and the 'how'.

Accordingly, managerial impact about where to take corrective action should address the implementation of relevant literature in terms of how different aspects of a market orientation relate to each other in determining the firm's performance. This actually looks at the critical aspect of MO that affect company performance – for example, recognition of the value of the customer and market knowledge. The implementation will focus on the application of the enablers of market orientation, which include the processes policies and people (ICT systems and marketing knowledge) that are critical to gathering, disseminating and using the appropriate responses to create customer value.

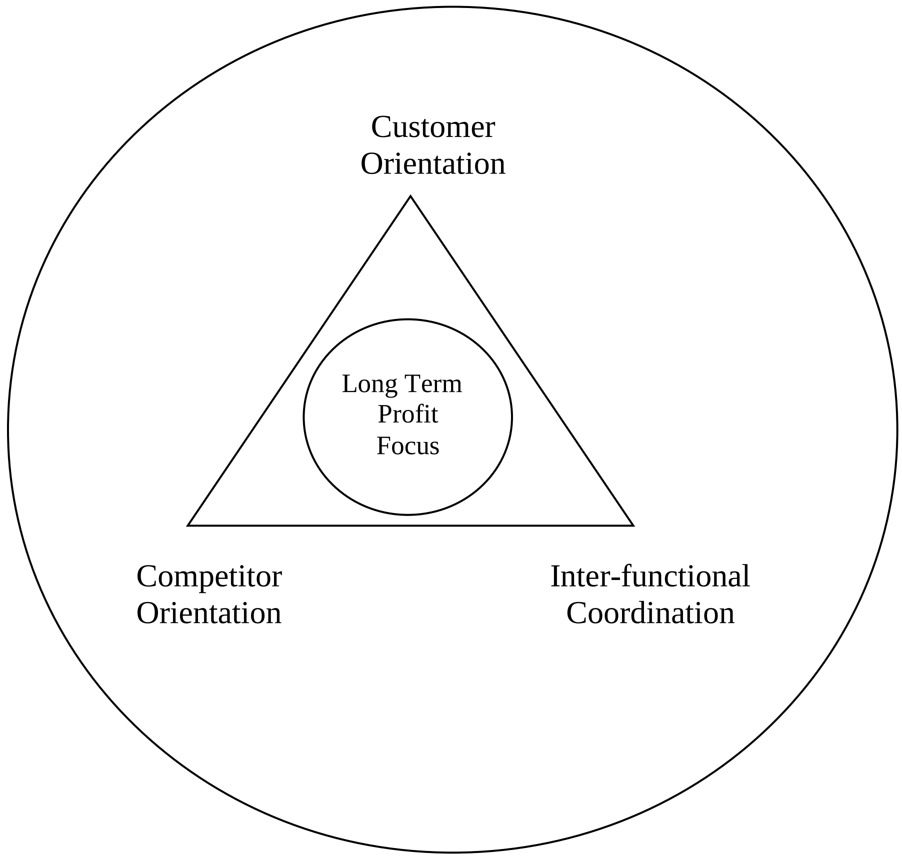
Finally, managerial impact as to how to implement MO should be addressed to show how literature on the construct has discussed intervention strategies that can be employed in managing and sustaining MO after it has been implemented. This calls for a good organisational structure for effective information flow, business process re-engineering, ICT support systems, reward systems and good and competent management and leadership to drive effective behavioural norms and values (Raaij and Stoelhorst, 2008; Gebhardt et al., 2006).

### 4.5.2 The Culture Change and Cultural Transformation Approaches

Narver and Slater (1990) and Narver et al. (1998) assert that marketing scholars have agreed that MO implementation is a culture in which managers and employees learn the process of customer value creation and delivery. To achieve superior value for customers, employees must embrace the "a priori education" or programmatic approach and the "experiential learning" or market-back approach. While the "a priori education" approach merely prepares employees for hands-on problem solving, the experiential learning is meant to realise a culture change because of its market-back approach, which is a results-driven, continuous improvement process. The "a priori education" approach adopted by organisations lead to business failure because of its short-sightedness. To Narver et al. (1998), market orientation requires a level of commitment from the whole organisation to persistently and continuously create and deliver superior value for customers. To these authors, the creation of MO is a direct function of how the organisation's members learn to create, maintain and instil customer value. To gain the knowledge that would underpin superior customer value creation and delivery means there must be a learning to gain the requisite knowledge and insight about the market in which the organisation is operating. Application of this knowledge in the market by employees will facilitate behavioural change leading to performance improvement (Slater and Narver, 1995).

According to Al-Shirawi (2012), the learning loops are critical for the attainment of a cultural change that are based on teaching and training employees in the organisation the different principles to achieve the required level of understanding of the nature and importance of MO, including the processes and skills necessary to create superior value for customers. The market-back approach is a learning strategy that uses the experiential approach to prepare employees, and equip them with market knowledge derived from and about customers and competitors, which should be used by different functional areas of the organisation in a well-coordinated manner to deliver the desired level of customer value. Narver and Slater (1990; Narver et al., 1998) claim that MO is a one-dimensional construct with three closely interrelated behavioural components: customer orientation, competitor orientation and inter-functional co-ordination. These three pillars constitute the tripod of Narver and Slater' (1990) conceptual model, driven by two decision making criteria, which are long term focus and profitability.

**Figure 4.4: Narver and Slater's Conceptual Model**




Source Narver and Slater (1990, p. 23) and adapted from Al-Shirawi (2012) by researcher

In understanding the operationalisaiton of the tripod (Figure 4.4), according to Day and Wensley (1988), cited in Njeru (2013), customer orientation is concerned with the organisation's sufficient and deep understanding of target customers in terms of their needs in order to be able to create superior value for them continually and consistently. It requires that the banks must understand the entire value chain of their customers (Day and Wensley, 1988).

Competitor orientation emphasises the understanding of the strengths and the weaknesses of existing and potential competitors of the banks and, at the same time, monitoring competitor behaviours in order to meet the latent and potential needs of target customers (Narver and Slater, 1990; Narver et al., 1998). Shin (2012) suggests that, with a better understanding of current and potential competitors, an organisation can better assess its position, develop appropriate strategies and respond quickly to competitor's actions with prompt and precise actions in the short term and at the same time modify marketing process and programmes in the long-term.

Njeru (2013) intimates that the ability of an organisation to offer superior products/services offerings, competitive pricing strategy, differentiated channel management, unique marketing communications and continuous marketing research activities based on customer information generation and dissemination, can be better supported by high levels of competitor orientation that can lead to superior firm performance.

Inter-functional coordination focuses on the coordinated engagement and utilisation of personnel (such as managers and employees) and other resources throughout the organisation to create superior value for the target customer (Narver et al., 1998). Firms that aspire towards effective inter-functional coordination do so from the understanding that synergy among managers and employees is required towards customer value creation (Alhakimi and Baharun, 2009). Porter (1985) supported this view by arguing that every department, facility, branch, office and/or any other organisational unit must be well-defined and understood; and that all employees must recognise and embrace their roles in helping the firm to achieve and sustain competitive advantage. Effective inter-functional co-ordination and the appropriate execution of their marketing programme should help the firm to create better customer value and superior firm performance.

Extant literature suggests that MO has a long-term focus on profits (Narver and Slater, 1990 cited in Njeru, 2013). They contend that for long-term sustainability in the presence of a competitor, a firm should not sacrifice a long term perspective, but must constantly search, discover and implement additional value for its customers. Narver and Slater (1990; 1998) view profitability of the firm as a key goal in market orientation, while Kholi and Jaworski (1990; 1993) argue that profitability is a consequence of market orientation. The focus on profitability and the implementation of marketing programmes can create continuous superior customer value, which would lead to superior firm performance. However, Kholi and Jaworski (1993) and Narver and Slater (1990) agree that firm performance must be predicated on firm operations driven by the firm's internal and external objectives.

Largat et al. (2012), in a study on 220 Kenyan manufacturing firms, confirmed a positive and significant relationship between MO and firm performance using the MKTOR scale. Similarly, Ogbonna and Ogwo (2013) studied MO (customer orientation, competitor orientation and inter-functional coordination and performance in terms of sales volume, market share and profitability) and discovered that firms that engage in MO made progress while those without MO experience low performance.

Kennedy et al. (2003), cited in Raaij and Stoelhorst (2008), adopted the cultural transformation approach to the implementation of market orientation. To these authors, it is critical for employees of a firm to internalize customer orientation that would spring from top management commitment through to managers. Leadership of the organisation must demonstrate the critical importance of the customer to the sustenance of the organisation and this knowledge must cascade down to the frontline.

Secondly, there must be well-articulated customer information that should be generated and disseminated to appropriate individuals and departments to be used in a well integrated manner for customer value delivery.

Thirdly, there should be a deliberate generation and dissemination and use of market and customer intelligence, both internally and externally, to create a reinforcing management and marketing system that would continuously and consistently speak to customer orientation. To Kennedy et al. (2003) cited in Raaij and Stoelhorst (2008), committed leadership and cross-functional teams and their readiness in gaining in-depth understanding and insight about the customer would constitute the organisation's transformational drive towards market orientation.

Al-Shirawi (2012) and Kennedy et al. (2003) assert that an effective transformation process requires sending clear signals to employees from top management in recognising the key presence of the customer in adopting market orientation. This finding supports Kholi et al's. (1993) inter-functional connectedness, coordination and cooperation as critical to fostering the transformation drive. Kennedy et al. (2003) further claim that the transformation approach requires a robust tracking of multiple customer satisfaction indicators, including those of internal customers, and tying operational performance to measures across multiple stakeholders. Even though Kennedy et al. (2003), in implementing market orientation, did not explicitly speak to the diagnosis, intervention and evaluation stages in their transformation process, the need to obtain feedback based on customers' data depicts the critical role such data plays in the diagnosis and evaluation stage (Raaij and Stoelhorst, 2008).

Gebhardt et al. (2006), cited in Raaij and Stoelhorst (2008) proposed a model consisting of initiation, reconstitution, institutionalisation and maintenance stages for looking at the internal information approach to implementing market orientation. They argue that these stages are path-dependent with each stage covering multiples of activities. As reported by Al-Shirawi (2012), the initiation stage is where different powerful stakeholders recognise a threat and pull together to plan and effect change. The reconstitution stage is where values and norms are developed to help understand and reconnect with the market better and recruit market-oriented individuals or teams to formulate a more collaborative strategy. Institutionalisation occurs when stakeholders design and formalise appropriate organisational structures and processes, and design result-driven reward systems based on training and instructions to build a market-oriented culture. To sustain this culture demands maintenance through reinforcement and entrenchment using cultural screening of new members, acceptance and use of culture maintenance rituals and instilling market connection activities in order to update market schemas and validate market-oriented process schemas (Raaij and Stoelhorst, 2008).

Gebhardt et al. (2006) again suggested that firms attempting to create a market orientation culture must embrace values such as trust, openness, keeping and honouring promises, giving respect to all stakeholders, encouraging cooperation and collaboration, and above all viewing the market as the reason for the firm to be. Firm operations must be driven by the organisation's culture and this must be shaped by market-oriented behaviours. To Al-Shirawi (2012), the approach adopted by Gerbhardt et al. (2006) suggests that for a market-oriented firm to be created, various interdependent changes are required at the individual, group, departmental and organisational levels; and that to create cultural change means that one must delegate, share and communicate market knowledge and experience, to make the cultural change a shared responsibility among all players in the value chain.

Gebhardt et al. (2006), cited in Al-Shirawi (2012) claim that their model for creating market orientation is far-fetched and differs from those proposed by Kholi et al. (1993) and Kirca et al. (2005) because their model reveals a more complex and richer process than others. In appraising these approaches, Homburg and Pflesser (2000) indicate that, while the supporters of the behavioural approach such as Kholi et al. (1990; 1993) suggest that the activities of market orientation are separate from organisational culture, organisational culture is what encourages and drives the behaviour to enact market orientation.

Gebhardt et al. (2006) therefore argue that their model provides additional support for the cultural perspective and equips the organisation for the transformation that facilitates and supports market-oriented activities driven by the shared understanding of the market and matched by learning capabilities (Al-Shirawi, 2012).

### 4.5.3 The Norm-Based Approach

Lichtenthal and Wilson (1992) cited in Raaij and Stoelhorst (2008) claim that the marketing concept, which is the foundation of market orientation to be enacted, must involve the process of appropriate values being inculcated and transmitted through a set of norms meant to shape and direct market-oriented behaviour on the part of employees. For a firm to be market oriented and create change, it must develop and define a value delivery system that should drive top management and employee behaviours towards customer requirements. These value systems should serve as a diagnostic of the state of customer-centric behaviours, which will instigate the next stage of identifying the appropriate values and any changes in these values. Management should then look for norms that would drive the desired in-role behaviours per department and keep refining these norms with time, as changes in the business environment would allow. Such changes in norms should include the revision of job descriptions, educational and training programmes, communication programmes and incentive packages commensurate with appropriate behaviour outcomes. These changes should be a top-down management drive to engender norm acceptance and compliance at all levels of the organisation.

According to Al-Shirawi (2012), this approach proposes a cultural change by embedding and imbibing the right values and norms that will guide and drive the whole organisation's behaviour. The authors argue that the firm in order to create a market-oriented culture must ensure the development of a shared set of beliefs, values and norms that will deliver the appropriate behaviour, which should facilitate the drive towards market orientation. To Lichtenthal and Wilson (1992), cited in Raaij and Stoelhorst (2008), the organisation must first identify and understand the current values and norms that drive current in-role employee behaviour. The firm must then sieve through and select those values and norms that must be changed and be replaced with appropriate and consistent values to initiate the desired level of change. However, in an empirical study, Homburg and Pflesser (2000), cited in Raaij and Stoelhorst (2008) argue that the establishment of market-oriented norms will not result in market-oriented behaviours unless supported by artefacts such as stories, rituals and language. According to Al-Shirawi (2012), Raaij and Stoelhorst (2008) have categorised the Lichtenthal and Wilson approach to market-orientation implementation as a social structural perspective.

### 4.5.4 The Strategy and Support Process Approach

Ruekert (1992) argues that the definition and implementation of market orientation in any organisation depends on how the organisation collects and disseminates information from and about its customers and the kind of strategy it formulates to develop action programmes to demonstrate responsiveness to the customer's needs and wants.

To precisely assess the existing level of market orientation within the organisation, Reukert (1992), cited in Raaij and Stoelhorst (2008) developed a questionnaire that should be administered to all managers, a sample of sales representatives and sales managers of each business unit.

For the purpose of evaluating the degree of market orientation in the organisation, the questionnaire includes sub-scales on market orientation practices, processes and behaviours, organisational system of recruitment and selection, training, appraisal reward and compensation for individual performance as well as outcomes and business unit performance.

Al-Shirawi (2012), on the approach adopted by Reukert (1992), stated that top management involvement, intervention and commitment are meant to assess the level of market orientation in order for top management to design new initiatives at the business unit level. Reukert (1992) emphasises the importance of the questionnaire that entails the human resource systems of recruitment and selection, training, reward and compensative packages as measures to continuously evaluate the state of market orientation in the business units of the organisation (Raaij and Stoelhorst, 2008). Reukert (1992) finally reiterates that the long term shift toward market orientation should require a more permanent change in the organisational process as well, instead of just at the business unit levels (Raaij and Stoelhorst, 2008).

### 4.5.5 The Capabilities Approach

Day (1990) argues that for an organisation to be seen to be market-oriented it would depend on the superior skills demonstrated by employees in understanding and satisfying customers. To undertake the necessary intervention, the organisation must focus on the alignment of strategy, the right organisational structure, and the people with the appropriate action programmes supported by performance measures to encourage, drive and reward market-driven behaviour.

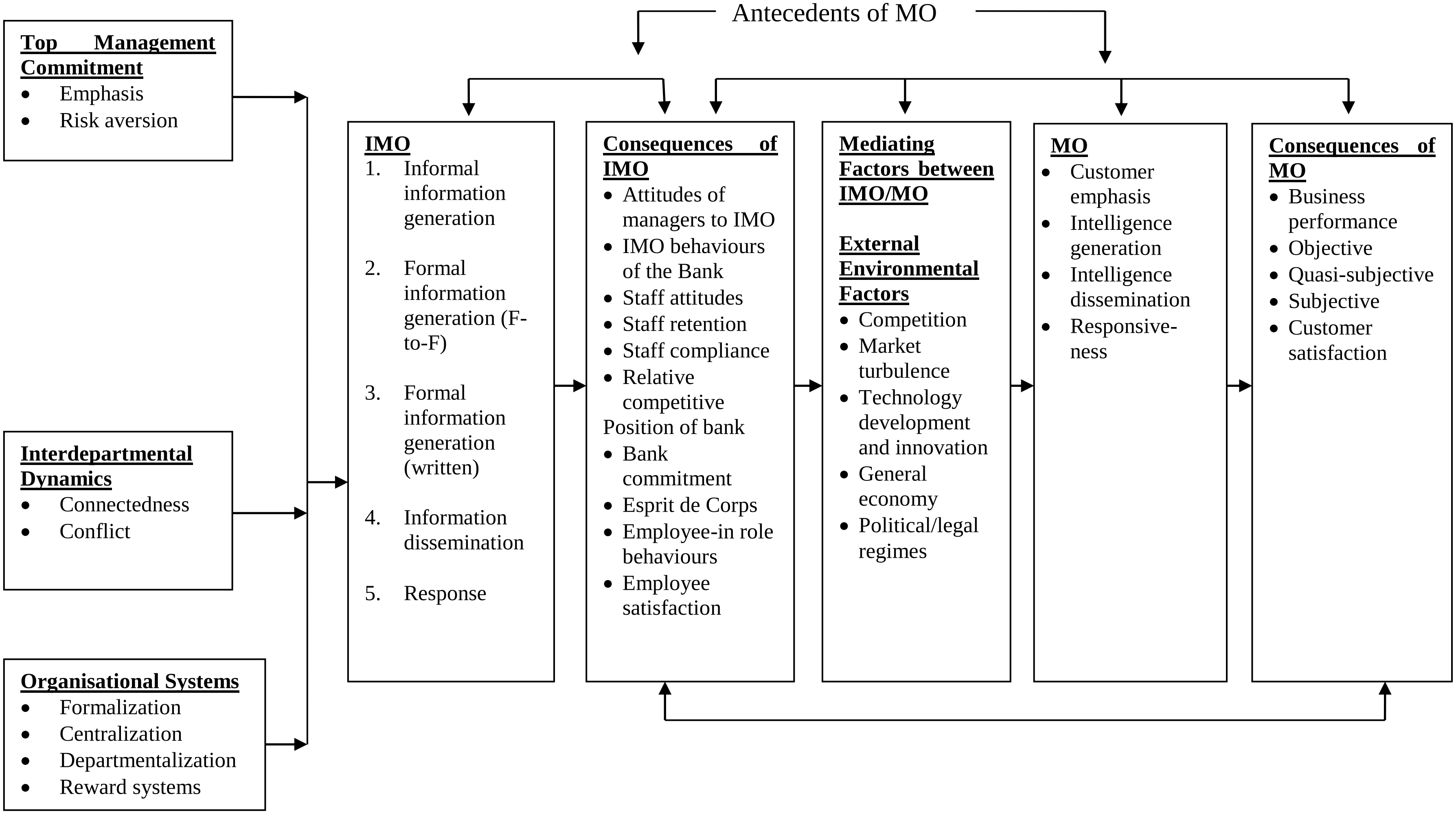
In a subsequent publication of his research, Day (1994b) put forward a comprehensive change programme which when undertaken would make the organisation market-driven. This change programme should be underscored by effective and superior market-sensing, customer-linking and channel-bonding capabilities that would enable market knowledge collection in order to gain a deeper insight of the external realities of the market (Al-Shirawi, 2012). To Day (1994b), the change programme should entail the diagnosis of the firm's current capabilities with the intention of acquiring new capabilities in the future, a focus on business process re-design using the bottom-up approach while projecting a top-down direction, support and commitment driven by information communication technology 'know-how' and matched by a consistent and continuous progress monitoring system (Raaij and Stoelhorst, 2008; Al-Shirawi, 2012). Furthermore, Day (1994b) argues that the organisation must show commitment to the appropriate set of processes, beliefs and values that would enable the firm to adopt market orientation. While major decisions should be made based on the customers' needs, the management and employees should show a deep understanding of market and customer needs in light of competitors' capabilities and intentions so that superior performance can result in gaining competitive advantage. The aim of any market-driven effort must lead to the retention of valuable customers because the organisation would have aligned its culture, capabilities and organisational structure with the right strategies. Market-driven organisational behaviour should be initiated and driven by top management. In this case, management must put in place the work-place conditions in terms of systems and processes that allow employees to deliver good results. These conditions must impact employee in-role behaviours and so create the necessary change in behaviour embedded in the underlying beliefs, norms and mindsets and must result in how employees relate to customers in their attempt to deliver superior value to them.

According to Al-Shirawi (2012) and Day (1999), an organisation must customize the change programme to fit its heritage, market strategy and leadership personality. To them, a successful change programme should encompass six overlapping stages, which must occur simultaneously. These stages are: the demonstration of leadership commitment by top management; appreciating and showing the need for change; having a strategic intent and mobilizing commitment towards change that must be kept alive and reinforced aligning structures, systems and incentives so as to entrench market orientation into the very fabric of the organisational culture (Day, 1999).

## 4.6 The Model Framework

The framework in Figure 4.5 provides a snapshot of the linkages between the IMO and MO models, their antecedents and consequences. The antecedents of IMO such as top management commitment would impact the five dimensions of the IMO to enact IMO, which would result in the consequences that the company would experience thereafter. Attitudinal changes in managers, attitudinal changes in staff, esprit de corps and employee satisfaction, among others are the outcomes of an effective enactment of IMO by the company. It should be accepted that the external business environmental factors, such as the state of the economy, state of development of technology among other factors would impinge on the banks as they enact IMO. The results of an effective IMO practice would serve as viable antecedents to enacting MO. Concurrently, changes in the company's external environment would determine the nature and type of information the company would generate on and about its suppliers, competitors and customers. Appropriate information generated about customers would be disseminated to the relevant functional units to use as they work in an integrated fashion to become market-oriented. The end result of this process would determine how well or badly the company has performed. Such performance can be measured multidimensionally (Richard et al., 2009) using objective standards such as accounting and financial outcomes or subjective standards such as employee and customer satisfaction.

**Figure 4.5 Conceptual Model of IMO/MO Showing Antecedents of MO and Consequences and Antecedents of IMO/MO**




Source: Adapted from Lings and Greenley (2005) and Kholi and Jaworski (1990) by Researcher

## 4.7 Justification for Using the Markor Scale for This Study

The researcher adapted and used the Kholi et al. (1993) MARKOR scale for measuring MO because it is in tune with the Lings and Greenley's (2005) scale for measuring IMO as these two constructs encapsulate the "broadened view" of the marketing philosophy (Simberova, 2007; Piercy, 1995). The conceptualisation and operationalisation of both constructs were adopted and integrated because the two expressed behavioural perspectives and have common dimensions.

Again, the MARKOR scale is appropriate to use in this study because it has been accepted as a good measure of the degree of MO and has been used in many studies conducted in various countries and cultures (Rojas-Mendez et al., 2006). Kara et al. (2005) acclaimed the use of the MARKOR scale on the basis of its application ability in different locations and contexts; therefore this researcher proposes that it is perfectly applicable in the banking services sector in Ghana since the interest of this study is in the behavioural (action-oriented) and implementational definitions of the construct.

Finally, Kholi et al. (1993) and Bhuian (1997) encouraged further testing of the scale, which was originally developed and tested in the Western markets, in divergent environments such as a developing economy like Ghana.

## 4.8 IMO and MO Aligned

Dobni (2002) stated that to pursue the marketing philosophy, one must effectively, efficiently and promptly align the company's services through the coordination of all organisational functions that directly and indirectly influence the customer service experience, and using existing corporate knowledge for handling customers' service demands. Similarly, Gounaris et al. (2010) discovered that a firm that has aligned IMO with MO would seek to control job characteristics to match employee needs and wants in order for them to derive satisfaction from such jobs: a position held earlier by Paulin et al. (2006). This is done to support perceived employee values as the organization would monitor employees' values and needs, and stimulate and facilitate effective communication between employees and their supervisors in order to make them responsive to the individual needs of employees.

To Paulin et al. (2006), employees' service intentions are a function of the employees' emotional responses to the firm's internal conditions and the support they receive from managers and supervisors. There is ample empirical evidence that the company's orientation towards the needs of its internal market is critical to delivering customer value (Piercy, 1999; Simberova, 2007). Consequently, Gounaris et al. (2010) stated that, when a company's employees perceive that they receive value from their employers, they become committed to the company and are more willing to put in the extra effort to serve customers better and this further enhances the value the company can generate for and deliver to the customer.

Castro et al. (2005) and Kennedy et al. (2002), in agreeing with earlier researches on MO, stated that the true concept of marketing can only be achieved when customer orientation is seen as a working philosophy for all of the company's employees. While Rafiq and Ahmed (2000) considered effective and appropriate internal communications and interfunctional co-ordination as keys to successful implementation of corporate and functional strategies, Ballantyne (2003) maintained that, for IMO to be effective, every business with its chain of inter-dependent units must allow every one unit to receive products/services and information from the previous and supply these to the next internal customer. Once all players strive to disseminate the relevant service information to their internal customers for the appropriate response, external customers would receive higher quality service.

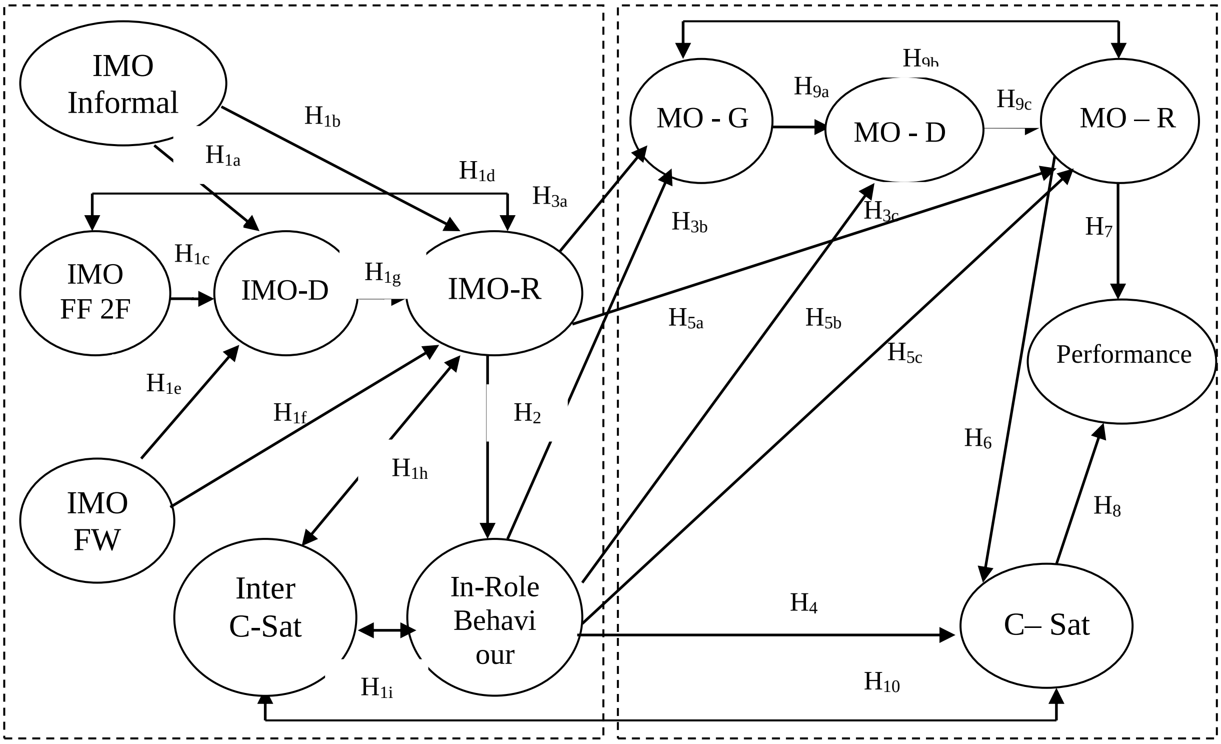
Again, Kaur, et al. (2009) revealed that the nature and extent of IMO in the banking sector has not been adequately studied particularly when and where the sector is replete with vigorous competition among the banks. Finally, evidence in support of how managers can use IMO to bring about employee satisfaction and customer satisfaction, or even implement change remains sketchy and 'largely' unknown (Wieseke et al., 2009), there is even lack of clarity as to how managers can use internal marketing tools to benefit employees (Umashanker et al., 2011).

This researcher argues that the satisfaction of the internal customer is a critical pre-requisite to the satisfaction of the external customer and it is this relationship and its impact on company performance that has been the objective of this study.

The nomological network in Figure 4.6 combines IMO and MO dimensions in an integrative manner to illustrate the linkages that must be empirically tested for any association and subsequent outcomes.

**Figure 4.6: Conceptual Model Used in the Study**

**(A) Internal Market Orientation (IMO)** **(B) Market Orientation (MO)**




Source: Researcher's Adapted Model of IMO & MO and the Nomological Network in which they are Embedded from Lings and Greenley (2005; 2010)

**Notes:**

MO-G: external market information generation

MO-D: external market information dissemination

MO- R: external market information response to external market needs

C-Sat: customer satisfaction

Performance: financial performance, subjective evaluation of performance

The model combines the IMO/MO in a nomological network. The key dimensions of intelligence generation, intelligence dissemination and responsiveness constitute the independent variables, which cover the behavioural tendencies of employees and customers of the company as the critical stakeholders operationalising the constructs. In looking at the MO network, it is expected that the in-role behaviours of employees would influence the nature and type of customer information that the company would be interested in generating if the company should become market-oriented. This is illustrated by the in-role behaviour node linking the MO-G; M O-D and MO-R nodes through the pathways H5a; H5b and H5c respectively.

Employee responses leading to employee satisfaction would equally inform the nature and type of information about customers to be gathered and used to do what jobs or services they have to render to their customers. As the company responds to market needs and wants using appropriate market information about all relevant stakeholders, performance, which is the dependent variable, could be measured based on respective stakeholder needs (Fritzgerald and Storbeck, 2003).

There is strong evidence in reviewed literature to support the relationship between MO and employee attitudes and behaviours, however the strength of this relationship to be generalised remains unclear (Lings and Greenley, 2010; Kholi and Jaworski, 1993). The model is to be empirically tested to determine whether the alignment of IMO with MO can help to predict a positive or negative performance outcome as the dependent variables in the form of superior internal customer satisfaction and external customer satisfaction. In addition, the paucity of systematic research into the role of IMO and its impact on MO success warrants the need for information generation within the organization to drive employee in-role behaviours culminating in market-oriented behaviours to make the organisation-customer exchange process complete, Piercy (1995; Lings and Greenley, 2005; 2010).

**Arguments in Support of Hypothesis $H1_g$**

According to Chi et al. (2008) cited in Omar Salem (2013), in order to attain organisational goals and expectations, employees will search for motivational and performance improvement methods such as reward systems, skills training, and job design to increase their individual and organisational performance. This means that there must be the creation of an internal market-oriented culture that would result in internal job satisfaction and improved service quality, which invariably would lead to external customer satisfaction as a consequence of organisational success in the external market.

Omar Salem (2013) asserts that there is a positive correlation between internal communication dissemination and employees' job satisfaction. This finding corroborates that of Lings's (2004) in that communication flows between managers and employees of the same department and there is communication between managers from different departments. This again agrees with the position of Tansuhaj, et al., (1987) that internal communication positively correlates with employees' job satisfaction, since such communication connects management and employees and forms a key component of the internal marketing mix that provides relevant information for new internal marketing strategies (Omar Salem, 2013). Bitner et al. (1994), cited in Omar Salem (2013), indicate that communication in the form of reports, presentations and formal meetings form part of the internal marketing pack.

Again, Ahmed and Rafiq (2003), cited in Naghi and Para (2014), argue that, in internal marketing, the attitudes and behaviours of managers towards the employee critically influence the attitudes and behaviours of these employees.

Additionally, Ballantyne (2003), cited in Naghi and Para (2014), asserts that increased employee sensitivity towards the market, communication and capabilities to generate the right responses evolved by the internal market orientation construct facilitates the transfer of information between front-line employees (as an important source of market information for market research) and managers. The result is that IMO is expected to have a positive impact on the information generation dimension of IMO, since the channel through which market information is conveyed to managers becomes more intense and more frequently used. In all, IMO adoption within the organisation has the outcome that employees will be better informed and motivated to generate appropriate strategic responses of the firm to its market (Rafiq and Ahmed, 1993, cited in Naghi and Para, 2014).

Piercy et al. (2002), and Jones et al. (2003) reported that employee job satisfaction has positive consequences for market orientation. For employees of the banks to adopt market-orientation means that employees understand the corporate strategic orientation of their employers, support the activities embedded in their work roles, and behave appropriately. However, there is a lack of empirical evidence to support this assertion by Conduit and Mavondo (2001), particularly in a developing economy such as Ghana, and the use of this model serves the objective of this research as both independent variables regard intelligence sharing to be reliable and predictive of performance (Gounaris, 2006; Deshpande and Farley,1998).

IMO in itself cannot necessarily help firms to fulfil the needs and wants of its target customers unless there is an alignment between internal and external customer needs and information sharing to inform appropriate responses. This research adopts the Jaworski and Kohli (1993) conceptualisation and operationalisation of market orientation, which considers the construct as a set of behaviours that represent the implementation of the marketing concept (Kohli and Jaworski, 1990; Narver and Slater, 1990; Kohli et al., 1993). Again, the research has, as its objective, the attempt to determine the integrative effect of IMO and MO on company performance; as a result, the impact of IMO behaviours on MO behaviours is to be subjected to empirical examination to confirm (or not) any findings of Lings and Greenley (2005) and Jaworski and Kohli (1993) in the developing economies of the world, particularly, in the banking sector of the financial services industry in Ghana. Harris (2000) earlier on stated that the quality of service provided to a bank's customer is influenced by the quality of service provided in the bank's total internal work environment. Additionally, Gronroos (1982) and Bitner et al. (1994) maintained that the attitude and behaviour of employees has a significant bearing on the level of service provided to the customers, since employees' job satisfaction has been found to be the primary determinant of service quality (Zeithaml et al., 1990).

The researcher, in line with the above assertions, hypothesizes that:

$H_1g$: Appropriate internal market information dissemination will enhance employee responses to the bank's needs.

Extant literature is replete with internal and external consequences of IMO behaviours. According to Ahmed and Rafiq (2003), it is noted that the behaviour of managers to their subordinate staff influences the attitudes and behaviours of those employees. For example, IMO is found to impact employee attitudes in terms of their satisfaction with their work and motivation to provide effective customer service. The way management develops a work environment and climate that is psychologically supportive, helpful, warm, friendly, trustworthy and respectful, would cause employees to become happy and motivated to deliver good services to customers.

**Arguments in Support of Hypothesis $H_2$**

The implementation of responses emanating from information generated and disseminated about employees would lead to the development of appropriate job products, processes and systems that would satisfy the job needs and wants of these employees. As aptly put by Lings and Greenley (2010), information generation and dissemination about employees is likely to precede value creating responses from these employees to the internal market. It follows that the more information that is generated deliberately about employees' needs and wants, the more likely the organisation is to communicate this information to appropriate decision makers such as managers and supervisors to respond to at least some of the wants and needs that have been identified (Lings and Greenley, 2010). In as much as the right responses are made to employee needs and wants, within the context of their work roles, they would exhibit meaningful and fulfilling in-role behaviours that would positively influence job involvement and performance. Developing and enacting the right internal market responses to enhance the value of employment for employees will positively encourage in-role behaviours that are consistent with organisational strategies (Dabholkar and Abston, 2008, cited in Lings and Greenley, 2010).

In-role job performance according to Borman and Motowildo (1997), cited in Chughtai (2008), refers to activities that are related to employees' formal role requirements. Brown (1996), cited in Chughtai (2008), reiterates that job involvement that positively affects the employees' motivation and effort leads to higher levels of in-role job performance. Company commitment, according to Mowday et al. (1982), cited in Chughtai (2008), is the relative strength an employee identifies with and relates to in a particular organization. Such commitment captures the individual's (i) strong belief in and acceptance of the organisation's goals and values; (ii) willingness to exert considerable effort on behalf of the organization; and (iii) strong intent or desire to remain with the organisation (Mowday et al., 1982). As such, literature has confirmed a strong relationship between the individual's job involvement and organisational commitment (Brown, 1996, cited in Chughtai, 2008). Again, Konovsky and Cropanzano (1991), cited in Chughtai (2008) have documented that organisational commitment is positively related to job performance. As such, Chughtai (2008) states that employees who are committed to their firms are more likely to remain with their firms and work towards its success. Organ (1988), cited in Chughtai (2008), describes organisational citizen behaviours

(OCB's) as "discretionary workplace behaviours that exceed one's basic job requirements and they go above and beyond the call to duty", and "individual behaviours that are discretionary, not directly or explicitly recognised by the formal reward system and that in aggregate promotes the effective functioning of an organization, and such behaviour lubricates the social machinery of the organization" (Bateman and Organ, 1983, cited in Chughtai 2008). These behaviours include acts of helpfulness, goodwill gestures and cooperation among organisational employees. Therefore, well informed bank employees would show improved co-worker and management/employee productivity, superior efficiency in resource use and allocation, reduced maintenance expenses and improved company attractiveness for high quality new recruits (Cohen and Vigoda, 2000; Rotenberry and Moburg, 2007).

Chughtai (2008) confirms that job involvement is a potent tool for increasing both employee in-role and extra-role performance; and high levels of job involvement are viable options for managers to the competitive position of their organizations. When employees are able to respond to organisational needs, managers are informed as to how jobs can be redesigned through the incorporation of job characteristics, such as autonomy, feedback, variety and task identity. Through some of the above methods, managers can make an employee's job more interesting, more meaningful and challenging, which in turn can lead to higher job involvement. This agrees with the assertion of Brown (1996) that job involvement should make the work environment that:

a. provides a sense of meaningfulness to one's work;
b. offers control over the methods by which work is done;
c. maintains clear and consistent behaviour norms;
d. provides feedback about work done;
e. includes supportive relations with superiors and co-workers; and
f. offers opportunities for personal growth and development that are conducive to job involvement.

Menguc (1996), cited in Jyoti and Sharma (2013), indicates that market-oriented firms will demonstrate behaviours that result in psychological and social benefits for employees. Market-oriented firms are more likely to recognise the needs and requirements of employees and treat them as internal customers (Reynoso and Moores, 1995). Again, market-oriented firms communicate the purpose of the organisation and identify the role of employees, hence improving the work environment leading to an increase in employee satisfaction (Arbore, 2009; Kholi and Jaworski, 1990). Kholi and Jaworski (1990) again maintain that employees feel that they are making a workable contribution to the firm when they are encouraged to pursue market orientation; and when they do so, they derive a sense of pride from pursuing an organisational goal, which enhances their satisfaction consequently (Menguc, 1996, cited in Jyoti and Sharma, 2013). Similarly, in market-oriented firms, employees are seen to contribute strongly to the organisation's success by having a customer-centric approach to their work and many empirical studies prove a strong positive relationship between employee satisfaction and customer satisfaction (George, 1990; Homburg and Stock, 2004, cited in Jyoti and Sharma, 2012).

A satisfied management therefore becomes a critical conduit between the company and employees, and as Katz and Kahn (1978) stated, considerate management behaviour will foster employee identification with the organisation and possibly reduce employee attrition or dysfunctional behaviour (Ramaswami, 1996). Once management is able to support employees to buy into the vision and mission of the organisation, it becomes easier to regard themselves as 'partners,' and can help to drive organisational strategies and programmes to create customer satisfaction. Ozment and Keller (1999) intimated that happy and motivated employees are less likely to seek alternative employment, remain committed and work to achieve organisational goals. Any organisation that treats IMO as a core competence would deliver competitive advantage through more satisfied and loyal customers, which in turn should lead to increased market share or profits (Greene et al., 1994).

According to Stauss and Schultze (1990) and Lings and Greenley (2005), the need to generate information involves indentifying the benefits employees seek from their jobs, what they are prepared to give up to get these and what competitors are giving in terms of alternative employment. This means that an invigorating work environment would create attraction and motivation to existing and potential employees. Lings and Greeley (2005) again intimated that information generation within the internal market has three main thrusts:

a. to identify employees' perceptions of their inputs to their jobs;
b. to identify employees' perceptions of outputs (i.e. what they receive); and

c. to identify employees' perceptions of the equity of this exchange (Huseman and Hartfield, 1990, cited by Lings and Greenley, 2005).

Externally, as shared by Lings and Greenley (2005), high levels of employee satisfaction, and retention are known to influence customer satisfaction and loyalty, but the link between employee satisfaction and customer satisfaction remains a contested issue, (Rafiq and Ahmed, 2003). There is bound to be employee satisfaction (IMO) in as far as all the processes, procedures, physical evidence and the in-role behaviours (skills and competencies) have been effectively co-ordinated. This in-role satisfaction will motivate employees to see customers as partners, their needs as their own, and so become very responsive to satisfying effectively the external customer needs. The original Lings and Greenley (2005; 2010) framework has not incorporated these connection between internal customer responses subsequent to internal in-role satisfaction.

Nielsen, et al. (2003) intimated that market orientation is conceptually linked to information handling, interdepartmental connectedness, and cooperation. This position was earlier on confirmed by Jaworski and Kohli (1993), who found top-management emphasis, interdepartmental connectedness and market-based rewards positively related to market orientation. Again, Selnes et al. (1996), while researching into IMO and MO in Scandinavian banks, confirmed the findings of Jaworski and Kohli (1993).

Piercy et al. (2002) and Jones et al. (2003) reported that employee job satisfaction has positive consequences for market orientation. Additionally, Schlosser and McNaughton (2007) opined that a firm cannot develop a market orientation without each employee's active understanding, willingness and ability to engage in market oriented behaviour. For employees of the banks to adopt a market orientation means that employees understand the corporate strategic orientation of their employers, support the activities embedded in their work roles and behave appropriately.

The researcher therefore hypothesizes that:

$H_2$: Better informed employees of the bank will demonstrate superior responses (IMO-R) to influence their in-role behaviours.

**Arguments in Support of Hypotheses $H_{3a}$ – $H_{3c}$**

Lings and Greenley (2010) intimate that the successful impact of IRB of employees will be consequential to customer evaluations of their interactions with employees. Again, by the assertion of Babin and Boles (1998), cited in Lings and Greenley (2010), employees link the organization to its customers through market sensing and market research. Customers aspire to become prospects by making evaluative judgements of the quality of the firm based, to a large measure, on their interactions with employees (Bienstock et al., 2003, cited in Lings and Greenley, 2010).

Lings and Greenley (2010) again report that, where an organization has developed an effective response to the internal market and enhances value for employees, these employees are likely to enact their in-role behaviours and adopt market oriented behaviour such as seeking out customer complaints, comments, suggestions and communicating these to managers. This position affirms the work of Ballantyne (2003), which states that customer intelligence gathering is an important role of employees as they use market research to generate pertinent and relevant market information. Similarly, as IMO helps to involve employees to become better informants of the organisations long-term objectives to its markets, these employees are better placed to respond to customer requirements more appropriately and effectively (Rafiq and Ahmed 1993, cited in Lings and Greenley 2010). Consequently, as opined by the above researchers, IMO will have a positive and effective impact on market oriented behaviours of employees. This is so because IMO is about identifying and satisfying the wants and needs of employees as a prerequisite to satisfying the needs and wants of customers (Omar Salem, 2013).

The market sensing and responding competencies of organisations make them capable of knowing what their customers want and what their competitors have on offer. This will in turn cause the market oriented firm to respond with appropriate products and services to meet customer needs with more value for the target customer than competing offerings (Lings and Greenley, 2010).

Again, Lings and Greenley (2010) reiterate that IMO improves the connection between the firm and its market and facilitates responses to the market and this ultimately creates value for employees, customers and the firm.

Lings and Greenley (2005; 2010) stated that, for a successful implementation of market orientation, it is imperative that all employees in the company generate information about the market and are able to communicate this information to the right internal staff who have the right skills and competences to integrate their needs with customer and market needs to demonstrate the appropriate responses. Harris (2002) indicated this earlier by stating that the quality of a service provided to a bank's customer is highly influenced by the quality of service provided in the bank's total internal work environment. As a result, the attitude and behaviour of employees, according to Gronroos (1982) and Bitner et al. (1994), have a critical bearing on the level of service provided to the customers. Therefore, the right employee with the right customer information and working in the right environment should positively impact the quality of service delivered to the customer.

MO has been established as related to the attitudes and behaviours of employees (Jaworski and Kohli, 1993; Piercy et al., 2002; Jones et al., 2003). As stated by Lings and Greenley (2005; 2010), once all employees of an organisation act in a marketing capacity to generate and disseminate appropriate information and respond in a customer-focused manner, it is reasonable to say that employees who accept and adopt MO into their work roles will invariably "pull in the same direction" and consider their needs as one and the same as those of the firm and are more likely to enact positive behaviours so as to act in the best interest of the firm.

A phenomenological validation of IMO, as suggested by Berry et al. (1976; 1981) is that, in IMO, commitment becomes a form of reciprocal action, where employee and management commitment emerge as mutually reinforcing aspects of commitment where employee commitment is shown through a manager's positive responses to employees' needs, which are displayed through empathetic behaviour and subordinate involvement. Employees, in return, demonstrate commitment to organisational goals as they grow loyal and trusting. Again, Mishra (2010) added that the importance of the employees' role has led service organizations to adopt internal marketing and hence treat their employees as internal customers.

Extant MO literature has established a positive impact of a firm's MO on employees' "esprit de corps", (Jaworski and Kohli, 1993; Rose and Shoham, 2002; Shoham and Rose, 2001, cited in Shoham et al., 2005). It is seen that MO provides employees with a sense of belonging, direction and feelings of contribution towards satisfying customer needs, thereby leading to greater "esprit de corps". By Lings and Greenley's (2005) conceptualisation of IMO and Jaworski and Kohli's (1993) conceptualisation of MO, where both informal and formal information is generated and disseminated to employees, with the right responses and with appropriate information about the firm's external customers having been accessed, there would be superior value creation and performance of the firm.

The researcher accordingly hypothesizes that:

$H_{3a}$: The more appropriate the bank's IMO-R the greater the bank's ability to generate market information

$H_{3b}$: The more appropriate the bank's IMO-R the greater the bank's ability to disseminate market information.

$H_{3c}$: The more appropriate the bank's IMO-R the more effective the bank's response to market needs.

Gounaris (2006) maintains that successful internal marketing initiatives result into effective external market orientation. Therefore, satisfied employees link their organisation to its customers as reported by Babin and Boles (1998), and cited in Lings and Greenley (2010).

Accordingly, most customers evaluate their organizations and the quality of services they provide based on the interactions with employees and the physical evidences. As stated by Lings and Greenley (2010), employees that efficiently and effectively perform their firms marketing strategy and engage in appropriate in-role behaviours, will be key in determining customer satisfaction. With recourse to the Equity Theory by Adams (1963), employees are bound to derive job satisfaction and motivation by comparing their inputs (in-role behaviours) to outputs such as income, benefits, and other intangibles such as recognition.

Rafiq and Ahmed (2000), cited in Snell and White (2009) commenting on IM reported that Parasuraman (1991) defined IM as viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of external customers while addressing the objectives of the firm. Therefore, the satisfaction that employees derive from job-performance does motivate them to maximize the delivery of quality services during the buyer and seller interface. A1-Hawary et al. (2013) reported that the idea of job satisfaction in marketing literature was first mooted by Hoppock (1935) and employee job satisfaction is derived from the mental and physical satisfaction they experience in the environment they work in and from the work itself (Tadeka et al., 2005). Ivancerich et al. (2008) added that the state of job satisfaction is a state a worker has or a feeling of how well he or she is in an organisation, therefore the attitudes of employees determine the quality of services provided to the customers (Tadeka et al., 2005) to guarantee customer satisfaction.

**Arguments in Support of Hypothesis $H_4$**

Lings and Greenley (2010) stated that the organisation having employees that effectively enact the firm's marketing strategy and perform their IRB well is a key determinant of customer satisfaction. This relationship has been the subject of a study by George (1977) and recently Dabhalkar and Abston (2008). This researcher intends to contribute to the understanding of the this relationship by empirically trying to find out whether employees who perceive and receive high value in the job employment will enact better in-role behaviours that translate into implementing the organisation's strategy that will deliver satisfaction to the customer. According to Omar Salem (2013), if employees have awareness of the customer and how it relates to their job roles and responsibilities, they will have better job satisfaction because management will react better to the needs and wants of employees.

Chi et al. (2008), cited in Omar Salem (2013), stated that, for organisational expectations to be met, employees will become more committed in their search for improvements through training, job design and motivation systems to influence their job performance. Therefore, the creation of a market-oriented culture will result from internal customer satisfaction and improved service performance for quality, which will lead to customer satisfaction and success in the external market.

Harris (2002), cited in Lings and Greenley (2010), asserts that employees engaging in the adoption of market orientation should understand the company's strategic objectives and adopt these directions within their work roles and work in a market-oriented manner; and the success of a market-oriented strategy can be measured in terms of the customer satisfaction that it generates (Singh and Ranchhod, 2004).

Empirical evidence on the relationship between the extent of MO and organisational performance has been mixed. Some researchers established positive association between MO and firm performance (Coviello et al., 2006; Jaworski and Kohli, 1993; Narver and

Slater, 1990; Slater and Narver, 1994) while others did not find any direct relationship between MO and firm performance (Harris, 2001; Greenley, 1995; Diamantopoulos and Hart, 1993; Han et al., 1998). However, in using the MKTOR scale developed by Narver and Slater (1990) to measure MO and a business performance relationship Appiah-Adu and Ranchhod (1998), Kumar, et al. (1998) and Ukko et al. (2007) found a positive relationship between MO and business performance. Jyoti and Sharma (2012) have empirically established that there is a positive relationship among the constructs of MO, business performance, employee satisfaction and customer satisfaction and that for an organisation to enjoy the advantages of MO, employee satisfaction and customer satisfaction are essential to the organisation.

For employees, market orientation brings an esprit-dé corps working environment; and for customers, market orientation promotes a satisfactory performance of goods and services. Therefore, an effective implementation of a MO system can positively influence business performance through employee and customer satisfaction.

Employee satisfaction has been seen to significantly affect business performance. This is so because, in today's business environment, the linkage between employee satisfaction and business performance is undeniable due to the importance of employees as the most critical point of differentiation for any company. Satisfied employees generate satisfied customers, who in turn, build long-term relationship and make more money. The firm, regardless of industry, could improve organisational performance by improving employee satisfaction (Siguaw et al., 1994).

Again, customer satisfaction significantly affects business performance because customer satisfaction directly affects equity prices, annual sales growth, market share and gross margins. Firms that perform better than their competitors by generating superior returns, make customer satisfaction a strong predictor of future business performance (Gruca and Rego, 2005).

Employee satisfaction has been seen as a significant mediating factor in the relationship between MO and business performance. Again, employee satisfaction has been seen as playing a moderating role in the MO/business performance relationship (Sharma and Jyoti 2012). Additionally, the direct effect of MO on business performance has been seen to increase when customer satisfaction has been introduced to play a moderating role.

Finally, it has been empirically established by Sharma and Jyoti (2012) that there is a direct and indirect relationship between market orientation and customer satisfaction through employee satisfaction. This is so because external customer satisfaction cannot be achieved without the fundamental contribution of the employees who provide the service. It is the employee who stays focused on customers' needs and IMO is one of the ways of creating the work environment that initiates and maintains the work culture that may aid to produce the appropriate behaviour of employees by satisfying them (Hartline and Ferrell, 1996, cited in Sharma and Jyoti 2012). These authors also found a strong positive relationship between MO and employee satisfaction, showing that the higher the degree of MO, the higher the degree of employee satisfaction in an organisation. According to Day (1998), the employees of a market-oriented firm are generally highly motivated and this reflects their satisfaction in service environments in which customers are highly demanding of employees, coupled with employees who in turn hold higher expectations from their jobs as sources of self-actualisation and self-development. Under these conditions, MO can assist in creating more satisfied employees, who appreciate clearly the logic and benefit of customers (George 1990, cited in Sharma and Jyoti, 2012). Moreover, according to Baker and Sinkula (1999), the new solutions of marketing in market-oriented firms lead to employee satisfaction and cooperation.

Higher market orientation leads to higher customer satisfaction. This is so because the market-oriented firm is likely to become more customer-oriented or customer-focused with the aim of granting and enhancing customer satisfaction (Flaherty et al., 1999, cited in Sharma and Jyoti, 2012).

Therefore the researcher hypothesizes that:

$H_4$: Appropriate demonstration of in-role behaviours by employees positively impacts external customer satisfaction.

## 4.9 Organizational Performance

The performance of an organization denotes the effectiveness of that organisation whether in the form of financial, accounting or alternate performance goals (Cameron and Whethen, 1983). According to Richard et al. (2009), the definition of the construct covers other internal performance outcomes related to efficient and effective operations and other external measures that seem intangible but powerful; for example, customer satisfaction, firm reputation and innovation among others. Measuring bank performance, according to Richard et al. (2009), should be multi-dimensional as is recognized in accounting (Callen, 1991), in finance (Henri, 2004), and in other subjective ways such as internal customer/ customer satisfaction as discussed in management literature (Venkatraman and Ramanujam, 1986). The multi-dimensionality is related to stakeholder groups for whom a performance measure is appropriate, the context within which performance is determined and the time scale within which performance is determined (Richard et al., 2009).

### 4.9.1 Operationalization of Performance in the Study

According to Freeman (1984), all stakeholders, that is, anyone who can affect or is affected by the achievement of the firm's objectives, such as managers, employees, customers and all other elements in the value chain, have different measures of performance directly related to their own goals (Fritzgarald and Storbeck, 2003). Stakeholders, such as the firm's managers (employees) and customers are critical since the dimensionality of performance must cover items such as employment conditions, work-environmental sustainability and conduciveness of the work environment all of which contribute to the bank's effectiveness. While cash flows and stock prices are known to produce different incentives for managers to impact performances (Dutta and Reichelstein, 2005), internal reward systems will influence the type of measures for employee groups (Richard et al., 2009). Again, the strategies pursued by the firm's management can determine what emphasis the firm will place on different performance outcomes. In marketing strategy, for example, the key to organizational success is employee satisfaction driving customer satisfaction originating from superior value delivery.

For performance, according to Waring (1996), to reflect effective results, it must be measured over an appreciable time frame to agree with the phenomena being measured. While accounting performance measures are regarded as short-term because they assess managerial factors emphasized at a point in time, shareholder value measures emphasize not only how a decision determines performance today, but forever into the future, thereby removing timeframe from the equation (Benston, 1985).

The performance of the banks was therefore operationalised as the subjective measures rather than the objective evaluations of performance. This was so because the subjective measures – employee satisfaction and customer satisfaction - have been proven to have an advantage over objective measures, such as accounting, financial, market or shareholder returns (Hooley et al., 1992; Liu and Davis, 1997). Again, subjective measures have been seen to be a more reliable means of measuring performance since managers' day-to-day behaviours are likely to be driven by their beliefs about the financial performances of the banks, rather than the objective evaluations that might not be readily available to them: a finding that is in line with the logic of Venkateraman and Ramanujam (1986) and Richard et al. (2009). Additionally, the subjective measures are preferable when the focus is on inter-firm comparison (Ketokivi and Schroeder, 2004) as indicated by this study, since recording standards of objective measures vary across firms.

To measure internal customer (employee) satisfaction and customer satisfaction, Vora's (2004) suggestions linking employee satisfaction to customer satisfaction was adapted and adopted, since the study aimed at determining whether employee satisfaction is a good predictor of customer satisfaction. Finally, as the researcher was interested in overall customer satisfaction where satisfaction is defined as the consumers' affective state resulting from an overall appraisal of their relationship with the provider (Anderson and Narus, 1990, cited in Liang et al., 2009) the overall state of satisfaction for both managers and customers would be measured, where the aggregation of the performance measures (dependent variables) should assume a convergent validity based on the correlations between the measures (Cho and Pacik, 2005; Goerzin and Beamish, 2003).

Extant literature on MO is replete with positive empirical studies on the consequences of MO (Jaworski and Kohli, 1993; Langerak, 2003). Kirca et al. (2005) reported on financial and non-financial consequences for the firm. Appiah-Adu and Ranchod (1998), Mahmoud et al. (2010), Harris (2010), Blankson et al. (2006), Avlonitis and Gounaris (1997) and Homburg and Pflesser (2000) have proved that MO has positive consequences for the profitability of the firm. However, as cited by Lings and Greenley (2010), Panigyrakis and Theodoridis (2007) have reiterated that there should be more empirical studies into the profitability and customer satisfaction consequences of MO. MO has been shown to have positive consequences for employees (Jaworski and Kohli, 1996; Kirca et al., 2005), while Homburg and Pflesser (2000) and Kirca et al. (2005) discovered empirical support for MO on customer perceived quality, customer satisfaction and customer loyalty, as cited by Raaij and Stoelhorst (2008).

According to Lings and Greenley (2005, 2010), the market sensing effort of the firm and the responding integrative initiative of using assets and competencies by satisfied employees will translate into superior value delivery to target customers. The responses of these market-oriented employees to tailor services and products to meet customer needs leads to customer satisfaction. There is implicit consensus in the MO literature about the importance of generating and using information about markets in order to generate customer value (Hult et al., 2005). Kaynak and Kara (2004), Singh and Ranchhod (2004) and Hult et al. (2005) opined that the success of a market-oriented strategy implemented by an organisation can be measured in terms of customer satisfaction that has been generated. According to Oliver (1999), when customer satisfaction is increased, repeat purchase and customer loyalty are enhanced, which subsequently will positively impact financial performance as well (Mayden-Olivares and Lado, 2003; Dabholkar and Abston, 2008 cited by Lings and Greenley, 2010). Raaij and Stoelhorst (2008) believe that business processes form the central focus of market-oriented behaviour. To them, it is in these business processes that customer value is actually created. Therefore, MO is the ability of a firm to generate knowledge about markets and use this knowledge in its business processes to create superior customer value.

**Arguments in Support of Hypothesis $H_5$**

According to Gronroos (1990), cited in Kattara et al. (2015), employees' behaviours are important in a service company (for example, the bank) as they connect the bank with its customers and they are a critical factor in developing customers. Again, employees' behaviours maintain customer satisfaction by fulfilling the promises made to the customer.

Hansen et al. (2003) indicated that customers' commitment towards a service company greatly relies on customers' commitment to the customer contact employees and the customer's intention to remain doing business with a service firm is highly determined by the customer-contact employee's behaviour. Jones and Deut (1994), cited in Kattara et al. (2015), indicated that a smiling face has a beneficial effect on customer satisfaction. Similarly, KPMG (2013), using a customer satisfaction index in 14 banking nations in

Africa, identified employee behaviours such as friendliness, politeness of staff and their willingness to assist as core customer care values that positively affected customer satisfaction, which affirmed the work of Sparks (1994) who indicated that employees friendly type behaviours such as friendliness, familiarity, caring, politeness, responsiveness, trustworthiness, helpfulness and understanding of service staff enable improved service outcomes and long-term relationships. Lemmink and Mattssor (1998) cited in Kattara et al. (2015) demonstrated that the degree of personal warmth displayed by service employees towards the customer was related significantly and positively to service quality perceptions and customer satisfaction.

Armando (2005) stated that successful service providers are able to meet and, whenever possible, exceed consumers' needs and wants in delivering services due to certain specific characteristics of services such as intangibility and to the human element, in particular the face-to-face interactions with the customer.

Kong and Jogaratnam (2007) confirmed that employee personalisation and courtesy were significant predictors of customer satisfaction. Liao (2007) examined the role of customer service employees' behaviours of handling customer complaints or service recovery performance and found that upholding a positive image of the service organisation is critical to achieving desirable customer outcomes. He stated that the dimensions of service recovery performances such as making an apology, problem solving, being courteous and prompt in handling of customers' requirements, positively influenced customer satisfaction.

Osuagwu and Obaji (2009) stated that the knowledge of customer needs through market information generation and dissemination will make it easier to anticipate the ideal set of products that will satisfy them. Again, a market-oriented organisation attempts to create value for its customers and for effective practice of market orientation, the distinct values, functional structures and processes must have to change (ibid).

Osuagwu (2006) tried to link market orientation and customer satisfaction by stating that customer satisfaction occurs when customers' perception of the product/service performance matches customer expectations that are at or above the minimum desired performance level. Customer satisfaction has been conceptualised as a mental state that results from the customer's comparison of (a) expectation prior to a purchase and (b) performance perceptions after a purchase (Oliver, 1993 cited in Osuagwu, 2006). According to him, when a customer makes comparisons of each part of a product offer, it is known as domain-specific satisfaction; but if he/she makes comparisons of the offer in total then it is called global satisfaction. Customers who are striving for satisfaction do not simply look for the end product but also draw satisfaction from the completeness of the service interaction and transaction. Therefore, the need to have satisfied customers has important implications both for product/service performance and the positioning of promotional campaigns. Effective promotional campaigns depend very much on market information gathering to determine the characteristics, expectations and media needs of targeted customers so as to tailor specific campaigns to meet those needs.

Therefore, unrealistic consumer expectations created by promotional exaggeration can contribute to consumer dissatisfaction (Osuagwu, 2006). As a result, according to Osuagwu (2006), a market-oriented organisation should do everything possible in order to satisfy its customer. This is because there is a positive link between market orientation and customer satisfaction. This finding confirmed the position of Kholi and Jaworski (1990) who argued that market orientation leads to satisfied customers who spread the good word to other potential customers and who keep coming back to the organisation. Kotler (1998), cited in Osuagwu (2006) asserted that market orientation is likely to lead to greater customer satisfaction and repeat purchase, since a highly satisfied customer stays loyal longer, buys more as the company introduces new products, upgrades existing products, talks favourably about the company and its products, pays less attention to competing brands and is less sensitive to price, offers product ideas to the company and costs less to serve (Kotler, 2002).

Therefore, the researcher hypothesizes that:

$H_5$: Appropriate responses of the banks to market information increase customers satisfaction.

**Arguments in Support of Hypotheses $H_6$ and $H_7$**

The marketing function aims to facilitate the achievement of the company's market (financial and non-financial) objectives and therefore becomes the benchmark of the company's effort to stay aligned with its market. In this regard, given the critical significance of service employees regarding customers' experience with the service they are offered, IMO becomes an important prerequisite that justifies the involvement of the marketing function. Therefore, the adoption of IMO complements the company's market orientation and directly or indirectly influences the company's market performance (Gounaris et al., 2010).

Doyle (1995), cited in Osuagwu (2006), posited that customers who are satisfied with the value being provided by the company repurchase the product/service and this results in better economic performance, market share and profitability for the company. However, to Doyle (1995), the most appropriate measure of performance for any organisation is customer satisfaction. This means that an organisation should always guarantee satisfying its customer's current and future needs by showing commitment, creating value in the product, encouraging customers' comments and complaints, collecting relevant information, sharing information among various departments of the organisation, and by taking relevant managerial action based on the collected information. A company that engages in these activities is said to practise market orientation.

According to Schneider (1993), cited in Jyoti and Sharma (2012), market-oriented firms communicate the purpose of their organisations, identify the role of employees and improve their work environment and these lead to an increase in employee satisfaction. Satisfied employees strongly contribute to an organisational success by having a customer-centric approach to their work. These customer-oriented employees behave and respond to customer needs in a manner that is in line with the firm's market orientation. Therefore, market-oriented firms create superior value for their employees as well as for their customers, which ultimately leads to better business performance.

Berry (1981) and Lings (1999), cited in Jyoti and Sharma (2012), maintain that the satisfaction of the external customer is contingent on the satisfaction of the internal customer and, as such, market orientation can be examined from two different but related perspectives (i.e. IMO and MO) (Jyoti and Sharma, 2012). According to Corbett et al. (2005), business performance occurs as a result of the organisation engaging in activities of providing goods and services as outcomes. This performance requires the integration of systems, people, operations, customers, partners and management, which collectively is a combination of operational, financial and employee performance. According to these authors, in operating performance, firms provide quality service to their customers through which the firm can get internal benefits such as enhancement in productivity, improvement in sales, market share growth, reduction in customers' complaints and business growth. Financial performance is reflected in profits and profitability growth and sales volumes. Employee performance is reflected through levels of employee satisfaction, absenteeism, employee turnover, commitment, participation and efficiency level (Venkatraman and Ramanujam, 1986, cited in Jyoti and Sharma, 2012).

To Corbett et al. (2005), employee satisfaction is the extent to which the employees of a firm feel their interests are being looked after by management. If employees are satisfied with the organisation, they in turn will satisfy the needs of customers in a better and more efficient manner. Intrinsic satisfaction accompanied by extrinsic satisfaction makes employees fully satisfied with their job (Herzberg et al., 1957, cited in Jyoti and Sharma, 2012). Intrinsic satisfaction includes autonomy, recognition, growth, promotion and extrinsic satisfaction includes pay and related matters, physical conditions, and behaviour of superiors and subordinates (Sharma and Jyoti, 2006).

Chandam and Pastuszak (2005), cited in Jyoti and Sharma (2012) intimate that the main rationale behind the market orientation and organisational performance relationship lies within value creation by the banks and perceived value by customers of their products. Managers and employees create value for their customers by increasing the benefits to them in relation to the bank charges and costs or by reducing such costs in relation to the benefits. Therefore, a market-oriented firm will be in a position to create superior value for its customers (Reed et al., 2000), cited in Jyoti and Shanrma (2012) which will in turn lead to better organisational performance.

The researcher therefore hypothesizes that:

$H_6$: Appropriate responses to customer needs positively impact the bank’s non-financial performance.

$H_7$: Consistent increase in customer satisfaction positively impacts the bank’s customer value (performance).

**Arguments in Support of Hypothesis $H_{8a}$ – $H_{8b}$**

The conceptualisation of MO by Kholi and Jaworski (1990) reveals a set of behaviours and activities used by an organisation to address customer needs. It speaks to the organisation-wide generation of market intelligence with regard to current and future customer needs and the dissemination of such intelligence across departments and the organisation-wide responsiveness to these to create superior customer value.

Narver and Slater (1990), in reinforcing such organisational initiatives to deliver customer value, reiterated the work of Kholi and Jaworski (1990) by conceptualising that market orientation must be regarded as an organisational culture that most effectively and efficiently engenders the necessary behaviours for creating superior value for customers and so superior performance for the company. These behavioural components include customer orientation, competitor orientation and inter-functional co-ordination.

Kanagasabai (2008) intimated that Slater and Narver (1995) postulated that market orientation should drive the organisation to develop strong norms for learning about and from customers and competitors, which effort must be complemented by entrepreneurship and appropriate organisational structures and processes for high order learning.

Kanagasabai (2008) observed that there is a positive relationship between market orientation and market intelligence generation to identify and meet customer needs and a positive relationship between market information generation and market information dissemination to influence the interaction of marketing personnel with other departments to discuss market trends and developments. However, responsiveness on the part of an organisation to customer needs depended very much on management's ability to take risks financially.

Siguaw et al. (1994) argued that the firm has the means of influencing customer orientation of its sales force and is rational in expecting the sales force to behave and respond to customer needs in a manner that is congruent to the firm's market orientation.

Touminen and Moller (1996) stressed the role of management in developing appropriate systems and structures, including recruitment, training and reward systems to impact the adoption of MO by the firm. In the same vein, Harris (2002) believed that managerial behaviour (IMO) is a major determinant of MO success. As such, Heskett et al. (1994) and Jaworski and Kohli (1993) established that the training and motivation of employees to enact market-oriented behaviours are a key consideration for firms wishing to implement the marketing philosophy.

While most studies on MO have operationalised the construct as unidimensional with three components (Baker and Skinula, 2005),this researcher adopts the assertion of Jaworski and Kholi (1993) that the construct should be researched to determine its multi-dimensional nature as indicated by Carr and Burnthorne Lopez (2007) that the three dimensions of information generation, dissemination and responsiveness are related.

Therefore the researcher hypothesizes that:

$H_{8a}$: Appropriate market information generation initiatives of the bank positively affect the bank's information dissemination efforts.

$H_{8b}$ Appropriate customer information dissemination initiatives throughout the bank positively affect the bank's response efforts.

In the 1980s, Gronroos suggested an approach to internal marketing, where he intimated that each employee must be trained as a marketer to do adds-on, cross-selling and the like along with customer retention skills that would foster the building of on going customer relationships. The company should adopt a framework similar to that of its external marketing and by applying market-like activities internally, stimulate service awareness and customer oriented behaviour among employees, cited in Awwad and Agti (2011). In a similar manner, Rafiq and Ahmed (2000) considered IMO as a planned effort, employing a marketing like approach to overcome organisational change, resistance, align, motivate, inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies so that customer satisfaction can be delivered through the process of creating motivated and customer orientated employees. Abdullah and Rozario (2009) opined that the level of customer satisfaction may be influenced by various internal and external factors. As it is to be expected, this researcher argues that the nature of the responsiveness of the service provider is by the understanding and appreciation of the customer's needs and wants, time and environment within which the service is to be provided and the service provider's preparedness to serve; all of which affect the level of satisfaction to be mutually experienced by both the provider and the customer.

It is argued that the external customer is much more likely to receive good service or products if the provider of that service within the company has in turn received excellent service from their internal suppliers. Gaterwood and Riordan (1997), after investigating the relationship between customer satisfaction and employee happiness by evaluating critical employee attitudes based on job satisfaction, job involvement and personal responsibility and organizational commitment, discovered a positive relationship between employee attitudes and various measures of customer satisfaction, since these measures indicated employee willingness to engage in positive activities to reach organizational goals, plus the empowering of employees to accomplish the activities that lead to customer satisfaction. Bernhardt et al. (2000) have also agreed that there is significant empirical evidence that customer-contact employees' work satisfaction has a positive impact on customer satisfaction. By this assertion, this researcher argues that, if the banks should keep their employees happy, there will be a transfer of that happiness to serving the customer well so that he/she also becomes 'happy'. There has not been an explicit relationship drawn between internal customer satisfaction and external customer satisfaction. It is the objective of this study to determine the aligned effect of IMO and MO on company performance (customer satisfaction).

## 4.10 Chapter Summary

The chapter reviewed literature underlying internal marketing (IM) and the marketing concept and how they become conceptualised and operationlised as internal market orientation (IMO) and market orientation (MO). It also considered their antecedents and consequences and any moderating factors. Various definitions and conceptualisations of the constructs have been exposed, for example, the cultural perspectives drawn by Narver and Slate (1990). However, this researcher decided to opt for the behavioural perspectives of the MARKOR and Lings and Greenley's (2005) IMO, since the two use implementation of these constructs in the business environment. The relevant theoretical models and the measuring scales directing the operationalisation of these constructs have been visited raising the necessary hypothesis that must be tested through the right research methodologies and strategies using the right tools, which are contained in the next chapter.

# CHAPTER FIVE
# RESEARCH DESIGN AND METHODOLOGY

## 5.1 Introduction

This chapter covers the methodology that underpins this study and explains the methods used in gathering, collating and analyzing data. It also presents the philosophical perspectives that direct the choice of strategies and methods employed. Methodology is the research strategy that translates philosophical assumptions and principles into guidelines that show how research can be conducted (Sarantakos, 2005), and principles, procedures and practices that govern research (Kazdin, 2003a, cited in Marczyk et al., 2005). Prior to the conduct of research, whether in the natural or social sciences, one must consider the philosophy underlying it because: a) it can help to clarify the research design; b) it can identify the design that is suitable; and c) it can help to identify and create designs that may be outside of the researcher's past experience (Easterby-Smith et al., 2002).

The chapter therefore covers the ontological and epistemological assumptions that are the views of reality and the theory of knowledge and how these underpin any theoretical perspectives and methodology. The nature of reality and humanity (ontology) or the theory of knowledge that informs the research (epistemology) and how that knowledge may be gained and used, shape and define the conduct of this research (Popkewitz et al., 1979). The choice of methodology for this study highly depended on the paradigms that were selected to drive the research activity.

## 5.2 Research Objectives

The research objectives are:-

1. to determine how strongly the dimensions of IMO are related to internal customer needs in the selected banks;
2. to examine the association between the dimensions of MO and customer needs in the selected banks;
3. to assess any association between the dimensions of IMO and the dimensions of MO in the selected banks;
4. to determine the practical contribution of the adoption of IMO/MO to bank performance (internal customer satisfaction/customer satisfaction); and

5. to ascertain the practical importance of the adoption of IMO/MO to management decision making in the banking sector in Ghana.

## 5.3 Research Questions

1. How strongly related are the dimensions of IMO to internal customer needs in the selected banks?
2. What is the association between the dimensions of MO and customer needs in the selected banks?
3. What is the association between the dimensions of IMO and dimensions of MO in the selected banks?
4. What is the practical contribution of the adoption of IMO/MO to bank performance (internal customer satisfaction/customer satisfaction)?
5. How practically important is the adoption of IMO/MO to management decision making in the banking sector in Ghana?

**Hypotheses Tested**

**H1a:** Appropriate informal internal market information generation by a bank will positively impact the bank's response to employee needs (internal market needs).

**H1b:** Appropriate informal internal market information generation by a bank will positively impact the level of internal information that will be disseminated through the organisation.

**H1c:** Appropriate formal face-to-face internal market information generation by a bank will positively impact the bank's response to employee needs (internal market needs).

**H1d:** Appropriate formal face-to-face internal market information generation by a bank will positively impact the level of internal information that will be disseminated through the organisation.

**H1e:** Appropriate formal written market information generation by a bank to its employees will positively impact the bank's response to employee needs (internal market needs).

**H1f:** Appropriate formal written market information generation by a bank to its employees will positively impact the level of internal information that will be disseminated through the organisation.

**H1g:** Appropriate internal market information dissemination will enhance employee response to the bank's needs.

**H2:** Better informed employees of the bank will demonstrate superior responses (IMO-R) to influence their in-role behaviours.

**H3a:** The more appropriate the bank's IMO-R, the greater the bank's ability to generate market information.

**H3b:** The more appropriate the bank's IMO-R, the greater the bank's ability to disseminate market information.

**H3c:** The more appropriate the bank's IMO-R, the more effective the bank's response to market needs.

**H4:** Appropriate demonstration of in-role behaviours by employees positively impacts customer satisfaction.

**H5:** Appropriate responses to a bank's market information increases customer satisfaction.

**H6:** Appropriate responses to customer needs positively impact the bank's customer value.

**H7:** Consistent increase in customer satisfaction positively impacts the bank's customer value (performance).

**H8a:** Appropriate market information generation initiatives of the bank positively affect the bank's information dissemination efforts.

**H8b:** Appropriate customer information dissemination initiatives throughout the bank positively affect the bank's response efforts.

**Table 5.1: Relationship between Objectives, Research Questions and Hypotheses**

| **Objectives** | **Research Questions** | **Hypotheses** |
|---|---|---|
| Objective 1 | Research Question 1 | Hypotheses $H_{1a}$- $H_{1g}$; $H_{8a}$ $H_{8b}$ |
| Objective 2 | Research Question 2 | Hypotheses $H_{3a}$- $H_{3c}$ |
| Objective 3 | Research Question 3 | Hypothesis $H_4$ |
| Objective 4 | Research Question 4 | Hypothesis 5 |
| Objective 5 | Research Question 5 | Hypotheses $H_6$ and $H_7$ |

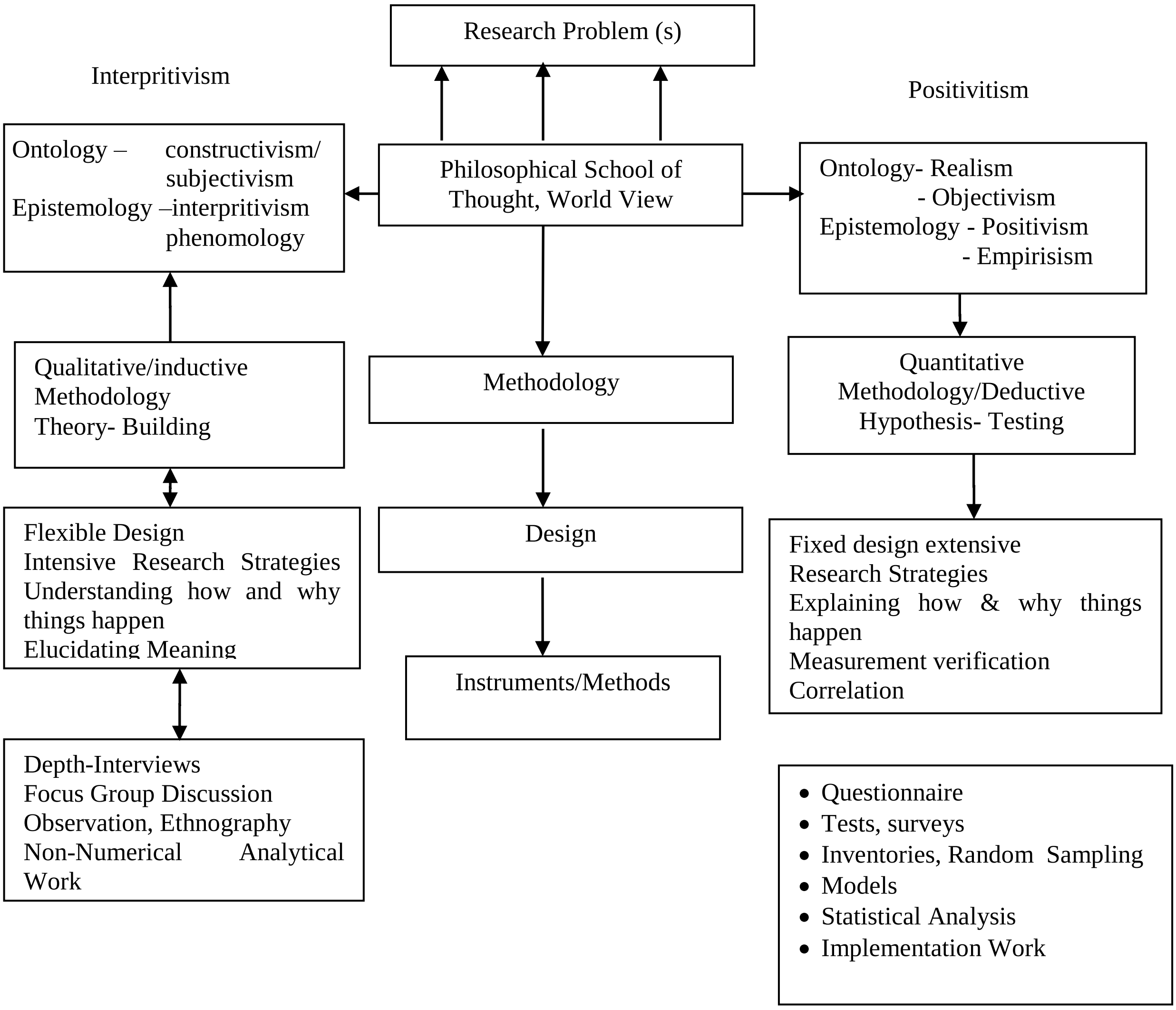
Source: Field Data, 2014

Table 5.1 draws a relationship among the objectives of the study, research questions and hypotheses formulated. The table indicates that hypotheses $H_{1a}$- $H_{1g}$; and $H_g$ and $H_{8b}$ are to answer objectives 1 and research question 1. Hypotheses 3a, 3b and 3c are to help achieve objective 2, and to provide answers to research questions 2. Hypothesis 4 is meant to achieve objective 3 and answer to research question 3, while, hypothesis 5 is meant to achieve objective 4 and answer research question 4. Finally hypotheses 6 and 7 are meant to achieve objective 5 and answer research question 5.

## 5.4 Identifying the Research Paradigm and Methodology

According to Denzin and Lincoln (2005), paradigm is the net that contains the researcher's epistemological, ontological and methodological premises. The descriptions of different paradigms prove that there are competing methodologies in social research based on different philosophical assumptions about the purpose of science and the nature of social reality (Neuman, 2003). Figure 5.1 illustrates how the ontological and epistemological assumptions distil into the appropriate paradigms. The paradigms in effect drive the methodology for research design and the instruments to be used by the researcher.

**Figure 5.1: Research Paradigms**




Source: Tuli (2010) Foundations of Research

Ontology informs the methodology about the nature of reality and what social science is supposed to study; and epistemology informs the methodology about the nature of knowledge or where knowledge is to be sought, or how we know what we know (Tuli, 2010). The qualitative/inductive methodology is seen to be grounded on the interpretivist paradigm and the quantitative/deductive methodology is grounded on the positivist paradigm. The above linkage between this research and the philosophical assumptions therefore directs the researcher's theoretical framework (Cohen et al., 2000).

Extant literature on the philosophical traditions that guide research methodology in social science reveals that the positivist is no better than the interpretivism under the epistemological tradition, rather they are just different with both having their relative strengths and weaknesses (Tuli, 2010). As captured in Figure 5.1, the researcher attempted to undertake a critical review of the positivist and interpritivist paradigms in order to know and understand their limitations and so determine the appropriate choice of research methodology.

## 5.5 Philosophical Perspectives and Research Paradigm

According to Bahari et al. (2010), the above philosophical assumptions are the precursors to any methodological choices that will drive the phenomenon to be investigated. The epistemological interpretivist paradigm assumes that the meaning of the social world is embedded in the experiences of employees and customers of the banks under study and that meaning is mediated through the researcher's perceptions, and what he is trying to research into (Merriman, 1988; Neuman, 2003).

Rocco et al. (2003) supported the above position and posited that inductive logic and qualitative methods are employed with the aim of understanding a particular phenomenon of interest within its social context to enable theory-generation (Bahari, 2010). Additionally, reality and meaning making are socially constructed, where research participants make their own sense of social realities. The researcher therefore treats bank employees and customers as research participants and not as objects. This brings along a sense of commitment and empowerment for participants to tell their own story about work experiences, rather than being objects of research (Casey, 1993). This methodology allows participants to make meaning of their own realities and come to appreciate their own construction of knowledge through practice. Employees and customers knowing themselves, their needs and wants, skills and competencies in the face of an enabling work environment can demonstrate appropriate in-role behaviours that will bring about internal customer satisfaction.

Additionally, the study employs objectivism under the ontological assumption, which embraces positivism as a paradigm under the epistemological assumption. This is so because a positivist deductive or theory-tested approach in research is underpinned by an objectivist or realist ontology where the researcher will attempt to use measurement, correlation, questionnaire statistical logic and verification to explain phenomena. Positivist research underpins quantitative methodology, where the researcher must measure variables and test hypotheses that are linked to general causal explanations (Sarankotas, 2005; Marczk et al., 2005). This researcher, by adopting the objectivist – positivist paradigm, seeks evidence of the regularity of patterned behaviour among employees of the banks under study and how such behaviours would impact customers' needs and wants to define and shape performance of these banks for superior value delivery and satisfaction.

Tuli (2010) reported that the research methodology used in social science for much of the 20th century was largely quantitative and this identified with the natural sciences, which employed the nature of reality (ontology), believing that social observations must be treated as independent entities, just as physical scientists treat physical phenomena. Proponents of the objectivist/positivist paradigms, Easterby-Smith et al. (2002) believe that knowledge is only of significance when it is based on observations of external reality. Therefore, to them, what happens in the social world should be explained or predicted by searching for regularities and causal relationships between its constituent elements. The appropriate research methodology such as large-scale survey of population or representative samples, using formal questionnaires and standardised interviews, must therefore be used to investigate a wide range of topics.

The positivist-objectivist purist (Neuman, 2003) considers social science as an organised way of combining deductive logic with precise empirical observations so as to discover and confirm a set of probabilistic causal laws that can lead to predicting general patterns of human activity. They think that social reality is where empirical facts exist apart from personal ideas, thoughts, and impressions, and such a state is governed by the laws of cause and effect, and patterns of social reality are stable and knowledge of them is reinforcing (Crotty, 1998; Marczyk et al., 2005). Research methodology in this context must be quantitative to explain how variables interact, shape events and cause outcomes. Multivariate analysis and techniques for statistical prediction are among the major contributions of this type of research. Knowledge is therefore based on the direct observation or manipulation of natural phenomena through empirical, experimental means (Lincoln and Guba, 2005; Neuman, 2003).

Bryman (2012) reported that, over the last decade, some researchers in the social sciences argued that the aim of research practice should be to focus on understanding the meaning that events have for the individuals undertaking the study. This led to the appreciation of the qualitative methodology (subjectivism/phenomenology) under the epistemological assumption. These paradigms are meant to attempt to increase the researcher's understanding of why things are the way they are in the social world, and why people act the way they do.

This research into the banking sector in the financial services industry in Ghana therefore would expect that the understanding of the work environment, the culture of the management team and the systems, shared values, structure, strategy, management style, employee skills and predispositions of staff, as well as the macro and industry environments would critically underscore the behaviours of the relevant constituents. These behaviours in the form of information generation and dissemination to appropriate constituents can lead to the appropriate responses for value delivery mutually to internal customers (employees and management) and external customers of the banks under study. The above position agrees with the assertion of the qualitative purists who articulate interpritivism/constructivism saying that reality is subjective, multiple and socially constructed by its participants (Krauss, 2005; Bryman, 2012).

The research paradigm chosen by this researcher is dependent on his perception of what real world truth is (positivism) and "how he knows it to be real truth" (interpritivism). Again, the kinds of questions being used by the researcher to investigate the problems and issues influence his determination of the appropriate research paradigm; as a result, the research objectives play a significant role in deciding the research philosophy (Tuli, 2010). There is the need to collect data from a sizeable population of employees (managers) and customers objectively. For the development of the right research instruments for collecting data, the researcher obtained the opinions, attitudes and perceptions of employees as to what IMO and MO constitute and how such understanding influence their behaviour towards customer needs and wants. This initial attempt was to help validate the use of Lings and Greenley's (2005) scale and Kholi and Jaworski's MARKOR scale in the banks to determine their joint impact on performance. This position therefore allowed the researcher to use both the positivist and interpretivist paradigms (Westberg et al., 2009; Al-Shirawi, 2012). However, the interpretive/constructive paradigm was initially used to explore and gain deeper insight into the constructs and dimensions being employed, and these dimensions were used to determine statistically any relationships and how such relationships affect performance (financial/non-financial) in the banks, through the positivist approach.

### 5.5.1 Interpritivism (Phenomenology)

Interpritivist researchers do not accept the idea that there is a reality 'out there', and that this reality exists irrespective of people. Mutch (2005) states that reality is a human construct and is socially constructed, which means that people make their own sense of social realities. The interpritivist/constructivist epistemology and the subjective/constructivist ontology drive qualitative study.

Phenomenologists regard social science as a phenomenon of activities and behaviours (Remenyi et al., 2009) and actions are created in people's minds. The research into a phenomenon is interrelated to the investigation and has an effect on it, which shows that the nature of social reality is pluralist and subjective Schultz (2006), and the way human beings think as individuals constitutes the key elements in how sense is made of the social world and the actions and beliefs of these individuals provide a basis for interpreting the world around them (Saunders et al., 2007). Moreover, it is difficult to fully understand the world around us, since there is no one world that exists and it is a perception of the mind that interprets the perceived reality (Hudson and Ozanue, 1988). Crotty (1998) intimates that human beings interact with their surroundings and the world they live in and, therefore, their construction of reality is based on their experiences and not through discovery. Proponents of interpritivism believe that interactions of human beings with the social world make them assign meaning to their actions and the world around them (Crotty, 1998). This is the reason why this approach is viewed as interpretive with the belief that the thrust of the researcher adopting this paradigm has an understanding of the underlying meanings and interpretations of human beings and develops a view based on their viewpoint. Accordingly, the result of any such enquiry would lead to building new theories on the phenomenon being studied and this makes the methodology inductive (Hatch and Cunliffe, 2006).

### 5.5.2 Critique of Interpritivism

Interpritivism, according to literature, has large support for its use; for example, it facilitates the understanding of how and why, and contributes greatly to the understanding and explanation of social processes. However, some limitations can be pinpointed. Data collection can be time consuming since the researcher must empower participants to freely express their own views, and construct knowledge through a qualitative methodology (Tuli, 2010). Again, data analysis becomes a challenge since a lot of complexity is introduced into the data collection process. Somehow, the researcher is made to live with the uncertainty that clear patterns might not emerge for the phenomenon being investigated, since interpretive research cannot explain the unintended consequences of actions, which could be important under many circumstances in allowing the researcher to give shape and meaning to social reality (Giddens, 1979). Again, Nudzor (2009) asserts that outcomes of researchers that adopt the interpritivist approach lack reliability and are more subjective, and therefore limit their use in many areas of social and scientific research.

## 5.6 Positivism

A researcher with a positivist orientation sees reality as being "out there" in the world and must be discovered using conventional scientific methodologies (Bassey, 1995). Riley et al. (2000) contend that positivist research describes the relationship between, "real and observed phenomena", and the approach is therefore seeking to apply scientific methods to the study of social phenomena and this is quantitative research. Again, the positivists believe that everything can be known and proved (Fisher, 2007), and that the researcher can obtain large quantities of empirical data that can be statistically analysed to reveal any underlying regularities or otherwise in behavioural patterns to encourage or discourage generalizations (Saunders et al., 2007).

The positivist paradigm underscores the quantitative research approach as it allows the researcher to examine the relationship between certain variables (Creswell, 2009). This allows accurate predictions about relationships between market factors and behaviours, so that meaningful insights can be gained into these relationships (Hair et al., 2000).

### 5.6.1 Critique of Positivism

Although positivism can boast of some identified strengths, for example, a clear theoretical focus for the research from the outset, and that data is easily comparable with greater opportunity for the researcher to retain control of the research process, the positivist-deductive theory-testing methodology in all aspects is highly inflexible, since the direction of the research cannot be changed once data collection has begun. This paradigm renders a weak understanding of social processes that underpin knowledge construction. The approach refuses to help in the discovery of the meanings people attach to social phenomena. Descombe (2002) argues that positivism cannot provide answers to many questions in aesthetics and religion and that these areas must use a different philosophy to construct knowledge. Positivist researchers do not see themselves as important variables in their research and so remain detached from the research (Cohen, 2000), but many researchers have critiqued this position, saying that it will be impossible for researchers in the sphere of social research, not to be part of the society and its values, beliefs, expectations and experiences, which will inevitably influence the researcher due to the underlying knowledge gained during the research process (Cloke et al., 1991). Additionally, extant literature proves that positivism does not regard social structure and its frame work for individual action (Cloke et al., 1991).

## 5.7 Qualitative Research

In qualitative research, data gathering methods that are sensitive to context are employed (Neuman, 2003) and this allows rich and detailed description of social phenomena through the encouragement of participants to speak freely and understand the researcher's interest for insight into a phenomenon that the participant has experienced. This research method therefore entails 'intensive' research work (Bahari, 2010). Such intensive study of phenomena in their natural settings enables the researcher to make sense, construct knowledge or bring out interpretations in terms of the meanings people bring to them. Again, qualitative research aims to explore, discover and understand; and so the fundamental criterion for such reports is trust worthiness (Lincoln and Guba, 1985). It is important to know, however, that the type of qualitative research method employed by the researcher is highly dependent on the topic investigated. Qualitative research methodologies are therefore used to investigate, interpret and describe social realities and research findings therefore are usually reported descriptively using words.

The qualitative research approach involves the development of a theory as a result of the observations of empirical data and the process begins by the researcher gathering information from participants and developing this information into themes. These themes are then developed into broad patterns, themes, elements or generalisations, and these patterns are finally compared with personal experiences or with existing literature related to the topic. For the purpose of this research, the qualitative methodology is employed to explore and gain more insight and understanding of the IMO/MO constructs among bank employees (managers), to identify any broad themes that underline their in-role behaviours to enable them to enact MO with satisfaction as an outcome.

### 5.7.1 Critique of Qualitative Research

Qualitative research enables knowledge construction, which has a number of advantages for example, it allows one to gain insights into a social phenomenon. On the contrary, it has limitations. It is sometimes accused of producing fiction and not science (Denzin and Lincoln, 2000). The researcher cannot be detached from this type of research methodology, and so many researchers conclude that research outcomes inherently include researcher bias thus rendering the process not robust with outcomes that are invalid (Carey, 1989). However, the inductive approach comes with some other limitations; for example, the approach could lead the researcher to compromise due to the influence of existing theories and so fail to consider the respondents' views; and this situation could limit the depth of investigation that could lead the researcher to arriving at a theory that is not tested (Hyde, 2000). However, Schulze (2003) states that each research methodology has its strengths and weaknesses, and no single one is ideal.

## 5.8 Quantitative Research

Quantitative research is characterized by the approach that shows the relationship between theory and research, and the theory used in the research becomes the framework for the whole study, and serves as the model for the research questions or hypotheses and procedure for data collection (Bryman, 2012). These hypotheses or research questions contain variables that must be defined for the development of appropriate instruments to measure observed behaviours or attitudes of the participants in the study. Scores from the instruments used are gathered to confirm or disconfirm theories through analysis. The quantitative approach therefore is deductive or theory-testing with extensive research strategies (Bahari, 2010).

### 5.8.1 Critique of Quantitative Research

Creswell (2009) asserts that it is qualitative research that is needed to explore and understand the views, perceptions, attitudes and interpretations of its relationship with the social human side of a problem, but respondents who provide data through structured questionnaires are 'forced' to answer from the choices provided and therefore the answers might not reflect or indicate the real feelings, emotions or experiences of the respondents through a structured interview setting. There is, therefore, a lack of depth in the investigation due to over-reliance on statistical data (Belgrave and Smith, 1995). This can render the quantitative approach to be lacking in richness of data (Ali and Birley, 1999; Al-Shirawi, 2012).

## 5.9 Research Design

### 5.9.1 Data Types and Sources

The study used both secondary and mixed primary approaches

### 5.9.2 Secondary data

Secondary data sources include relevant journal articles and marketing texts on internal/external market orientation, customer satisfaction and marketing research. Other sources include magazines, company annual reports, annual surveys, dissertations, government published documents and newspaper articles. Other secondary data were obtained from the websites of finance and banking related organisations (the African Banking Customer Satisfaction Survey/KPMG) documents, Financial Times, Global Index Data Base, World Bank reports, Ghana Association of Bankers reports and Ghana Monetary Policy Committee reports). Relevant scholarly literature was collected from online library sources such as Emerald, Insight, Ebscohost, Proquest, Elsevier, among others. Even though some empirical studies on MO in the Ghanaian banking sector have been done (Nartey and Owusu-Frimpong, 2011; Martins and Owusu-Frimpong, 2010; Hinson et al., 2009; Owusu-Frimpong, 2000), there has not been any identified empirical study integrating IMO/MO to date. Martins and Owusu-Frimpong (2010) did some work on IMO within the SMEs context in Ghana. As a result, it would be inappropriate to accept that the IMO/MO constructs and dimensions that have experienced some amount of empirical discussion and findings, mostly in the developed economies of the world, would readily be known and understood in the Ghanaian business and cultural context, which has a different economic developmental landscape.

### 5.9.3 Primary data

The research design adopted for this study was both exploratory and conclusive. Under the exploratory stage, the researcher sought information using the questions based on the IMO/MO constructs (rather than the specific hypotheses) through flexible, loosely semi-structured questions by conducting personal interviews with bank managers. Yin (2003) suggested that exploratory research methodology tends to address research problems within the interpritivist paradigms rather than the positivist paradigm (Perry, 1998). This research is needed to initially adopt the exploratory methodology for empirical and qualitative research into the application of IMO (Rafiq and Ahmed, 2000; Lings, 2004; Papasolomon-Doukakis and Kitchen, 2004) in order to challenge the dominance of the positivist research about marketing (Deshpande, 1983) so as to embrace a balance of inductive and deductive theory building and testing of paradigms (Carson et al., 2001). Again, Perry (1998, p. 787) stated that the exploratory approach is concerned with describing real world phenomena rather than developing normative decision models, implying that the choice of the initial exploratory research approach by the researcher is appropriate.

The type of research design is therefore the conclusive where the researcher adopted the descriptive approach cross-sectionally, to test hypotheses. As a result, this researcher used the survey strategy, questionnaires, and statistical analyses to determine the relationship between mutual care for managers/employees and the effect on bank performance. The survey research methodology was to encourage validity, reliability, objectivity and generalisation (or not). The test instruments of IMO are the scales developed by Lings and Greenley (2005) and the MARKOR, for MO developed by Kholi et al. (1993). These scales were used on samples of the population of interest to determine the possibility of any associated link between patterned behaviour of employees and customers, on the one hand, and bank performance on the other, to enable any explanations and/or generalizations (Creswell, 2009). The quantitative researcher is preoccupied with the concepts of measurement, causality, generalisation and possible replication (Bryman, 2012). Despite the above advantages of the deductive-quantitative research approach, there are shortcomings.

## 5.10 Mixed Methods

Tuli (2010) states that both positivist and interpretive researchers hold that human behaviour may be patterned and regular. The differences in these worldviews about human behaviour is that positivists see this in terms of the laws of cause and effect, while interpretivists see such patterns as being constructed out of evolving meaning systems that people generate as they socially interact (Neuman, 2003). Again, literature in research methodology is replete with the application of mixed methods (Creswell, 2003; Tashakkori and Teddlie, 2003), where critical advantages have been reported in adopting mixed-methods as it accepts the compatibility that lies between the qualitative and quantitative, the inductive and deductive and how they complement each other. As a result, Johnson and Onwuegbuzie (2004) and Tashakkori and Teddlie (2003) have endorsed the adoption of mixed-methods since it promises a strong base to investigating phenomena both from an objective as well as subjective perspectives (Al-Shirawi, 2012).

The use of mixed-methods (qualitative/quantitative) approach for this research is apparent because there is the need to place strong emphasis on a better understanding of the world through first hand experience, truthful reporting and recording of actual conversations from employees' (managers of the banks) perspectives on the roles of IMO and MO. The aim of this process is to encourage research participants to speak freely about their in-role behaviours and what value the bank places on care for its employees and customers in the formal banking business context. Moreover, there is the need for the researcher to understand and/or interpret employee experiences at the workplace, through informal, formal and face-to-face interactions with the work environment and what customers experience as a result of the mobilisation of the banks internal processes and facilities.

For the positivist (quantitative) approach, the assumption is that there are universal laws that govern and regulate social events, and uncovering these laws helps the researcher to describe, predict and control social phenomena. This researcher therefore wanted to test hypotheses adduced from the review of literature on the phenomenon under study in order to discover any patterned behaviour, whether it is true (or not) that, when IMO/MO are well aligned and coordinated, they will impact bank performance (financially/non financially).

Cohen et al. (2000) assert that no one research methodology is better or worse than the other as both qualitative/quantitative are proven to be useful in most research endeavours and what is critical is the selection of the appropriate methodology for an enquiry at hand. Neuman (2003) adds that there is no single absolutely correct methodology to social science research "but rather the methodologies represent different ways of looking at the same world – ways to observe, measure and understand social reality: therefore the selection of research methodologies depends of "fitness of purpose" (Tuli, 2010).

Bahari (2010) opines that the notion that one research strategy is more outstanding than the other research strategy is a myth, which corroborates Bryman's (2006) assertion that the so called "paradigm wars" have been replaced by the era of "paradigm peace", and the reasons why the view that qualitative and quantitative research strategies can no longer be considered as 'incompatible' is critical for three reasons:

- It removes any lingering doubts concerning whether it is intellectually legitimate to integrate the two approaches;
- The compatibility argument marginalizes the epistemological issues and concerns that are at the heart of the paradigm wars, but this is not to suggest philosophical underpinnings for research disappear; and
- The view that qualitative and quantitative positions can be combined appears to be associated with an uncoupling of research methods from philosophical positions.

To Johnson and Onwuegbuzie (2004), the goal of mixed methods is to maximize the strengths and minimize the weaknesses of both research strategies. However, according to Tashakkori and Teddlie (1998), pragmatism must be regarded as a foundation of mixed-method research, because pragmatism rejects the incompatibility debate and so presents a very practical and applied research philosophy. Again, pragmatism allows for the use of multiple-methods different worldviews, different assumptions as well as different forms of data collection and analysis (Creswell, 2003). In addition, this approach presents a more practical and applicable approach in social science research.

Again, to Poetschke (2003), realism can be said to lie somehow between qualitative and quantitative approaches. He claims that there is a real world "out there" (the position of foundationalists) and that it is possible to make causal statements. On the other hand, "not all social phenomena and the relationship between them are directly observable. There are deep structures that cannot be observed and what can be observed may offer a false picture of those phenomena and structures and their effects therefore, realism combines elements from both positivism and interprivism" (Marsh and Furlong, 2002).

Bryman (2012), upon content analysis of articles derived from mixed methods research, has been able to identify about sixteen (16) ways that the researcher can benefit by employing mixed methods; for example, triangulation, offsetting, completeness, process, and credibility, among others. Gilbert (2011) reports of Greene et al. (1989) who provided a useful typology of the purposes to which researchers might use mixed methods, which include triangulation, complementarities, development, initiation and expansion. With the above identified prospects for mixed methods, a number of limitations have, however, been identified. Fielding and Schreier (2001) state that theoretical triangulation does not necessarily increase validity. Again, competing theories must be seen to be the product of different traditions so when combined may offer a further picture of the phenomenon under study, but not a more objective one. While different methods draw on different (and often competing) epistemologies and while combining them can add range and depth, it does not necessarily add accuracy. Erzberger and Kelle (2003) believe that the results of mixed method research are not always predictable, and are therefore not very confirmatory. The researcher argues that, in the face of these positions in dealing with things, social and behavioural, our knowledge is always partial and intrinsically incomplete.

Holden and Lynch (2004), in stretching the mixed method argument, which is an intermediate position, accept that reality is tangible, but humans have an input into forming and defining its concreteness; and epistemologically, knowledge is not absolute and so can be accumulated, tested and either retained or discarded. Gordon (1991) thereafter posits that all that researchers could do is to qualify research findings as contextually explanatory and probably generalisable, rather than insisting that findings are absolutely certain. On the contrary, gathered evidence should be viewed as building blocks that help our "cognition of the world". The mixed method approach should help us to view human nature as both deterministic and voluntaristic, since humans are born into an already structured society, yet societal structures evolve and change through human interaction (Holden and Lynch, 2004).

### 5.10.1 Justification for Choice of Mixed Methods

The research strategy therefore used the multiple data collection approaches, termed the mixed or a combination of the survey strategy (quantitative) and the depth-interviews (qualitative), which is contemporarily called pragmatism (Hughes and Sharrock, 1997). The researcher thought that this research strategy would help to reveal much more insight, understanding and explanations about any relationships between the integrated impact of IMO and MO and bank performance [satisfaction] through triangulation (Denzin, 1978) than could be gleaned from the employment of only one research approach (Bryman, 2012). Again, the researcher finds the mixed method relevant because the key objective of marketing is to allow the encounters between employees and customers in the exchange process to result in both employee and customer satisfaction. This assertion is particularly true in both the corporate and retail contexts where sensitivity to customer care and services has increased in almost all markets (Wilcox and O'Callaghan, 2001). Moreover, customers often evaluate retail service providers based on the behaviour of contact persons or front-line staff (Thomas et al., 2002) especially in terms of their friendliness, courtesy, helpfulness and general agreeable natures (Davies et al., 2001). Finally, extant literature revealed that the survey strategy has been widely used in both internal market orientation and market orientation research (Ahmed and Rafiq, 2003; Gounaris, 2006; 2008; Jaworski and Kholi, 1993; Narver and Slater, 1990; Pulendran et al., 2000).

Survey is a widely employed research strategy for gathering a large quantity of data, and aims at answering research questions by comparing different features with each other to reveal the relationship between various characteristics and categories (Bell, 2005; Al-Shirawi, 2012). To Jankowicz (1995), researchers carry out a survey in order to establish peoples' views on what they think, believe, value or feel, in order to discover these views for their sake or to support an argument that you are presenting by sampling a population of potential respondents in order to generalise conclusions more widely.

Bryman (2012) also asserts that survey research employs a cross-sectional design for data to be collected predominantly through questionnaires or by structured interviews on more than one case that can be analyzed to determine any patterns of association. The next paragraph focuses on the main technique employed in conducting the descriptive research design.

### 5.10.2 Qualitative Sample Frame and Sample Size

The sample frame for the qualitative work comprised functional branch managers of the 24 selected banks in the Accra-Tema Metropolitan area. One branch manager each from the selected branches of the 24 selected banks constituted the sample size. The respondents who form part of the sample size included marketing managers, sales managers, and human resource managers, among others. The sample size of 24 for the conduct of the initial in- depth interview was considered appropriate because for qualitative work, sample size should not be too small to make it difficult to achieve data saturation or too large to make it difficult to undertake a deep case oriented analysis (Mason, 2010; Onwuegbuzie and Collins, 2007 cited in Bryman, 2012). Bernard (2012) intimated that the number of interviews needed for a qualitative work to reach data saturation was difficult to quantify, but that the researcher should take what he could get and the interview should be structured to facilitate asking multiple participants the same questions otherwise one would not be able to achieve saturation as it will be a constantly moving target (Guest et al., 2006 cited in Bryman (2012). Aaker et al., (2010) also intimated that the in-depth interview was seen to be effective with busy executives such as bank managers and appropriate with a small sample rather than a large one (Harris, 2000).

### 5.10.3 Qualitative Sampling Method

To engage in qualitative data collection, a non-probability purposive sampling method was employed. The researcher did not seek to sample the researched participants on a random basis but engaged in a sampling technique that would render the sample relevant to the research questions to be asked (Bryman, 2012). The interviews were to be used to gather factual information about the managers' experiences concerning the initiation and practice of IMO/MO and how they impact the in-role behaviour of staff to influence performance in the banks. The researcher considered that this sampling method would provide respondents who are a representative of the population of interest and the researcher counted very much on his judgment, expertise and creativity.

### 5.10.4 Qualitative Data Collection

The in-depth interview, according to Bryman (2012) is probably the most widely employed method in qualitative research. Qualitative research techniques are either direct or indirect in approach based on whether the true purpose of the research is known to the participants (Malhotra and Birks, 2007). A direct approach of qualitative data collection include in-depth interviews and focus group sessions. In these approaches, the purpose of the research is disclosed to the participants. However, the researcher must be careful not to help interviewees pre-empt what responses to make. In using focus groups or in-depth interviews, it is worthwhile the researcher employs a direct approach in order to have control over how much "directedness" can be revealed by the respondents at the start of the interview or discussion (Malhotra and Birks, 2007). The researcher should foster a relaxed environment and rapport to enable interviewees to be actively engaged in the interview session and be able to respond to the researcher's probing questions. In trying to create intimacy to encourage social and interpersonal interaction the interviewer is encouraged to seek 'deep' information and understanding of participants' experiences and lifeworlds (Johnson and Onwuegbuzie, 2004,Warren,2002). The indirect approach of data collection on the other hand disguises the purpose of the research and observation and ethnographic techniques fall under this. In this approach the researcher expects participants to behave as naturally as possible without any inhibitions about the research purpose (Malhotra and Birks, 2007).

### 5.10.5 Qualitative Data Collection Instruments

This researcher employed the in-depth interview approach where face to face interview sessions were held by the researcher with the respondents to uncover underlying perceptions, motivation, values, opinions, feelings and attitudes of the respondents towards the rhetoric and practice of IMO/MO in their respective banks (Papasolomou, 2003). The participants were interviewed using an open-ended semi structured interview guide adopted from the Lings and Greenley (2005) IMO measurement scale and the Jaworski and Kholi (1993) MARKOR scale (see appendix III and IV). The interview guide serves as a topic guide or route map through the interview (Housden, 2009). The method is flexible and the semi structured nature of the interview guide provides participants the understanding to provide insights into how they view the social world. It created the environment for the researcher to have greater interest in the interviewees' points of view and these allowed the interviewees to come up with what they see as relevant and important in explaining and understanding events, patterns and forms of behaviour inasmuch as the interviewer wants rich and detailed answers that can be coded and processed quickly (Bryman, 2012).

The in-depth interviews were organised around the following questions to ascertain from participants:
RQ1: What is their understanding of IMO and its practice in the bank?
RQ2: How does the practice of IMO affect employee needs?
RQ3: Are the dimensions of MO at work at the bank?
RQ4: How is the practice of IMO/MO driving the bank's performance?
RQ5: Do you experience a joint impact of IMO/MO practice in the bank's service delivery efforts?

### 5.10.6 Conducting Interviews

Selected managers were contacted in their offices having first arranged and agreed with the Human Resource Directors and managers of these selected banks on undertaking the interviews. The researcher engaged in in-depth face-to-face interviews with 12 of the 24 managers selected. This number of respondents cooperated in the in-depth interview sessions generating a response rate of 50% which is considered satisfactory. The researcher welcomed the interviewees one at a time and introduced himself. After this, the researcher explained the purpose of the interview pointing out what both parties would get out of taking part in the interview and outlining the interview process. The interview session was basically a conversation where the researcher asked questions based on the interview guide and listened to the participants' answers (Kvale, 1996). After asking interviewees initially the bank he/she was coming from the researcher wanted to know how long he/she has been engaged by the bank. After seeking the consent of the interviewee, his or her attention was drawn to the interview guide as the route map of the interview. The researcher subsequently began to ask the first question. The subsequent direction of the interview was determined by the initial responses to the first question. This directed the researcher's probes for elaboration on the participant's answer. Since the interview guide was drawn on the measurement scales of IMO/MO, the questions mirrored the objectives, research questions, hypotheses and reviewed literature.

The length of each interview took an average of 45 minutes and all interviews were audio-taped and transcribed and the transcripts analysed to identify any themes or categories of meanings in addition to other relevant field work arising from the interview.

### 5.10.7 Qualitative Data Preparation and Analysis

Braun and Clarke (2006) categorized qualitative analytical methods into two main groups. The first group are those tied to or stemming from a particular theoretical position and are therefore theory-driven, for example, grounded theory (Glasser, 1992; Strauss and Corbin, 1993). The second group comprises methods that are essentially independent of theory and are data-driven and can be applied across a range of theoretical and epistemological approaches and thematic analysis and is located in this group. This is because they report experiences, meanings and the realities of participants. They also examine the ways in which events, realities, meanings and experiences are the effects of a range of phenomena operating within society (Braun and Clarke, 2006).

Thematic analysis is a relevant approach for this study because it is a method appropriate for developing insights into the behaviours, words and actions of managers in the banking setting in understanding the IMO/MO constructs (Malhotra, 2010). Research in Ghana in this area is known to be relatively new and under-researched and little has been known about these social phenomena where current perspectives lack empirical substantiation (Zebal, 2003).

This researcher based his analytical work on the conceptual framework of Braun and Clarke (2006). This approach was adopted because it is rigorous and produces insightful analyses that answers the research questions (Braun and Clarke, 2006). Secondly, it is devoid of any theoretical perspectives and this theoretical freedom makes it a flexible and useful tool that can provide a rich and detailed but complex story of data. Again it complements the research questions by facilitating an investigation of the interview data from two perspectives: first, from a data-driven perspective and a perspective based on coding in an inductive way; and second, from the research question perspective to check if that data was consistent with the research questions and providing sufficient information (Jugder, 2016). The data-driven approach allows research findings to emerge from the frequent, dominant and significant themes embedded in raw data without the guidelines imposed by structured methodologies (Thomas, 2003). The method allows the inductive approach to condense extensive and varied raw text data into a brief summary format and makes it possible to establish clear links between the research objectives and summary findings derived from the raw data. This approach allows the researcher to develop a model or theory about the underlying structure of experiences of respondents or processes which are evident in the raw data (Thomas, 2003). This assertion is corroborated by Bryman (2008) and Hayes (2000) in that thematic analysis focuses on data interpretation and is suitable for theory generation. For the purpose of this study, the approach helped to identify, analyse and report patterns (themes) with data gathered from respondents on the effect of understanding and application of IMO/MO in the banks' performance in Ghana (Braun and Clarke, 2003), much as it helped the researcher to describe his data set in rich detail because it yielded itself to the interpretation of various aspects of the research topic (Boyatzis, 1998).

As much as flexibility is known to be a key attribute and advantage of thematic analysis, many consider it equally as a key critique because it renders the method to be without any clear and concise guidelines (Antaki et al., 2002). Researchers argue that thematic analysis is widely used but there is no clear agreement about what it is and how one goes about doing it (Attride-Sterling, 2001; Boyatzis, 1998; Tuckett, 2005), and the analytical process and details of analysis are not given sufficient reportage (Attride-Sterling, 2001). Without an identified and definitive theoretical framework to support analytic claims based on thematic analysis, the method is reduced to a mere descriptive tool without the potency to interpret, and so cannot be relied upon for theory development (Roulston, 2001; Howitt, 2010).

Despite the above identified limitations of thematic analysis, Holloway and Todres (2003) assert that the method is very foundational for qualitative analysis and the thematising of meanings as one of a few shared generic skills across qualitative analysis. While Ryan and Bernard (2000) locate thematic coding as a process performed within ‘major’ analytic traditions (such as grounded theory), rather than a specific approach in its own right, Braun and Clarke (2006) consider thematic analysis as a method in its own right. Since it is flexible, its preference for this study stems from its conformity with the pragmatism paradigm adopted, which thrives on analytical methods that are inductive and data driven (Frith and Gleeson, 2004) rather than deductive or theory-driven (Boyatzis, 1998; Hayes, 1997; Holloway and Todres, 2003). As stated earlier, this researcher adopted the 6 – phase approach of Braun and Clarke (2006) to undertake the thematic analysis.

The researcher familiarized himself with data by collecting data personally, where there were interactions between the researcher and respondents during in-depth interview sessions. The researcher tape-recorded each interaction in addition to notes taken during each interview session. As part of the familiarization process, data were transcribed into a written form to aid analysis and this is considered an excellent way to familiarize oneself with data (Riessman, 2000). The researcher tried to maintain a rigorous and thorough orthographic verbatim account of all verbal and non-verbal utterances so as to retain the information needed from the verbal account. This approach facilitated the necessary interpretative skills needed for data analysis (Lapadat and Lindsay, 1999).

The next phase involved manual coding of data in terms of the segments or elements of the raw data that could be assessed in a meaningful way regarding the IMO and MO constructs in the banking environment (Boyatzis, 1998).

Coding allowed the researcher to organize data into meaningful groups (Tuckett, 2005). Coded data are categorized into broader units of analysis (themes) in relation to the data set on the phenomenon being examined (Boyatzis, 1998). Coding systematically covered the content of the entire data set, with full and equal attention given to all aspects of each data item in order to identify interesting and provocative aspects of data items that could form the basis of repeated patterns or themes across the data set. The researcher then coded the extracts by writing notes on the transcripts, with highlights or coloured pens to show potential patterns or to identify segments of the data. Codes were initially identified and matched up with data extracts showing those codes. Actual data extracts were coded and collated together within each code, by copying extracts of data from individual transcripts and collating each code together in file cards. During the coding process, the researcher equally coded items that departed from the dominant story in the analysis as these would have to be looked at to see if further coding would be necessary.

At this stage, a long list of different codes was identified across the data set and the researcher used visual representations to sort the different codes into themes and tables or mind maps or nodes. It is important to begin to determine the relationships between codes, between items and sub-themes. Codes that did not belong anywhere were housed separately for future re-visit.

Key themes were reviewed for refinement by recalling all collated extracts for each theme to determine whether they form coherent patterns. The researcher moved on to consider how validly individual themes were mirrored in the data set and reflect meanings evident in the data set as a whole. A re-reading of the entire data set was done to ascertain that themes 'work' in relation to the data set and to code any additional data within themes not captured earlier on. The researcher, at this point, had a good idea of the different themes and how they fit together to convey the story the data would want to tell (Braun and Clarke, 2006). The researcher realized the essence of what each theme was about and what aspect of the data each theme captured by going back to collate data extracts of each theme and organizing them into a coherent and internally consistent accounts with a supporting narrative. Data that did not match or fall in sync were collapsed. The researcher finally wrote a detailed analysis of each theme and how it fit into the overall narrative about the data in relation to the research questions. The refinement process determined themes that could contain sub-themes, which could have defined useful structures to large and complex themes.

With the final analysis in terms of fully worked-out themes, the researcher was able to write a concise, coherent, logical and interesting report of the story that the data told within and across themes, with sufficient evidence of themes within the data (Braun and Clarke, 2006) as reported in Chapter Six.

### 5.11 Quantitative Approach

The research problem facing the researcher requires primary data that can be gathered by questioning a large number of respondents who are the representative of the defined target population for the study (Hair et al., 2000). The approach is meant to draw a relationship between theory and research and involves the testing of hypotheses to determine any association between the independent and dependent variables (Bryman, 2012).

### 5.11.1 Quantitative Sample Frame

The empirical context of this study is Ghana and the specific unit of analysis is the formal banking sector of the financial services industry in the Greater Accra Region. The Accra-Tema metropolis was chosen because the area harbours all the banks and their head offices, and it has the highest level of commercial activity and density of all the banks' branches. The population for the study therefore comprises all the 28 registered formal banks licensed to operate in Ghana (Bank of Ghana Survey, 2014). The sample frame comprises 24 out of the 28 banks, purposively selected because they meet the requirements of the study in terms of number of branch managers required per bank. Of the 24 banks, functional managers were drawn to participate in both the quantitative and qualitative studies. The 24 selected banks with at least three branches and above constituted the sample population. The selection of these groups of participants was based on the optimization of diversity and criteria to enable an objective scientific enquiry into the dimensions of IMO/MO in the banking business environment. Again, the study into IMO/MO was not be in the marketing departments of these selected banks alone but involved all functions in an organisation, to encourage the diversity in thought and opinions as they participated (Jaworski and Kholi, 1993, cited in Zebal, 2003). The managers were considered a well-educated and well-informed group with adequate knowledge and experience within their industry to understand and contribute to the investigation.

### 5.11.2 Sampling Method and Sample Size for Quantitative Research

The stratified purposive sampling method was employed to generate a reliable sample of bank managers for quantitative data collection. This sampling technique was appropriate since the survey was driven by the operationalised constructs of IMO/MO to determine the dimensions of the constructs (independent variables) when tested, which manifest in the form of bank performance and customer satisfaction as the dependent variables (Babbie, 2010). This sampling method focused on how probability and purposive sampling was used to generate a mixed method sample. Again, the selection of the sampling units employed the probability sampling technique to increase external validity and purposive sampling strategies to increase transferability (Teddlie and Yu, 2007). The selection of the bank branches was based on the stratifier of 'size'. The banks were categorized into 'relatively large', 'medium' and 'small' sizes. Based on the number of branches, a number of managers was purposively selected. A manager for the purposes of this study was operationalised to include senior assistant, assistant and deputy managers to cater for those banks that are small in size in terms of staff strength. Meanwhile, the head offices of these selected banks were automatically selected because they constitute the central point from which all strategic decisions are made to influence and co-ordinate activities of all other branches. Table 5.1 shows the selected banks in the Accra-Tema area categorised in terms of their branches located in the catchment area and ownership.

**Table 5.2: Selected Banks in Terms of Size, Number of Branches, Ownership, Year of Incorporation in the Accra – Tema Metropolitan Area.**

| Bank (Relative Sizes) | National Branches | Accra – Tema Branches | Ownership | Year Of Incorporation |
|---|---|---|---|---|
| 1. Relatively large<br>• Ghana Commercial Bank | 158 | 44 | Local | 1953 |
| 2. Relatively Medium<br>• Agricultural Development Bank | 91 | 15 | Local | 1965 |
| • Barclays | 92 | 12 | Foreign | 1917 |
| • Ecobank | 78 | 17 | Foreign | 1990 |
| • Fidelity | 43 | 13 | Local | 2006 |
| • Prudential | 32 | 18 | Local | 1993 |
| • SG | 45 | 15 | Foreign | 1975 |
| • Standard Chartered | 35 | 15 | Foreign | 1896 |
| • UBA | 32 | 18 | Foreign | 1997 |
| • Bank of Africa | 20 | 15 | Foreign | 1997 |
| • Cal Bank | 21 | 13 | Local | 1990 |
| • GT Bank | 24 | 16 | Foreign | 2004 |

| | | | | |
|---|---|---|---|---|
| • Merchant | 22 | 12 | Local | 1971 |
| • Stanbic | 23 | 12 | Foreign | 1999 |
| • UT | 25 | 17 | Local | 1995 |
| 3. Relatively Small | | | | |
| • International Commercial Bank | 17 | 10 | Foreign | 1996 |
| • N.I.B. | 27 | 10 | Local | 1963 |
| • Unibank | 19 | 10 | Local | 1997 |
| • Zenith | 26 | 10 | Foreign | 2005 |
| • B.S.I.C. | 12 | 9 | Foreign | 2008 |
| • H.F.C. | 24 | 5 | Local | 1990 |
| • First Atlantic | 8 | 4 | Local | 1994 |
| • Energy | 3 | 3 | Foreign | 2010 |
| • Access | 31 | 3 | Foreign | 2008 |

Source: Ghana Banking Survey (2014)

Based on Table 5.2, GCB limited is the only single bank with the highest number of branches (44) in the Accra-Tema Area and in the relatively large category in terms of size; it falls in the 20-44 range in terms of number of branches. At GCB, 30 branch managers were purposively selected as respondents. From the medium-sized banks, with branches in the range of 11-19 there are 14 banks in this category and 15 functional managers were selected purposively from each of the (14 × 15 = 210) branch managers, while from the small sized banks with branches in the range of 3-10, there were 9 banks with more than three branches. Ten (10) managers were purposively selected from each of the nine to arrive at 90 managers making a total of 330 managers as the sample size which is captured in Table 5.2.

**Table 5.3: Sample Size of Respondents**

| Sizes | Range of branches (in size) | No. of banks | No. of managers per bank (sampled) | Total no. of managers |
|---|---|---|---|---|
| Relatively large | 20-44 | 1 | 30 | 30 |
| Medium | 11-19 | 14 | 15 | 210 |
| Small | 3-10 | 9 | 10 | 90 |
| | | | | **330** |

Source: Field Data, (2014)

### 5.11.3 Quantitative Data Collection - Instrument

#### 5.11.3.1 Measurement Scales Used For the Study

All questionnaire variables were measured on a seven-point Likert scale rating from 1 for strongly disagree to 7 for strongly agree. A 20-item questionnaire for managers of the banks consisting of multiple-choice questions was adapted from the Lings and Greenley's (2005) IMO measurement scale.

#### 5.11.3.2 Measurement Scale for MO

A 23-item questionnaire for managers of the banks consisting of multiple-choice questions was adapted from the MARKOR scale, and Kholi et al. (1993) to assess the presence and influence of MO in the banks.

#### 5.11.3.3 Measurement Scale for the Consequences of IMO

Employee in-role behaviours were measured using items adapted from Williams and Anderson's (1991) in-role four items instrument.

#### 5.11.3.4 Measurement Scale for Bank Performance (Consequences for IMO and MO)

A 6-item questionnaire to managers on employee satisfaction as a subjective measure of bank performance is in line with the logic of Venkatraman and Ramanujam (1986), Richard et al. (2009) and Vora's (2004) suggestions using employee satisfaction as a critical predictor or antecedent of customer satisfaction was adapted made up of multiple-choice questions. Finally a 5-item questionnaire on employee/customer value as a consequence of IMO/MO consisting of multiple questions was used (Hult et al., 2005). (See appendix iv)

#### 5.11.3.5 Pre-Testing of Questionnaire

The pilot study for the respondents was administered by the researcher with the hard copy through the convenience sampling approach as indicated above. The critical purpose of the pilot study was to test for internal consistency, and how stable the item responses would be contextually (Hofstede, 1994), and the extent to which a number of statements can be used to measure a given construct at different times (Churchill, 1979). The pilot study involved the administration of questionnaires to three functional managers of any three of the selected banks randomly. This was done to verify the interpretation of questions by the potential respondents to confirm the content validity and establish the reliability of the variables concerned (De Vaus, 2002). Again, it was meant to streamline question content, wording sequence and difficulty, among others (Malhotra, 2007) in the questionnaire design.

The quantitative phase of this study was meant to establish the validity and reliability of the Lings and Greenley's IMO and Kholi and Jaworski's MARKOR scales related to the constructs through the syntheses of the insights gained from extant literature and the qualitative work. This involved the use of the scales in the form of adapted questionnaires to facilitate the collection of data in order to prove the hypotheses and to establish their validity and reliability (Creswell, 2009).

#### 5.11.3.6 Questionnaire Administration

Access to the banks for the study was negotiated by submitting an introductory letter to the human resource directorates of the banks to seek permission to carry out the research work with their respective managers (see appendix iv). Prior appointments were made with management of the banks to get managers to agree to meet the researcher for the distribution of the questionnaires. The drop and pick approach was used involving personal distribution by the researcher to reassure the quality of the process and encourage respondents to participate, considering the nature of the questions being administered. The method was deemed to achieve high response rates, easy to administer even though difficult to control (Wilson, 2006). The researcher followed up with e-mails and telephone calls to urge maximum cooperation and responsiveness from the bank branch managers. Out of the 330 managers contacted, 205 co-operated in the study generating a response rate of 62%, which is considered satisfactory.

## 5.12 Quantitative Data Analysis

The SPSS software was used to provide a summary of data for analysis and interpretation (Malhotra and Birks, 2007; De Vaus, 2002). Descriptive statistics such as mean and standard deviations were computed to demonstrate the central tendency and dispersions of variables as well as skewness and kurtosis tested for normal data distribution in terms of the general pattern of responses (Burns and Bush, 2010). Based on the reliability tests associated with validity of the IMO and MO instrument and in light of the sample sizes of the respondents, a confirmatory factor analysis (CFA) was conducted based on Anderson and Gerbing's (1988) two-step approach combining CFA and Structural Equation Modelling (SEM) for further analysis. The aim was to attempt to generate theory by identifying and analyzing the interrelationships within the categories (Janssens et al., 2008). At the same time, it is meant to reduce the categories to generate theory (Hair et al., 2005) and to determine the validity of the items and how they relate to the IMO/MO scales so as to establish the construct validity of the test scores (Malhotra and Birks, 2007).

The confirmatory factor analysis is used to confirm the number or the nature of factors accounting for the co-variation between the variables emerging to describe employee behaviours on the IMO scale, by Lings and Greenley (2005) and on the MARKOR scale, by Kholi et al. (1993) and how these behaviours influence the bank's responsiveness to their employees and customers. This confirmatory assessment was used to examine the dimensionality, the convergent, the discriminant validity and composite reliability indices of the constructs (Fornell and Larcker, 1981; Brunner and Sub, 2005; Gounaris et al., 2010).

Furthermore, the internal validity of the instruments was assessed using the Cronbach's Alpha to agree to a level of 0.73 or above the threshold (Nunnally, 1978; Churchill, 1999), to exhibit desirable levels of internal consistency and reliability (Cronbach, 1951). The Pearson correlation at ($p< 0.01$ $p< 0.05$) significance level was used to compute the mean values of the key variables of the IMO/MO constructs to determine any association with performance, (Hair et al., 2005).

To assess the structural model in order to determine the models explanatory power and the significance of the hypothesized paths shown in Figure 7.1, the multi-stage multi-variate analytical tool of SEM was employed to describe the dependence relationships between the IMO/MO and link the hypothesized model's constructs for any matrix and path co-efficient analysis at 5 percent significance level (Schalk and Gudlaugssons, 2008; Hair et al., 2005). Researchers have viewed SEM as a tool that combines multiple regression analysis and factor analysis and allows the researcher to test models related to the research interest of the researcher (Abramson et al., 2005). The tool enables the researcher to understand how independent variables (the dimensions of IMO/MO) contribute to an explanation of their impact on the dependent variables (bank performance), and the subjective measure such as overall satisfaction, and whether employee satisfaction is actually a good predictor of customer satisfaction. Standardized factor loadings will be statistically significant at 0.05 or better. The SEM was employed to confirm the anticipated relationship between the dimensions of the exogenous constructs of IMO/MO and how these factors drive them to result in the anticipated consequences (endogenous constructs) such as performance satisfaction.

Using the logic of Venkatraman and Ramanujam (1986), bank performances were measured using subjective data, instead of objective data (financial) that might not be available because of its commercially sensitive nature. Managers' subjective evaluations of banks were compared to their competitors (Hooley et al., 1992). The above performance measure ties in with the measurement of Vora's (2004) satisfaction as the customers overall evaluation of performance of service (Gustafsson, Johnson and Ross, 2005) and employee satisfaction as an attitude and behaviour that results from rewarding work-roles as the employee evaluates and compares performance standards about the bank environment with an actually perceived bank environment (Homburg and Stock, 2004).

## 5.13 Reliability and Validity Assessments

According to Churchill (1979), when using a multi-item scale, one must assess the internal consistency and reliability so that additional dimensions of the scale produced by the scale do not result from garbage items. The appropriate tool for testing the reliability of a multi-item scale therefore is the Cronbach alpha, so that one is able to determine whether all items on the scale are measuring the scale variables (De Vallis, 1991). It consists of estimates of how much variation in scores of different variables is attributable to chance or random errors (Selltiz et al., 1976). Accordingly, this researcher suggested a level of alpha co-efficient value of 0.73 or above the threshold of 0.6 established by Nunnally (1978) and Churchill (1999) as the desirable level for internal consistency and reliability of scale items used (Cronbach, 1951). However, an alpha co-efficient value of about 0.7 has generally been accepted as showing a high level of homogeneity with scale items to assist in determining whether they have a single dimension (Hair et al., 2005).

**Validity Analysis:** Data instruments used in this study were adopted from previous research studies with minimal alterations made to meet the requirements of this research. To measure overall validity and reliability, the researcher used composity reliability tests, content or face validity, convergent, discriminant as well as nomological validity tests. Composite reliability tests was in addition to the Cronbach alpha to test the internal validity of the constructs. As stated by Hair et al. (1998; 2005), internal validity is to determine how well the scale items do indeed measure the latent constructs they are meant to measure. Churchill (1999), cited in Lings and Greenley (2005) state that correlation between different instruments designed to measure the same construct provides evidence or convergent validity; while, according to Fornell and Lacker (1981), variance extracted is a more stringent measure of internal stability and convergent validity.

Fornell and Larcker (1981) again stated that, discriminant validity is provided if the average variance explained by a constructs items is greater than the construct’s shared variance with every other construct, which is the square of the inter-factor correlations between any two constructs. Nomological validity can be established by showing that the constructs, IMO/MO as represented by the measure, behaves according to predictions derived from theory (Zaltman, et al, 1973) and the correlation matrix (Hair et al., 2005).

## 5.14 Confirmatory Factor Analysis

The objective of this analysis is to retain the items that have high loadings to maintain face validity, since the modification indices suggest that many scale items have more in common with each other than the specified model allows. In employing CFA, offending items were subsequently deleted until the standardized loadings were obtained. The fit indices finally revealed that no improvement could be attained through item deletion. The measurement models were estimated using LISREL (8.5) (Joreskog and Sorborn, 1989; 1993). The CFA is used in testing the measurement scale when employing SEM, (Anderson and Gerbing, 1988; Hair et al., 2005). In using the CFA for this study the latent constructs (IMO/MO) cannot be directly observed unless they are implied through their relationship with the observable variables, which are the dimensions or indicators. Again, performance (customer satisfaction) can only be implied through its relationship with IMO/MO. The researcher intends to determine how IMO/MO as (exogenous) independent variables contributes to customer satisfaction as the (endogenous) dependent variable in the banking sector in Ghana. Again, in testing a hypothesis CFA could be used to determine the extent to which different assumed items truly measure a dimension or factor. The aim is to discover whether the theoretically imposed structure of the constructs exists in the data collected (Hair et al., 2005). Finally, the researcher wants to determine whether the dimensions of IMO/MO converge or share the high proportion of variance in common, and whether the constructs are truly distinct from other constructs (discriminant validity) (Anderson and Gerbing, 1988).

Many researchers have developed and established different types of test statistics that combine to assess SEM results. As a result, multiple fit indices have been advanced to assess the model's goodness-of-fit to observed data (Hair et al., 2005). This SEM will be evaluated using a selected number of goodness-of-fit indices (Hair et al., 2005). For sample size for SEM, Ding et al. (1995) suggested that a minimum of 100-150 individuals can be used, while Loehlin (1998) and Kline (2005) recommended 200 or more so that eventual biases can be reduced in the model estimation with a confidence level of $p<0.05$. In employing the SEM:

$R^2$ – the coefficient of determination, explains how well the endogenous element of the model has been explained by the predictor (exogenous) variable, IMO/MO.
Critical Ratio [C. R (t)] determines whether the factor loadings are significant or not, or whether the factor loadings are good determinants of the measurement constructs (cut off $\geq 0.5$).

$X^2/df$ – Chi square is the primaty test for goodness of fit for the model with a degree of freedom with a significance level of $p<0.05$.

Composite Reliability (CR) and Average Variance Extracted (AVE), in addition to the Cronbach Alpha are used in assessing the internal consistency of measures.
The SEM will be evaluated using a selected number of goodness-of-fit indices (Hair et al., 2005; 2010).

a) Absolute goodness of fit index- $X^2/df$ chi square with degree of freedom and confidence level of $p<0.05$, the goodness of fit index (GFI)=0.91, Root Mean of Square Error of Approximation (RMSEA)= cut off = 0.06.
b) Incremental fit indices – these show how fitting a given model is in comparison to a null model (Hair et al., 2005) and these include the comparative fit index (CFI) =0.95, the Adjusted goodness of fit index (AGFI) cut off = 0.95.
c) Parsominuous fit indices – these indices determine the goodness of fit of the model in line with the number of estimated coefficients required to achieve the goodness of fit (Hair et al., 2005). Those employed in this study include the Akaike Information Criteria (AIC) which is a relative measure of fit that focuses on how little the fitted values diverge from the saturated model (Bertossi and Bertossi, 2012).

## 5.15 Managers as Single Industry Sample and Justification

This researcher used managers to respond to the questionnaire (measurement scales) for IMO/MO because only the same sample can respond to the same questionnaires to determine any relationship between the IMO/MO constructs and business performance.

Again, managers are in a good position in the hierarchical placements of the banks to appreciate and understand the strategic nature and intent of the IMO/MO constructs and their contribution to the development of the vision and mission statements of these banks under study. Additionally, managers cross-functionally receive reports and feedback from employees concerning the bank's MO practices in terms of customer needs and wants, which influence the implementation of marketing programmes towards these customers.

Communication in the form of essential feedback from customers/other employees enhances the decision making processes in the banks. This is so because, with this information, the organisation will develop strategies that align with the employees' perceptions and in-role behaviours to drive the successful implementation of such strategies.

Another reason for adopting only functional managers is that they are considered as the knowledgeable respondents in understanding the meanings of the constructs. Additionally, functional managers can only report their opinions of how employees and customers behave and so are able to deduce how motivated, fulfilled, committed and satisfied they are. Further, managers were used in the study to report their subjective views of the performance of the banks' operations (internal customer satisfaction/customer satisfaction). As stated earlier, subjective measures have the advantage of linking directly with managers' behaviours.

## 5.16 Difficulty of Accessing Objective and Financial Data as Performance Measure for Study in the Ghanaian Banking Sector

The financial industry, particularly the banking sector in Ghana, has been characterized by growing competition, market likeness and technological innovation because of the entry of new foreign banks as well as the establishment of new domestic ones (Ghana Banking Survey, 2016). The competitive landscape in the sector demands stringent performance measures to determine who has a competitive advantage.

Using financial data as the objective of performance assessment of the banks under study would have been preferable but these documents were normally treated as commercially sensitive information, and were not readily available or difficult to access by managers (Lings and Greenley, 2010). The researcher appreciates the fact that more objective measures (such as sales growth, profitability, ROI, gross profit margin, market share) underscore the importance of the financial performances of the banks (Venkatraman and Ramanujam, 1989), which would have deepened our understanding of the contribution and impact of both IMO and MO constructs. However, accessibility of the relevant objective measures to be used in assessing the relationship between the IMO/MO constructs and bank performance was a challenge due to their sensitive nature and how classified they are to these banks. As a result, subjective measures were used. The use of subjective measures alone can be regarded as a limitation to this study.

Since IMO conceptualisation and operationalisation of Lings and Greenley (2005) and MO – MARKOR, according to Kholi et al. (1993), were the conceptual frameworks adapted and adopted and not Narver and Slaters' (1990) MKTOR conceptualisation (MKTOR Scale), there was no critical need to do any competitor analyses in terms of performance measures. Again, this study has not considered financial measures to determine objective performance. It is a limitation, however, as the main scope of the study is to provide empirical evidence regarding the necessity or not of looking at the broadened marketing philosophy (IMO and MO) and their joint influence on employee satisfaction/customer satisfaction (bank performance).

In effect, internal market orientation and market orientation as operationalised in this study are concerned with the processes and activities that are associated with identifying, creating and satisfying customers and continually assessing their needs and wants (Uncles, 2000). As a result, market orientation must positively relate to the company's performance, where the company's performance is measured by business efficiency. Dawes (1999) and Richard et al. (2009) suggested that, in marketing, for the purpose of business performance, measurement can take different forms, such as objective and subjective measurements. This researcher identified with the use of subjective measures as appropriate for several reasons that highly influence the measurement of performance in the banking sector in Ghana:

a) That managers may be reluctant to disclose actual performance data if they consider it commercially sensitive or confidential.
b) That subjective measures may be more appropriate than objective measures for comparing profit performance in cross-industry studies. This is because profit levels can vary considerably across industries, obscuring any relationship between the independent variables and company performance. Subjectively, managers can take the relative performance of their industry into account when providing a response (i.e. rate of the profit performance of the company in relation to that of other companies).
c) That performance measures, such as profitability may not accurately indicate the underlying financial health of a company. Profitability may vary due to reasons such as the level of investment in R&D or marketing activity that might have long-term effects.

d) That there have been several studies that show a strong relationship between objective and subjective measures and using only traditional financial measures in today's business environment for performance measurement are misplaced (Umar and Olatunde, 2011).
e) That the researcher seeks empirical support of the position of Doyle (1995) that the most appropriate measure of performance for any firm is customer satisfaction; and employee performance is reflected through the levels of employee satisfaction (Venkatraman and Ramanujam, 1986, as cited in Jyoti and Sharma, 2012).

Moreover, this researcher reiterates that the use of market-subjective performance measures, such as customer satisfaction, customer value and internal customer satisfaction, are intended to overcome difficulties associated with asking managers to disclose sensitive financial data (Relham and Wilson, 1996). Satisfaction represents a key subjective measure of market performance, considering its ability to provide information complementary to traditional accounting and financial measures (Itner and Larcker, 1998, cited in Tournois, 2013). Venktraman and Ramanujam (1986), define business performance in both financial performance and operational performance terms. Panigyrakis and Theodoridis (2009) indicated that the financial indications of the performance of a firm in terms of return on income (ROI) and return on assets (ROA), while Mehra, Joyal and Rhee (2011) use return on asset and return on equity as financial indicators for computing retail banking performance.

However, to Helgesen, Nesset and Voldsund (2009), performance measures based on mere financial indicators are not enough, so non-economic indicators such as market share, product development or production efficiency can be used for business performance. Furthermore, Venkatraman and Ramanujam (1986) cited in Panigyrakis and Theokoridis (2009) examined non-financial indicators such as product/service quality, market share, customer loyalty and customer satisfaction as influencing the overall performance of the firm.

Zuriekat et al. (2011) assert that firms benefit from performance measurement systems that incorporate a wide range of financial and non-financial performance measures. Management accounting researchers, including Otley (1999) and Norreklit (2000), criticised the reliance solely on financial performance measures. In particular, Luft and Shield (2003) and Zuriekat et al. (2011) have investigated the impact of participation on performance and satisfaction. Zuriekat et al. (2011) have demonstrated that employee's participation in decision making is associated with a greater level of satisfaction as a non-financial performance measure. According to Drury (2008), when employees are allowed to participate in setting performance targets, the following advantages are realised:

a. employees are more likely to accept the targets and are committed to achieving it because they are part of the target setting process;
b. participation in setting performance targets can reduce the information asymmetry gap that applies when standards are imposed from top management; and
c. imposed targets can and do encourage negative attitudes and so result in demotivation and poor service performance.

Zuriekat et al. (2011) hold that non-financial performance measures can be indicators for current or future financial performance (Ittner and Larcker, 1998; Hughes, 2000).

To measure an organisation's performance financially is simple because there are rules and guideline to determine the financial measures. However, with non-financial performance measure, the case is not that simple because such measures must be linked to target settings, with rewards and incentives considered alongside (Otley, 2001). Otley (1999) maintained that, although there are so many fields of performance measurement research, an important area is related to the influence of individuals' behaviour on their level of satisfaction and thus on the long-term success of companies.

Researchers, such as Hoque and James (2000) and Kauhanen and Piekkola (2006) argue that firms achieve higher performance when they use a diversity of non-financial performance measures. Ittner et al. (2003), in examining the relationship between a performance measurement system, satisfaction, economic performance and approaches to strategic performance measurement showed that firms making more use of non-financial performance measures have higher satisfaction and stock market returns than firms with similar strategies or value drivers. The diversity of use of non-financial performance measures could be interpreted to mean that different companies experience different sets of managers' decisions to adopt and use non-financial performance measures (Gosselin, 1997). Accordingly, Zuriekat et al. (2011) reiterated that the use of diversity of performance measures contributed to organisational output measured by the level of satisfaction. Zuriekat et al. (2011) therefore concluded that a broad set of financial and non-financial performance measures might give employees and managers more information to achieve their job targets than are routinely available (Burney and Matherly, 2007).

According to Kaplan and Norton (2001), performance measurement systems play a critical role in developing strategy and evaluation of the goals and objectives of the organisation and how effectively they have been achieved. However, according to Ahmed et al. (2015), inadequacies in financial performance measures have led organisations to innovate in financial reporting the disclosure of non-financial indicators of ‘intangible assets’ such as “intellectual capital to underscore intrinsic job satisfaction” as a result of the provision of enhanced social and economic prerequisites.

## 5.17 Ethical Issues Addressed

Wilson (2006) posits that ethics in market research are the moral guidelines that govern the conduct of behaviour in the marketing research industry. This study upholds the tenets of good research by adhering to ethical guidelines. The researcher explained everything possible to win the trust of respondents to handle their data in an ethical manner. Data collected was only to be used professionally for its purpose and be kept confidential, anonymous and not disclosed to third parties. The right of privacy is enshrined in the Human Right Act 1989 (cited in Malhotra and Birks, 2007). The research was undertaken with the guidelines of the ICC/ESOMAR Code of marketing and social research practice that is fully compatible with the Market Research Society (2007) Code of Conduct. Malhotra and Birks, (2007) The International Market Research Standard ISO 20242 and the Data Protection Act, which was passed in 1998 and came into force in 2000 was observed. Ghana government regulations on market research were equally adhered to. The Freedom of Information Act (2000) which came into effect in 2005 was observed. Bank customer databases were fully employed to generate lists of respondents. The cooperation of respondents in a voluntary manner was respected. In addition, respondents were well informed about the purpose of the research, who the researcher is and that the information divulged would not be used for any non-research purpose. Assurance was given that the researcher would destroy any recorded personal information about respondents after using the viva.

Precautions were taken to ensure that respondents were not harmed or adversely affected because they have taken part in the study. The use of equipment in the study was disclosed to the respondents. The Banking Codes of Ethics were equally adhered to when conducting interviews as well as developing and administering the questionnaire to respondents. Malhotra and Birks (2007) developed the 7Cs that could help resolve any ethical problems between the banks' internal and external customers and these were strictly adhered to. They are communication, co-operation, confidence, candour, closeness, continuity and creativity. Since in-depth interviews form part of the data collection process, the researcher protected the anonymity of participants, not misleading or deceiving them, or conducting interviews in a way that could embarrass or harm them (AARS Codes of Conduct, London, cited in Malhotra and Birks, 2007). The researcher did not adopt a manipulative stance of interaction, but maintained a balance of power. Although confidentiality and anonymity are critical in a survey, anonymity in an in-depth interview should not be enforced because it is important that the respondent is 'revealed' during the interview. The researcher was sensitive to the comfort levels of participants and where discomfort was observed, restraint was adhered to; or where they did not wish to continue, the interview stopped. Asking sensitive questions, using overly long questionnaires, or using double-barreled questions were avoided.

## 5.18 Chapter Summary

The chapter identified the research paradigm (the quantitative approach) that addressed the research objectives and the methodology leading to the identification of the appropriate test statistics used for testing the hypotheses. The chapter ended with the methods of analysing the quantitative data collected. This researcher tried to determine how satisfaction of managers/employees of the banks as a consequence of appropriate in-role behaviours would translate into effective business performance in terms of the satisfaction these banks deliver to their customers. This argument is meant to corroborate or not the assertion of Doyle (1995) that the most appropriate measure of organisational performance is in customer satisfaction. However, a satisfied customer is expected to be made so by an equally satisfied employee. To establish this empirical relationship was the preoccupation of this researcher. Not using objective/financial measures to establish the relationship admittedly is a limitation of this study.

The next chapter covers the results of qualitative data analysis, and interpretation and how findings agree or disagree with established theoretical positions in reviewed literature.

# CHAPTER SIX
# ANALYSIS AND FINDINGS OF QUALITATIVE DATA

## 6.1 Introduction

This chapter covers the analysis of qualitative data gathered from managers of the banks under study. In accordance with the use of the mixed methods research approach, the researcher sequentially adopted the in-depth interview to gather data to gain more insight and understanding of how the IMO construct influenced the in-role behaviours of managers to predispose them towards the satisfaction of their customers; and what outcomes these banks would get. The interview questions to respondents revolved around their understanding of internal marketing and how they, as employees, are valued; how committed management is to their needs; whether management is concerned; whether market research is conducted internally and how often; whether management is open and whether their views are respected; whether they are appraised for role assessment, and training; whether there is free flow of information between staff and management, and how formal or informal the information flow is.

Respondents were also asked about how satisfied they are, whether they would want to continue being staff and whether they are aware of the banks' vision and mission and how they share in these. On market orientation, respondents were asked to explain what they understood by the bank being market oriented; whether the bank acknowledges customer problems/ complaints, suggestions; what level of care is given them, how committed staff are; whether customer research is done and how satisfied they are; whether customers are treated differently and whether they would want to continue doing business with their banks. For IMO/MO: managers were asked what relationship they think there is between staff and customer needs; staff and customer satisfaction; the value of the customer to business; and importance of customer service.

The researcher aimed to establish clear links between the research objectives and summary findings derived from the raw data (Thomas, 2003). Based on the interpretive paradigm, the researcher expected to find how managers used the bank's environment, systems, processes, staff, skills and competencies to positively influence their in-role actions. The next thing was to find out how the in-role behaviours contributed to helping their customers enjoy doing business with them and what the subsequent outcomes were likely to be.

The data coding and refinement process led to the emergence of the patterned responses (themes) that resonated with the data set and are seen to influence the practice of the constructs in the banks, as seen in Table 6.1.

**Table 6.1: Themes Supporting the Practice of IMO/MO**

| IMO | MO |
|---|---|
| 1. Bank vision and mission | 1. Customer service |
| 2. Value of staff | 2. Customer value |
| 3. Staff commitment | 3. Customer commitment |
| 4. Internal market research | 4. Customer research |
| 5. Manager/Staff training | 5. Customer care |
| 6. Open-door policy | 6. Customer segmentation |
| 7. Management concern for staff | 7. Management/staff concern for customers (alignment between IMO/MO) |
| 8. Staff satisfaction | 8. Customer satisfaction |
| 9. Management/staff communication | 9. Customer communication |
| 10. Staff retention | 10. Customer retention |

Source: Researcher's Interview Data, 2014

## 6.2 Research Questions for In-depth Interviews

The in-depth interviews were instigated by these questions forming the bases of the discussion guide drawn on the IMO/MO measurement scales:

1. What is the understanding of participants (managers) of IMO and its practice in the banks?
2. How does the practice of IMO affect employee needs?
3. Are the dimensions of MO at work at the banks?
4. How is the practice of IMO/MO driving the banks' performance?
5. Do employees/customers experience the joint impact of IMO/MO in the banks' service delivery efforts?

## 6.3 The In-Depth Interviews and Administration

Twelve (12) managers out of the 24 conveniently selected co-operated in the study generating a response rate of 50%, which was considered satisfactory. The convenience method helped the researcher to get the bank managers through a pre-arranged contact to inform them about the interview. The interview sessions lasted for about 45 minutes on the average and it was used to assess the daily in-role behaviours, opinions, values, needs and insights as they performed their roles (Bryman, 2012). Coding exposed different themes and categorisations that identified the above elements that were meant to throw light and inform on how banking activities were done to reflect IMO in the in-role behaviours and activities of the managers and staff. In the same way, coding of the themes on the MO were categorised to reveal the elements identified to explain how appropriate in-role behaviours influenced by IMO affect the way customers of these banks are handled (Harris, 2000).

Evidence in Table 6.2 indicates that 58.3% of the respondents were male and 41.7% female. Representation of both genders was made even though males dominate, showing that there are more males as managers than females. In Table 6.3 only one respondent falls within the 31-40 year group, while the majority of them (about 75%) fall within the 41–50 age group. This indicates that most of the managers are fairly mature; a characteristic that would positively influence their work roles.

Table 6.2 shows that 17% of respondents have served their respective banks between 1–4 years. Another 50% have worked with their banks between 4–10 years, showing how committed they are to their banks, while four respondents representing 33.3% have demonstrated dedication to their banks for 10 years and above. Considering generally the length of years these managers have worked with their banks, they must have assumed senior positions, which have placed them favourably to respond to the interview questions on the dimensions of IMO/MO.

**Table 6.2: Responding Interviewees (Managers)**

**Background of Respondents**

| **Gender** | **Frequency** | **Percentage** |
|---|---|---|
| Male | 7 | 58.3 |
| Female | 5 | 41.7 |
| **Total** | **12** | **100.0** |

| Ages | Frequency | Percentage |
|---|---|---|
| 25 – 30 | 0 | 0 |
| 31 – 40 | 2 | 16.7 |
| 41 – 45 | 4 | 33.3 |
| 46 – 50 | 5 | 41.7 |
| 50 and above | 1 | 8.3 |
| **Total** | **12** | **100.0** |

| Length of service | Frequency | Percentage |
|---|---|---|
| Under 1 year | 0 | 0 |
| 1 – 4 years | 2 | 16.7 |
| 4 – 7 years | 3 | 25.0 |
| 7 – 10 years | 3 | 25.0 |
| 10 years and above | 4 | 33.3 |
| **Total** | **12** | **100.0** |

Source: Field data, 2014

### 6.4 Interview Responses – Analysis and Results

The first part of this section looked at the elements that inform the practices of managers and staff within the selected banking environment and how their actions and behaviours mirror IMO. The second part looked at how management/staff in-role behaviours impacted customer needs; and thirdly, how the synchronisation and joint servicing of staff and customers' needs adequately impacted the banks' service delivery efforts to yield positive or negative outcomes to the bank and its key stakeholders. The main aim was to determine how well these responses would address the needs of the research questions identified above.

#### 6.4.1 Internal Market Orientation (IMO)

The internal marketing perspective holds that, by treating both employees and customers of the organisation with the same total dedication to satisfy their needs, the organisation can inspire employees to do extra work beyond the call of duty and help build and sustain a great company (Papasoloumou-Doukakis, 2003).

**Question: Are you familiar with the term internal marketing in the bank and what example of internal marketing do you see in the bank?**
**Answer:** It appeared that the banks actually enacted activities and programmes that illustrate internal market orientation but were totally unaware of this concept. There was therefore, a total lack of any formal and conscious education and training on internal marketing efforts in the banks.

Below are the responses given to the above question by an overwhelming majority of managers interviewed on their understanding of the concept.

*Yes, before we introduce any new products or services to our customers, e.g. internet banking, we first try it on our staff for them to get the understanding and satisfaction before it is rolled over to our external customer,* An Operations Manager commented.

The Head Teller of one of the prominent banks tried to respond to the above question this way:
*Yes, people come and sell products to staff.*

A Business Development Manager put it this way:
*Yes, at times, you chance upon people in the bank who are not customers. You can engage such floating prospects and try to persuade them to begin to patronise the bank's products/services. If you are lucky enough, you can turn them into customers.*

The literature review suggested that the main aim of internal marketing is to get motivated and customer-focused personnel at every level of the organisation. This required that the infusion of internal marketing principles must start from the strategic level through to the operational level of the organisation (George, 1990) and there must be formalised internal marketing training programmes (Tansuhaj et al., 1991; Schlosser and McNaughton, 2007).

### 6.4.2 Managers Concern for Staff

Concern for staff by managers is expected to make staff feel they are valued, important and relevant in the bank's scheme of work. Their welfare is considered vital to the smooth operation of the value delivery chain in the bank.

**Question: As a manager, are you sincerely interested in listening to what subordinates have to say about their jobs and problems they have?**

**Answer:** Generally, there appeared to be overwhelming support from almost all managers interviewed that their staff are essential to their business.

A Sales Manager comments this way:

*We care very much about our staff, because we know that their health, mindset and welfare are critical to the bank's growth and development. Because of this, rent, clothing, fuel, lunch, subsidy, credit facilities and allowances are given to them at the beginning of every year to keep them motivated to work. Every staff, according to their grade has the 13$^{th}$ month of every year as a bonus pack.*

A Branch Manager uses the following practical situation to illustrate the point:

*We have what we call 'morning hurdles'. At these meetings we try to find out from staff how well each one is performing in their roles, any challenges and how to encourage them to do better and to do more.*

Another manager, a Data Capture Manager's response:

*Oh yes, there was this staff whose colleagues complained about having some role challenges. I invited him and gave him a role to perform for observation. He actually confirmed what others were saying. I asked somebody to talk to him. He did not change, so I had to step in to bring him closer to me. We sat down one-on-one and I tried to help him overcome the difficulty. Subsequent performances in his role led me to give him an 'Ayeeko card', an award we have for appreciation internally.*

However, a Relationship Manager of one of the banks lamented bitterly about lack of concern for their staff. To him, staff and managers have not been shown genuine concern. His response:

*Well, I would say that management does not genuinely show concern for staff generally. Because staff don't have the channels to talk about their grievances there is no avenue of interacting with management. Yes, there are suggestion boxes and one staff not knowing what to do, tried to use it thinking that her grievance could be carried forward and attended to. She rather later realized that suggestion boxes are meant for external customers.*

A similarity emerged between the study's findings and the existing literature on management's concern and commitment to staff as part of the internal marketing process. Regard for staff as the first customers of the bank and which is dear to the hearts of many of the banks has been revealed. Generally, there appeared to be consensus from almost all interviewed managers that their staff are critical to their business. As a result, there is confirmation of reviewed literature (Gounaris, 2006; Berry, 1981; Caruana and Calleya, 1998; Hogg, 1996).

It has also been established that managerial attitudes created the benchmark for staff to perform, if the boss will not be enthused about customers, staff will also show lukewarm attitudes to them (Teas, 1993).

### 6.4.3 Internal Market Research

This is another important element that is meant to gather relevant information on staff needs, aspirations and challenges and how the bank can fashion out programmes to give value to internal customers.

**Question: Does the bank embark on internal market research within the bank?**

**Answer:** A dominant view expressed by managers interviewed spoke warmly about internal customer research and its relevance. The following sums up what most respondents said about internal research.

*Yes, we do this by giving staff the platform to assess their line manager about productivity and he in turn assesses you* – A Data Capture Manager of one of the Multinational Banks revealed.

Another manager, a Head Teller put forward this comment, *we have what we call "Teller Proof". By this, you show all the tasks you have performed, number of customers served, how they have been served. This is supported by staff appraisals for promotions and sharing of dividends.*

A third manager, a Data Capture Manager, comments, *oh, we have personal development rating scales, which are used to assess staff on a quarterly/yearly basis. Errors and number of errors are used in assessing one's performance in one's role and error* *assessments occur three times every quarter. With two bad error assessment records, staff stands to lose his bonus at the end of the year.*

Existing literature indicated that staff research will create the right atmosphere and condition to know how best to ensure the staff's needs and wants. For internal market orientation to evolve, it must depend on the gathering, sharing and usage of relevant information about devoted personnel (Lings, 1999; Kaur et al., 2009). The findings of this study show that internal personnel research is a critical tool in understanding the employee and how to use him/her in establishing and instilling internal market orientation in the bank. More so, extant literature identified internal market research as a core element in the internal marketing implementation programme (Gronross, 1981). The findings of the present study therefore support this position that internal market research is very important to the birth of IMO.

### 6.4.4 Manager/Staff Training

The banks consider training and education of staff as a critical input to the effective performance of their service processes and service delivery.

**Question: Do you regularly do staff appraisals during which you discuss what your subordinates want?**

**Answer:** A number of the banks actually saw a linkage between staff training resulting out of appraisals: such outcomes are used to help staff to be updated on new processes and practices to aid their service delivery efforts. An overwhelming position of managers revealed a linkage between staff training and internal market research. For example:

A Sales Manager remarked, *our motto is "we care for you": as a result the bank tries very hard to help shape the skills of staff so that they are able to perform set roles very well. We do this every quarter of the year, where staff are meant to attend in-house skills training after training needs assessment.*

Another Manager, a Business Development Manager said, *our staff are made to attend training sessions dubbed 'Go to Bank' where staff are trained to understand the meaning of the bank's vision and mission and how to put the provisions into action in the bank. In addition, we also operate what we call 'Know Your Customer' (KYC) system, where staff* *are exposed to learn and know how to treat each other and customers so that the bank can grow.*

A third manager, a Head Teller answered the question this way:
*Yes, we do so every six months. We have what is called 'Lead Board' and staff are trained as to how to create and hold customers. At the end of the training, staff are assessed to see whether they have gained some skills. By the same method, staff satisfaction levels are also gauged.*

Staff training is fundamental to the shaping of appropriate in-role behaviours of staff. When staff are exposed to current ways of organising and rolling the processes and systems in the bank, the easier it is for them to attract the attention and loyalty of customers. Staff also feel motivated when they receive training frequently. It makes them ready to work and to serve to the best of their abilities.

Kotler's (1991) study underscores the hiring and training of staff as critical to internal marketing. (Papasolomou-Doukakis,2003;Papasolomou-Doukakis and Kitchen,2004) established that staff must be informed, trained and motivated to serve the external customers. Findings of this research on the necessity of training corroborate what literature has established. Therefore, it is right to state that the use of the element in establishing IMO is acceptable.

### 6.4.5 Open-Door Policy

Accessibility of manager to staff supports the 'partnership' drive in working as a team in the bank to serve staff and customers alike.

**Question: How often do you meet with your staff to enable them to report about issues relating to their working environment?**

**Answer:** From most of the managers interviewed, a dominant view is that the visibility of their managers in the banking hall added to the morale of staff to serve.

A Data Capture Manager stated this: *I am very considerate. I care so much for my staff. I remember I had a staff member whose father got involved in an accident; I went out of my way to grant this staff an ample number of days to go home and help restore the father's life. Bank policy would have given him only a few days.*

A Human Resource Manager said, *I am very conscious about my staff's social and work issues, so I try to create rapport with an open-door policy. I help staff to know why they are at the bank and so I am always ready to help them sort out their social and family as well as work-related issues. I am a father to all and I welcome them into my office anytime.*

Another Sales Manager replied that, *their Branch Manager is very close, friendly, open and encourages every staff to work hard in order to achieve set targets.* He added by saying that, *she comes around every Monday morning to conduct reviews. She holds monthly performance meetings to see what is happening and recommends steps for improvement. As a result, our branch was adjudged the best in the bank in the 2012/2013 year*.

However, a Business Development Manager in response to the question explained that, *even though there is that sort of open-door policy in his bank, every manager has a monitor in his office which allows him/her to watch every staff in their roles. One cannot just walk into the branch manager's office with everything. Most at times, the manager is locked up in his cubicle because of the workload of supervision.*

Managers allowing staff to be considered as teammates or partners in the processes of giving hope to customers of an organisation is critical. In attempting to establish internal marketing in a planned manner, it is important that managers and staff operate an open-door policy where information generation and sharing should be seen to be necessary. The review of literature explained this by saying that internal marketing must rely on improved internal communications and relate to the person who gives meaning to it (Varey and Lewis, 2000; Ahmed et al., 2003). The close proximity between management and staff creates the 'employee as customer' and 'departmental managers as suppliers' concepts (Lings and Brooks, 1998; Wieseke et al., 2009).

Findings of the present study agree to the need for management/staff to behave conscientiously as partners in establishing IMO in the bank because their openness to each other would facilitate the free flow of appropriate information to determine what to do, and when and how well to do it. An overwhelming view of managers accepting this position gives support to what reviewed literature has revealed, showing the importance of this element in developing IMO (Zeithaml and Bitner, 1996; Kotler and Armstrong, 1996).

### 6.4.6 Staff Satisfaction

Staff satisfaction is considered the end product of any IMO practice. As a result, all other elements are meant to blend seamlessly together to give staff the desired level of in-role satisfaction. This will include value given to staff, motivation and how well role challenges have been carefully taken care of.

**Question: Does the bank recognise satisfied employees as very important for its growth and survival?**

**Answer:** There seemed to be overwhelming support for the impact of this element as a consequence of an effective IMO. Predominantly, the opinion of managers was that they could only serve customers and other suppliers right if they had a satisfied and dedicated staff.

A Data Capture Manager put forward this comment:

*Yes, staff are seen as the key assets to the bank because we know that they are critical to the delivery of satisfaction to our customers. The bank, therefore, appreciates their value and management in the bank is very conscious about this. Our Managing Director himself often comes around to ask staff about how they feel. The Human Resource Director also goes round chatting with staff as they work, sharing jokes, greetings and motivating staff.*

A Business Development Manager, the only respondent who did not respond positively to the question, had this to say:

*I would not say that staff are satisfied in their roles. We do not have any channels for redress to our grievances and challenges, we tried to form a workers' union, but it was scuttled, nobody encourages staff to complain, we keep our problems to ourselves. Management does not dialogue with staff about our needs even though staff form part of the shareholding structure of the bank, we are not seen as an important driving force for the bank's growth.*

Satisfaction of staff on the job is critical to the delivery of customer satisfaction. Findings from reviewed literature indicate that there is an impact of IMO on employee job satisfaction (Donavan et al., 2004). Again, it is established that the satisfaction of the external customer is a consequence of internal customer satisfaction (Lings, 1999; Berry, 1981).

Staff satisfaction is seen as a morale booster for staff to demonstrate positive attitudes toward both management and customers (Assarel, 1987). This research found support for the position established in the literature review that it is first and foremost critical for any business to see to the satisfaction of its employees if it aims to grow the customer base and generation of good returns, because an overwhelming view expressed by managers shows the importance of staff satisfaction to performance in their work roles.

### 6.4.7 Manager/Staff Communication

Appropriate information generation and dissemination in the bank between the manager and his staff informed the types of responses that are made to exemplify in-role behaviours. A free flow and sharing of information among appropriate roles will influence how well service processes can be performed to create the realisation that the bank, as a system, must have to engage management and staff to develop the right structures and systems that will collect, store, share and retrieve pertinent information for the bank's use for effective service delivery.

**Question: Do you communicate to employees the importance of their service role and do you put great emphasis on communicating with your employees and what forms do these communications take?**

**Answer:** Undoubtedly, a popular view expressed by managers interviewed indicated that they have channels for effective information flow between the manager and his/her staff.

A Data Capture Managers said this*:*

*Oh yes, we all have yearly role profiles where staff and the manager agree on your targets, which both of you sign and get committed to. There are also meetings organised for personal bankers for the Southern, Northern and Middle Clusters to discuss anything to do with the progress and growth of the bank and future plans.*

*Secondly, we have 'Outlook' which is our intranet facility that carries information to staff either randomly depending on which staff should receive what information in addition to information that is for general staff consumption.*

Another manager, a Marketing Manager:

*Well, there is a general intracom in addition to what we call Uninet for internal communication. There is also the 'Outlook' that is used for the exchange of ideas between management and staff.*

A third manager, a Customer Relationship Manager:

*Oh, we have a Corporate Affairs Department that is in charge of sharing information on whatever is happening in the bank, how to meet targets and new product development efforts. Staff are also informed and it is the first thing for every staff to read mails to get updated about what happens anywhere and everywhere in the bank every morning.*

Well structured and formalized channels of communication between manager and staff are very important in terms of what targets are set, what timelines and what instructions are to be used in reaching set targets. Effective service delivery is highly influenced by how promptly and efficiently processing had occurred. The manager's role and staff roles are given meaning in terms of how to generate, share and use relevant information to do what they should do.

Weiseke et al. (2009) opined that leaders are very instrumental in establishing internal marketing. Reviewed literature alludes to the fact that the manager (as supplier) and staff (as internal customer) must communicate work-roles that would create the right market conditions within the company for their mutual needs to be met (George, 1990; Ballantyne, 2003). Findings of this research show that the majority of the respondents (managers and staff) shared relevant information about their job roles because they both know that it is healthy and motivating to serve. There is, therefore, agreement with the position captured in the reviewed literature.

According to Homburg and Pflesser (2000), if employees and management of an organisation share the value of openness of internal communication, a specific norm related to that value is the openness of market-related internal communication. In light of this assertion, this researcher would want to argue that employees become emboldened to freely share pertinent personal and work-related information with management that would enhance positive in-role behaviour (such as job satisfaction) to drive effective customer service delivery. Therefore, when workplace values, such as a congenial and liberal work environment, produce norms and behaviours that are intrinsically motivating and supportive for employees, the employees' willingness to effectively serve the customers is guaranteed (Paulin et al., 2006) since they derive satisfaction from the work they do. This is also confirmed by Schmit and Allsched's (1995) position that employees' service intentions are a function of the employees' emotional response to the company's internal conditions and the support they get from their managers, supervisors and co-workers (Paulin et al., 2006, cited in Gounaris et al., 2010).

### 6.4.8 Staff Retention

A satisfied staff member would want to remain a lifetime member of any organisation. Staff turnover levels can become a good metric for assessing the level of satisfaction derived by staff in their work roles, the climate within the organisation and the value placed on staff as they perform their roles.

**Question: Do you find staff working with the bank for a long time and what do you think is the rate of staff turnover in the bank?.**

**Answer:** Most of the participants responded that their satisfaction levels would not let them leave their current banks. Generally, a dominant position held by participants expressed their desire to remain at their current banks and even indicated that staff turnover rates were quite low.

This is the response given by a Sales Manager:

*Oh Sir, this is a tough question because I don't have any better alternative, since I am very comfortable where I am. It will be very difficult for any other bank currently to poach me. This is my second branch and at both branches, as a sales manager, I have had very wonderful and committed staff as well as a caring branch manager.*

Another Manager, a Head Teller, however felt no matter the level of satisfaction she is receiving, the level of stress associated with the work in the bank would some day push her out and she has this to say:

*Look, I work from Monday to Friday, reporting at 7am to 7pm which is 12 hours, but I am paid for 8 hours' work and no overtime because overtime claims start after 7pm. Who then pays me for the extra 2 hours I spend in the bank between 5 to 7pm every day? I feel so frustrated without having enough time for my family.*

Satisfied staff become loyal to their company and do everything possible to help the company to thrive. Literature reviewed established that, when staff do not see any benefits, support and commitment from management, but are made to focus on external customer needs, he/she feels threatened and cheated. This state of affairs can lead to an increase in staff turnover, which is not healthy in the building of IMO (Gounaris et al., 2010).

Findings of this research show that the banks that guaranteed staff satisfaction register low staff turnover. The level of staff turnover can also be an effective metric to assess how well staff are treasured by an organisation. Since the dominant view of respondents was to remain with their banks, it follows that the assertions in reviewed literature have been supported: it has been stated that employee identification with the organisation will reduce employee attrition or dysfunctional behaviour (Ranaswami, 1996).

### 6.4.9 Staff Commitment

A committed staff is an asset to any organization, most particularly one in the services domain. Understanding staff needs and attention from management towards staff needs, functionally, socially and psychologically would make staff demonstrate loyalty and dedication to duty. An appropriate work environment, alignment of staff roles with skills and competencies, matched with the right assets drives staff to perform effectively in their work-roles. Staff become committed to their roles and their organisation when management makes them feel like partners to the successful survival and growth of the organization.

**Qt: Are staff ready to put in extra effort when they are asked to?**

Answers: A general agreement among the managers interviewed demonstrated that when staff needs are understood and are well motivated in terms of solutions to their needs, they show deep commitment to their roles and their banks.

A Sales Manager has this to say:

*Yes they do. For example, each teller has his/her role and time to go on break. Once time is up, staff must move out, but will ask politely a colleague to stand in, who willingly will do so, since there is no shift system*.

A Head Teller commented:

*Yes, even back office staff are willing to come and help when the banking hall is choked. This happens particularly when queues develop in the banking hall, so that teller cubicles that are empty get filled by other staff to help serve customers. Staff also alert others when they need assistance. We work as a team to achieve our goals. We have been trained to lend a helping hand to each other.*

A confirmation emerged between the study's findings and existing literature on employee commitment to role performance and quality service delivery as part of the market orientation implementational drive.

Extant market orientation literature has repeatedly proven that organisational commitment is one of the factors that drive market orientation to deliver superior performance (Jaworski and Kholi, 1996).

As intimated by Kaur et al. (2009), internal marketing should be the process of creating market conditions within the organization, such as the bank to ensure that staff wants and needs are met. Staff commitment must be an appropriate mechanism to deliver superior value to internal customers as a source of sustainable competitive advantage for developing patronage among staff, which should result in long-term commitment to the employing bank and ultimate external satisfaction (Straughan and Cooper, 2002, cited in Kaur et al., 2009).

It is imperative for management at different levels of an organization to foster the adoption of corporate values among staff so that internal marketing is established and implemented (Wieseke et al., 2009, cited in Kaur et al., 2009).

Finally, Darkin and Bennet (1999), cited in Kaur et al. (2009), conducted research on three different types of employee commitment (internalised, identification and compliance commitment) in retail banking and concluded that the greater the level of identification commitment in good terms and condition of employment, the lower the employees' intent to leave. Again, Mukherjee and Malhotra (2006), after a study of three components of commitment (affective, continuance and normative), established that affective commitment and role satisfaction of employees positively affect service quality (cited in Kaur et al., 2009).

### 6.4.10 Bank Vision and Mission

The strategic intent of every organization shapes its desired future state, its direction and aspirations, driven by appropriate customer and employee value prepositions in its market. As an organization's aim is to succeed, its strategy and implementational programmes must give meaning to what performance outcomes actually are realized by both employees and customers as the key actors in the exchange process.

**Qt: Do you communicate your bank's vision well to employees?**

Answer: There was some level of support given for the banks' vision and mission among staff. However, as to how the vision and mission have engaged the operation of the banks has not been well articulated.

A Credit Control Manager has this to say:

*Well, it is there but the consciousness of these among staff is not well demonstrated. We have HR personnel who organize workshops every six months to draw staff attention to it and what they mean to the work ethics of the banks.*

Another Business Relationship Manager put it this way:

*Well, not well followed. People are not very much interested, even though it forms part of the screen savers of our PCs.*

A Resourcing and Engagement Manager made this comment:

*I am not very sure. We look at those things when we want to attend interviews for a job. In fact, it is not part of our daily work routine. Meanwhile, we think it must be updated but the hierarchy is very tall and suggestions or complaints take a long while to be resolved.*

Reviewed literature has established a positive link between an organization's vision and mission and its IMO efforts. According to Lings and Greenly (2010), service organisations, such as banks, wishing to establish a stronger market orientation should adopt an internal marketing philosophy and develop an internal market orientation to achieve it. The IMO effort should align and motivate staff with the organization's market objectives and strategies based on customer needs and employee skills and aspirations. Customer value and employee value propositions well aligned must give encouragement to employees to perform better in terms of delivering superior customer value, which will create in-role satisfaction for the employee and high performance outcomes for the firm.

Harris and Piercy (1999), cited in Lings and Greenley (2010), asserted that marketing scholars express the common view that IMO motivates employees to enact strategic directives, including those related to an organization's marketing strategy. In accepting and following strategic directions and using them in the daily work behaviour demonstrates the employees' acceptance and discharge of job-roles (i.e., a display of market-oriented behaviour) (Harris, 2002). The study findings, however, have only partly confirmed this relationship, since some employees have not been tuned enough to accept that the vision and mission constitute the strategic intent of these banks. Again, it has not been realized by staff that they are the key drivers in this intent to make the bank successful. This position supports the earlier expressed view of this researcher that the banks have not deliberately known about the importance of a robust IMO practice in driving an organisation's raison d'être.

### 6.4.11 Value of Staff

This researcher argues that the value an organization places on its employees positively affects the value derived from its customers. IMO encompasses the design of better jobs to meet the wants and needs of internal customers (Berry and Parasuramau, 1991). As a result, all employees must be motivated and trained to behave in a market-oriented manner, according to Gronroos (1985), cited in Kaur et al. (2009).

**Qt: How does the bank demonstrate to employees that they are valued?**

Answer: In all, there appears to be a majority support from the participating managers on how well employees are valued.

An Operations Manager responded this way:

*Yes, it's true that we value staff because when they are fine, they tend to treat customers well. We are expected to treat them well, recognise and appreciate them and that is what we do. For example, in our staff meetings, I am allowed to attend and to share in their discussions. Similarly, HR Management normally drops in to find out from us what three things that we think the bank can do to appreciate us: on one occasion, I gave three things, and by the close of the year, all three things were done for us.*

A Loans Manager had this to say:

*Oh yes, the bank is very concerned about us. In banking, what matters is figures, so if staff work hard, they are appreciated and value is placed on them.*

The value placed on staff renders them well motivated to give of their best as they perform their service roles. Where internal marketing is affected by effective training programmes, supported by the right management information system for information gathering and dissemination, this translates into proficiency in employee performance and confidence to deliver the right services driven by collateral materials such as simplicity, humility, and consistency to the customer. As stated by Carter and Gray (2007), cited in Kaur et al. (2009), the more satisfied and committed the employees are with the organization, the greater the likelihood that they will deliver excellent services to the firms' external customers.

Finally, Kaur et al. (2009) intimate that attitude, feelings and emotions of employees play a key role in determining their role performance and their behaviour, which in turn determines the success and growth of the bank (or not). Furthermore, face-to-face meetings of internal suppliers (managers) and internal customers can satisfy and motivate employees to perform better in their service encounter with the external customers as they feel confident to respond to the market expectations (Kaur et al., 2009).

It can be concluded that there is no significant gap between the position of reviewed literature and what has been observed in terms of value placed on staff by management and how this drives motivated staff to achieve success for the banks.

## 6.5 Market Orientation (MO)

The second part of the interviews covered elements that drive market orientation in the selected banks and the following cover the empirical findings emerging from the interviews. Market orientation is understood to mean the way organisations allow customer information to drive their businesses. The exploratory work was undertaken to investigate qualitatively whether this concept was actually engaged and shaped the operations of the banks.

**Question: What do you understand by the term market orientation? Would you say that your bank is market oriented?**

**Answer:** Out of the respondents interviewed, a predominant view expressed the understanding of what market orientation means, because explanations given bordered on staff respecting customer views and how management allows customer needs to influence how they do business.

These are some of the responses:

*Well, I think it refers to how well the bank treats me as a customer. I find my bank very concerned about my business, for example, once every month they come to assess how well I am doing, I have not had any challenges with them since I opened the account three years ago.*

A second respondent

*Yes, the bank considers customers as their key business and they even have customer service officers to help address customer needs. They show a lot of customer friendliness. I remember I had a problem once. My savings account was to be accessed through a cheque book and I did not immediately have one. I was not asked to go and apply for one but they instantly helped me to get one.*

However, a lone respondent was very bitter about his experiences with his bank and had this to say:

*No, I don't think so, because customer service is so low, compared to what you see at some other banks. I wonder why they have so many customers. I believe they ride on their goodwill to attract customers. Staff do not have time for people who cannot read or write, they just don't care to help people go through transaction processes.*

The literature review asserts that there is a strong link between the marketing concept and firm performance. Again, making the customer the business of any organisation remains the key theory of marketing (Raaij and Stoelhorst, 2008; Shapiro, 1988; Drucker, 1954). The conceptualisation and application of market orientation in business abound in marketing literature even in developing economies such as Ghana (Owusu and Frimpong, 1999; Narver and Slater, 1990). The understanding of the application of MO in Ghanaian banking circles has seen some discussions (Appiah-Adu, 1998; Owusu-Frimpong, 1999; Hinson et al., 2006). As a result, respondents found it easy to know what the construct means.

### 6.5.1 Acceptance of Customers (Comments/Complaints)

Allowing customers to complain, make suggestions and comment on services they receive from the provider is a sure way of making the right decisions to create value for the customer.

**Question: Do you provide feedback on your banks service processes? How seriously do they accept this and are complaints and comments taken because you want to help the bank to do better?.**

**Answer:** Interestingly, the popular opinion expressed by respondents indicated that their banks invite comments from them about how well their services are satisfying them. For example, a customer's response was:

*Yes, they always contact me to find out how I perceive the bank in terms of care I get from them. Particularly, a service provider after serving me tried to find out whether I am ok or not. Every Saturday, I am prompted about my statement and given the chance to call in case I have a problem.*

However, a respondent who expressed disgust about his bank has this to say:

*No, never, I say so because I raised an issue up once and a fellow customer informed me that if I should continue about their bad customer service, it will not work, they don't care, they will not listen to you.*

The literature review posits that market orientation hinges on the company-wide generation of market intelligence about current and future needs of the customer. When organisational activities are fed by both informal and formal customer information, this information can be shared and used in creating the right products/services for customers (Raaij and Stoelhorst, 2008; Nakata, 2002). As customers become exposed to environmental pressures through advertising, competitor efforts and the perceptions and aspirations of these customers themselves, it is appropriate for a serious bank to be open to customer comments, suggestions and complaints. Customers desire a number of qualities from employees when making a complaint such as competence, active listening and being taken seriously (Gruber et al., 2006) and these provide guidance to banks about complaint handling (Jones and Farquhar, 2007). The findings of this research have indicated that the majority of the respondents attested to the fact that, for a bank to be market oriented, it should create room for customer grievances, because these would deliver good feedback in assessing how well the bank is serving its external customers. The position held by reviewed literature has therefore been corroborated.

### 6.5.2 Customer Care

The ultimate goal of every business is to deliver care to its customers. This is so because the business believes that, by doing so, its revenue stream will be sustained and the business will thrive.

**Question: How does your bank measure your value and how does the bank try to create value for you? Do staff show courtesy and responsive treatment towards you?**

**Answer:** There has been overwhelming support given by the respondents to the way the banks demonstrate love and care towards them, showing that they are actually valued. A predominant view expressed established that banks showed positive signs of care for their customers. However, a handful of respondents said they received bad treatment from their banks.

Some of the respondents who gave positive responses put it this way:

*Well, at every Christmas and Easter seasons, they wish me well, send me calendars and diaries. I am not made to waste any time in transacting business, even the security show so much love and care. I remember I had a problem and a customer officer was trying to help, but somehow the branch manager himself quickly stepped in to fast track the process. I was so grateful.*

A second respondent said:

*I receive frequent text messages to wish me well and to alert me about any new developments. For example, they recently changed their customer account numbers and word about it was sent to all customers to inform them.*

Customer care must generate value for the customer much as the value placed on the customer must determine the level of care given. Reviewed literature has stated that in the organisation’s business processes, the customer’s needs are determined by way of the information gathered and shared about this customer. Sharing and using this information will invariably create the right level of care desired by this customer. The right and appropriate customer service delivered to the right customer should result in care (Hult et al., 2005; Raaij and Stoelhorst, 2008).

The research findings have supported this position because the major goal of all customers interviewed is to be cared for, loved and recognised. For any customer to access a service or product from any organisation, the bottom line is the benefits to be enjoyed so that they feel cared for.

### 6.5.3 Bank/Staff Commitment to Customer

The concern and commitment to duty and responsiveness demonstrated by bank staff towards its customers can create a lasting bond. Repeat business is engendered when customers find that staff are willing to help them, listen to them and show some amount of devotion towards them.

**Question: Do you find staff of the bank committed to you? Does the bank react quickly to changes in your needs?**

**Answer:** Only a minority of customers interviewed were positive about the regard given to them by staff of their banks. Interestingly, most of the banks had been seen not to attach much importance to their customer base and try to prove this by showing no concern. Some of the respondents put it this way.

*No, not so much. They do not focus on customer needs. Staff do not care so much about customer importance. They are only interested in your money. You can find staff idling about while customers struggle on. When you go to withdraw your money and it is about break time, tellers would tell you to wait they are going on break.*

Another seemingly angry respondent had this to say:

*No, the bank does not show any concern, any love, not even phone alerts. Some banks have teller cards or ticket numbers showing that customers are special. For my bank, if you enter the hall, you struggle to find a seat and no one bothers to come out to ask what help to offer you. For example, if you should give a cheque to a third party to cash for you and there is a problem, let's say your signature is not very legible; the bank would not alert you by calling to draw your attention. All they do is to send the person back no matter how long you have waited in expectation.*

The few respondents who spoke well about their banks on commitment put it this way:

*Oh yes, you have an attendant right at the door to the banking hall, ready to usher you into the hall with a welcome note. He quickly would find out from you what you have come to do. Your answer to him will let him direct you to the right staff to attend to you.*

Another put it like this:
*Look, they send thank you calls to you when they see that you are regular, they follow you up after monitoring your account and they find that it is dormant or not growing, they try to find out why and what they can do to help.*

Top management commitment towards the achievement and sustenance of customer satisfaction has been stressed in the literature review. Managers should have to demonstrate commitment to other managers and allow this to be stretched to touch the external customer who will decide to became attracted to the bank once he becomes aware of the responsive attitude of the bank to his/her needs (Kholi et al., 1993; Hadcroft and Jarrat, 2007). Interestingly, the level of customer commitment shown by the findings of this research proves that only a minority of customers interviewed agreed that they had experienced some management commitment. This finding therefore failed to support what was established by the review of literature.

### 6.5.4 Customer Satisfaction

A satisfied customer is a consequence of all the mixes of marketing working seamlessly. In the bank, a customer would be satisfied when staff input, process and physical evidence as well as management support and good organisational climate add up well to give value to the customer.

**Question: Do you think your bank's services provide you maximum satisfaction?**
**Answer:** For customers to show satisfaction towards a bank's services means that they are respected, loved and cared for. They experience responsiveness and willingness, trust and appreciation from staff and the bank. The widespread view expressed by respondents interviewed showed some degree of satisfaction from their banks and those who did demonstrated this through the statements they made.

One said this:
*You see, for three years now, I have not had any problems. I have my spouse as staff of this bank and I always feel fine when I overhear her calling customers to wish them well,*

*to find out how they are doing. I was actually with a different bank, but I had to move. You find staff always ready to help. There are customer relationship managers and you always meet somebody who is willing to know what your needs are and how they can help. They monitor your birthday and even send you cards.*

A second respondent:
*Oh yes, because the bank manager always updates me with text messages; he calls to find out whether I am satisfied with their services. He even enquired about my contact address and residence to enable them to visit me at home.*

The few of those who do not receive satisfaction had this to say:
*Not at all, you always find their systems (ATMs and computers down). It's like if you have plenty of time on your hands, then come and do business with them. You will notice staff who are over stretched. There are always long queues in the banking hall, with old staff who look too sluggish and tired and not ready to serve.*

Literature review intimates that satisfied customers hold positive images or intentions about their organisations and the level of satisfaction given to them could become a barrier for any competitors who would try to acquire them (Amoah-Mensah, 2010). Again, it is stated that benefits given by these organisations to their customers to create satisfaction would lead to loyalty, repeat buying and customers even becoming agents of promotion (Sit et al., 2009).

Findings of this research on customer satisfaction hinge on the readiness of staff to serve to meet their expectations, the reliability of the systems working (ATMs) and how generally effective the service delivery processes have been. It is amply revealed from the analysis of responses that a dominant view of respondents interviewed showed that they enjoyed some level of satisfaction. However, satisfaction to this researcher has been subjectively understood because it is difficult to determine what general standards to observe across the banking sector. Comparative work must have to be done to uncover what exactly customers refer to as satisfaction.

### 6.5.5 Customer Research

For any organisation to be in tune with changing customer needs, it must consistently undertake customer research. Once the environment within which banks operate keeps changing, they should expect that changes in customer needs, which are based on the dynamics in the business environment, should inform what, how, where, when and with what frequency and why, they serve customers.

**Question: Does the bank engage in customer research or undertake any survey of customers to assess how they perceive the quality of the bank's service?**

**Answer:** Constant customer research is meant to expose to the banks updated information regarding how customers' needs, aspirations, wants, ambitions, opinions, motivations and perceptions among others, influence their purchase of financial services. It was noted that customers interviewed unanimously said something about their banks doing customer research, while some understood this as a normal way by which staff try to find out about what you need in the banking hall or what the suggestion boxes should be used for.Majority of customers spoke about a deliberate attempt on the part of the banks to gather customer transaction data for analysis.

A dissenting opinion came out with this response:

*Oh yes, they do so by giving us a questionnaire about how well we are treated to complete and submit.*

Another one respondent said:

*Yes, they use questionnaires to gauge our feelings about any new product/service they intend to introduce and if the feedback is positive, they go ahead and introduce it.*

The respondents who stated that no customer research is done had this to say:

*No, they do not do anything to find out how well they are treating the customer. They rather wait for the customer to approach them, rather than they attracting the customers.*

Reviewed literature indicates that the attitude of a service provider can be used as a metric to assess service quality and this will depend on the channels provided by the service provider to listen and collect customer data (Amoah-Mensah, 2010). Customer research should be regarded as one of the levers that should be used to unleash customer information to improve market orientation and at the same time a means of managing the process of implementing market orientation (Stoelhorst and Raaij, 2004). A company is market-oriented if it has effective market-sensing and customer-linking capabilities (Agarwal et al., 2003). So long as the bank continuously monitors and assesses customers' needs, they would be in a position to know what environmental factors are at work to influence consumer service purchase behaviour. Effective gathering of the right customer information dissemination and use by the appropriate staff, structure and supported by the right management style and systems in the bank should lead to market orientation. With widespread opinion expressed by customers alluding to customer research in their banks, it means that this position supported the findings in the literature reviewed. What is not very clear is what exactly forms the yardstick for collecting customer data as this would depend on the goals of each bank.

### 6.5.6 Customer Segmentation

Customer segmentation is a prerequisite to satisfying customers. This is so because you are able to acknowledge customer differences and so are able to target and focus all your attention on understanding your customers' needs, and information gathered about them will help you tailor products/services to satisfy them.

**Question: Does your bank build customer segments and what does it do to tailor the right products/ service to them?**

**Answer:** A number of respondents could identify different customer groups served with different products/services by the bank. The right service depended on what a customer's needs were. Those who answered in the affirmative rather misunderstood the question to mean whether there was segregation or preferential treatment for customer groups.

A response came like this:

*You see, yes, the bank does some segmentation based on the value or amount of money one deposits. Bulk deposits are given preference because you can watch staff walk up to them to help them through the process involved in depositing or withdrawals. For example, I met a Lebanese guy once: I happened to have queued before he came in, but just as he entered the banking hall, a staff member rose up to meet him and quickly attended to him.*

A few respondents explained that yes, there is segmentation based on one's needs, or the kind of accounts with its charges to access. For example, one said:

*Yes, before you open an account, you are introduced to the various types of products available and those you can access with the corresponding charges. Once you are comfortable with a product looking at your needs, you are helped to access it. They give* *you their brochures, flyers and even mails are sent to you concerning the types of products available.*

Effective customer segmentation is key to knowing who constituted your target customers so that you could tailor products/services to meet their needs. This is a sure way of delivering value and satisfaction to the customer. Creating, nurturing and sustaining a customer relies on effective segmentation (Drucker, 1954) and these should be seen as one of the processes and dynamics in developing market orientation (Ruekert, 1992). It is important that banks know what variables must be employed in identifying their target customers, so that when their needs are well understood, the right services can be delivered to them. This is because reviewed literature has indicated that a smooth way for managers to implement market orientation is to distinguish who is the customer, what he buys, where, when, how, how often, how much and why (Raaij and Stoelhorst, 2008).

Even though some respondents identified segmentation as an element relevant to market orientation, the understanding of this element conceptually was not established well. This is because some respondents thought of it as 'preferential treatment' or 'segregation' instead of admitting that it is used operationally. As such, it cannot be established that there is an agreement between the position of reviewed literature and the study findings.

### 6.5.7 Customer Retention

An organisation can equally use its customer retention rate to measure its success. Repeat customers eventually grow into loyals. These guarantee the business its profit stream as the loyals grow to become partners and satisfied ambassadors of the business.

**Question: Will you be happy to remain doing business with your current banks?**
**Answer:** A positive answer is really a big advantage for a business. In the case of these banks, a dominant view expressed by respondents showed that they agreed to remain with their current banks. Some of those who decided to stay gave these reasons:
*I would want to remain because they do things to keep me happy and satisfied. For example, I receive text alerts every Saturday about the state of my transactions with them, and I consider their service charges to be relatively moderate and in agreement with the services they offer.*

Some respondents have made up their minds to move to other banks because, as they put it:

*Oh, I have already decided to move to another financial service provider, a microfinance company. This is because their staff would, upon trust, even come to collect your money and deposit for you. I think my bank must do more to find out about what to do for customers. They must be customer focused because even arrangements in the banking halls look so haphazard.*

Just as the rate of staff turnover can be used to gauge how well a company was doing, in the same way the rate of customer turnover could determine the likeability and satisfaction derived by customers of a business. Clarkson (1995) considered customers as primary stakeholders and how long they have remained with the organisation as a performance measure. There is a direct link between customer satisfaction and customer loyalty and the organisation (Wang and Hing-Po Lo, 2002).

Findings of the study suggested that many customers would like to remain with their current bank. This assertion therefore is in agreement with reviewed literature that customer satisfaction is an antecedent of customer loyalty (Heskette et al., 1994).

### 6.6 Aligning Management/Staff/Customer Needs

It is expected that a staff member who has been provided with the work environment that is motivating, rewarding and caring will appreciate the effort of management and reciprocate this gesture by transferring that love and commitment from the organisation's management on to doing the best to identify, cultivate, nurture, serve and retain the customer.

**Question: Do you think blending staff needs and customer needs together can help your bank to achieve higher business performance?**

**Answer:** Most of the respondents who said the banks encourage them to comment, suggest or raise complaints believed that their needs are not different from the needs of their banks, knowing that the identification and support for staff and customer needs are critical for any organisation's growth and development.

One respondent put it this way:

*Oh yes, I consider myself as part of the bank and the bank also knows and recognises me as such. They support me to satisfy my financial needs, even as their staff are also supported well by management. My needs are the needs of the bank and staff form a key part of the bank and they take care of my needs. So I think if the bank can identify with me and help me then I think the two of us can get along very well.*

Effective staff-role performance is highly dependent on how well they are cared for, motivated, appreciated, trusted and loved by management. Good treatment of staff would lead to good treatment of customers. This finding is compatible with literature reviewed, (Straughan and Cooper, 2007; Carter and Gray, 2007). It was established that internal market communications enable customer consciousness among employees of any organisation. This consciousness informs what steps should be taken to design and implement appropriate activities to enhance external market place performance of the company (Hogg et al., 1988). If staff needs are identified as one and the same as those of the organisation and the needs of the customer constituted the main business of the organisation, then it can be argued that the needs of employees are one and the same as those of customers of the organisation and this was reviewed in literature (Gounaris, 2006;Gounaris, 2010; Piercy, 1995).

### 6.6.1 Staff/Customer Satisfaction

A satisfied staff member will deliver satisfaction to the customer, this is because the staff knows that a satisfied customer is the lifeline of the organisation. Customers become loyal when they find that staff are always ready to deliver to them what service or product benefits are best for them.

**Question: What do you say to this statement: Keeping your staff satisfied is as important as keeping the bank's customers satisfied?**

**Answer:** It takes the right supplier to serve the customer and to do so effectively. The right employee would know how best to organise the right information about the customer into effective benefits. An overwhelming position among respondents regarded their satisfaction as critical to the bank's performance much as they considered their satisfaction to hinge squarely on staff's in-role satisfaction. A satisfied customer responded to the question this way:

*Oh yes, you see because staff are satisfied with their work, they try to make sure that their customers are also satisfied. They try to build a good relationship with customers. As a result of this, you do not witness any queues in the banking halls.*

To facilitate satisfaction for a company's customers there should be a cultural and behavioural change in the work processes of the organisation's shared values and norms. According to Al-Shirawi (2012), internal marketing should be invoked to re-design the processes where internal customer satisfaction should be inculcated as a critical prerequisite to external customer satisfaction. This position will enable the company to become sustainable. Holdway (2001) identified employee satisfaction as the beginning of the value delivery process, which did not end until the customer gained the desired level of satisfaction. Finally, Wiley (1996) was seen to have discovered a high correlation between employee satisfaction and customer satisfaction.

### 6.6.2 Customer Value

MO literature reports of an implicit consensus about the need to generate and use information about markets and customers in order to generate customer value (Hult et al., 2005). Again, Raaij and Stoelhorst (2008) intimated that the business process forms the engine of the generation of market-oriented behaviour. It is in this business process that customer value is seen to be generated, therefore MO drives the business process to create superior customer value.

**Qt: Do you send complementary phone calls to your bank mentioning the quality of service provided you or care given at the point of transaction, or the bank calls to complement you?**

**Answer**: Most of the respondents commented that their banks deliver value to them based on the service delivery processes and the judgments of the effectiveness of this process. The effectiveness of these processes provide solutions to their needs and problems. Such solutions endear them to remain with their banks, because they become loyal.

A respondent had this to say:

*Well, at Christmas and Easter seasons, you are wished well, with calendars and diaries. Frequently, you are sent text messages asking about your health status and wishing you well.*

You are even quickly informed about any new developments, for example, my bank recently changed their account numbers, and word about the change was sent to me and all other customers. The bank sends complimentary notice texts or letters to show they appreciate you, apart from regular bank statements.

Another respondent commented:
*Yes, staff show a lot of warmth towards themselves and us customers. When they want to introduce any new products, they send us letters, or notices, for example, the first time I took a loan, they called to congratulate me in addition to a complimentary note, and encouraged me to repay steadily and quickly with very relaxed terms*.

The comments proffered by these respondents confirmed that the value these bank customers received was based on the level of satisfaction they had from their interactions with their banks (Hume and Mort, 2008). This finding is consistent with the position of Rust and Oliver (1994), that value has a direct and counter-specific input to satisfaction. This researcher argues that, in marketing strategy, the key to organisational success is customer satisfaction and care originating from consistent superior value delivery.

### 6.6.3 Customer Service

The service provided by the banks and how well these services are delivered is highly dependent on the physical evidence, the process and top management's regard and commitment towards the bank's service ethos. Interactions between the employees of the banks and their customers would be mirrored by what services there are to offer and how the service encounter, as an interpersonal association between the banks staff and customers, would ensure a benefit to both.

Customer service is a service of activities designed to enhance the level of customer satisfaction, which indicates the feeling that a service/product has met the customer's expectation, (Scott, 2002, cited in Amoako, 2012).

Hossain and Leo (2009) indicate that customer service quality has been increasingly recognized as a critical success factor in the banking industry. This researcher argues that, MO would be a consequence of an effective customer service delivery process and programme matched by the right calibre of staff, who are well engrossed in the service blueprint (Zeithaml et al., 2013).

**Qt: Are you satisfied with the services rendered by your bank?**

**Answer**: A minority of the customers interviewed responded positively to the nature of customer service efforts made by the banks under study. Most of the banks have been seen as having a lot of service delivery challenges. For example, a dissatisfied customer had this to say:

*No, there are a lot of service delivery challenges. I was to cash a cheque sent to me but it became so difficult for me to do so. They would not allow me to cash the money even though I pleaded with them to check from the bank that issued me with the cheque. They would not even give me a reason as to why the cheque would not go through.*

Another customer made this comment:

*Well, the ATM always has problems. If you have a problem with your ATM Card and you want things corrected, it delays, meanwhile you are debited while it takes a long time for your problem to be addressed. You might even be asked to go home and come another day. In addition, you would find that staff are overstretched, with few tellers and so you see winding queues in the banking hall, with staff who are old, sluggish, appear tired every moment and struggling to serve.*

Findings from this research on the relationship between customer service and MO cannot corroborate what is established in literature. Most of the banks have not been able to confirm that effective customer service delivery is a function of customer satisfaction and positive performance of the service functions of these banks. This is so because of a big disparity between the service functions of the banks and the level of satisfaction meant to be delivered to their customers.

## 6.7 Discussion

**Qt 1. What is the relationship between the participants' (managers) understanding of Internal Marketing Orientation (IMO) and its practice in the banks?**

The analysis of the qualitative results has established that some of the identified elements mirror IMO and are influencing the operational processes in banks in Ghana. The level of awareness and understanding of the IMO construct, in particular in the operational structures, processes and systems of the banks under the study have not been deliberate, strategically placed or well documented in Ghana. However, it was revealed that some activities have formed part of the banks' practices. For example, managers have been seen to demonstrate an appreciable level of concern for their staff based on the level of communication between them. This confirms the assertion of Goulder (1960), cited in Tortosa et al. (2009), that fruitful relationships between a firm's managers and their staff in the form of social exchange relationships and a psycological contract deepen the trust and feeling of common purpose between them: this underscores the beliefs by employees regaining the reciprocal obligations existing between them and their managers (Morrison and Robinson, 1997, cited in Tortosa et al., 2009). Therefore, a two-way communication between manager and staff whether informal or formal is highly valued by staff (Johlke and Duhan, 2000, cited in Tortosa, 2009). Accordingly, managerial support and consideration and the two-way direct communication between managers and staff form part of internal market orientation, and the practice of this by the banks should allow a positive reciprocal response from staff, in the form of greater in-role behaviour, satisfaction and commitment to their work and an improvement in its service quality (Aryee et al., 2002, cited in Tortosa et al., 2009).

A key consequence for instilling IMO in the banks has been staff retention. An overwhelming support was given to this element by respondents because of the critical regard, appreciation and incentive packages put in place to motivate staff. To sustain this and retain staff, bank managers must re-examine their bonus and reward policies so as to increase job involvement among employees (Kaur et al., 2009). Lings (2004) added that organizations must evaluate the effectiveness of their IMO strategy in maintaining and improving internal customers' satisfaction, retention and commitment; and the IMO strategy must form part of the corporate strategic planning cycle. This researcher argues that the banks should begin to identify IMO as a key component of their strategic intent; and should determine appropriate metrics to assess/evaluate its contribution to employee satisfaction, employee in-role behaviours, and sustainable competitive advantage for these banks. The study's findings revealed that, even though one found in the banks under study some activities that mirror the practice of internal marketing, these practices have not been grounded in a well-designed and planned effort to ensure its implementation. The study findings showed a lack of a planned internal marketing communication from the corporate level of all the banks that would aim at heightening and sustaining staff attention and interest so that they could adopt and implement IMO as a deliberate means of instilling the construct in the banks' planning schemes. The practice of IMO in the banks therefore lacked strategic planning, implementation and direction. This position therefore corroborated earlier reviewed literature asserting that the IMO concept is not well known in developing economies, such as Ghana (Snell and White, 2009).

**Qt 2. What is the relationship between the practice of IMO and employee needs?**

In a competitive formal banking environment, such as the banking sector of Ghana, IMO practices, although prevalent, have not been well designed and documented within a strategic planning cycle, therefore, are not well articulated and are not seen to be embedded in the service 'ethos' of the banks. As a result, it is difficult to determine a direct relationship between the types of practices and a well-organised documented IMO strategy to be driven by identified employee requirements.

To assess any meaningful relationship between IMO practices and employee needs, there must be an imperative need by management to understand the aspirations of every employee, what he/she perceives about the bank and how much he/she is motivated to work (Kaur et al., 2009).

Internal market research, although identified to be at work in the banks, has not been well tailored to focus on employee in-role characteristics so that information therefrom can be used in shaping effective and appropriate in-role behaviours that would mirror IMO practice. As intimated by Lings and Greenley (2001), cited in Kaur et al. (2009), management must adopt internal market research by conducting a survey at least once a year to assemble information about the employee and his or her job requirements. This survey must relate to internal customer orientation with critical emphasis on creating awareness about internal service quality, and the identification of internal customer expectations in terms of understanding the information for formulating the right response to the internal marketing practice in terms of job products/service delivery. Finally, management must use internal market information about employee needs and skills and competencies to design jobs that would better meet the needs of the employees, and satisfy and motivate them to perform better service encounters with the external customer (Kaur et al., 2009). The bank will invariably behold internal market orientation in its operations and so gain competitive advantage.

Again, Woodruffe (1995), cited in Papasolomou-Doukakis (2003), intimated that internal communication, employee training and development, internal market research, management support and internal market segmentation must critically form integral parts of internal marketing programmes and these dimensions must be used in a market-oriented approach to develop a service orientation and customer focus among employees (Gronroos, 1990, cited in Papasolomou-Doukakis, 2003). This researcher argues that management would be better informed about what employees expect in their job roles and if these are provided to them, they would be in a more motivated position to perform more effectively than the competition.

**Qt. 3. What is the relationship between Market Orientation and Customer Satisfaction?**

Analysis of qualitative results pertaining to the impact of MO on bank performance has not been seen to confirm the position of reviewed literature. This emerged from the empirical findings from responses of respondents in the in-depth interviews since the nature of customer information gleaned has not been understood to relate to how such information can be used to plan the delivery of effective customer service. The works of Kholi, et. al. (1993) and Narver and Slater (1990), cited in Ellis (2005), established that the implementation of the marketing concept, which is the foundation of MO, has a positive influence on business performance both in the developed and developing economies (Appiah-Adu and Ranchhod, 1998; Osuagwu and Obaji, 2009).

Extant literature on MO has mirrored the elements used in the qualitative research in this study to have underpinnings that drive the achievement of MO by the banks understudy. For example, considering the element of market/customer research, Ellis (2005) intimates that rewards accrue to those organisations that are predisposed to gathering, interpreting and responding to market intelligence. This is possible when intelligence about the customer can be generated in the business environment that has the structures and systems to generate, and disseminate appropriately, accurate and timely customer information for the organisation to use in planning how to delivery effective customer value and care through the right services or products.

Again, customer value, which is the difference between what the customer gets in terms of benefits, quality, worth and utility from buying and using the services of the banks versus what they pay in terms of charges, costs, and sacrifices (Heard, 1993, cited in Gounaris et al., 2010) have been confirmed as an element driving market orientation in the banks understudy. Again, Holbrook (2005) considers customer value as the interactive, relativistic preference (in comparison to known or imagined alternatives) and the dynamic experiences of the customer. Therefore, customer value would depend on the bank's understanding of the needs of their customers and developing the skills and competencies necessary to actually meet these needs: Kholi and Jaworski, (1990) and Narver and Slater (1990), cited in Gounaries et al. (2010), referred to this as 'developing a market orientation'.

This researcher argues that the appropriate market/customer research initiatives would assume the appropriate market intelligence based on the level of development in the external business environment of these banks and how this level of development drives the competitive business environment of the banks understudy. Market/customer information gleaned from the business environment would depend on the level of sophistication, independence and behaviour characteristics and needs of these customers and processes the banks would put in place to tap this information to be used to deliver value and satisfaction to them.

This argument ties in with the assertion of Gounaris et al. (2010) that the established relationship between the customers' perceived level of service quality and the customer's subsequent behaviour depends on the organisation's efforts to improve how their customers' perceive the quality of their services. Accordingly, MO will entail how the banks align with the needs of the customers through market/customer intelligence to gather and collate the necessary knowledge, skills and procedures required to serve these customer needs.

According to Osuagwu and Obaji (2009), a market-oriented organisation should do everything possible in order to satisfy its customers because there is a link between market orientation and customer satisfaction. They maintain that customer satisfaction and retention are as a result of the firm having customer knowledge and listening to customer complaints and solving them, as these are major components of market orientation. This assertion supports Kholi and Jaworski's (1990) argument that market orientation leads to satisfied customers who spread the good word to other potential customers to come and do business with the organisation and so qualify as customers.

Again, Kotler (1998; 2002) asserts that market orientation apparently leads to greater customer satisfaction and repeat purchase. This is because a highly satisfied customer would stay longer, be more loyal and, more committed, buy more as the firm introduces new products and upgrades existing products, and talk favourably about the company and its products. A satisfied customer would not easily defect because he/she pays less attention to competing brands/firms, is less sensitive to price and is a partner to the company as he/she offers product ideas to the company and so costs less to serve.

**Qt. 4. What is the relationship between joint use of IMO/MO and the banks' operations?**

Internal marketing is a concept more acceptable in the services sector such as banks where employees directly interact with their customers, so managers should recognise and innovate new processes to manage their contact employees to increase the bank's market orientation (Donavan, Brown and Mowen, 2004). Awwad and Agti (2011) opined that internal marketing leads towards market orientation through organisational commitment because market orientation cannot be perceptible in the absence of firm commitment.

Again, according to Caruaua and Calleya (1998), without organisational commitment, there would be low performance because of the provision of interior service offerings and higher costs. As such, internal marketing has been identified as impacting business performance as it helps in maintaining a highly motivated and satisfied workforce (Dunne and Barnes, 2000). A satisfied workforce helps in accomplishing performance targets of any organisation. This position was attested to by the findings of this research and so corroborated reviewed literature that a means of ensuring that staff perform their in-role duties and adopt customer-oriented behaviours is to embark on internal marketing, which is an effective antecedent to market orientation. In conclusion, no company can develop effective market orientation without staff's understanding, willingness, commitment and ability to enact market-oriented behaviour (Scholosser and McNaughton, 2007).

**Qt 5. What is the relationship between the integrated effect of employee satisfaction/customer satisfaction and the operations of the banks**

Lings and Greenley (2005) and Gounaris (2008) intimate that IMO aligns and synchronises with a company's market objectives and encourages employees to perform better to offer effective service. This will ultimately improve customer retention and enhance the performance and success of the firm. This assertion confirms the position of Jaworski and Kohli (1993) that IMO measures of the organisation reflect external market orientation.

Lings and Greenley (2010), upon using IMO measures, to determine their impact on market orientation, agreed with Dabholkar and Abston (2008) who considered internal marketing as a tool for encouraging customer contact employees to engage with the firm as internal customers.

Again, Lings and Greenley (2010) suggested that having employees that effectively enact a bank's marketing strategy and execute their in-role behaviours properly is a key determinant of customer satisfaction.

Dabholkar and Abston (2008) and George (1977) have remained unclear about the relationship between the value that employees of a firm gain from employment and the value that they create for customers. This researcher, through findings emanating from empirical work, contends that employees who are satisfied in their work-roles are motivated to deliver satisfaction to their customers, which corroborates existing literature (Lings and Greenley, 2010). George and Gronroos (1991) assert that internal marketing is a philosophy for satisfying and motivating employees based on a marketing perspective, which is based on the belief that satisfied and motivated employees are essential if customers are to be satisfied.

Kaynak and Kara (2004) and Caruana and Calleya (1998) reiterated that the success of a market-oriented strategy can be measured in terms of the customer satisfaction that it generates; and with repeat purchase, customer loyalty would be enhanced and consequently profitability (Maydeu-Olivares and Lado, 2003).

Extant literature suggested that external marketing success grounded on internal marketing is contingent on the firm having satisfied and motivated boundary-spanning employees quite early (Sasser and Arbeit, 1976; Berry and Parasuraman, 1991, cited in Lings and Greenley, 2010).

Findings of this research therefore agree with the earlier positions that market orientation is important to organisational growth and performance. The finding again supported the submission of Eusebio et al. (2006) that researchers have begun to examine the relationship between market orientation and company performance in cultures different from the western cultures.

## 6.8 Chapter Summary

The analyses of qualitative results have established that some identified elements that drive the practice of IMO in banks in Ghana are compatible with literature reviewed. Similarly, some elements identified with the practice of MO corroborated stated reviewed literature. On the integrative effect of IMO/MO and bank performance, some support has been noted; and some misunderstanding of the constructs was also noted, which affected some of the responses. For example, IMO has not been identified as a known concept even though practices and activities of most of the banks underscored this. It was revealed that there is nobody identified to be having a corporate responsibility for developing and sustaining IMO.

The concept does not have any strategic push to make it influence planning and sustained practice in the banks. Because there have been some research work on MO in the sub-region it has gained understanding and support. There is the need for the banks to know about these constructs in the face of the competitive banking environment, so that deliberate efforts can be made to institutionalise these constructs as part of their strategic plans.

Respondents (managers) generally responded positively to most of the elements that drive IMO, but some of them did not see commitment from staff: some felt robbed or cheated for working under stressful conditions but were not being well paid and wanted to move on. Some internal customers (managers) on MO as respondents felt that their banks were only interested in their money without any care, commitment or concern for them. They looked dejected and wanted to change their banks; they compare notes with their colleagues from other banks where better working conditions prevail.

Generally, the IMO and MO constructs are observed to be at work, but they needed to be given greater emphasis as part of the strategic intent of the banks so that formal planning and implementation should be done, monitored and assessed. The chapter that follows covered the quantitative analysis after survey data was collected to test stated hypotheses to see what relationships could be identified.

# CHAPTER SEVEN
# RESULTS OF QUANTITATIVE ANALYSIS

## 7.1 Introduction

This chapter covers results of the analysis obtained from the data collected using the measurement scales for the IMO/MO constructs. Responses on IMO/MO from managers have been analyzed to determine their contribution to employee in-role behaviours and how such behaviours trigger customers' engagement to enhance the role performance of these managers to satisfy identified customer needs and wants. Reliability tests were conducted on the measurement scales to ensure that they reveal the appropriate levels of reliability for further analysis. Confirmatory Factor Analysis (CFA) was used to delete offending items sequentially until standardised factor loadings and fit indices were obtained to reveal that no improvement could be attained through items deletion. Finally, Structural Equation Modeling (SEM) was employed to test the hypothesised relationships between the IMO/MO constructs as indicated by the conceptual models to determine their general goodness-of-fit between the latent constructs and the observable indicators. Discussions constitute the conclusions drawn from the above.

The chapter covers the descriptive statistics of the survey related to the use of the measurement scales (IMO/MO) based on the collected data from managers. The examination of the scales was done with the Cronbach alphas, means and variances computed to measure the reliability of the scale items. The next issues considered the factor loadings and the degree to which scale items were correlated. The conduct of CFA was done and Path analysis was undertaken to determine the goodness-of-fit, based on the extraction of the average variances (AVE), and determination of the construct reliability and the SEM for each set of the data related to the main survey. In addition, the relationship between the IMO/MO responses of the bank managers and customers were tested to determine how they impacted performances in these banks. These involved the formulated research hypotheses to be tested to answer the study objectives. Finally, the measurement scales were validated in terms of face, discriminant, convergent and nomological validity as well as their composite reliabilities.

## 7.2 Background Information of Respondents

Evidence in Table 7.1 shows that the majority of the managers were males (60%), had a Master's degree (65.3%) and were married (74.1%).

**Table 7.1: Profile of Respondents**

| Variables | Frequency | Percent |
|---|---|---|
| **Gender** | | |
| Male | 123 | 60 |
| Female | 82 | 40 |
| | | |
| **Educational level** | | |
| First Degree | 67 | 32.7 |
| Masters | 134 | 65.3 |
| Doctorate | 2 | 1 |
| Others | 2 | 1 |
| | | |
| **Marital status** | | |
| Single | 50 | 24.4 |
| Divorce | 3 | 1.5 |
| Married | 152 | 74.1 |
| | | |
| **Total** | **205** | **100.0** |

Source: Field data 2014

This indicates that most of the banks employ more males than females, even though the margin is not great. In terms of academic and professional education, a high calibre of personnel has been engaged by these banks, since the majority of them have Masters degrees; a factor very relevant to the understanding of the constructs and how this would impact their responses. The majority of respondents are seen to be married and anecdotal evidence suggests that relationships signify responsibility much as they underscore interpersonal relationship building. Table 7.2 shows the descriptive statistics to key dimensions of IMO.

**Table 7.2: Descriptive Statistics of Key Dimensions of IMO**

| IMO for Managers (Cronbach's α= 0.956) | Number of items | Cronbach's α | Mean | Variance |
|---|---|---|---|---|
| Informal Information Generation | 4 | 0.829 | 5.96 | 0.12 |
| Formal Face-To-Face Information Generation | 4 | 0.833 | 5.82 | 0.01 |
| Formal Written Information Generation | 4 | 0.715 | 5.73 | 0.12 |
| Information Dissemination | 4 | 0.713 | 5.56 | 0.13 |
| Response | 4 | 0.698 | 5.72 | 0.08 |
| Customer / Employee Value | 5 | 0.880 | 5.95 | 0.03 |
| Organisational Citizenship Behaviour (INSIDE) | 4 | 0.858 | 5.46 | 0.01 |
| Employee Satisfaction | 6 | 0.903 | 5.14 | 0.08 |

Source: Field data 2014

### 7.3 IMO Measurement Scales for Managers

The scale items measuring each of the dimensions of the IMO scale in Tables 7.2 and 7.3 were aggregated to assess their reliability in terms of the Cronbach, mean and variances. All the construct measurement dimensions for IMO have obtained good Cronbach alphas (> 0.70). Employee satisfaction as a consequence of the effective practice of IMO revealed a reliability rating value of 0.903.

**Table 7.3: Descriptive Statistics of Key Dimensions of MO and the Cronbach Alpha**

| MO Managers (Cronbach's α= 0.956) | Number of items | Cronbach's α | Mean | Variance |
|---|---|---|---|---|
| Intelligence Generation | 8 | 0.645 | 4.43 | 0.640 |
| Intelligence Dissemination | 8 | 0.756 | 4.71 | 0.288 |
| Information Responsiveness | 10 | 0.448 | 4.73 | 0.699 |
| Customer Satisfaction | 28 | 0.909 | 4.83 | 0.685 |

Source: Field data 2014

## 7.4 MO and Managers

**The MO Measurement Scale: This scale consisted of three dimensions:**

Intelligence generation, intelligence dissemination and responsiveness (action). These dimensions have a number of items measuring each of them aggregated and their Cronbach alpha's computed to determine their reliability as measurement instruments. Generally, customer emphasis and intelligence dissemination have obtained alpha co-efficient values (>0.72), with very good reliability, while intelligence generation has an alpha co-efficient value (0.645), which is acceptable (Nunnally, 1978), whereas information responsiveness has a reliability value of (0.45), which is considered as quite low. However, the consequence of MO, which is assessed as customer satisfaction, has a Cronbach alpha co-efficient value of (0.909).

The measurement instrument (MARKOR) used for assessing managers was seen as reliable and consistent as the overall Cronbach's alpha co-efficient value, which was found to be (0.956).

After testing the psychometric properties for these scales to determine their reliability the co-efficient alpha for each scale was seen to exceed the recommended minimum suggested by Gerbing and Anderson (1988) and Churchill Jr. (1999). (See Table 7.2 and 7.3). Confirmatory Factor Analysis (CFA) was undertaken in the next section with tables supported by notes preceeding them under sectional headings.

## 7.5 IMO Confirmatory Factor Analysis

**Section: 7.4 IMO Informal Information Generation:**

Hartline and Ferrell (1996) intimated that informal information generation, as one of the managerial activities in any business environment, has the potential to influence employee behaviours that will invariably affect customers' perceptions of the services they receive. In the banking context, such informal information generation occurs in the form of conversations between sectional heads and subordinates, at morning briefings and at other get-togethers. This dimension was measured by four items, which were coded as IMIG1, IMG2, IMG3 and IMG4. All four items were subjected to CFA. The initial CFA results as in Table 7.2 indicated that the model had a poor fit to data and so needed some modification. This was so because of fewer data points than the number of estimated parameters, resulting in an “unidentified model”, since there were too few reference points to account for all the variance in the model.

Modification indices suggested “setting the Error Covariance between item 1 and item 2 to zero” (IMG1 and IMG2) (Joreskog and Sorbom, 1993).

Table 7.4 shows that the 4-items CFA final model proved that this study could obtain a significant conceptual model. Each measured item had an error term to show how significant initial results were. Path coefficient of each item was computed to determine which of the items or factors could have a significant loading. The initial standardised factor loading recorded a low factor loading with the indicator IMIG4, which was below 0.7 (Gerbing and Anderson, 1988; Hair et al., 2005). The model was modified by “setting the Error Covariance between IMIG1 and IMIG2 to zero”. After modification and re-run, a much improved fit was obtained. The initial low loading of IMIG4 could be due to the fact that it relates to IMG1 in terms of how the manager relates to the subordinates in their work-roles. After the modification, the standardised loadings all became significant (>0.70), although extant literature accepts (>0.60) as satisfactory for early stages of research (Nunnally, 1978). The final CMIN/Df($X^2$/df), normed Chi-Square value (0.89/1) determines an overall goodness-of-fit of the model, accepting that the rule of thumb should be less than 5 (Bollen, 1989), $p<0.05$: a common finding for large sample sizes (Loehlin, 1998). The initial CFA presented an AGFI fit index of 0.63, while the modification through a re-run presented an AGFI as 0.98, which is highly significant for this model (Schumacker and Lomax, 2004). The CFI, which is a comparative fit index recorded 0.91 initially but finally recorded 1.00, which is very significant, showing that the average correlations between the items is high (Hu and Bentler, 1999).

The Root Mean Square of Error Approximation (RMSEA), which determines the overall goodness of model fit initially achieved 0.27. The rule of thumb statistically should be less than 0.05 but not above 0.10. An RMSEA value of 0.00 indicated that the model has achieved a highly acceptable goodness of fit to the data (Hu and Bentler, 1999). The final model had better fit indices because of the following two reasons:

a. The AIC which is a test of relative model fit for the final model (18.89) was lower than the AIC for the initial saturated model (48.59), which is the preferred condition (Hayduk et al., 2007).

b. The AGFI for the final model (0.98) was higher than the AGFI for the initial saturated model (0.63), which also is the preferred condition (Hair et al., 2005; Schumacker and Lomax, 2004). Looking at Table 7.4, the final Critical Ratio-t-test recorded for each of the factor items was very significant with low standard errors in each case (IMIG1, IMIG2, IMIG3,and IMIG4) being (<0.1) knowing that the bigger the standard error, the lower the t-value and vice versa.

**Table 7.4: Summary of Initial Findings (CFA): IMO Informal Information Generation**

| **Coding** | **Item wording** | **Initial standardised Loadings** | **Final** | | |
|---|---|---|---|---|---|
| | | | **Standardised Loadings** | **C.R. (t)** | **Std. error** |
| IMIG1 | At work as a manager I try to find out what my subordinates want from the bank | 0.82 | 0.64 | 9.20 | 0.08 |
| IMIG2 | At work as a manager I try to find out the real feelings of my subordinates about their jobs | 0.82 | 0.65 | 9.31 | 0.06 |
| IMIG3 | As a manager if I notice one of my subordinates to be acting differently to normal, I try to find out if there is a problem or challenge that is causing a change in his/ her behaviour | 0.72 | 0.85 | 12.64 | 0.05 |
| IMIG4 | As a manager, I regularly talk to my subordinates to find out about their work | 0.64 | 0.74 | 10.83 | 0.06 |
| **Achieved Fit Indices** | | | | | |
| | **CMIN/DF ($\chi2$/df)** | **RMSEA** | **Model AIC** | **AGFI** | **CFI** |
| **Initial** | 16.29 (32.59/2) | 0.27 | 48.59 | 0.63 | 0.91 |
| **Final** | 0.89 (0.89/1) | 0.00 | 18.89 | 0.98 | 1.00 |
| **Composite Reliability 0.97** | | | | | |

Source: Field data 2014

**Section 7.5: IMO Formal F-to-F Information Generation Findings**

Face-to-face formal interactions between bank managers, sectional heads and their subordinates add value to any more structured written formats of information generation through market research and any employee surveys (Johlke and Duhan, 2000). This dimension of face-to-face information generation as a measure of IMO employed four (4) items. All four items were subjected to CFA. The initial factor loadings shown in Table 7.5 indicated that the model was a poor fit to the data. This called for further modification and the modification indices suggested “setting the Error Covariance between items 3 and item 4 to zero” (IMFG3 and IMFG4). A modified model and a re-run obtained a much improved model fit to the data (Joreskog and Sorbom, 1993).

The final standardised regression weights for items IMFC1 and IMFG2 were seen to contribute significantly to the construct, while for items IMFG3 and IMFG4, approximately (0.6) were acceptable for initial research work (Nunnally, 1978). The critical ratio-t-tests were all significant demonstrating best model fit, with relatively low standard errors, giving an idea of significance of results. The normed chi-square (MIN/df had a value equal to 2.11(2.11/1) which is below 5 and so considered acceptable and $p<0.05$ (Bollen, 1989). The final RMSEA, 0.07, another test of model fit is considered acceptable, since value <.0.05>.1 are considered to indicate good fit (Hu and Bentler, 1999). Again, the final model had better fit indexes because;

The AIC for the final model (20.11) was lower than the AIC for the initial saturated model with a value of (42.37) (Hayduk et al., 2007).

a. AGF1 for the final model (0.95) is higher than the AGF1 for the initial saturated model of value (0.69), which is a preferred condition for confirmation (Hair et al., 2005).
b. Final CFI value of 1.00 showed that the average correlation between the scale items is higher and very desirable as the rule of thumbs is >.90 (Hu and Bentler, 1999).

**Table 7.5: Summary of Initial Findings (CFA): IMO Formal Face-To-Face Information Generation**

| Coding | Item wording | Initial standardised Loadings | Final | | |
|---|---|---|---|---|---|
| | | | Standardised Loadings | C.R. (t) | Std. error |
| IMFG1 | As a manager you are familiar with the term 'internal marketing' | 0.85 | 0.84 | 13.35 | 0.07 |
| IMFG2 | One would see 'internal marketing' ideas at work at the bank | 0.90 | 0.92 | 15.00 | 0.06 |
| IMFG3 | You regularly interact with your subordinates to find out how to make them more satisfied | 0.60 | 0.57 | 8.32 | 0.08 |
| IMFG4 | You often meet with your subordinates to discuss their job expectations for the future | 0.60 | 0.56 | 8.23 | 0.07 |
| **Achieved Fit Indices** | | | | | |
| | **CMIN/DF ($\chi2$/df)** | **RMSEA** | **Model AIC** | **AGFI** | **CFI** |
| **Initial** | 13.19 (26.37/2) | 0.25 | 42.37 | 0.69 | 0.93 |
| **Final** | 2.11 (2.11/1) | 0.07 | 20.11 | 0.95 | 1.00 |
| **Composite Reliability 0.96** | | | | | |

Source: Field data, 2014

**Section 7.6: IMO Formal Written Information Generation:**

Employee surveys and appraisal systems help managers and subordinates to know more about their respective strengths and weaknesses in terms of attitudes and behaviours needed to function effectively in one's job roles. Relevant and accurate information generated and used help functional departments to support activities that yield outcomes such as attitudinal changes in both staff and managers to influence their work roles positively (Johlke and Duhan, 2000). Four items coded IMWG1, IMWG2, IMWG3 and IMWG4 were used in measuring the formal written information generation dimension of the IMO construct. All four items were subjected to CFA. The initial CFA results are shown in Table 7.6, which indicated that the model was a poor fit to the data because items IMWG2 (0.58) and IMWG4 (0.61) did not meet the required standardised regression weights, i.e. they had low factor loadings (Hair et al., 2005). Modification indices suggested "setting the Error Covariance between IMWG2 and IMWG4 to zero", the model was modified and a test re-run obtained a much improved model fit (Joreskog and Sorbom, 1993).

The final indices presented in Table 7.6 show a relatively significant model fit with acceptable indicators to the data. Standardised factor loadings range from 0.60 to 0.76, the Critical Ratio (CR) or t-test= 7.4 to 8.6, with low standard errors. CMIN/DF ($X^2$/df = 0.15 (0.15/1) the normed chi square was significant giving an idea of a significant result at ($p<0.05$), a common finding for large sample sizes (Loehlin, 1998; Hair et al., 2005), the RMSEA (0.00), CFI= 1.00 (Hu and Bentler, 1999), and the AIC (20.11) was lower than that of AIC for the initial saturated model (42.37) (Hayduk, 2007). Again, the AGFI for the final model 0.95 was higher than the AGFI for the initial saturated model (0.69). These batteries of overall goodness of fit indices were acceptable, supporting the presence of the IMO (latent construct) with the four dimensions (Hair et al., 2005).

**Table 7.6: Summary of Initial Findings (CFA): IMO Formal Written Information Generation**

| Coding | Item wording | Initial standardised Loadings | Final | | |
|---|---|---|---|---|---|
| | | | Standardised Loadings | C.R. (t) | Std. error |
| IMWG1 | As a manager your bank's vision is well communicated to your subordinates by you | 0.59 | 0.56 | 7.40 | 0.07 |
| IMWG2 | You encourage internal market research within the bank | 0.58 | 0.74 | 8.28 | 0.09 |
| IMWG3 | You organise regular staff appraisals to discuss what your subordinate want | 0.72 | 0.62 | 8.19 | 0.08 |
| IMWG4 | As a manager you | 0.61 | 0.76 | 8.59 | 0.06 |

| | | | | | |
|---|---|---|---|---|---|
| | communicate to your subordinates the importance of their service roles | | | | |
| **Achieved Fit Indices** | | | | | |
| | **CMIN/DF (χ2/df)** | **RMSEA** | **Model AIC** | **AGFI** | **CFI** |
| **Initial** | 9.12(18.24/2) | 0.20 | 34.24 | 0.78 | 0.88 |
| **Final** | 0.15 (0.15/1) | 0.00 | 18.15 | 1.00 | 1.00 |
| **Composite Reliability** | **0.96** | | | | |

Source: Field data, 2014

**Section 7.7: IMO Information Dissemination Findings**

As stated by Lings and Greenley (2005), organisations that employ IMO are interested in the view of their employees, and the more appropriate information that is generated about employees' needs and wants, the better the organization is at communicating this information to the right decision makers to respond to such indentified needs and wants. The models (Table 7.4, 7.5, and 7.6) as captured by the three IMO activities involve interactions between managers and front-line staff. Generated information must be disseminated, which is a critical pre-requisite to aligning employees' attitudes and behaviours with the organisation's goals, (Guest and Conway, 2002). Four items coded IMD1, IMD2, IMD3 and IMD4 were used in measuring the IMO information dissemination dimension. The four items were subjected to CFA. The CFA results are captured in Table 7.7.

Goodness of Fit CMIN/DF =1.97, the normed chi square, which describes the overall goodness of model fit is significantly acceptable ($p<0.05$) with the function of the large sample size used (Loehlin, 1998), as well as the difference between the observed covariance matrix and the model covariance matrix. The normed CMIN/DF was ($x^2$/df) =3.93/2, $p<0.05$, (Bollen, 1989). CF1 =0.99, where a CF1 value of .90 or higher is desirable, showing significant correlations in the data, the RMSEA =0.06, another test of model fit, with values <.05 are considered to indicate a good fit (Hu and Bentler, 1999). The AGFI =0.95, was higher than the norm 0.90, and AIC =19.93 showing a preferred model fit (Hair et al., 2005). The standardized factor loadings ranged from 0.50 approximately (item IMDA4) to 0.73, which was satisfactorily acceptable (Nunnally, 1978). The CR (t) test recorded significant values 6.00-9.9, with reasonably low standard errors giving the idea of a significantly acceptable result (Hair et al., 2005).

**Table 7.7: Summary of Initial Findings (CFA): IMO Information Dissemination**

| Coding | Item wording | Final | | |
|---|---|---|---|---|
| | | Standardised Loadings | C.R. (t) | Std. error |
| IMD1 | The bank periodically reviews service development efforts to ensure that they are in line with employees needs | 0.65 | 8.72 | 0.09 |
| IMD2 | As a departmental head you regularly meet staff to brief them about issues relating to the whole bank | 0.68 | 9.08 | 0.06 |
| IMD3 | You regularly disseminate data at all levels in the bank about subordinate satisfaction | 0.73 | 9.86 | 0.08 |
| IMD4 | As a manager you encourage attendance at staff meetings to rally information about all subordinates | 0.46 | 5.96 | 0.08 |

**Achieved Fit Indices**

| | CMIN/DF ($\chi 2$/df) | RMSEA | Model AIC | AGFI | CFI |
|---|---|---|---|---|---|
| **Final** | 1.97(3.93/2) | 0.06 | 19.93 | 0.95 | 0.99 |
| **Composite Reliability 0.95** | | | | | |

Source: Field data, 2014

**Section 7.8: IMO Response Findings**

The fifth dimension of IMO is about how managers and employees respond to the information generated and disseminated to create appropriate job products, meeting their employee needs/wants and thus motivating and satisfying them (Berry and Parasuraman, 1991). This dimension, IMO information response, was measured using four items coded IMR1, IMR2, IMR3 and IMR4. Initial CFA results shown in Table 7.8 indicated a poor model fit to the data, (see item IMR3 and IMR4) due to low factor loadings and as such needed factor loadings to be modified. Modification indices suggested “setting the Error Covariance between IMR3 and IMR4 to zero” (Joreskog and Sorbom, 1993). The model that emerged after the re-run obtained a much improved model fit to the data. Final standardised factor loadings proved significant and acceptable for items IMR1 IMR2 IMR3 (0.50-0.88),but not for item IMR4=0.24. Final normed chi-square CMIN/DF($x^2$/df) =0.13(0.13/1), which describes the overall goodness of model fit was significant ($p<0.05$), (Bollen, 1989), a common finding for large sample sizes (Loehlin, 1998; Enzmann et al., 1998). The goodness of fit statistics was RMSEA =0.00, CFI =1.00, AGFI =1.00, which all have exceeded the recommended cut-offs for these measures of model fit and so are acceptable (Hu and Bentler, 1999). The C.R. (t) was significant for IMR1, IMR2 and IMR3 (0.05-0.88), while IMR4 recorded C.R. (t) = 3.16, although standard errors for all four items recorded lower errors (0.09) keeping the t- values also low. (Hair et al., 2005). This final model had better fit indexes because of the following two reasons:

a. The AIC (a test of relative model fit) for the final model (18.13) was lower than the AIC for the initial saturated model (47.43), as the preferred model is one with the lower AIC value (see Table 7.8) (Hayduk et al., 2007).
b. The AGFI for the final model (1.00) was higher than the AGFI for the initial saturated model (0.64) (see Table 7.8) (Hair et al., 2005)

**Table 7.8: Summary of Initial Findings (CFA): IMO Response**

| Coding | Item wording | Initial Standardised Loadings | Final | | |
|---|---|---|---|---|---|
| | | | Standardised Loadings | C.R. (t) | Std. error |
| IMR1 | As a manager you try to find out why a subordinate might be unhappy about your style of management or supervision and you make corrections | 0.74 | 0.72 | 9.16 | 0.09 |
| IMR2 | You try to find out why a subordinate might feel uncomfortable in his/her work-role and you effect a change | 0.84 | 0.88 | 10.70 | 0.09 |
| IMR3 | In the bank you make changes to | 0.54 | 0.50 | 6.69 | 0.09 |

| | | | | | |
|---|---|---|---|---|---|
| | situations that subordinates become dissatisfied with | | | | |
| IMR4 | You welcome subordinates efforts at finding new ways to solving problems/ challenges or exploiting opportunities | 0.32 | 0.24 | 3.16 | 0.08 |
| **Achieved Fit Indices** | | | | | |
| | **CMIN/DF (χ2/df)** | **RMSEA** | **Model AIC** | **AGFI** | **CFI** |
| **Initial** | 15.72(31.43/2) | 0.27 | 47.43 | 0.64 | 0.84 |
| **Final** | 0.13 (0.13/1) | 0.00 | 18.13 | 1.00 | 1.00 |
| **Composite Reliability** | **0.94** | | | | |

Source: Field data 2014

**Section 7.9 IMO & Employee/ Customer Value Findings:**

The internal environment of the organisation (bank) provides a close proximity whether physical or otherwise between managers and employees and this enhances opportunities for them to communicate, and so providing the avenue to use information about employee needs/ wants by the right functions at the right time to generate value to themselves and the organisation's customers (de Charnatony and Harris, 2001). Responsiveness on the part of the bank in gathering intelligence only occurs when there is a formalized process for sharing business intelligence and this system is considered efficient and effective. If the bank managers and staff are in their right "frames of mind" to appreciate information about themselves and the customer and are able to turn such information into the right products/services, based on how proactive management is, and how conducive the work environment is, then we can determine the level of value to be created for both employees and customers. The bank will be performing well because customers both internally and externally express satisfaction at what they do, how they do it, and how these activities positively impact external customer needs, wants and desires. Sasser and Arbeit (1976) saw very early that by augmenting internal products offerings (jobs) with things such as flexible working hours, good salaries, a warm working environment and other benefits (recognition for work, sense of commitment and accomplishment) managers can facilitate internal exchanges in the organization. This researcher argues that the effective performance of the five IMO activities would grant managers and employees some level of satisfaction, to energize and motivate them to accept external customer needs expressed in information flow as their own, and to become committed to providing value to them. IMO implementation is regarded as leading to employee/customer value generation. The employee/customer value was measured using five items coded CV1, CV2, CV3, CV4 and CV5. All five items were subjected to CFA. The initial CF results shown in Table 7.9 indicated a poor model fit to the data and therefore needed modification. Modification indices suggested deleting item CV5 due to the fact that it related to item CV2 in creating employee/customer value, therefore creating cross-factor loading. The offending item (CV5) was deleted subsequently and a model re-run occurred again to obtain a much improved model fit (Joreskog and Sorbom,1993) (see Table 7.9). The final goodness of model fit statistics included (MIN/DF($x^2$/df) =0.51(1.02/2), $p<0.05$ (Bollen,1989), RMSEA= 0.00 (Hu and Bentler,1999), final standardized factor loadings all exceeded 0.7 (Churchill, 1998; Nunnally,1978), CF1= 1.00 and the final model had better fit indexes (Table 7.9) mainly because of the following:

a. The AIC for the final model (17.02) was lower than the AIC for the initial saturated model (53.57) (Hayduk et al., 2007).
b. The AGF1 for the final model (0.99) was higher than the AGF1 for initial saturated model (0.81) (Schumacker and Lomax, 2004).

**Table 7.9: Summary of Initial Findings (CFA): Employee/Customer Value**

| Coding | Item wording | Initial Standardised Loadings | Final | | |
|---|---|---|---|---|---|
| | | | Standardised Loadings | C.R. (t) | Std. error |
| CV1 | The manager tries to understand all the factors that affect subordinates' satisfaction in their work roles | 0.73 | 0.73 | 11.50 | 0.06 |
| CV2 | To the manager, keeping his subordinates satisfied is as important as keeping his/ her customers satisfied | 0.76 | 0.79 | 12.77 | 0.06 |
| CV3 | Every good manager makes | 0.83 | 0.78 | 12.62 | 0.07 |

| | | | | | |
|---|---|---|---|---|---|
| | sure that all employees are happy in the work-roles | | | | |
| CV4 | Every manager knows that employees are very critical assets to the bank | 0.84 | 0.88 | 14.96 | 0.06 |
| CV5 | The main goal of every bank is to keep its employees very satisfied | 0.73 | – | – | – |
| **Achieved Fit Indices** | | | | | |
| | **CMIN/DF (χ2/df)** | **RMSEA** | **Model AIC** | **AGFI** | **CFI** |
| **Initial** | 6.71(33.57/5) | 0.17 | 53.57 | 0.81 | 0.95 |
| **Final** | 0.51 (1.02/2) | 0.00 | 17.02 | 0.99 | 1.00 |
| **Composite Reliability** | **0.98** | | | | |

Source: Field data 2014

**Section 7.10- IMO and Employee-in-Role Behaviour:**

Attitudinal changes in managers, attitudinal changes in staff, esprit de corps and employee satisfaction, among others are the outcomes of an effective enactment of IMO by the organization. It would be appreciated that there are some enablers of the process by which banks create market knowledge before converting them into customer value. For example, the bank manager's commitment to fostering interdepartmental connectedness through employee and customer information generation and flow aided by the appropriate ICT and management information system, can result in the appropriate in-role behaviours. Employee in-role behaviour vis-à-vis organizational citizenship behaviour was measured using four items coded IRB1, IRB2, IRB3 and IRB4. The four items were subjected to CFA. The CFA results are shown in Table 7.10, which indicated that the model had an acceptable fit to the data CMIN/DF =2.36, ($x^2$/df) =4.72/2 $p<0.05$, (Bollen, 1989), CFI =0.99, RMSEA =0.08 (Hu and Bentler, 1999), AGFI =0.94 and model AIC = 20.27 (Hair et al., 2005). All standardized factor loadings recorded values >0.7 (0.68 – 0.89) indicating that all the goodness-of-fit indices for the model were acceptable (Gerbing and Anderson, 1988) (see Table 7.10).

**Table 7.10: Summary of Initial Findings (CFA): Employee-In-Role Behaviour**

| Coding | Item wording | Final | | |
|---|---|---|---|---|
| | | Standardised Loadings | C.R. (t) | Std. error |
| IRB1 | I help other employees who have been absent | 0.89 | 15.19 | 0.07 |
| IRB2 | I help colleagues who have heavy workloads | 0.78 | 12.60 | 0.08 |
| IRB3 | I assist my boss with his work whenever there is the need | 0.77 | 12.39 | 0.07 |
| IRB4 | I go out of my way to do extra work even after working hours | 0.68 | 10.43 | 0.09 |
| | CMIN/DF ($\chi 2$/df) | RMSEA | Model AIC | AGFI |
| **Final** | 2.36(4.72/2) | 0.08 | 20.72 | 0.94 |
| **Composite Reliability 0.97** | | | | |

Source: Field data 2014

**Section 7.11- Market Orientation: Intelligence Generation Findings:**

The research has, as its objective the alignment of IMO behaviours with MO behaviour to determine any relationship with bank performance. As Harris (2002a) intimated, the quality of service provided to a bank's customer is influenced by the quality of service provided in the bank's total internal work environment. Again, when a company's employees perceive that they receive value from their employers, they become committed to the company and are more willing to put in the extra effort to serve customers better as this further enhances the value the company can generate for delivery to the customer. The bank's capability of collecting and systematically analyzing market information on customers' present and further needs, in light of other environmental constraints, would strengthen functional connectedness through effective communication for the right interventions. Intelligence generation to measure market orientation used four items coded IG1, IG2, IG3 and IG4. All four items were subjected to CFA. The initial results are shown in Table 7.11, which indicated that the model was a poor fit to the data and was therefore modified. Modification indices suggested "setting the Error Covariance between IG1 and IG3 to zero" because both items seem to relate to whether a customer survey was conducted by the bank at least once a year to assess their needs. IG1 was cross-loading with IG3 and therefore the model needed modification (Joreskog and Sorbom, 1993). The model was modified and re-run to obtain a much involved model fit. Standardised factor loadings all had values (>0.7) showing significance, while the final CMIN/DF $x^2$/df, the normed chi-square =0.77(0.77/1), $p<0.05$ (Bollen, 1989), with the RMSEA =0.00, and the model CFI=1.00 (Hu and Bentler, 1999). The final model had better fit indexes than the initial because,

a. The AIC for the final model (18.77) was lower than the AIC for the initial saturated model (28.23) (Hayduk et al., 2007),
b. AGFI for the final model (0.98) was higher than the AGF1 for the initial saturated model (0.85) (Hair et al., 2005).

**Table 7.11: Summary of Initial Findings (CFA): Market Orientation Intelligence Generation**

| Coding | Item wording | Initial Standardised Loadings | Final | | |
|---|---|---|---|---|---|
| | | | Standardised Loadings | C.R. (t) | Std. error |
| IG1 | The bank meets customers at least once a year to find out about their future needs | 0.74 | 0.80 | 12.36 | 0.07 |
| IG2 | The bank undertakes in-house market research | 0.86 | 0.82 | 13.51 | 0.07 |
| IG3 | The bank engages in a customer survey at least once a year to assess how customers perceive the quality of their services | 0.82 | 0.87 | 14.21 | 0.07 |
| IG4 | The bank is quick at detecting any fundamental changes in its industry, for example in terms of methods of servicing customers (mobile banking, ATMS, or competition) | 0.75 | 0.74 | 11.76 | 0.08 |

| Achieved Fit Indices | | | | | |
|---|---|---|---|---|---|
| | CMIN/DF ($\chi 2$/df) | RMSEA | Model AIC | AGFI | CFI |
| **Initial** | 6.12(12.23/2) | 0.16 | 28.23 | 0.85 | 0.97 |
| **Final** | 0.77 (0.77/1) | 0.00 | 18.77 | 0.98 | 1.00 |
| **Composite Reliability 0.97** | | | | | |

Source: Field data 2014

**Section 7.12. Intelligence Dissemination as a Dimension of Market Orientation:**

Most customers try to evaluate their organisations and the quality of the services they provide based on the interactions with employees and the physical satisfaction. Lings and Greenley (2005; 2010) opined that for a successful implementation of market orientation, it is imperative that all employees in the company generate information about the market to be able to communicate this information to the right internal staff who have the right skills and competences to integrate their needs with customer and market needs in order to demonstrate the appropriate responses. Intelligence dissemination employed six items coded ID1, ID2, ID3, ID4, ID5, and ID6 to measure market orientation. All six items were subjected to CFA. The initial CFA results are shown in the Table 7.12, which indicated that the model had a poor fit to the data and as such needed modification. Modification indices suggested deletion of items ID2 and ID3 because there was cross-loading (Joreskog and Sorbom, 1993) between ID2 and ID1. Again, item ID3 was cross-loading with 1D4, since customer information dissemination is seen to be at play in both items. The offending items were deleted sequentially and the model re-run again to obtain a much improved model fit. The final goodness of the model fit statistics indicated that the CMIN/DF($x^2$/ df) normal chi-square =1.39(2.77/2) $p<0.05$ (Bollen, 1989), RMSEA=0.04 and CFI an incremental fit index was 1.00. (Hu and Bentler, 1999). The final model suggested better fit indices because of the following:

a) The AIC for the final model (18.77) was lower than the AIC for the initial saturated model (73.83) (Hayduk et al., 2007).
b) The AGFI for the final model (0.97) was higher than the AGFI for the initial saturated model (0.82) (Hair et al., 2005). The standardized regression weights for all item ranged between (0.60-0.84), which were acceptable (Nunually, 1978; Churchill, 1998).

**Table 7.12: Summary of Initial Findings (CFA): Market Orientation Intelligence Dissemination**

| Coding | Item wording | Initial standardised Loadings | Final | | |
|---|---|---|---|---|---|
| | | | Standardised Loadings | C.R. (t) | Std. error |
| ID1 | The bank organizes interdepartmental meetings at least once a quarter to discuss market trends and developments | 0.86 | 0.84 | 13.70 | 0.07 |
| ID2 | Marketing personnel in the bank spend time discussing customers future needs with other functional departments | 0.71 | – | – | – |
| ID3 | Data on customer satisfaction are disseminated at all levels in the bank on a regular basis | 0.62 | – | – | – |
| ID4 | When something important happens to a key customer or market of the bank, the whole bank knows about it in a short time | 0.78 | 0.77 | 12.26 | 0.07 |
| ID5 | The bank segments its customers based on needs and tries to tailor services to meet these needs | 0.81 | 0.83 | 13.47 | 0.07 |
| ID6 | The bank delivers services that generate value to its customers as well as the bank | 0.57 | 0.60 | 8.80 | 0.06 |

| Achieved Fit Indices | | | | | |
|---|---|---|---|---|---|
| | **CMIN/DF ($\chi$2/df)** | **RMSEA** | **Model AIC** | **AGFI** | **CFI** |
| **Initial** | 5.54(49.83/9) | 0.15 | 73.83 | 0.82 | 0.93 |
| **Final** | 1.39 (2.77/2) | 0.04 | 18.77 | 0.97 | 1.00 |
| **Composite Reliability 0.97** | | | | | |

Source: Field data 2014

**Section 7.13. MO Responsiveness Findings:**

The actions taken by managers in response to the information gathered from the selected target markets culminate in the designing and tailoring of the appropriate products/services to these target customers so as to deliver superior customer value and satisfaction. As management emphasises information sharing, making each department an internal customer to other departments, the right processes and practices are deemed to be effected by the right employees in attending to targeted customer needs. Market orientation information responsiveness was measured using six items. All six items were coded (1R1, 1R2, 1R3, 1R4, 1R5 and 1R6) and subjected to CFA. The initial CFA results are shown in Table 7.13, which indicated that the model was a poor fit to the data and as such needed to be modified (Joreskog and Sorbom, 1993). Modification indices suggested the deletion of items IR1 and IR3. Because there was cross-loading between IR1and IR3 as both items consider review or modification of a service by the bank to be in line with customer needs. The offending items were therefore deleted sequentially and the model re-run obtaining a much improved model fit. The final goodness of model fit statistics indicated that CMIN/DF($x^2$/df), the normed chi-square = 0.71(1.42/2), $p<0.05$, showing the difference between the observed covariance matrix and the model covariance matrix as significant (Bollen, 1989), RMSEA=0.00 the comparative model fit index CFI=0.00 were all acceptable (Hu and Bentler, 1999). The above final model had better fit indices than the initial model and was favoured because,

a. The final AIC, a test of relative model fit had (17.42), which was lower than the AIC for the initial saturated model 95.85 (Hayduk et al., 2007).
b. The AGFI for the final model (0.98) was higher than the AGFI for the initial saturated model (0.75) (Schumacker and Lomax, 2004). The standardised regression weights for all four final items were acceptable (0.54-0.81) (Nunnally, 1978; Churchill, 1998).

**Table 7.13: Summary of Initial Findings (CFA): Market Orientation: Response**

| Coding | Item wording | Initial Standardised Loadings | Final | | |
|---|---|---|---|---|---|
| | | | Standardised Loadings | C.R. (t) | Std. error |
| IR1 | The bank periodically reviews its service development efforts to ensure that they are in line with what customers want | 0.72 | | | |
| IR2 | Customers drive the banks service development efforts | 0.68 | 0.54 | 7.32 | 0.08 |
| IR3 | When the bank finds that customers would like a service to be modified, the departments involved make concerted effort to do so | 0.25 | | | |
| IR4 | There is effective departmental co-ordination in performing activities in the bank | 0.61 | 0.61 | 8.42 | 0.09 |
| IR5 | The bank quickly implements a response when a competitor launches an effective campaign targeted at its customers | 0.61 | 0.68 | 9.48 | 0.08 |
| IR6 | The bank reacts quickly to changes in customer needs | 0.72 | 0.81 | 11.44 | 0.08 |

| **Achieved Fit Indices** | | | | | |
|---|---|---|---|---|---|
| | **CMIN/DF ($\chi2$/df)** | **RMSEA** | **Model AIC** | **AGFI** | **CFI** |
| **Initial** | 79.98(71.85/9) | 0.19 | 95.85 | 0.75 | 0.82 |
| **Final** | 0.71 (1.42/2) | 0.00 | 17.42 | 0.98 | 1.00 |
| **Composite Reliability 0.95** | | | | | |

**Source: Field data 2014**

**Section 7:14: Customer Satisfaction Findings:**

Satisfaction, operationally, is defined as the consumer's affective state resulting from overall appraisal of their relationship with a service provider (Anderson and Narus, 1990, cited in Liang et al., 2009). In the context of this study, the overall state of satisfaction for both managers and customers was the aggregation of the performance measure assuming a convergent validity based on the correlations between the measures (Cho and Pacik, 2005). The dimension was measured using six items. All six were coded (CS1, CS2, CS3, CS4, CS5 and CS6) and subjected to CFA. The initial CFA results are shown in Table 7.14, which indicated that the model had a poor fit to the data, and must therefore be modified (Joreskog and Sorbom, 1993). Modification indices suggested deleting items CSI and CS6, since the initial model was not significant for these items because of low factor loadings below 0.5 (Nunnally, 1978; Hair et al., 2005). The offending items were deleted sequentially and a model re-run to obtain a much significant and improved model fit. The final goodness of model fit statistics indicated CMIN/DF($x^2$/df) =2.59(5.18/2), $p<0.05$ which was acceptable (Bollen, 1989), the RMSEA, an absolute fit index is 0.08, and since it was below 0.1, it is acceptable for a model with a large sample size (Hair et al., 2005; Kline, 2005). The comparative fit index (CFI) of 0.99 was desirable (Hair et al., 2005). Generally the final model had better fit indices and was favoured for the following two reasons;

a. the AIC for the final model (21.18) was lower than the AIC for the initial saturated model (112.53), which is preferable (Hayduk et al., 2007)
b. the AGFI, for the final model (0.94) was higher than the AGFI for the initial saturated model (0.70) (Hair et al., 2005). Saturated factor loadings for all items in the final model (0.53-0.83) were significant (Nunnally, 1978; Hair et al., 2005).

**Table 7.14: Summary of Initial Findings (CFA): Customer Satisfaction**

| Coding | Item wording | Initial standardised Loadings | Final | | |
|---|---|---|---|---|---|
| | | | Standardised Loadings | C.R. (t) | Std. error |
| CS1 | Staff are satisfied with the services they provide customers | 0.34 | – | – | – |
| CS2 | Staff receive very warm responses from customers who think they have been given care | 0.59 | 0.53 | 7.47 | 0.08 |
| CS3 | Staff feel satisfied when customers extend courtesies based on effective service delivery | 0.81 | 0.83 | 12.79 | 0.04 |
| CS4 | Staff feel proud and satisfied when they have addressed a customer's problem satisfactorily | 0.70 | 0.74 | 11.08 | 0.06 |
| CS5 | Staff are fulfilled when they see their customer fulfilled | 0.74 | 0.73 | 10.89 | 0.07 |
| CS6 | Employees often receive complementary calls/letters from their customers | 0.29 | – | – | – |
| **Achieved Fit Indices** | | | | | |
| | **CMIN/DF ($\chi$2/df)** | **RMSEA** | **Model AIC** | **AGFI** | **CFI** |
| **Initial** | 9.84(88.53/9) | 0.21 | 112.53 | 0.70 | 0.79 |
| **Final** | 2.59 (5.18/2) | 0.08 | 21.18 | 0.94 | 0.99 |
| **Composite Reliability** | **0.97** | | | | |

Source: Field data 2014

**Section 7.15. Summary of Measurement Model Fit Statistics:**

The proposed measurement models were estimated using LISREL 8.5 (Joreskog and Sorbom, 1989; 1993). The LISREL was preferred because of the sample size and the aim of overcoming the problems of multi-collinearity, which may occur when the dependent variable is regressed directly on the sub-dimensions (Bagozzi, 1994). In checking the psychometric properties of the models to determine robustness and to verify the scales reliability, the following fit indices have been identified and summarized for each of the eleven measurement constructs and presented in Table 7.15.

The composite reliability scores for the construct measures were found to be as low as 0.94 and as high as 0.98, which are higher than the minimum of 0.90 (Bagozzi and Yi, 1988). This suggested that all constructs yielded satisfactory reliabilities as all measures had acceptable levels of model fitness.

1. The CMIN/DF-$x^2$ test showed the normed Chi-square test, a goodness-of-fit test, which represents the fit between the expected or predicted and observed covariance matrixes. Table 7.15 summarized the difference between the observed values and the expected values with respect to the models at a significance level ($p<0.05$) (Bollen, 1989), particularly with models with more than 200 respondents and the $x^2$/df test provides a reasonable measure of fit (0.13-2.59) (Loehlin,1998).
2. All Chrobach Alpha coefficients >0.70 indicated acceptable levels of reliability and internal consistency of the entire data with the exception of customer responsiveness (Table 7.11). (Nunnally, 1978; Churchill, 1998).
3. The Root Mean Square Error of Approximation (RMSEA) with values <0.06 suggested that the data fit the hypothesized models very well (Hu and Bentler,1999): an RMSEA of 0.1 or more is often taken to indicate poor fit (see Table 7.13).
4. The AGFI, which indicated higher indices than 0.9 to a measure of 1 indicated a perfect fit (Chin and Todd, 1995; Schumacker and Lomax, 2004).
5. The model CFI (comparative fit index) value of 0.90 was desirable for CFI between 0.99-1.00. This represents the extent to which the models are better than the null model (Hu and Bentler, 1999). The summarized results showed that all the eleven measurement constructs achieved the required minimum model fitness for confirmatory factor analysis.

**Table 7.15: Summary of Measurement Model Fit Statistics**

| Measurement Models | Overall Model Fit | | | | | Composite Reliability |
|---|---|---|---|---|---|---|
| | CMIN/DF | RMSEA | Model AIC | AGFI | CFI | |
| 1. IMO Informal Information Generation | 0.89 | 0.00 | 18.89 | 0.98 | 1.00 | 0.97 |
| 2. IMO Formal Face-to-Face Information Generation | 2.11 | 0.07 | 20.11 | 0.95 | 1.00 | 0.96 |
| 3. IMO Formal Written Information Generation | 0.15 | 0.00 | 18.15 | 1.00 | 1.00 | 0.96 |
| 4. IMO Information Dissemination | 1.97 | 0.06 | 19.93 | 0.95 | 0.99 | 0.95 |
| 5. IMO Response | 0.13 | 0.00 | 18.13 | 1.00 | 1.00 | 0.94 |
| 6. Employee-In-Role Behaviour | 2.36 | 0.08 | 20.72 | 0.94 | 0.99 | 0.97 |
| 7. MO Intelligence Generation | 0.77 | 0.00 | 18.77 | 0.98 | 1.00 | 0.97 |
| 8. MO Intelligence Dissemination | 1.39 | 0.04 | 18.77 | 0.97 | 1.00 | 0.97 |
| 9. MO Information Responsiveness | 0.71 | 0.00 | 17.42 | 0.98 | 1.00 | 0.95 |
| 10. Customer Satisfaction | 2.59 | 0.08 | 21.18 | 0.94 | 0.99 | 0.97 |
| 11. Customer Value | 0.51 | 0.00 | 17.02 | 0.99 | 1.00 | 0.98 |

Source: Field data 2014

## 7.6 Approaches to Validation of Measurement Scales

The validity of the constructs was measured using convergent validity tests and discriminant validity tests. To examine construct validity, one must consider the reliability of the constructs because this allows a measure of the internal consistency and convergent validity to be established in the study based on the square of the factor loadings for a construct. Reliability involves testing the extent to which the sub-scales or factors correlate highly with other factors designed to measure the IMO/MO constructs.

### 7.6.1 Validation of Measurement (Instruments)

Validity establishes whether an instrument or scale developed to measure a concept or construct really measures that construct. This can depend on the robustness of the instrument itself, on the instrumentation process and the characteristics of the group (s) studied. To validate the IMO/MO measurement scales, face validity, construct validity convergent and discriminant validity as well as their nomological validity were considered for evidence to support the fact that these scales are good for appropriate, meaningful inference to be made based on them.

### 7.6.2 Convergent Validity

Churchill (1999) established that the correlation between the different instruments (items) designed to measure IMO or MO must provide evidence of convergent validity. The correlation between the scale items was revealed to be high, providing evidence of internal consistency, and so the unidimensionality of the constructs. Composite reliability (CR) for all 11 items was higher than 0.9. (Minimum CR is 0.94), which provided evidence in support of the measures' reliability (Gerbing and Anderson, 1988; Hair et al., 2005) (see Table 7.15).

Again, Fornell and Larcher (1981) established that the variance extracted is a more stringent test of internal stability of the test instruments and its convergent validity. Standardised factor loadings provide a useful pointer in assessing convergent validity of the model. Guidelines state that all loadings should be at least 0.50 and preferably >0.70.). Accordingly, all factor loadings through the confirmatory factor analysis were significant (see Table 7.4-7.14.). Again, the Average Variances Extracted (AVE) were relatively high as they all exceeded 50%. The minimum AVE is 82% (Table 4.14) for IMO/MO suggesting that the IMO scale used did truly measure IMO, and was not just an artifact of the data (Hair et al., 2005). With the test indices meeting the rules of thumb indicated above, the researcher established that the IMO/MO scale had acceptable internal stability to state that the IMO/MO scales actually measured IMO/MO.

### 7.6.3 Face Validity

To determine whether the IMO/MO measurement scales have face validity, the researcher attempted to see whether the test statistics emanating from the CFA apparently reflected the dimensions of the IMO/MO constructs. Even though face validity might be gleaned from observations by experts in the relevant field, the scales adopted possessed internal consistency as indicated by the high level of composite reliability (Gerbing and Anderson, 1988). Accordingly, the summary of the composite reliability of the eleven dimensions for measuring the IMO/MO constructs were high (see Table 7.15). This confirmed the face and content validity of the measurement scales.

### 7.6.4 Composite Reliability

In examining the composite reliabilities of each of the IMO/MO subscales (Table 7.15) in the summary of the measurement model fit statistics, it was noticed that all exceeded the recommended standard of both Bagozzi and Yi (1981) and Hair et al., (1998) showing significant evidence of internal consistency of the construct measures. Composite reliability (CR) was higher than 0.9 (minimum CR is 0.94) for all 11 sub-scales and so suggested that they actually measured the latent constructs (IMO/MO) they are supposed to.

### 7.6.5 Discriminant Validity

This is meant to discover any lack of correlations among the dimensions and all other dimensions, or to establish that each construct is distinct from other constructs and captures some phenomena other measures do not. Discriminant validity was assessed by comparing the shared variance (squared correlation) between each pair of constructs against the minimum of the AVEs for the IMO and MO constructs (Fornell and Larcker, 1981). In this research, the discriminant validity was established by the fact that all variances extracted (AVE) estimates were larger than the square of each of the inter construct correlation estimates shown in Table 7.16 in the factor correlation for IMOF-to F and IMOF (factor 2/row)/factor1(column) = 0.68, $ø^2=(0.68)^2$ =0.4624 and factor 4(row/factor2(column = 0.45 therefore $ø^2$ $=(0.45)^2$ =0.2025. This meant the indicators had more in common with the constructs they were associated with than they did with other constructs. Therefore the 11-construct model demonstrated discriminant validity.

### 7.6.6 Nomological Validity

Nomological validity is established by showing that the constructs, as represented by the measures, behave according to predictions derived from theory (Zaltman et al., 1973). Hair et al. (2005) also established that nomological validity can be based on the correlation matrix. Table 7.16 provides the indices for the constructs, establishing the fact that all inter construct correlations were positively related, significant and these relationships made sense. All the factors were correlated by at least 0.18 and no more than 0.74. Once face validity, composite reliability, convergent validity, discriminant validity and nomological validity were met, CFA results so far suggested that the measures were reliable and valid (Fornell and Larcker,1981; Gerbing and Anderson, 1988; Hair et al., 2005).

**Table 7.16: Means, Standard Deviations, Average Variance Extracted and Correlation Matrix**

(Note: Bold faces on diagonal are Average Variance Extracted)

| Measurement Models | Mean | S.D | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| IMO Informal Information Generation | 5.96 | 0.78 | **0.89** | | | | | | | | | | |
| IMO Formal Face-To-Face Information Generation | 5.82 | 0.85 | 0.68** | **0.88** | | | | | | | | | |
| IMO Formal Written Information Generation | 5.73 | 0.67 | 0.41** | 0.51** | **0.85** | | | | | | | | |
| IMO Information Dissemination | 5.56 | 0.73 | 0.39** | 0.45** | 0.64** | **0.84** | | | | | | | |
| IMO Information Responsiveness | 5.73 | 0.79 | 0.61** | 0.49** | 0.38** | 0.46** | **0.82** | | | | | | |
| Employee-In-Role Behaviour | 5.46 | 1.03 | 0.18* | 0.19* | 0.34** | 0.35** | 0.21** | **0.89** | | | | | |
| Intelligence Generation | 5.55 | 0.98 | 0.32** | 0.36** | 0.41** | 0.46** | 0.48** | 0.46** | **0.90** | | | | |
| Intelligence Dissemination | 5.24 | 0.86 | 0.24** | 0.24** | 0.46** | 0.46** | 0.39** | 0.48** | 0.61** | **0.89** | | | |
| Intelligence Responsiveness | 5.50 | 0.87 | 0.28** | 0.22** | 0.38** | 0.45** | 0.42** | 0.41** | 0.40** | 0.48** | **0.84** | | |
| Customer Satisfaction | 6.07 | 0.65 | 0.55** | 0.34** | 0.36** | 0.35** | 0.60** | 0.42** | 0.54** | 0.54** | 0.36** | **0.89** | |
| Customer Value | 5.97 | 0.88 | 0.55** | 0.50** | 0.37** | 0.48** | 0.67** | 0.39** | 0.74** | 0.53** | 0.39** | 0.73** | **0.91** |

Note: **p significant at 0.01 level; *p significant at 0.05 level

Source: Field data 2014

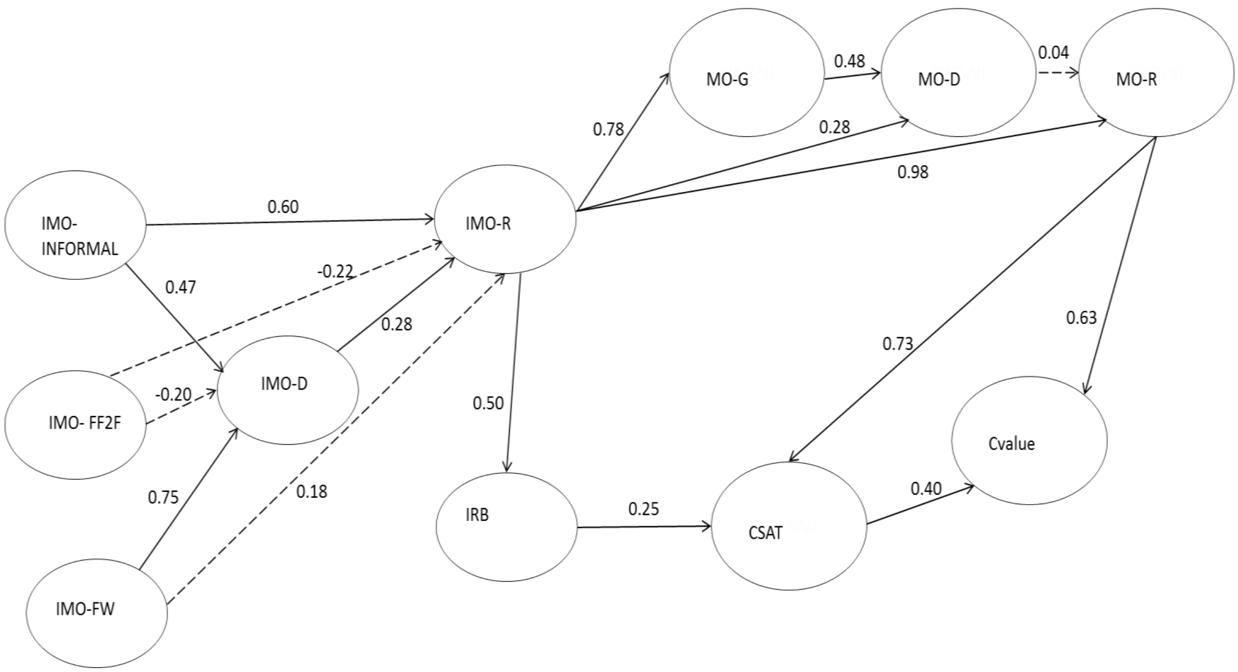
## 7.7 Structural Equation Modelling (SEM)

To develop the SEM, which involves a set of dependence relationships linking the hypothesised model's construct, the researcher examined the relationships, (if any), that exists between the dimensions of IMO, the dimensions of MO, employee in-role behaviour, customer satisfaction and customer value.The SEM along with the CFA, enabled the researcher to accept or reject the proposed theory (Hair et al., 2005) as in Figure 7.1. In as much as the researcher attempts to develop the model to test using CFA/SEM, cognizance is drawn to relevant theory, prior experience, the research objectives and the development of the appropriate hypotheses about which the independent variables (IMO/MO) have any association with the dependent variables (customer satisfaction and customer value). Table 7.17 and Table 7.18 outline the assessments and indices obtained from the overall model fit and the outcomes of testing the research hypotheses. Figure 7.1 captured how the conceptual model and estimated structural paths reveal the hypothesised relationships between the latent constructs and their standardised corresponding path co-efficients. The proposed models were estimated using LISREL 8.5 (Joreskog and Sorbom, 1989; 1993). In Figure 7.1, the conceptual model, significant path coefficients are thick-lined in the network and all significant relationships between the constructs follow the hypothesised direction, providing strong evidence to support the proposed model and related hypotheses. Dotted lines show paths that are not statistically significant. As indicated in Figure 7.1, the exogenous variables (the multi-item independent variable of IMO and MO) jointly are meant to have a relationship with the endogenous variable (the dependent variables), customer satisfaction and customer value. Extant literature has revealed that SEM has no single statistical test that best determines and describes its 'strength' of the conceptual model's predictions. Many researchers have developed and established different types of test statistics that combine to assess SEM results. As a result, multiple fit indices have been advanced to assess the model's goodness-of-fit to observed data (Hair et al., 2005).

## 7.8 Path Model and Hypothesis Testing

The goodness-of-fit shows how well the specified model represents the covariance matrix among the indicators, which means that it tries to examine any similarity between the observed and estimated covariance matrices. As indicated above, the initial test measure of goodness-of-fit is the chi-square statistic. The null hypothesis therefore states that there is "no difference in the two covariance matrices". As it is important for the matrices not to be different, this study expects to have a chi-square ($p < 0.05$) for the null hypothesis to be supported. The results of the proposed measurement model tested (Figure 7.1) are shown and the model fit was relatively acceptable with (CMIN/DF =4.16, $x^2$ = 3672.33, df =882, CF1 =0.67, RMSEA= 0.09, AGF1 = 0.64 and model AIC = 388.83).

**Figure 7.1: Structural Equation Modeling Path Diagram**




Source: Field data 2014

### 7.9 Hypotheses: Testing and Results

**H1a –** Appropriate informal internal market information generation by a bank will positively impact the bank's response to employee needs (internal market needs). The results revealed a significant and positive relationship between informal internal market information (IMO-informal) generation and the bank's response to employee needs (IMO-R). Specifically $R^2$(0.360) is about 36% (that is the square of the regression weight or standardised coefficient of determination $(\beta)^2$ of 0.60 times 100%) of the variance in IMO response, which is determined by informal market information generation (S.E = 30.17 with Critical Ratio (t)) value being 2.53, $P<0.05$ (Hair et al., 2005) (see Table 7.17). These indices provided sufficient support for the acceptance of H1a in this context (Figure 7.1). The positive outcome of this association is in line with the findings of George (1990) and Gronroos (1989) who recognized very early that a company's internal market consists of groups that communicate with other groups within the organisation and these are considered as internal customers and internal suppliers. A relaxed and conducive work environment allows employees to generate relevant, timely, accurate information which they can informally share with other colleagues to create a close physical contact between managers and the frontline. Close physical proximity enables unimpeded conversations between the two to enable managers to quickly and efficiently manage the needs and wants of their subordinates. This argument is in line with Dabholkar and Abston's (2008) assertion that internal marketing is a tool for encouraging and motivating customer contact employees to engage with the firm as internal customers.

**H1b –** Appropriate informal internal market information generation by a bank will positively impact the level of internal information that will be disseminated through the bank. The results revealed a significant and positive relationship between informal internal information generation (IMO-informal) and IMO dissemination (IMO-D). Specifically, about 22% (that is the square of the regression weight of 0.47 times 100%) of the variance in IMO-D is determined by informal internal market information generation (C.R. (t)) value 2.13 with S.E= 0.15, $p<0.05$ (Hair et al., 2005) (see Table 7.17). Therefore the hypothesis (H1b) was supported in the present context. This evidence is in line with the position of Lings and Greenly (2010) that informal methods of collecting information from employees, through hall talk and casual conversations for dissemination, should be occurring in the banking environment. They argued that such engagements between managers and employees created opportunities for them to obtain information about their mutual needs and wants in terms of frequency and depth. Johlke et al. (2000) asserted that information dissemination in the bank will impact the performance of frontline staff. Information dissemination is a critical ingredient for aligning employees' attitudes and behaviours with the bank's goals (Guests and Conway, 2002).

**H1c –** Appropriate formal face-to-face internal market information generation by a bank will positively impact the banks response to employee needs (internal market needs). The results revealed that the relationship between formal face-to-face internal market information generation (IMO-ff2f) and IMO response (IMO-R) was not statistically significant. The standardized path coefficient (β) ($\beta$= -0.22, S.E =0.41, C.R. (t) = -0.37, $R^2$ = 0.048 $p<0.05$ (Hair et al., 2005) (see

Table 7.17 and Figure 7.1). Therefore, IMO response was not necessarily influenced by formal face-to-face internal market information generation. The hypothesis (H1c) was therefore not supported in the present context.

**H1d –** Appropriate formal face–to–face internal market information generation by a bank will positively impact the level of internal information that will be disseminated through the organisation. The results revealed that the relationship between formal face-to-face internal market information generation (IMO-FF-2F) and IMO dissemination (IMO-D) was not statistically significant. The path coefficient (IMO-FF2F-IMO-D), (β) is-0.20, S.E = 0.34, C.R. (t) = -1.21, $R^2$= 0.040, $p<0.05$ (Hair et al., 2005), (see Table 7.17 and Figure 7.1). Therefore, hypothesis 1d (H1d) was not supported in the present context.

**H1e –** Appropriate formal written market information generation by a bank to its employees will positively impact the bank's response to employee needs (internal market needs). The results revealed that the relationship between formal written internal market information generation (IMO-FW) and IMO response (IMO-R) is not statistically significant. The standardised path coefficient (β) = 0.18, S.E= 0.74, C.R. (t) value =0.19, and the $R^2$=0.032; $p<0.05$ (Hair et al., 2005). Therefore, IMO response is not necessarily influenced by formal written internal market information generation. Therefore, hypothesis 1e (H1e) was not supported in the present context (see Table 7.17 and Figure 7.1).

**H1f -** Appropriate formal written internal market information generation by a bank to its employees will positively impact the level of internal information that will be disseminated through the organization. Information generation and dissemination are important prerequisites to aligning employees 'attitudes and behaviours with the organizations goals' (Boswell and Boudreau, 2001; Guest and Conway, 2002). The result revealed a significant and positive relationship between formal written internal market information generation (IMO-FW) and the level of internal information that is disseminated through the bank (IMO-D). The standardized path coefficient (β) =0.75, S.E= 0.25, C.R. (t)=4.13, $R^2$=0.563,$p<0.05$ (Hair et al., 2005). Specifically, about 56% (that is the square of the regression weight of 0.75 times100%) of the variance in (IMO-D) is determined by formal written internal market information generation.

Therefore, the hypothesis (H1f) was supported in the present context (see Table 7.17 and Figure 7.1).

**H1g -** Appropriate internal market information dissemination will enhance employee response to the bank's needs. The results revealed a significant and positive relationship between internal market information dissemination (IMO-D) and a bank's response to employee needs (IMO-R). The standardised path coefficient β( IMO-D and IMO-B) =0.28, S.E =0.11, C.R. (t) value = 2.10 and the $R^2$=0.078, $p<0.05$ (see Table 7.17 and Figure 7.1) (Hair et al., 2005). Specifically, about 8% (that is the square of the regression weight (path coefficient) of 0.28 times100%) of the variance in (IMO-R) is determined by internal market information dissemination. Therefore, hypothesis (H1g) is supported in the present context. Information dissemination in the internal bank market was seen as an antecedent to internal market responses (Lings and Greenley, 2005; 2010). As a result, it would be reasonable to infer that the generation and utilisation of informal, formal, written interactions between managers and frontline staff in the bank to collect information about their needs and wants could result in the appropriate responses. This exercise is manifested by using the appropriate communication channels to disseminate this information freely among managers and between managers and the workforce if effective responses to the internal market are to be implemented and value created for employees of the banks (Lings and Greenly, 2010). Therefore, H1a, H1b, H1f, and H1g were duly supported. However, face-to-face interaction between managers and subordinates has not been proved to influence IMO.

**H2 -** Better informed employees of the bank will demonstrate superior responses (IMO-R) to influence their in-role behaviours (IRB). The results revealed a significant and positive relationship between internal market information response (IMO-R) and employee in-role behaviour (IRB). The standardised path coefficient of IMO-R and IRB(β) = 0.50, S.E=0.24, C.R. (t)= 4.68, and $R^2$=0.250, $p<0.05$ (see Table 7.17 and Figure 7.1) (Hair et al., 2005). Specifically, about 25% (the square of the regression weight of 0.50 times100%) of the variance in employee in-role behaviour is determined by internal market information response. Therefore, hypothesis 2 (H2) was supported in the current context. This result is consistent with the position of Piercy and Morgan (1990), Gounaris (2006) and Dabholkar and Abston (2008) who asserted that developing and enacting appropriate internal market responses to enhance the value of employment for employees have very important consequences for the banks. These activities would foster employee identification with the bank and so tend to reduce dysfunctional behaviours, such as service sabotage (Ramaswami, 1996). Internal customer satisfaction, which is an in-role satisfaction, will become embedded in the employee's in-role behaviour to enable the employee to demonstrate responses that will culminate in satisfying external customer needs.

**H3a –** the more appropriate the bank's IMO-R, the greater the bank's ability to generate market information. The results revealed a significant and positive relationship between internal market information response (IMO-R) and market orientation information generation (MO-G). The standardised regression weight for path (IMO-R and MO-G) $\beta=0.78$, S.E=0.24, C.R. (t)=5.39 and $R^2=0.608, p<0.05$ (Hair et al., 2005).(see Table 7.17 and Figure 7.1). Specifically, about 61% (the square of the regression weight of 0.78 times 100%) of the variance in market orientation information generation is determined by internal market information response. Therefore, hypothesis 3a (H3a) was supported in the current context. Schlosser and McNaughton (2007) suggested that a firm cannot develop a market orientation without each employee's active understanding, willingness and ability to engage in market-oriented behaviour. When all employees acted in a marketing capacity to generate and disseminate information and responded in a customer focused manner, it was likely that employees would adopt market orientation into their work-roles. Again, engaging employees in the adoption of a market orientation required that they understood the bank's strategic objectives and use these directions within their work roles, in order to perform in a more market-oriented manner (Harris, 2002).

**H3b -** the more appropriate the bank's IMO-R, the greater the bank's ability to disseminate market information (MO-D). The results revealed a significant and positive relationship between internal market information response (IMO-R) and market information dissemination (MO-D). The standardized path coefficient ($\beta$)=0.28,S.E=0.26, C.R. (t) value =1.98 and $R^2=0.078$, $p<0.05$, (see Table 7.17 and Figure 7.1) (Hair et al., 2005). Specifically, about 8% (the square of the regression weight of 0.28 times 100%) of the variance in market information dissemination is determined by internal market information response. Therefore, hypotheses 3b (H3b) was supported in the present context. The role of employees, as an important source of market research information is well documented (Ballantyne, 2003). Again, IMO allows employees to be better informed about the bank's strategic objectives towards its customers, which can guide employees as to how to respond to customer's needs and wants more appropriately (Rafiq and Ahmed, 1993).

**H3c -** the more appropriate the bank's IMO-R, the more effective the bank's response to market needs (MO–R). The results revealed a significant and positive relationship between internal market information response (IMO-R) and market information responsiveness (MO-R). The standardised path coefficient (IMOR-MO), $\beta$=0.98, S.E=0.29, C,R.(t)= 5.11, $R^2$ =0.960,$p<0.05$, (see Table 7.17 and Figure 7.1) (Hair et al., 2005). Specifically, about 96% (the square of the regression weight of 0.98 times 100%) of the variance in market information responsiveness is determined by internal market information response. Therefore, hypothesis 3c (H3c) was supported in the present context. The operationalisation of IMO, which is the market sensing, communication and responding capabilities of the bank to facilitate the transfer of information between front line employees (who are important sources of market research information) and managers to provide value for the banks customers (Gounaris, 2006). As such, IMO-R, is meant to have a positive impact on market information generation, which would be communicated to managers to inform their response patterns about customer needs and wants.

**H4** – Appropriate demonstration of in-role behaviours (IRB) by employees positively impacts customer satisfaction. The results revealed a significant and positive relationship between employee in-role behaviours (IRB) and customer satisfaction (C-sat). The standardised path coefficient (IRB- C-sat), $\beta$= 0.25, S.E=0.04, C.R. (t)= 4.85, $R^2$=0.063, $p<0.05$ (see Table 7.18 and Figure 7.1)(Hair et al., 2005). Specifically, about 6% (the square of the regression weight of 0.25 times 100%) of the variance in customer satisfaction is determined by employee in-role behaviour. Therefore, hypothesis 4 (H4) was supported in the present context. Piercy (1995) stated that internal marketing philosophy adoption by a firm ensures that employees perform their in-role tasks and adopt appropriate market-oriented behaviours. Again, Schneider et al. (2005) asserted that since a bank's employees are essential determinants of their customers' perception of the value they get from the bank, adopting IMO allows the bank to implement the required internal marketing programmes and activities that would improve and support the bank's ability and capability to deliver value for both employees and customers. Piercy et al. (2006) agreed that, when workplace values produce norms and behaviours that are intrinsically motivating and supportive of employees, they influence their willingness to serve the customer very effectively; while Piercy et al. (2002) demonstrated that there is strong evidence to support the relationship between MO and employee in-role attitudes and behaviours. It could therefore be inferred that the internal customer (employee) becomes embedded in rewarding in-role behaviour. Yoon et al. (2001) stated that there is an influence of employees' satisfaction with their work conditions and environment on customers' perceived quality and value, particularly in the banking sector. This meant that greater levels of employees' job satisfaction would lead to higher levels of customer perceived service quality and satisfaction. It is argued that a "conducive" business environment that allows 'warm' interactions between manager and subordinate will drive positive in-role behaviours of both managers and staff to aspire to realize organisational objectives.

**H5 -** Appropriate responses of the bank to market information (MO-R) increases customer satisfaction (C-sat). The results revealed a significant and positive relationship between market information responsiveness (MO-R) and customer satisfaction (C-sat). The standardised regression weight of the path (MOR→C-sat), $\beta=0.73$, S.E. = 0.09, C.R. .(t)=5.61, R=0.533, $p<0.05$ (see Table 7.18 and Figure 7.1) (Hair et al., 2005). Specifically, about 53% (the square of the regression weight of 0.73 times 100%) of the variance in customer satisfaction is determined by market information response. Therefore, hypothesis 5 (H5) was supported in the present context. These findings are in line with Fritzgerald and Storbeck's (2003) position that, as a company responds to market needs and wants, using appropriate market information about all relevant stakeholders, performance (which is a dependent variable) could be measured based on respective stakeholder needs, and in the context of this study, performance is customer satisfaction. This result also confirmed Jaworski and Kholi's (1993) position that top management emphasis, interdependent connectedness and market-based rewards positively related to market orientation. Lings and Greenley (2005) stated that once all employees of the banks act in a marketing capacity to generate, disseminate and use appropriate information to respond in a customer-focused manner, it is reasonable to say that employees will invariably be 'pulling in the same direction' as they enact appropriate behaviours that would culminate in customer satisfaction. Again, Richard, et. al. (2009) opined that the strategies pursued by the bank's management could determine what emphasis the bank would place on different performance outcomes. The meaningful result of any marketing strategy is superior value delivery to the customer which is driven by satisfied employees, this researcher argues.

**H6 -** Appropriate responses to customer needs positively impact the banks' customer value. The results revealed a significant and positive relationship between market information responsiveness (MO-R) and customer value (C-value). The standardised path coefficient β for MO-R→C-value) =0.63, S.E.=0.11, C.R. (t)= 6.58, $R^2$= 0.397, $p<0.05$ (see Table 7.18 and Figure 7.1) (Hair et al., 2005). Specifically, about 40% (the square of the regression weight of 0.63 times 100%) of the variance in customer value is determined by market information response. Therefore, hypothesis 6 (H6) was supported in the present context. Responses of market-oriented employees to tailor bank products and services to meet customer needs would lead to customer satisfaction. There is consensus in the MO literature about the importance of generating and using information about markets in order to generate customer value (Hult et al., 2005). Again, Raaij and Stoelhorst (2008) demonstrated that business processes form the central focus of market-oriented behaviour and customer value. This researcher argues that customer value is embedded in the effective implementation of these business processes. Therefore, MO is the ability of the bank to generate market knowledge and use this knowledge in the business processes to create superior customer value.

**H7 -** Consistent increases in customer satisfaction (C-sat) positively impact the bank customer value (C-value). The results revealed a significant and positive relationship between customer satisfaction (C-sat) and customer value (C-value). The standardised regression weight (β) of path, C-sat-C-value) = 0.40, S.E= 0.14, C.R. (t) value =4.50, $R^2$=0.160, $p<0.05$ (see Table 7.18, Fig. 7.1) (Hair et al., 2005). Specifically, about 16% (the square of the regression weight of the 0.40 times 100%) of the variance in customer value is determined by customer satisfaction. Therefore, the hypothesis 7 (H7) was supported in the current context. In line with the above findings, Kaynak and Kara (2004), Singh and Ranchhod (2004) and Hult et al. (2005) stated that the success of a market-oriented strategy implemented by an organization could be measured in terms of customer satisfaction that was generated, and when customer satisfaction was increased through repeat purchase, customer loyalty was enhanced, which would culminate in positive financial performance as well (Oliver, 1999; Mayden-Olivares and Lado, 2003; Dabholkar and Abston, 2008). Again, Wengler et al. (2006) opined that customers are still the key group of stakeholders whose needs come on top of the company's agenda and a major company objective is to satisfy the needs of the customer in order to deliver customer value.

**H8a -** Appropriate market information generation initiatives of the bank positively affect the bank's information dissemination efforts. The results revealed a significant and positive relationship between market information generation (MO-G) and market information dissemination (OM-D). The standardised regression weight (β) for the path (MO-G-MO-D) =0.48, S.E 0.15, C.R. (t) value=3.65 and $R^2$= 0.230, $p<0.05$ (see Table 7.18 and Figure 7.1) (Hair et al., 2005). Therefore, about 23% (the square of the regression weight of 0.48 times 100%) of the variance in market information dissemination is determined by market information generation. The hypothesis 8a (H8a) was supported in the present context. These results were in line with the assertion of Jaworski and Kholi (1993) and Lings and Greenley (2010) that the MO construct is unidimensional and the construct should be researched to determine the strong relationships between information generation, dissemination and responsiveness. This evidence supports the logic that information should be generated before it could be disseminated, and the unit generating the information should have the capacity and capabilities for generating such information.

**H8b -** Appropriate customer information dissemination initiatives throughout the bank positively affect the bank's response efforts. The results revealed that the relationship between market information dissemination (IMO-D) and market information responsiveness (MO-R) was not statistically significant. Therefore, market responsiveness (MO-R) by the bank was not necessarily influenced by market information dissemination (MO-D). The standardized regression weight of path (MO-D→MO-R) (β)= 0.04, S.E =0.06, C.R. (t) value=0.50 and $R^2$ =0.002, $p<0.05$ (Hair et al., 2005). This suggested that hypothesis 8b (H8b) was not supported in the present context.

**Table 7.17: SEM Output for Hypothesised Relationships in the Proposed Model**

| Hypothesis | Paths | SEM Output: Proposed model | | | | Results* |
|---|---|---|---|---|---|---|
| | | Standardized β | S. E. | C.R.(t) | $R^2$ | |
| **H1a:** Appropriate informal internal market information generation by a bank will impact the bank's response to employee needs (internal market needs) | IMO-Informal → IMO-R | 0.60 | 0.17 | 2.53 | 0.360 | Supported |
| **H1b:** Appropriate informal internal market information generation by a bank will positively impact the level of internal information that will be disseminated through the organization | IMO-Informal → IMO-R | 0.47 | 0.15 | 2.13 | 0.221 | Supported |
| **H1c:** Appropriate formal face-to-face internal market information generation by a bank will positively impact the bank's response to employee needs (internal market needs) | IMO-FF2F → IMO-R | -0.22 | 0.41 | -0.37 | 0.048 | Not Supported |
| **H1d:** Appropriate formal face-to-face internal market information generation by a bank will positively impact the level of internal information that will be disseminated through the organization | IMO-FF2F → IMO-D | -0.20 | 0.34 | -1.21 | 0.040 | Not Supported |
| **H1e:** Appropriate formal written market information generation by a bank to its employees will positively impact the bank's response to employee needs (internal market needs) | IMO-FW → IMO-R | 0.18 | 0.74 | 0.19 | 0.032 | Not Supported |
| **H1f:** Appropriate formal written internal market information generation by a bank to its employees will positively impact the level of internal information that will be disseminated through the organization | IMO-FW → IMO-D | 0.75 | 0.25 | 4.13 | 0.563 | Supported |
| **H1g:** Appropriate internal market information dissemination will enhance employee response to the bank's needs | IMO-D → IMO-R | 0.28 | 0.11 | 2.10 | 0.078 | Supported |
| **H2:** Better informal employees of the bank will demonstrate superior responses (IMO-R) to influence their in-role behaviours | IMO-R → IRB | 0.50 | 0.24 | 4.68 | 0.025 | Supported |

Results* supported at $p<0.05$: Red flaged t-values are not significant

**Table 7.18: SEM Output for Hypothesised Relationships in the Proposed Model - Continued**

| Hypothesis | Paths | SEM Output: Proposed model | | | | Results* |
|---|---|---|---|---|---|---|
| | | Standardized β | S. E. | C.R.(t) | $R^2$ | |
| **H3a:** The more effective the bank's IMO-R, the greater the bank's ability to generate market information | IMO-R → MO-G | 0.78 | 0.24 | 5.39 | 0.608 | Supported |
| **H3b:** The more effective the bank's IMO-R, the greater the bank's ability to disseminate market information | IMO-R → MO-D | 0.28 | 0.26 | 1.98 | 0.078 | Supported |
| **H3c:** The more effective the bank's IMO-R, the more effective the bank's response to market needs | IMO-R → MO-R | 0.98 | 0.29 | 5.11 | 0.960 | Supported |
| **H4:** Appropriate demonstration of in-role behaviours by employees positively impacts customer satisfaction | IRB → C-Sat | 0.25 | 0.04 | 4.85 | 0.063 | Supported |
| **H5:** Appropriate responses of banks to market information increase customer satisfaction | MO-R → C-Sat | 0.73 | 0.09 | 5.61 | 0.533 | Supported |
| **H6:** Appropriate response to customer needs positively impacts the bank's customer value | MO-R → C-Value | 0.63 | 0.11 | 6.58 | 0.397 | Supported |
| **H7:** Consistent increase in customer satisfaction positively impacts the bank's customer value (performance) | C-Sat → C-Value | 0.40 | 0.14 | 4.50 | 0.160 | Supported |
| **H8a:** Appropriate market information generation initiatives of the bank positively affect the bank's information dissemination efforts | MO-G → MO-D | 0.48 | 0.15 | 3.65 | 0.230 | Supported |
| **H8b:** Appropriate customer information dissemination initiatives throughout the bank; positively affect the bank's response efforts | MO-D → Mo-R | 0.04 | 0.06 | 0.50 | 0.002 | Not Supported |

Results* supported at $p<0.05$: Red flaged t-values are not significant

## 7.10 Chapter Summary

The chapter highlighted the demographic profiles of respondents and covered the psychometric properties of the measurement scales in terms of their reliability and validity. Confirmatory factor analysis was undertaken on each of the dimension of IMO and MO to determine model fit among the dimensions and the constructs. Finally, the SEMs was undertaken to test the hypotheses and to determine any association between the independent (exogenous) and dependent (endogenous) variables using the path analysis and path coefficients. Appropriate multiple fit indices were employed to the assess the goodness of fit of the models to observed data.

The next chapter, Chapter Eight subjected the analyses in Chapter Seven to discussion and interpretations to arrive at relevant findings.

# CHAPTER EIGHT

# TRIANGULATION AND DISCUSSION OF FINDINGS

## 8.1 Introduction

The aim of this study is to assess how well bank performance (customer satisfaction) and customer value are explained by the integration of internal market orientation and market orientation , and whether the aligned effect of IMO/MO practice in the Ghanaian banking sector has any association with employee and customer satisfaction.

### 8.1.1 Structure of the Chapter

This chapter presents a thorough discussion of the thesis findings from both the qualitative and quantitative perspectives. Secondly, it tries to examine any corroboration or otherwise of existing theory in terms of how in-role behaviours of bank managers and staff contribute to trusting customers to continue doing business with them because they are kept satisfied by satisfied employees. Discussion of the research findings in light of stated hypothesis was undertaken to respond to the needs of the research objectives.

## 8.2 Triangulation and Consistency of Findings with Existing Theory

These sections considered the observable variables contained in the IMO/MO constructs to determine their joint relationship with the latent variable, customer satisfaction. These observed variables were triangulated with identified themes/elements associated with the practice of IMO/MO in the banks and how they explain or give rise to in-role satisfaction to influence customers to become satisfied as well. This was done to address the requirement of the mixed-method approach of this study. Finally, the chapter discussed how the measurement model (CFA) related the dimensions of IMO and MO to the IMO/MO constructs and how the structural path model related the IMO/MO constructs to customer satisfaction, and value and what these implied.

### 8.2.1 Management/Staff Communication/ (IMO/MO Dimension)

Findings from the qualitative research indicated that the banks actually practise IMO even though the construct has not been formally and strategically defined as the key driver that informed the practices and behaviours of managers and other employees in their operations.

There was, therefore, a latent endorsement of the practice of internal market orientation in the operations of the selected banks under study. Similarly, the quantitative findings pointed to a degree of relationship between three of the five main observable variables (dimensions), which are: informal information generation; formal written information appropriately disseminated among the right functional employees; and positive responses that would be the result in terms of role-performance and behaviour. Findings on informal face-to-face information generation did not confirm the theoretical position, however. This confirmed the position of Paulin et al. (2006) that employees' service intentions are a function of their emotional responses to the firm's internal conditions and the support that they receive from their managers and supervisors. Reviewed literature has stated that the more you try to understand and satisfy the needs and wants of your employees, the better you are at meeting those needs satisfactorily. Employees then become dedicated and inspired to do extra work beyond their call of duty (Papasolomon-Doukakis, 2003).

Additionally, the findings rendered support to the assertion by Lings (2004) that, in service organisations like the bank, internal suppliers (managers) should focus on internal customers (employees) in as much as they do on the external customers. The findings again corroborated the positions of Karantinou and Hogg (2001), Ashill et al. (2003) and Papasolomou-Doukakis and Kitchen (2004) that there was still an unexplained gap between current IMO conceptualisations and application. George (1990) and Ballantyne (2003) alluded to the fact that managers and staff must communicate work-roles that would support the right market information within the banks for the needs of both employees and customers to be met. The findings buttress the assertion by Gounaris et al. (2010) that practising internal marketing facilitates the effective implementation of market orientation. Finally, Wieseke et al. (2009) opined that it is important to understand how managers and leaders at different levels of an organization can influence the adoption of corporate values (such as IMO) among employees, since leaders are instrumental in implementing internal marketing, which is indispensable to winning customers in the service industry in particular (Frost and Kumar, 2000).

### 8.2.2 Value of Employees/Customers to IMO/MO

Qualitative findings confirmed the fact that managerial attitudes create the appropriate benchmark for staff to perform. This is so because, if the boss is not enthused about customers, staff will show lukewarm attitudes towards them (Teas, 1993). Findings from the quantitative study confirmed a significant relationship between the values placed on both employees and customers, showing that the better and deeper the entrenchment of the principles of IMO/MO is in any organization, the more effective the value delivery is. It becomes critical for the manager to keep his subordinates satisfied, as much as he would try to keep his customers satisfied. This position confirmed reviewed literature that found that regard for staff as their first customers was important to many of the banks studied. Lovelock (1983) maintained that, because of the customisable nature of services, the role of employees in effective service provision underscored the aim to understand how care for the bank employees in their work role could influence the needs/wants of the bank's customers to help these banks deliver superior value to themselves and their customers. Gronroos (1983), Ahmed et al. (2003), and Berry and Parasuraman (1991) regarded internal marketing as a philosophy of valuing and training employees as an intermediate set of customers with the aim of encouraging and motivating them to implement the organisation's marketing objectives and so strengthen the competitive position of the bank in its external market. Paulin et al. (2006) stressed that when workplace values produce norms and behaviour that were intrinsically motivating, rewarding and supportive of employees, they influenced the employee's willingness to serve the customer well. Similarly, Simberova (2007) concluded that developing and offering value for the employee was critical to the broadened perspective of the marketing philosophy, where IMO focuses on the value the firm generates for the employee, and MO focuses on the value the firm generates for the customer.

### 8.2.3 Employee In-Role Behaviour/IMO/MO

Findings from the qualitative research established that the manager's role and staff's roles are given meaning in terms of how they generate, share and use relevant information to do what they should do. Again, effective staff-role performances were seen to be highly dependent on how well staff were cared for, motivated, appreciated, trusted and loved by management. Good treatment of staff in their roles would lead to good treatment of customers. Quantitative results have revealed a similar significant relationship between positive employee in-role behaviours and the realisation of IMO/MO. Effective performance of job roles depend on who did what, with what competencies, skills and resources. Designing effective job roles enabled job consciousness that informed what steps the employee would take to implement appropriate activities to enhance external market place performance of the company (Hogg et al., 1998). The above positions corroborated reviewed literature confirming that a means of ensuring that staff performed their in-role duties and embark on customer oriented behaviours was to adopt internal marketing, which is an effective antecedent to market orientation. This is so because, according to Schlosser and McNaughton (2007), no company can develop effectiveness, commitment and ability to enact market-oriented behaviours without IMO (Piercy et al., 2002). Jones et al. (2003) reiterated that employee job satisfaction had positive consequences for market orientation. For the employees of the bank to adopt market-oriented behaviours, they should understand the corporate strategic drift of their employees and what their job prospects would offer them: and this would motivate them to support the activities embedded in their work roles and so behave appropriately.

Piercy et al. (2002) and Jaworski and Kohli (1993) demonstrated that there is strong evidence to support the relationship between employee in-role attitude and behaviours; and IMO and this study confirmed again that MO had positive consequences for employee behaviour such as job satisfaction and company commitment. To Awwad and Agti (2011), commercial banks should change and channel internal marketing as strategies and systems into core concepts and practices that would meet employees' demands and the bank's goals. Employees should see themselves as part owners of the bank and this would make them demonstrate their unflinching commitment by expressing organisational citizenship behaviours, which would be beneficial to the bank's operations and survival.

### 8.2.4 IMO/MO and Customer Satisfaction.

Findings from the qualitative study revealed that customer satisfaction is a consequence of an effective IMO and that staff and managers could only serve customers and other suppliers well if they were satisfied and dedicated themselves. In the same way, findings from the quantitative study revealed a strong relationship between effective practice of IMO/MO and customer satisfaction, where satisfaction was mutual for both employees and customers because staff actually became fulfilled.

The above findings corroborated the position of reviewed literature. Al-Hawary et al. (2013) reported that the idea of job satisfaction in marketing literature was first mooted by Hoppock (1935), where employee job satisfaction was delivered from the mental and physical satisfaction they experienced in their work environment and from the work itself (Tadeka et al., 2005). Benhardt et al. (2000) agreed that there was significant empirical evidence that customer contact employees' work satisfaction had a positive impact on the customer. Finally, Abdullah and Rozario (2009) asserted that the level of customer satisfaction might be influenced by various internal and external factors. The way the service provider would respond to the customer depends on the understanding and appreciation of the customer's needs and wants, time, and environment within which the service was to be provided and the service provider's preparedness to serve. These factors would affect the level of satisfaction to be mutually experienced by both the service provider and the customer.

## 8.3 Discussion of Findings

This section of the chapter discusses the research findings, the validation of the measurement scales and evaluation of the hypotheses as well as the empirical results and their implications in light of the research objectives.

The result of this research must provide the necessary input in terms of information flow to help managers craft the appropriate strategies and programmes that would positively influence employee in-role behaviour to make them part-owners of their banks and so create a desirable partnership with their customers. It is also meant to deal with one of the key constraints (information asymmetry) to make the services sector more efficient and effective. The empirical study considered how well the endogenous (dependant) variable (customer satisfaction) could be explained by the exogenous (independent) variables IMO/MO. It was meant to determine whether satisfaction of bank customers could have been triggered by appropriate internal marketing practice. In this process, the dimensions of internal market orientation, which are management activities that are informal information generation, face-to-face information generation and formal written information generation, dissemination and responsiveness must influence the tactical planning and implementation drives of managers and employees to culminate in attitudinal changes in staff behaviour of the company towards positive staff in-role behaviours and internal customer satisfaction.

A ‘warm’ internal business environment that encourages ‘warm’ and fruitful conversations to occur must positively drive the behaviours of both managers and staff to aspire to realize the bank’s objectives.

To allow the empirical examination to proceed, the independent/dependent variables were subjected to validation tests. Test indicators used for both internal market orientation and the dimensions are their mean, standard deviation and their reliability levels. Cronbach alpha values range between 0.698 and 0.833 showing that the five observable variables measuring the latent construct IMO were good instruments. Each of the five variables was measured using four items each (see Table 7.2). Overall Cronbach alpha values for IMO and MO for managers = 0.956. (Tables 7.2 and 7.3). Again, the composite reliabilities for all the indicators measuring IMO/MO scales were found to be as low as 0.94 and as high as 0.98, demonstrating reliability (Table 7.15).

**H1a**

**The first hypothesis of the study: appropriate informal internal market information generation by a bank will positively impact the bank’s response to employee needs**

The first factor underlying IMO practice, informal internal information generation, was seen to be having a significant relationship with employee needs in the banks. The empirical results revealed a significant positive relationship between informal internal market information generation (IMO- Informal) and a bank’s response to employee needs (IMO- R). Specifically about 36% (the square of the regression weight of 0.60 times 100%) of the variance in IMO response is determined by informal internal market information generation. Therefore, hypothesis (H1a) is supported in the present context (C.R. (t)= 2.53 $R^2 = 0.360$ $p < 0.05$, $\beta = 0.60$ (see Table 7.15 and Figure 7.1). This evidence corroborated earlier theoretical positions. George (1990) stated that internal marketing must focus on achieving the right internal exchanges between the banks and its employees.

This showed that managers should not consider themselves ‘big bosses’ over their subordinates they work with. A ‘warm’ informal conversational business atmosphere, hall talks, and casual encounters would take out the too 'formal' way the banking environment beheld the managers and subordinates. A good warm relaxed work environment accepting that subordinates know their limits will help break the ice that kept manager and subordinates apart.

As indicated by Snell and White (2009), IMO must drive high involvement services, such as banking. Trust and involvement would bring both managers and employees together for their mutual benefit. Lings (2004) expressed concern that the implementation of marketing remained too focused on the external market to the detriment of the internal market. Therefore, managers beginning to appreciate their subordinates would mean that they both should consider themselves as 'partners' in the pursuit of the organisation's goals.

The informal nature of information generation would encourage greater proximity between the manager and subordinate, which would influence easy information dissemination. Smidts, et. al. (2001) supported this view and indicated that the process of communication is imperative as it fosters close proximity between staff and managers; and this encourages bi-directional communication to influence work-place behaviour and proper internal alignment. This can drive cohesion, which is good for job performance.

**H1b…**

**Appropriate informal internal market information generation by the bank will positively impact the level of internal information that will be disseminated through the bank.**

Schneider et al. (1994) asserted that a company practising IMO will monitor employees' values and needs, stimulate and facilitate communication between employees and their direct supervisors, as well as the communication between supervisors, which would ginger more responsiveness to the individual needs of employees. Such dissemination of information influences job descriptions, degree of empowerment, delegation and participation in decision making that such companies allow for their employees in order to improve the value they offer to the employees. In line with theoretical positions, the relationship between internal market information generation and its impact on dissemination through the bank was confirmed. C.R. (t) 2.13, $P < 0.05$, $R^2 = 0.221$ $\beta = 0.47$ (see Table 7.15 and Figure 7.1).

Relevant and accurate information generated in the banking environment must be shared among relevant colleagues for decision making. Information sharing allows things to happen, allows change to occur and creates the need for the employee to seek change and newness. This empirical evidence supported the position of Lings and Greenley (2005) who intimated that firms that employ IMO are interested in the views of their employees; and the more appropriate information that is generated and understood about employees' needs and wants, the better the organisation is at communicating this information to the right decision makers to respond to their identified needs and wants. The risk of failing to do the right thing or make the right decision becomes high when managers and staff do not share pertinent information that is likely to impact positively on their jobs. The more employees engage with managers and supervisors, the more there is relevant information flow to the right people to do what is right. Accepting that the facility for information generation and dissemination is available in the bank, management information systems, intranet and other such inter-com facilities would help supervisors to get closer to their subordinates to become effective in what they do. The ability to design and use appropriate instructions for training and education would improve staff skill levels for better job performance and service delivery efforts in the banks.

**H1c…**

**Appropriate formal face-to-face internal information generation by a bank will positively impact the bank's response to employee needs.**

Empirical evidence revealed that the above relationship between (IMO-FF2F) and (IMO-R) is not statistically significant; C.R. (t) = (-0.37), $P<0.05$, b=-0.22, $R^2$=0.048 $\beta$ = -0.22 (see Table 7.15 and Figure 7.1).

Marketing literature is replete with how IMO information is used in creating appropriate job-products to meet employee needs, Parasuraman, et al. (1991). There must be a means of disseminating the information generated before responsiveness will occur.

The developments in information communication technology (ICT) has created the avenue for information sharing even from faceless managers, supervisors and subordinates. Information transfer does not necessarily have to occur face-to-face. What is important is that communication becomes effective when there are the medium and appropriate channels to carry it to the right recipients before any action can occur. The influence of the global village phenomenon and the information super-highway are making business interactions more cost effective in a faceless manner. Contemporary customer behaviours are instigating this mode of business relationships. Generated information within the bank must have the channel for dissemination to occur for such information to be used to align employees' attitudes and behaviour with the banks' goals. Boswell and Boudreau (2001) and Gronroos (1990) reiterated that internal communication is key in the above process.

On the other hand, face-to-face internal information generation should be encouraged since this would clear up any distortions or noise when a third party were to be intervening. However, if face-to-face information is generated, one would argue that there would be the need for dissemination since there occurs a supplier/customer interaction that is instantenous as the two acts in tandem. Information generation and dissemination will be seen to be occurring simultaneously, which must culminate information transfer for onward responsiveness. It can be argued that the hypothesis could not be supported because of the influence of ICT or other mediating variables that might be mitigating the ability to understand the information transfer to warrant the appropriate responsiveness. It could be the customer's inability to capture correctly the information that has been transmitted. Another argument raised could be the manager/staff relationship before the interaction. In a services environment, parties to be engaged must have to drop all possible nuances that could create barriers for any effective communication sharing and responsiveness. The aim of the parties must be to engage in a win-win relationship for mutual value delivery and satisfaction.

**H1d….**

**Appropriate formal face-to-face internal market information generation by a bank will positively impact the level of internal information that will be disseminated through the bank.**

Empirical results revealed that the above relationship could not be confirmed. (IMO-FF2F) and (IMO – D) is not statistically significant: $\beta$= -0.20, C.R. (t) = -1.21, $R^2$= 0.040 (see Table 7.15 and Figure 7.1).

An argument to be raised would be to consider the nature of the relationship between the manager and the employee before their interaction. Invariably, as the two generate ideas, they are instantaneously sharing these ideas. If either of the two parties has to disseminate generated ideas, other extraneous or intervening variables could compromise the authenticity of the information transferred. Again, how deeply involved each party is in the information generation process would depend on what gain they might want to receive in carrying and sharing correctly the generated information.

The possibility of any estranged relationship between the generators of the information would positively or negatively inform dissemination as to what decision is to be taken.
Even though de Charnatony and Harris (2001) documented that managers need to generate information and exchange same for value generation in the business environment, and Lings and Greenley (2005) postulated that the first three managerial activities for IMO involve information generation, dissemination and response, it is important to know what the mental and emotional states of the agents of information generation are and their readiness to disseminate and to whom the transfer of information has to be made to encourage the appropriate response.

The above argument is in line with the position of Schlessenger and Heskett (1991) that managers of service firms, like the bank, must break out of a 'cycle of failure'. This could be done, these researchers argue, when there is an effective management of tolerance of dissatisfaction among employees involved in high contact situations.

**H1e….**

**Appropriate formal written information generation by a bank to its employees will positively impact a bank's response to employee needs.**

The results revealed that the relationship between formal written internal market information generation (IMO-FW) and (IMO-R) is not statistically significant.

The C.R. (t) explains the contribution of IMO-FW to IMO-R =0.19, $\beta$=0.18 $R^2$=0.032, showing the coefficient of determination in variance of IMO-FW and IMO-R. It proves that IMO responses are not necessarily influenced by formal written internal market information generation. Formal written market information, such as results of customer satisfaction ratings, and employee surveys, might not readily drive managers to know and respond to employee needs.

Johlke and Duhan (2000) stated that formal written internal information adds value to any face-to-face formal interactions. For IMO to occur, the generated information, whatever the format, must be disseminated to the relevant functional departments of the banks to support their implementation drives. The evidence adduced from the findings suggests that other forms and mechanisms of information generation must support any formal written information that must be appropriately disseminated before a meaningful response can occur.

Internal memoranda and intranet e-mails among others must have to be transmitted or disseminated via the appropriate medium for any responses to occur. In the banking environment, formal documents go hand in hand with the process of dissemination. Managers of the bank use the intranet, applications, emails and video calls to communicate with employees across departments and locations. Management of data with employees involves the sharing of policies, guidelines, procedures, protocols, corporate documents and other internal resources. Instant messaging enables updates on projects and team discussions to become easier and files are shared and conversation become quickly accessed if needed.

Discussion forums are used to facilitate knowedge sharing, with internal blogs, videos and audios to create more traction and engagement from employees for sharing ideas and experiences in the bank. The Management Team employs internal podcasts to relay messages on new processes and assistance programmes to employees. These operations promote open discussion and collaboration among employees.

**H1f**

**Appropriate formal written internal information generation by a bank to its employees will positively impact the level of internal information disseminated through the bank.**

Results revealed a significant relationship between (IMO-FW) and the level of internal information that is disseminated through the bank (IMO-D). $R^2$=0.56, which is 56% the square of the regression weight of (β) of 0.75 times 100% of the variance in IMO is determined by formal written market information generation. Hypothesis 1f (H1f) is supported (see Table 7.15 and Figure 7.1).

Again, the evidence supported theoretical positions. In the banking environment, one would find that employees are key in the transmission of information, transfer of products and services within the company and among other employees in the various departments. In this regard, Gronroos (1982) concluded that every employee is both a supplier and a customer to his colleagues in the organisation, which means that every department and every person regards themselves as a customer of their colleagues and suppliers to other internal customers. This has led Wieseke et al. (2009) to consider employees as internal customers and their engagements and tasks, such as information disseminated, as internal products that guide the design and delivery of these products/services to meet the needs of themselves as internal customers (Greene et al., 1994).

Formal written information exchanges, be they electronic or hard copy, focus on achieving the right internal exchanges between the bank and its employees (George, 1990) particularly for service mindedness and appropriate in-role behaviours. In light of the inseparability characteristics of services, such as banking, contact employees are seen as fundamental in the formulation, packaging and dissemination of products, services and information received, used or consumed by fellow colleagues to address their own internal business process needs or to deliver value to the bank customer.

**H1g.**

**Appropriate internal market information dissemination will enhance employee response to the bank's needs.**

Empirical findings revealed a significant and positive relationship between internal market information dissemination (IMO-R) $R^2$=8% (square of the regression weight (β) of -0.28 times 100% of the variance in IMO-R has been seen to be determined by internal market information dissemination, C.R. (t) = 2.10. This demonstrated that the hypothesis has been supported in this context (See Table 7.15 and Figure 7.1).

Gronroos (1989) and George (1990) recognized very early on that employees of a bank are its internal customers and the banking environment its internal market. Internal market needs are invariably internal customer needs and the internal market consists of a group that communicates with other groups within the organisation who are the other internal customers and suppliers.

Varey and Lewis (2000) considered internal marketing as a managerial approach at building and inculcating service delivery competence through information generation and dissemination subsequent to responses.

What makes the banking sector in Ghana a critical environment for the development and sustenance of IMO is that on-going changes reflected in the liberalisation policy in the 1990s still allow the entry of foreign banks, therefore creating the needed competition and encouraging mergers, acquisitions, and competition compounded by the daunting pace of technological advancements and developments. To sustain oneself in business in this dynamic and turbulent business landscape needs the adoption of IMO that underscores care for bank employees in their work roles to influence the needs and wants of urbanized potential customers to begin to appreciate the need for buying formal banking services. Kurtenbuck (2000) intimated that happy employees provide better service than unhappy ones and the right understanding and assessment of job satisfaction can serve as a good foundation for quality customer service. This is so because involving the right employees at the right time to do the right things within the right time frame is critical for organizational success. The need to promote good internal communication will enable bridges to be built with other departments and services in the banks.

The internal market, which is the bank's business environment, provides a close proximity whether physical or otherwise between managers and employees and this enhances opportunities for communication. Such communication channels provide the avenue to gather pertinent information about employee needs and wants for dissemination to the right people at the right time in the organisation.

**H2…**

**Better informed employees of the bank will demonstrate superior responses to influence their in-role behaviours.**

The research results revealed a significant positive relationship between internal market information responses and employee in-role behaviour. The $R^2$=25% (the square of the regression weight $\beta = 0.50$ times 100%) of the variance in employee in-role behaviour is seen to be determined by internal market information responses C.R. $(t)=4.68$, $p<0.05$. Hypothesis 2 (H2) is supported in this context (see Table 7.15 and Figure 7.1).

This finding corroborated theoretical positions in extant literature. Ahmed and Rafiq (2003) noted that the behaviour of managers towards their subordinates influences the attitudes and behaviour of these employees. To this researcher, the way management develops a work environment and climate that are psychologically supportive, helpful, warm, friendly, trusting and rewarding, will cause employees to become happy and motivated to deliver good services. IMO would enable employees to show courtesy and demeanour towards each other and their bosses.

Again, Stauss and Schultze (1990) and Lings and Greenley (2005) reiterated that the need to generate information involves identifying the benefits employees are looking for in their jobs, what they are ready to give up to get what they want and what other alternatives there are. A good work environment would create attraction, attention and motivation to existing staff and potential staff.

It is argued that there is employee satisfaction (IMO) in as far as the bank's processes, procedures and physical evidences drive employees to use the right skills and competences to enact appropriate in-role behaviours. In-role satisfaction derived from fulfilling roles will motivate employees to see other staff and even customers as 'partners', their needs as their own, and be resolved to do their possible best in performing their roles.

Again, Harris (2002) contended that the quality of a service delivered to the bank's customer is highly influenced by the quality of service provided in the bank's total internal work environment.

Therefore, the right employee with the right attitude and behaviour will exhibit this behaviour in gathering the right customer information and working in the right environment to positively impact the quality of service delivered within the bank and even to the customer.

## 8.4 Discussions on Objectives and Outcomes

### 8.4.1 Objective One: Research Question One and Confirmation of Hypotheses ($1_a$, $1_b$, $1_f$, $1_g$, 2 & $8_a$)

According to Gounaris (2006) and Lings and Greenley (2005), the effect of internal marketing on the bank's performance should be accessed through internal customer satisfaction, customer satisfaction and the firm's relative competitive position. The measurement scale must go beyond the mere enumeration of human resource management activities such as selection, training and development, incentive activities or empowerment (Ahmed et al., 2003, cited in Tortosa, et al., 2009). As a result, formal and informal generation of internal customer information and the internal work environment must represent the dimensions of the ways in which managers can collect information from and about staff. Internal market research in terms of focus group interviews and skill needs assessment are therefore critical in understanding the needs and wants of staff for the appropriate training and educational programmes as a pre-requisite for achieving staff readiness and motivation to deliver high quality in-role behaviour towards customer service delivery. It is by these attempts that management can align staff with the right skills and jobs or tasks to ascertain the level of intrinsic satisfaction as roles are preformed (Tortosa et al., 2009; Johlke and Duhan, 2000). It is also confirmed that the satisfaction of the contact personnel highly influences the quality of service perceived by the bank's customers in terms of quality of interaction and quality of service outcome (Yoon et al., 2004; Tortosa et al., 2009).

The overwhelming support of staff satisfaction has been demonstrated as a function of effective IMO. Reviewed literature has been confirmed as direct and fluid communication between managers and staff has been seen to affect staff satisfaction directly or indirectly by reducing role ambiguity (Johlke et al., 2000; Tortosa, et al., 2009). According to Locke (1976), job satisfaction defined as a pleasurable or positive emotional state resulting from the appraisal of employee job experiences has a positive influence exerted by managerial and organisational support on the level of satisfaction enjoyed by a firm's contact personnel (Acker, 2004; Homburg and Stock, 2004).

Again, Lings (1999) and Bitner et al. (1994), cited in Kaur et al. (2009) empirically established that the satisfaction of customers of the bank is highly contingent on the satisfaction of their internal counterparts. It has been established that information-sharing helps managers in understanding the attitude and behaviour of employees (Singh, 2003, cited in Kaur et al., 2009). The way the manager opens up to employees can win the trust of employees. This trust can allow employees to easily and freely discuss and share information about themselves and their job requirements more effectively and wholeheartedly. According to Kaur et al. (2009), this type of warm two-way participation is a system of communication and consultation whereby employees express their opinions and contribute to managerial decision-making through regular staff appraisals and meetings, conversations and hall talk. As managers gain insight into the requirements and needs of staff, they can quickly act upon the information collected and use it to design appropriate in-role responses for better employment results, employee satisfaction and commitment to work. The relevance of internal marketing to business success cannot be undermined because it is aimed at meeting the firm's goals as well as employee goals. Internal marketing is meant to create satisfaction for both the internal and external markets respectively (George and Gronroos, 1991).

According to Lings and Greenley (2005; 2010), internal marketing is based on the underlying belief that satisfied and motivated internal customers are in the best position to render quality service to the external customers. This means that IMO focuses on managerial behaviours associated with the exchange of value between the firm and its employees. The business performance of a firm is associated with employee performance and this performance is a function of the motivation of the employee among other factors (Burney and Widener, 2007).

Machusinsky (2003) defines motivation as a set of energetic forces that originate both within as well as beyond an individual's being to initiate work related behaviour and to determine its form, direction, intensity and duration. Therefore, motivated employees are those who can focus themselves on their responsibilities, exert a lot of energy to get the job done, and remain steadfast over a long period of time.

Huseman and Hartfield (1990), cited in Amangala and Wali (2013), state that information generated about the internal market includes information about employees; perceptions of their job outputs; and information about the equity of this exchange. This exchange is judged on the basis of the equity theory proposed by Adams (1963), cited in Lings and Greenley (2005), which suggests that employees, like external customers, evaluate exchanges based on what they earn.

Accordingly, Lings and Greenley (2005) argue that there are two basic models of generating internal information:

a. Formal information generation that manifests in two modes: the use of written media, like job satisfaction surveys and face-to-face interactions like appraisals and interviews.
b. Informal information generation, which is based on physical employee-manager interactions that occur on a day-to-day basis.

According to Johlke et al. (2000), cited in Amangala and Wali (2013), communication is the inter-organisational and intra-organisational transfer of information aimed at enhancing relationship and productivity within the organisation. Again, Gronroos (1990), cited in Amangala and Wali (2013), stated that communication is a viable element in the process of creating congruency between employee attitudes and organisational goals such that constant contact between management and staff will increase the opportunities for information sharing. Johlke and Duhan (2000) suggest that a two way communication between management and staff can influence front-line employee behaviour. Therefore, information dissemination is critical for an internal marketing orientation (Amangala and Wali, 2013).

Lings and Greenley (2005; 2010), cited in Amangala and Wali (2013) suggest that for responsiveness the firm should design jobs that meet the needs of employees (internal customers) and satisfy them. This means that internal information must be used to design not only job products, but also augmentations like bonus, salaries and other incentives that would meet the financial and social needs of the employee. Extant literature further opined that, just as customers exchange cash for products, employees exchange their time and dexterity for the firm’s money. It follows that internal market research should be consistently and deliberately used to identify how satisfied employees feel vis-a-vis their inputs (Lings and Greenley, 2005; 2010; Huseman and Hartfied, 1990).

Empirical findings of this research on IMO and its relevance to the needs and wants of the internal customer have generally supported reviewed literature. However, hypotheses $H_{1c}$, $H_{1d}$, $H_{1e}$ and $H_{8b}$ have not been confirmed as far as the Ghanaian formal banking context is concerned.

**H3a…**

**The more effective the bank's IMO-R the greater its ability to generate market information (MO-G)**

The empirical results revealed a significant and positive relationship between internal market information response (IMO-R) and market information generation (MO-G). Specifically, $R^2$=61% (the square of the regression has been seen to be determined by IMO-R, C.R (t)=5.39, $p<0.05$ (see Table 7.18 and Figure 7.1).

The hypothesis is therefore supported in this context (see Table 7.18 and Figure 7.1). This finding is in agreement with the theoretical position expressed by Lings and Greenley (2005; 2010) that the market sensing ability of the bank and its response initiatives, using the right resources and competencies, would enable the bank to quickly pick up relevant market/customer information for use. Hult et al. (2005) revealed that there is implicit consensus in the MO literature about the importance of generating and using market information by the firm's market-oriented employees to generate customer values. The greater the readiness of the firm to respond to appropriate and relevant market information generation, the better and faster this firm will be in a position to respond to changing customer needs. Therefore, MO becomes the ability of the bank to generate knowledge about identified target markets and to use this knowledge in its business processes to create superior customer value.

Therefore, the role of the bank's management in developing appropriate response mechanisms in the form of systems and structures, recruitment of adequate and appropriate staff training, and reward systems will impact the bank's readiness to adopt MO.

The finding has unearthed the issue that banks that do not have the needed inputs to track and monitor changes in the business environment would be lagging behind. In the face of competition, the faster a firm is at realizing an opportunity through proactive behaviour, the better it is to forge ahead of the competition, all other things being equal. This researcher argues that the nature of the responsiveness and drive of the bank or services provider, is, by a quick understanding based on time and environment within which service is to be provided. The service provider's readiness to serve, will determine the impact to be mutually experienced by both the service provider and the customer.

**H3b…**

**The more effective the bank's IMO-R, the greater its ability to disseminate market information.**

The results revealed a significant and positive relationship (MO-D). This has been proved by $R^2$=8% (square of the regression weight β (0.28) times 100%) of the variance in MO-D being determined by IMO-R $P<0.05$, C.R. (t)=1.98.

The above relationship has been confirmed and the hypothesis supported in the present context (see Table 7.18 and Figure 7.1). This evidence supported the theoretical position by Harris (2002) that managerial behaviour is a major determinant of MO success. Similarly, Jaworski and Kohli (1993) established that the appropriate training, motivation and readiness of employees to enact market-oriented behaviours is a key consideration for firms wishing to implement MO. The evidence affirmed the position of Gronroos (1980s), citd in Awwad and Agti (2012) who stated that employees' ability for customer information generation and retention skills will foster the building of on-going customer relations. The bank, for example, must develop and adopt a framework to tap market information quickly and apply market-like activities internally to stimulate service awareness and customer oriented behaviour among employees. This researcher argues that the bank would be engaging in IMO/MO when it has in place a planned effort, employs a market-like approach to overcome change, and is ready to align, motivate and inter-functionally integrate employees to generate and disseminate quick customer information for internal and external customer's benefit. MO practice in the bank would be driven higher by an open attitude of employees to receive and transmit information to the right business functions. There will be functional connectedness through effective communication of relevant market information to strengthen inter-departmental activities, which can result in the right interventions to create superior value for customers.

**H3c.**

**The more effective the bank's (IMO-R), the more effective its ability to respond to market needs (MO-R).**

Empirical results have revealed a significant and positive relationship between the bank's internal market information responsiveness (IMO-R) and (MO-R). $R^2$=96% (square of the regression weight ($\beta$ =0.98) times 100% of the variance in MO-R being contributed by (IMO-R) C.R. (t)=5.11, $P<0.05$. The hypothesis has therefore been supported (see Figure 7.1 and Table 7.15).

Harris (1996) stated that Kholi et al.'s (1993) conceptualisation of MO focused on organisational behaviour rather than the construct. The above evidence supported this position because responsiveness on the part of the bank gathering customer intelligence only occurs when there is a formalised process for sharing such business intelligence. If the bank management would emphasise information sharing, making each department an internal customer to other departments and if the banks have reward systems that provide incentives for intelligence sharing, the right decisions would be taken at the right time, at the right place and by the right employee to attend to identified targeted customer needs. It is hoped that this arrangement would inure to the mutual benefits of both the banks and its customers.

This assertion is shared by Dobni (2002) who found that, to pursue MO, the bank must effectively, efficiently and promptly align the bank's services through the coordination of all organisational functions that engage in the customer experience, and use existing corporate knowledge and competencies to handle customers' service demands. This will create the alignment between IMO/MO that enables the control of employee job characteristics to match employee needs and wants that keep them in readiness to tap relevant customer intelligence and use it to satisfy them. This situation would give meaning to the true concept of marketing where MO is seen as a working philosophy for all of the bank's employees (Castro et al., 2005).

The bank would be on the move even in the face of stiff competitive activity and environmental turbulence because employees have perceived that managers of the banks have put in place the appropriate intelligence gathering mechanisms, and this will motivate them to put in the extra effort to use the mechanisms to generate and disseminate market intelligence which will help to serve their customers' needs and wants better. This process will enhance the value the bank can create and deliver to its customers and themselves.

### 8.4.2 Discussion

**Objective Two, Research Question Two and Confirmation of Hypotheses ($3_a$, $3_b$, $3_c$, $8_a$ and $8_b$)**

Extant literature on MO interpretation, according to Despande et al. (1993), Kholi and Jaworski (1990) and Narver and Slater (1990), is where specific information related activities regarding customers and competitors, in terms of information acquired and distributed, and the ability of the firm to respond to the information by designing and implementing activities in a manner that will allow the firm to actually deliver value to specific targeted customers. In the banking sector in Ghana, the abilities of the banks to deliver customer value as a function of market oriented behaviour has been well documented to be in practice because of the empirical works of Appiah-Adu (1998), Owusu-Frimpong (1999), Mahmoud et al. (2010), Hinson et al. (2008) and Dadzie et al. (1989).

To these banks, the 'customer is king' mantra has been pervasively used and specifically adopted to influence their functions so as to drive their degree of responsiveness to the needs of the customers in their attempt to deliver superior value.

Tournois (2013) asserts that there is a link between market orientation, customer value and satisfaction as a subjective indicator of a firm's market performance. Again, market orientation has the ability to provoke superior performance for an organisation based on how well the customers' perceptions are researched and accepted and integrated into the value delivery process (Langerak, 2001). In addition,Terawatanavong et al. (2011) intimate that customers, especially those in long-term relationships, are able to express their evaluations of an offer both cognitively (perceived value) and emotionally (satisfaction) , which invariably reflects the level of market orientation of the organisation (Terawatanavong, et. al., 2011).

Extant literature on market orientation gives empirical support for the contribution of market orientation to market performance through the influence of customer value Blocker et al.

(2011), stressed a mediating effect of proactive information and response dissemination to customer orientation's effect on satisfaction; meaning that market orientation enhances a firm's market performance, such as customer satisfaction, indirectly through customer value.Gale (1994) suggests that customer value strongly affects customer satisfaction, while customer satisfaction is a customer's reaction to value perceptions (Woodruff, 1997, cited in Tournois (2013).

Tournois (2013) empirically confirmed Narver and Slater's (1990) assertion that a strong relationship exists between perceived value and customer satisfaction. In addition, customer value plays a mediating role between market orientation and company performance. Again, customers' perceived value of the products/services offered by a corporate brand positively affects their satisfaction for those products, confirming Fornell et al.'s (1996) results. It has been established that perceived value impacts market performance, subjectively measured through satisfaction, making perceived value a strategic objective of a company as stated by Cronin et al. (2000).

Tournois's (2013) work strengthens the foundation of market orientation as the creation of superior value for the customer. Therefore, any meaning in terms of benefits from the adoption of a market orientation should originate from internal market orientation and be recognised and understood in the value the company gives its customers. Employees vexed in IMO must translate customer information into the appropriate benefits in order to deliver value.

Narver and Slater (1993) argue that market orientation connotes an organisation's commitment to the continuous and consistent creation of superior value for its customers. Therefore, the more market-oriented the banks are, the more they are seen to be delivering continuously desired benefits to their target customers in the form of relevant services (Day, 1990). This means that the amount of 'customer service' provided by the bank is very much positively related to the bank's level of market orientation. Therefore, extant literature on market orientation identified a high correlation between an organisation's customer service and level of IMO culture, which affects its magnitude of market orientation.

Again, effective customer service delivery has been seen to be positively related to customer satisfaction (Narver and Slater, 1993) while employee satisfaction has been identified as a substantial driving variable with respect to customer satisfaction. Finally, powerful customers who are well attended to and granted the right level of satisfaction will invariably become bonded and retained, as argued by this researcher.

Zolfagharian and Cortes (2010) have identified that segmentation complexity is at the heart of MO strategy. They argue that, if a company neglects segmentation, then it wants to perform poorly, regardless of what other strategies the firm pursues (Yorke, 1984). According to Kotler and Armstrong (2004), many resourceful firms try to invest in customer data collection and specialised hardware and software that involve a lot of segmentation criteria. They affirm that, regardless of the degree of segmentation complexity, resultant segments must be measurable so that value can be assigned to customers based on the variables in focus. These segments must be accessible for easy communication about products/services effectively and efficiently; and must be substantial in terms of existing and potential purchasing power. Smith (1956) emphasised that segmentation strategy should retain dynamism in the market through the maintenance of a flow of market information and identified a relationship between customer/competitor orientation and segmentation complexity, saying that victory lies in appreciating the 'customer's pre-eminence'.

Again, Pottruck (1987) proffered that market information is an important requisite for and a determinant of segmentation complexity because customer database and market intelligence play a critical role in motivating firms to treat heterogeneous groups of customers as distinct segments. As a result, market orientation has been noted to have both mediated and non-mediated effects on various business strategies, with segmentation complexity serving as the key mediator of the MO-strategy relationships. Therefore, segmentation is probably seen as the first strategy to be prompted by the firm's responsiveness to market information (Smith, 1956, cited in Zolfagharian and Cortes, 2010). The more market-oriented employees of the banks become, the more and better they research using IMO strategies. This will result in the identification of targeted markets towards which appropriate products and services can be tailored. Empirical findings of this research on MO and customers' needs have generally corroborated theoretical positions in literature since findings of this research have established positive association between the dimensions of MO and customer needs in the selected banks. Hypothesis H3a – H3c and 8a have therefore corroborated reviewed literature, with H8b being the exception.

**H4…**

**Appropriate demonstration of in-role behaviours by employees positively impacts customer satisfaction.**

The results revealed a significant positive relationship between employee in-role behaviour (IRB) and customer satisfaction (C-Sat). $R^2$=6% (square of the regression weight ($\beta$=0.25) times 100%) of the variance in customer satisfaction C.R. (t)=4.85, $p<0.05$. The hyposthesis has therefore been supported (see Table 7.15 and Figure 7.1)

Hypothesis (H4) has been supported under the present conditions. The empirical evidence supported earlier theoretical positions. Al-Hawary et al. (2013) reported that the idea of employee job satisfaction is realised through the employees experience in the work-environment. In-role satisfaction extends to driving the job to create satisfaction for the customer, this researcher argues in support of the above position.

Again, to Ivancevich and Matteson (2002) cited in Lumley, et. al. (2011) the state of job satisfaction is the state a worker has of a feeling of how well he/she is doing in an organisation. Such a state of feeling informs the attitude of the employee to strive to deliver quality service to customers, as concurred by Tadeka et al. (2005) to guarantee customer satisfaction. Lings and Greenley (2010) in support of this view, stated that, once all employees of a bank act in a marketing capacity to generate and share appropriate intelligence and respond in a customer focused manner, it is reasonable to accept that employees who accept and adopt MO in their work roles will be pulling in the same direction as they see their needs as one and the same as those of the firm and its customers. These employees are likely to demonstrate positive in-role behaviours so as to act in the best interest of the firm. The best interest of the firm therefore should be the pre-occupation of both the employee and its customers, argues this researcher.

### 8.4.3 Discussion

**Objective Three, Research Question Three and Confirmation of Hypothesis Four (4)**

Firms with a level of internal market orientation are believed to be firms that have highly motivated and customer-conscious employees, resulting in satisfied customers and superior market performance (Amangala and Wali, 2013). This corroborates the assertion made by Lings (2002) and Lings and Greenley (2005; 2010) that there is a positive relationship between internal marketing orientation and firm performance. According to Amangala and Wali (2013), internally market oriented firms are firms that engage in a lot of internal market research; make use of this research information to design jobs and redesign jobs where necessary; and spend time to give employees feedback on both their jobs and other factors that affect their work environment. This would, in turn, positively influence the employee's perception of his/her job, giving the employee more reasons to enjoy what he/she does. Again, being able to receive feedback from management about their jobs and other issues affecting them will produce a feeling of importance.

Amangala and Wali (2013) reiterate that the basic premise of the internal marketing theory is that, through internal marketing activities, employees who are trained to gain customer-consciousness and are motivated to deliver high quality goods and services to customers would ultimately lead to superior performance for the organisations. This is in support of earlier findings of Saad et al. (2002) and Ha et al. (2007).

The awareness and the inculcation of IMO in the organisation's internal processes would encourage management to develop internal structures, systems and procedures that would engage them to keep track of employee desires regarding their jobs and feedback to enable changes in employee job content where possible; and involve employees more in decision making at certain levels so that their feeling of importance, of value, and belonging is enhanced. Such recognition given to employees would increase their dedication and motivation to work and invariably result in an increase in their service delivery capabilities to customers of the banks. The outcome of this, this researcher argues, will be internal customer (employee) satisfaction and better performance of the bank (customer satisfaction).

As an antecedent of MO, IMO programmes have become more critical as these programmes become successful because they allow employees to be updated with market situations in the form of customer information and competitor information and these influence the means to increase the performance of the firm (Zaman et al., 2012). Again, many contemporary researchers on marketing theory have begun to view MO and IMO as two inter-related concepts, particularly falling under the marketing philosophy umbrella (Gounaris et al., 2010). These researchers argue that, by adopting MO, customer perceived value and customer perceived quality of the service increases and the company improves the level of employee perceived value, which results in higher levels of customer perceived service quality. Meanwhile, Gounaris et al. (2010) found that the adoption of IMO impacts directly on customer perceived service quality. Caruana and Calleya (1998) and Conduit and Mavondo (2001), indicated that when a firm accompanies its MO with IMO, only then can successful marketing be seen to occur. Bouranta et al. (2005) argue that IMO and its components have a strong positive influence on market orientation.

Voola et al. (2003) identified the significant role IM plays in the development of MO of employees and competitors, and in the positive relationship between IM and MO. Specifically, Kyriazopoulos et al. (2007) in exploring the IM concept adoption from employees of bank branches, found a positive effect of IM on MO. Extant literature has argued that internal favourable policies for employees make them more concerned to work for firm profitability (Tortosa et al., 2009) and training, and shared vision improves the profitability of the firm (Mehra et al., 2011).

Finally, a positive relationship has been established between IMO and MO, since IMO has been seen to have a big impact on MO; these results corroborate previous studies (Zaman et al., 2012 and Kyriazopoulos et al., 2007).

According to Zaman et al. (2012), internal marketing helps in attaining business performance through their satisfied internal customers (Sheng and Hsin, 2007). IM has been seen to be a significant driver for business performance, financial and non-financial, and IM has a positive impact on business performance (Panigyrakis and Theodoridis, 2009). Tortosa et al. (2009) examined the relationship among internal marketing and firm performance and impact on internal (influence on the satisfaction of the contact personnel) and external (perceived service quality and customer satisfaction) factors and saw a positive relationship. Mehra et al. (2011) highlighted the importance of the training of employees for improving profitability of the firm because satisfied and trained employees will be more able to implement quality properly to satisfied customers. Tortosa et al. (2009) identify challenges faced by firms in maintaining a relationship with their stakeholders among which employees of that firm are playing a most critical part. When employees are more satisfied and perceive their output more than their input, they will take it as an obligation to increase quality and profitability of the firm.

The findings of Zaman et al. (2012) are consistent with previous studies of Caruana and Calleya (1998), Tsai and Wu (2006) and Kyriazopoulos et al. (2012) who argued that commitment of employees is achieved when the organisation provides strategic rewards, effective training and shared vision to make them loyal to the bank in the long run. Studies show that committed employees provide excellent service to their customers, and tend to be more aware about customers' needs and wants, and are concerned with the organisation's profitability (Ahmed et al., 2003).

Tsai and Wu (2006) pointed out that internal marketing activities provide job satisfaction to their employees and make them committed and loyal to their workplace. According to researchers, internal marketing programmes have an impact on enhancing business performance in the banking sector. These findings are consistent with previous work that suggested that satisfied internal customers, through internal marketing programmes, are more inclined towards enhancing firm performance (Sheng and Hsin, 2007). Effective training of employees also contributes towards firm performance (Panigyrakis and Theodoridis, 2009).

The empirical findings of this research demonstrate confirmation of the association between the dimensions of IMO and the dimensions of MO in the selected banks and has supported the theoretical position (H4). Internal customer satisfaction, which is the result of positive in-role behaviour of the employee, is highly dependent on the warm relationship between the manager and the employees. This warm relationship is engendered by the nature of information flow, formal or informal, and the willingness for it to occur in the internal market value-chain, particularly between manager and staff. This encourages and emboldens the employee to become more customer-centric as he/she seeks pertinent market information that would aid the work role to deliver tailored services to targeted customers, which would ultimately culminate in value delivery and satisfaction.

**H5**

**Appropriate responses of banks to market information increase customer satisfaction.**

The results revealed a significant positive relationship between market information responsiveness of the banks (MO-R) and customer satisfaction (C-sat).

This is so because $R^2$ =53% (the square of the regression weight ($\beta$=0.73) times 100% of the variance in customer satisfaction being determined by the banks market information response. C.R. (t) = 5.61, $p<0.05$ (see Table 7.15 and Figure 7.1).

This shows that MO-R is a good determinant of customer satisfaction (C-sat). Therefore, the hypothesis (H5) has been supported in the present context. Bank customers would appreciate it very much if their organizations are abreast with developments in their business environment and how they quickly factor such developments into their business processes to address their needs and wants. In the face of technological innovations, customers expect to be served quickly and adequately, using the appropriate technologies (SMS, e-mails, e-banking services). A bank's customer would want to readily reach its supplier once there is the appropriate extranet facility. Again, the adoption of customer management information systems would help lock up customers into the bank's value chain for sustained and maximum interactions.

Even though Jaworski and Kohli (1993), Langerak (2000) and Appiah-Adu and Ranchod (1998) have proved that MO has positive consequences for the profitability of the firm, Panigyrakis and Theodoridis (2007) have reiterated that there should be more empirical study into the profitability and customer satisfaction consequences of MO. The above evidence supports the position of Homburg and Pflesser (2000) and Kirca et al. (2005) that MO practice leads to customer satisfaction and value, cited in Raaij and Stoelhorst (2008).

Additionally, Benhardt et al. (2000) have established that there is enough empirical evidence that customer-contact employees' work satisfaction has a positive impact on customer satisfaction in any one given time period.

### 8.4.4 Discussion

**Objective Four, Research Question Four and Confirmation of Hypothesis (5)**

Mohr-Jackson (1991) in looking at the relationship between internal marketing and market orientation, determines that satisfied employees will show high commitment to their organisation, which will increase the market orientation of the firm. Conduit and Mavondo (2001) suggest that employees should be treated as internal customers and those organisations that effectively manage their internal customers will effectively and efficiently intermingle with the external customers. Additionally, Awwad and Agti (2011) and Conduit and Mavondo (2001) determined a positive relationship between internal marketing and market orientation and business performance (Panigyrakis and Theodoridis, 2008).

Donavan, Brown and Mowen (2004), with empirical work on the IMO/MO and relationship with performance in the service sector, particularly the bank, conclude that, where employees directly interact with their customers, managers must recognise and develop and use new processes to manage their contact employees to increase the market orientation. This finding corroborated the earlier work by Hartline and Ferrel (1996).

Again, Awwad and Agti (2011) maintain that internal marketing leads to market orientation through the commitment of the organisation, since there would be no market orientation without firm commitment and citizenship behaviour as mediators. Papasolomou and Vrontis (2006) reiterate that IM, through its emphasis on 'internal customers', would create a people-oriented culture that sets the foundation for building a sound and strong corporate service brand, while Budhwar et al. (2009) suggest that a well-structured and institutionalised internal marketing approach to business can greatly improve employee relations with management and overall company effectiveness, competitiveness and performance.

Cichy et al. (2009), in connecting internal marketing to market orientation through organisational commitment, said it is the committed or loyal employee who stays with the firm as they feel obliged to stay with the bank and work for it in the future as well.

Kyriazopoulos et al. (2007) explored the positive impact of internal market practices on employee's commitment to their organisation by examining the bank's branches. Again, Farzard et al. (2008), in looking at the Iranian financial services sector with regard to internal marketing practices, found a significant impact on organisational commitment, while Tansuhaj et al. (1987) found empirical support for the internal market and the end customers' satisfaction.

Gronroos (1990) considered internal marketing as a framework for employees' management toward market orientation practices and one of the main antecedents of market orientation. IMO as an antecedent of MO, means that IMO programmes have become significant because they form critical success factors as they enable employees to be updated with market situations in terms of customers, competitors and the business environmental information, which are fundamental to the increase of the business performance of the firm.

Again, Gounaris et al. (2010) view IMO and MO as two inter-related constructs, which fall under the marketing philosophy umbrella. Therefore, to them, by adopting MO customer perceived value and customer perceived service quality increase and the company improvement in the level of employee perceived value, will ultimately result in higher levels of customer perceived service quality. Similarly, IMO adoption has been found to have a direct impact on customer perceived service quality (Gounaris et al., 2010).

Bouranta et al. (2005) stated that the appropriate deployment of IMO strongly and positively influence MO, while Voola et al. (2003) pointed out that IM plays a major role in the development of MO among employees and competitors, much as there is a positive relationship between IM and MO. Additionally, Kyriazopoulos et al. (2007) found a positive influence of the adoption of the IM concept among employees of bank branches on MO.

Market orientation has been noted as a critical antecedent to the enhancement of organisational performance and profitability (Farrerll et al., 2008; Gonzalez-Benito et al., 2009; Subramanian et al., 2009; Silva, et al., 2009; Raaij and Stoelhorst, 2008).

Again, Awwad and Agti (2011) considered MO as a culture and behaviour that cannot be implemented without serious commitment from top management and by all employees within the company. Lings (2004) added that MO has been seen to be directly affected by organisational performance internal aspects, such as employee satisfaction, employee commitment and employee retention. Finally, Waris (2005), in trying to explore the relationship between organisational commitment and MO, suggested that top level commitment of employees to provide service excellence serves as a stimulus for employees as well as to make them aware of the needs and wants of customers and the moves of competitors.

Sheng and Hsin (2007) found that internal marketing helps in attaining business performance through their satisfied internal customers. Whether performance of the business is measured in financial or non-financial terms, internal marketing has been found to be a critical performance driver (Panigyrakis and Theodoridis, 2009).

Tortosa et al. (2009) assessed the relationship among internal marketing (influence on the satisfaction of the contact personnel) and external factors (perceived service quality) and customer satisfaction, while Mehra et al. (2011) highlighted the importance of employee training for improving profitability of the firm, since satisfied and trained employees will be more able to appreciate and implement quality properly to satisfy customers.

According to Tortosa et al. (2009), the concept of stakeholder theory holds that organisations' main purpose is to earn profit by satisfying their employees and customers, therefore, when employees are more satisfied and perceive their output more than their input, they will find it obligatory to increase quality and profitability of the firm through customer satisfaction. Empirical evidence gathered from this research confirms that there is a relationship between the adoption of MO/IMO by the banks' understudy and their performances in terms of employee satisfaction and customer satisfaction. As a result, the theoretical position of reviewed literature has been supported ($H_5$).

**H6.**

**Appropriate responses to customer needs positively impacts the bank's customer value.**

The research results revealed a significant positive relationship between market information responsiveness (MO-R) and customer value (C-value). This is captured by the $R^2$= (40%), which is the square of the regression weight or path coefficient β (0.63) times 100% of the variance in customer value being determined by the banks market information responsiveness. C.R. (t) =6.58, $P<0.05$.

The degree of association between the MO-R exogenous variable and C-value (endogenous variable) is acceptable, therefore, H6 has been supported in the current situation. These findings support earlier theoretical positions of Hult et al. (2005) and Kaynak and Kara (2004) that the company generating and using information about targeted markets can result in customer value.

Positive employee attitudes, their happiness and job involvement based on the customer intelligence dissemination mechanisms available in the organisation can help employee readiness to accomplish activities that would render customer satisfaction and value. To say that a company is market oriented means that this company has a superior market-sensing and customer linking capacities and capabilities, which when used, will generate high profits, customer value and customer satisfaction in comparison with firms that are not. It is argued that IMO should actually become the antecedent and system of values that guide and enact a firms' behaviour towards its employees with the ultimate outcome of rendering improved customer value.

This position ties in with that of Becherer et al. (2003) who refers to MO as a culture in which organisations strive to create superior value for their customers and superior performance for the business as they focus on customer needs.

**H7….**

**Consistent increases in customer satisfaction positively impact the bank's customer value.**

Empirical results revealed that a significant positive relationship exists between customer satisfaction (C-Sat) and customer value (C-Value). This result is confirmed by $R^2$ (16%) as the square of the path coefficient β (0.40) times 100% of the varience in customer value being contributed by customer satisfaction, C.R. (t)=4.50, $p<0.05$. Therefore hypothesis (H7) was supported in this present context.

This evidence supported the position of Harris (2000) that the true meaning of market orientation can be revealed if one is able to understand the contributions of employees to the changing customer characteristics driven by the dynamism and turbulence in the business environment. Relevant business intelligence obtained therefore would shape how customer value can be created. Lafferty and Hult (2001), cited in Raaij and Stoelhorst (2008), agreed with most researchers who see market orientation as containing the elements of market intelligence, dissemination and use to create value for customers.

The findings of this research again mirrored the positions of Lings and Greenley (2005) on IMO and that of Kholi et al. (1993) on MO that, when these two constructs are well integrated, they will positively influence any organisation's performance because information about employee needs and skills would translate information about customer value in terms of the right services that deliver satisfaction with positive impact on bank performance.

In light of ever-changing needs and wants of both employees and customers of the bank, this researcher argues that any meaningful implementation of MO must take into cognizance the current information communication technologies so as to engage core business processes through appropriate re-engineering to agree with the current and even anticipated or latent needs and wants of customers. This is the only way to consistently maintain the customer value chain since the firm would, on a sustainable basis, be delivering superior customer value.

The researcher argues that customers have become value conscious, and evaluate bank service deliveries at the point of purchase, driven by the relevant dimensions of the service package, purchase environment and the provider. How valuable a customer is to the bank's profit stream depends greatly on how sustainably this customer is kept satisfied, and banks can count on the strong empirical linkage demonstrated to behave accordingly.

### 8.4.5 Discussion

**Objective Five, Research Question Five and Confirmation of Hypotheses (6 & 7)**

Chadam and Pastuszak (2005), cited in Jyoti and Sharma (2012), intimate that, the main rationale behind MO and organisational performance relationship lies within value creation by the sellers and perceived value by buyers of a product and service. The employees create value for customers by increasing benefits to the buyer in relation to the buyer's cost or by decreasing the buyer's cost in relation to the buyer's benefit. Therefore, a market-oriented company will be in a position to create superior value for the customers (Reed et al., 2000), which will in turn lead to a better organisational performance.

Doyle (1995), cited in Osuagwu and Obaji (2009), reiterated that customers who are satisfied with the value delivered to them as they engage in repeat purchase, increase the economic performance of these firms because they raise their market share and profitability. Therefore, to Doyle (1995), the most appropriate measure of performance of an organisation is its level of satisfaction granted to its customers. He added that every organisation must guarantee the satisfaction of its current and potential customers by showing commitment, creating value in the product, encouraging customers' comments and complaints, collecting relevant information, sharing information among various departments of the organisation and taking relevant managerial actions based on the collected information. An organisation that engages in these activities is said to practise market orientation.

Green et al. (2007) intimate that a company culture that regards customer care as its central goal and evolves efforts to understand the needs of its customers through a market orientation enables this organisation to deliver quality services that satisfy the identified customer needs. Again, Green et al. (2007) stress that customers perceive the quality of delivered services to be high when the services meet their requirements. Therefore, an organisation's culture of customer orientation, which involves market orientation focuses on and assesses customer needs and enables customers to perceive a high service quality by meeting those needs in a 'feel good' manner.

These authors again assert that market orientation is an important precursor to effective customer care. To explain, Green et al. (2005) and Green and Inman (2006) suggest that market orientation involves two dimensions:

(i) Customer Focus and Needs Assessment: To them, customer focus entails the extent to which:

- organisational objectives are driven by customer satisfaction,
- organisational strategies are based on an understanding of customer needs,
- the organisation is more customer-focused than competitors; and
- the ability of the organisation to show that it exists primarily to serve customers.

(ii) The needs-assessment dimension tries to capture the extent to which:

- the company constantly and consistently monitors and evaluates its commitment and orientation to customer needs,
- the customer frequently/routinely/systematically measures his/her satisfaction through quality of services: and
- the company freely communicates/disseminates information and data about its customers' experiences and satisfaction.

As a result, Green et al. (2007) conceive that service quality, which is considered to be the 'feel good' factor, should be what is perceived by customers during the process of service delivery. Through high-quality service delivery, an organisation can show to its customers that it truly cares. Parasuraman et al. (1988) define perceived service quality as a 'global judgement, or attitude, relating to the superiority of the service'.

According to Peters and Waterman (1982), organisations staying close to the customer are an essential part of any organisation's strategy towards ensuring greater sales and this therefore has driven and continues to drive modern organisations across the world to incorporate 'customer care' as an integral part of their organisational cultures. This is so because the value of a customer is consequential to the level of care delivered to this customer and determines how highly this customer is held as a key contributor to the firm's profit stream, as argued by this researcher. This type of culture should encourage continual interactions and face-to-face contacts with customers (Hofstede, 1998, cited in Green et al., 2007). In light of an entrenched customer-oriented organisational culture, the banks should focus on and assess their customers' needs through effective market orientation and so make their customers 'feel good' by delivering high quality services in response to those needs. It is only when the services provided meets the needs of the customers that the customers perceive the quality of services to be high (Green et al.. 2007). Accordingly, Chakrabarty (2006) concludes that bank service quality can be understood as how best the bank conforms to the requirements of its customers and satisfies them in various aspects of the delivery of a service, which is the level of care given to the customer.

Again, service quality has been shown to influence the patronage intentions in banking (Cronin and Taylor, 1992) and the customer's willingness to remain loyal, committed to and retained by the service provider (Zeithaml, Berry and Parasuraman, 1996, cited in Green et al., (2007).

To Green et al. (2007), by understanding how the service being delivered by the banks would fit into their customers' needs set, the banks would be able to provide services in such a manner that would lead to customer satisfaction. This can be done by better understanding what the customer wants through repeated interactions with the customer and therefore, make efforts to deliver the desired service. For example, if it is noticed that customers of the banks are complaining about standing in long queues to cash their cheques or to carry out other transactions at the banks, then management of the banks must make an effort to assess the needs of the customers and software related processes should be designed and re-engineered in a customer-friendly manner such that customer queues are reduced and therefore value is added to the service provided to enrich the level of customer care (Ahsan and Herath, 2006).

Lainerna and Hilmola (2006) suggest that service-providing firms, such as banks, can train the employees by better orienting them to customer and market needs, such that 'new products more closely meet customer desires', which would eventually lead to greater sales volume and revenue for the banks. A customer is willing to pay more if the bank is able to persuade the customer about why it provided service of the desired quality level and is the optimal solution to the customer's needs. This is possible when the banks themselves are sure of what the customers want, which is dependent on effective market orientation that engages in need assessment and customer focus. Again, effective market orientation can prevent unsavoury situations and prevent the costs associated with services, poor service that fail to match specific needs to the customer, such as the poor service or the costs involved in last minute conflicts over requirements or features, post-delivery service, systems failure, return requests from customers, delayed delivery of services and poor estimation of service delivery related logistics.

A reliable care giver is a dependable and reliable service provider, who keeps his records accurately and provides services at the promised time (Parasuraman et al., 1988). When a service provider has a high customer focus, then his objectives would be driven towards high customer satisfaction (Green and Inman, 2006), which would then entail the delivery of services in an accurate, reliable and timely manner for utmost customer care.

Findings from the study agreed that it takes satisfied staff to understand and provide the needed wants of customers to make them satisfied. Those customers that declared satisfaction could trace it to the warmth and care they received from the staff of these banks. The empirical findings have therefore supported ($H_6$ & $H_7$).

**H8a…**

**Appropriate market information generation initiatives of the bank positively affect its information dissemination efforts.**

Empirical results revealed that there is a significant and positive relationship between the bank's market information generation efforts (MO-G) and its market information dissemination (MO-D). The coefficient of determination in variation in the constructs, $R^2$ =23% (the square of the regression weight of $\beta$ =0.48 times 100%) to show that the variance in the market information dissemination (MO-D) is determined by market information (MO-G).

The hypothesis was therefore supported in the current context. The implementation view of market orientation espoused by Kohli et al. (1993) connoted the engagement of activities involving the enlistment of management commitment, interdepartmental connectedness and the design of organisation-wide systems and structures to disseminate generated marketing intelligence appropriately. The above therefore underscores the relevance of alignment between the bank's IMO/MO, which will expose the nature of the relationship to direct information flow to aid organisations' performances internally and externally. Market information generation initiatives of the banks would depend on how quickly the internal markets or the banks are educated, trained, informed, motivated and rewarded so that external customer needs and wants could be researched, shared and used in a timely manner, argues this researcher. The evidence above buttressed the idea that the integration of IMO/MO would regard every individual manager/employee in any service organisation such as the bank as having both customers inside and outside the bank to serve and must avail themselves of the possibility to remain committed to doing so.

**H8b…**

**Appropriate customer information dissemination initiatives throughout the bank positively affect the bank's response efforts.**

Results revealed that the relationship between market information dissemination (MO-D) and market information responsiveness (MO-R) is not statistically significant. This is captured by the $R^2$ = (0.16%) as the square of the path co-effiecient ($\beta$ =0.04) of the variance in (MO-R) being determined by MO-D. It showed that MOR is not necessarily influenced by market information dissemination (MO-D) showing that the hypothesis ($H_8$b) was not supported in the present context. The evidence did not support theoretical positions as expressed in extant literature. Kholi et al. (1993) and Lings and Greenley (2005; 2010), among others, adopted the behavioural perspective that directed this study.

One would expect that market information dissemination by the banks should lead to responsiveness of the bank. This researcher would want to argue that, as the organization gathers market intelligence, such information is brought into the organisation and appropriately disseminated. Such market information would be laced with the appropriate internal processes and systems. At this point, this researcher would want to argue that information has now assumed an internal status and so becomes internal market information to be used in responding to customer needs. Customer needs invariably are organizational needs and so, if customer information is made to assume internal customer standards, it becomes easier for management and employees to align themselves with it for the appropriate use. This researcher would want to deduce, therefore, that appropriate market responsiveness (MO-R) would be driven more by internal market responsiveness (IMO-R) rather than market intelligence dissemination (MO-D).

## 8.5 Chapter Summary

The chapter discussed the triangulation of the qualitative and quantitative research findings to agree with the tenets of the mixed method research approach. It tried to identify common grounds upon which the variables measured qualitatively and quantitatively agreed. For example, empirical findings obtained in assessing the presence of IMO qualitatively in the banks tended to agree with the quantitative findings. That is to say that there is a tacit agreement that internal market orientation influences the operations of the banks. However, the findings revealed that this construct IMO has not been recognised as a strategic tool that can be deliberately given corporate attention and developed. The tested hypotheses and subsequent results showed some significant level of agreement between data and theoretical positions. However some findings for example H1d that stated that face to face internal market information generation by the banks should impact internal information dissemination failed to support reviewed literature. Generally findings of the study, in light of stated objectives, suggested that the banks must begin to evaluate more strategically employee in-role behaviour and satisfaction as competitive tools. When this is done in terms of human capital capacity building, the banks stand to gain competitively. This must be so because the satisfaction of the customer is discovered to be highly contingent upon the service supplier who is the employee. These findings led to the conclusion, contributions and recommendations raised in Chapter Nine which follows.

# CHAPTER NINE

# SUMMARY, CONCLUSION, CONTRIBUTION AND RECOMMENDATIONS

## 9.1 Introduction

This concluding chapter of the study covers eight sub- sections. Sub-section (9.2) provides a summary of the study based on the various chapters of the study. Section (9.3) discusses the main motivation of the study, while (9.4) covers the main findings of the study. A review of the research process is covered in (9.5) while the contribution of the research to theory and management practice is covered in (9.5). Conclusions drawn are covered in (9.6) while limitations to the study are discussed in (9.7). The last section of the chapter (9.8) shows directions for future research.

## 9.2 Summary of the Study

Chapter One set the tone for the study by providing the background for the research problem. The research objectives, research questions were drawn upon from this background with the positioning, originality and the contribution of the study to existing knowledge covered. It ended with an outline of the thesis.

Chapter Two provides the context of the study. It covered the establishment of formal banking during pre and post independence in Ghana and the regulatory frameworks within which it operated, developed and expanded. It discussed major reforms, such as the structural adjustment reforms and the liberalisation policies that created a competitive environment for new banking institutions, both domestic and foreign to enter the market to fuel competitive activity in the sector.

Chapter Three establishes the study in the appropriate theoretical sphere by reviewing and synthesizing existing literature relevant to the area of the study. It covered the key definitions of internal marketing and market orientation, organization performance in terms of internal customer satisfaction and customer satisfaction. Literature gaps in terms of the definition, conceptualization and application of the constructs have been identified in addition to key notable literatures that underscore relevant empirical work on the constructs.

Chapter Four provides conceptual models based on the literature, drawing on the conceptualization and operationlisation of the constructs of IMO, MO and performance in terms of customer satisfaction and customer value. These formed the bases for hypotheses tested in Chapter Seven.

Chapter Five covers the research methodology used, the choice of research strategy and its justification. It also explained the philosophical perspectives that underpinned the study, the chosen paradigm and justification and reasons for using the mixed method research approach.

Chapter Six presents an analysis of qualitative data collected through in–depth interviews with twelve respondents from the formal banks under study. The interviews covered participants' knowledge and understanding of the internal market and market orientations and whether they are present in the processes and practices of these banks, and how they influence bank performance. Qualitative analysis established some level of understanding of IMO and MO constructs in the operations of the banks. IMO has not been found to be deliberately understood and used as a corporate tool for competitive advantage, even though MO has been observed to have been well understood and employed because of some amount of literature on MO in the Ghanaian business landscape.

Chapter Seven presents an analysis of the quantitative data collected from respondents. Confirmatory factory analysis was undertaken to establish the conceptual model of the measures of the constructs and to establish model fit to data and to ascertain the reliability and validity of measures employed. The structural equation modeling and path – diagrams for path co-efficients of dimensions of the constructs were computed to assess any association or not between the construct items and the constructs (IMO/MO) and performance. Findings established that not all construct dimensions of IMO actually lead to the creation of IMO in the banking sector in Ghana. Similarly, not all dimensions of MO enable the establishment of MO in banking operations. Both qualitative and quantitative results reveal that internal customer satisfaction was consequential to effective IMO and that the effective integration of IMO/MO would benefit the bank mutually in terms of staff satisfaction and customer satisfaction. More effective IMO driving the banks' operations would create the needed motivation for staff to exploit the unbankable 70% of the population of Ghana which is a big business opportunity to be exploited to increase financial deepening and inclusion.

Chapter Eight triangulates the qualitative and quantitative findings of IMO/MO practice in the banks and what impact these have on performance It also covered discussions of key findings of the study drawing similarities, and corroboration of theoretical positions. It finally covered the linkages between set objectives, research questions and hypotheses that were confirmed or unconfirmed.

Chapter Nine provides a summary to the study, by establishing the main motivation behind the study, with outlines of the study, contributions to theory, policy initiatives and managerial discussion making. It ends with the appropriate conclusions, recommendations, limitations of the study and directions for future research.

## 9.3 Main Motivation of the Study

The key aims of this research were to uncover the knowledge of the marketing constructs of IMO and MO in corporate Ghana and to understand how the banking sector in particular is able to operationalise these constructs in their business strategies and programmes to benefit both their customers and themselves: particularly, to see what contribution to marketing theory development in Ghana there is when IMO/MO are aligned and rigorously tested to determine their joint impact on firm performance in terms of overall satisfaction for employees and customers. The study was based on Lings and Greenley's (2005) IMO construct in the context of the financial services industry in Ghana, sub-Saharan Africa, to determine how it drives MO (Kohli et al., 1993) to help predict bank employee satisfaction as well as customer satisfaction and value.

The fundamental drive of the study was to determine whether bank managers after a further training and understanding of IMO, can behave strategically and tactically in designing their business processes so as to tap into the 70% unbanked Ghanaian population (World Bank / IMF April, 2012) to deliver superior value mutually to employees and managers and their banks and  so increase financial intermediation,deepening and inclusion.

## 9.4 Main Findings of the Study

Empirical research findings suggested that the theoretical positions established in extant literature that five managerial activities notably: informal information generation, formal face-to-face information generation, formal written information generation, information dissemination and response culminate in the practice of IMO have not been totally confirmed. This position was arrived at because empirical evidence adduced from this research revealed that face-to-face information generation could not be confirmed as contributing to internal information dissemination as claimed by Lings and Greenley (2005) Johlke and Duhan (2000) and Gounaris (2006).

Face-to-face information generation was not significant for internal market information dissemination as theoretical positions have established. The researcher argues that in the global village phenomenon, supported by the information super-highway and information communication technology, information could be generated between a manager and his/her subordinate for dissemination in a faceless manner. This argument renders support for banks to engage in appropriate, sophisticated ways of generating internal market information and not necessarily using the face-to-face mode.

Again, formal written internal market information generation will not necessarily contribute to positive bank response unless appropriate dissemination occurs first. A word document must be read and understood before being acted upon.

Employees and managers who are better equipped with the right information about the market are able to do what ought to be done in the right manner and this would motivate them, and bring attitudinal change and behaviour as they became satisfied that they were offering the right service to the deserving customer.

The bank should have the right response mechanisms as generated market information becomes available for dissemination. Market surveys and customer satisfaction surveys could yield a plethora of data. If the bank was not data driven, such market opportunities likely to emerge out of analysed market data could be missed. The ability of the bank to respond to changing market conditions would enable it to remain competitive. The banks' readiness to respond would affect the rate and degree to which market needs would be responded to.

Managers who always felt challenged and would want to see new things happen would cause things to happen.

A manager, who understood that he was valuable to the bank because management of the bank created the right environment for him or her to work would want to share that feeling with his/her subordinates. Together, as a team these internal customers would want to transfer that feeling on to the customer. The manager would want the customer to remain his customer therefore value would be delivered unto them as well. Zero queues in the banking halls, instant cashing of cheques being cleared within hours are all instances that demonstrate the positive linkage between a bank's responsiveness and customer satisfaction and value. A satisfied customer would embark on repeat purchase based on the way service was satisfactorily rendered. Repeat business is a good metric to determine how valuable a customer would be to the bank.

Empirical evidence from the study revealed that formal written internal information dissemination did not influence internal market response. Complacency could be cited as a reason for some of the banks not to be ready to respond to disseminated information. On the other hand, it would take management some amount of proactiveness and the appreciation for innovation to turn the competitive climate into big opportunities that could be exploited to create sustainable competitive advantages. From the qualitative analysis, it was realised that some of the banks that managed to get a sizeable number of customers to do business with them felt they were secure in terms of their profit streams, so there was no need to show extra concern for their customers. As a result, complaints were not readily dealt with; for instance malfunctioning systems such as faulty ATMs would not readily be repaired and long queues in the banking halls seemed to be a routine occurrence in some of these banks. Suggestions and complaints lodged in suggestion boxes were not readily attended to.

Generally, the managerial activities that should drive the implementation and realization of IMO practice have not been seen to be well ingrained and operationalised, according to the findings. The implication of this was that the empirical findings did not fully support the practice of IMO in the selected banks ($H1_c$, $H1_d$, $H1_e$). Again, on MO, the findings revealed that customer intelligence dissemination did not drive the bank's responsiveness, contrary to what theoretical positions have stated by (Kholi et al., 1993). The urgency with which shared customer information should be acted upon was seen not to be present in the way the banks handle customer complaints, challenges and requirements.

## 9.5 Review of the Research Process

The mixed-methods research approach was used in this study. Qualitative data analysis actually exposed the inadequacy of formal knowledge about the constructs being measured, particularly the IMO. It was discovered that it did not pervade the strategic drift of all the banks, and the in-depth interviews threw up these observations generally. The survey was not undertaken without challenges as far as the distribution of the survey questionnaire was concerned. The catchment area that formed the unit of research could only be covered through some amount of travelling and this had to be done on many occasions. Again, timelines set for completed questionnaires to be collected could not be adhered to. This could be explained because the survey was conducted among busy bank executives with heavy schedules. It therefore took some time for completed questionnaires to be returned, even though there were constant e-mails to remind participants.

The methodology employed was relevant to the objectives of the study since it helped to find reasons to understand and explain the requirements of the study. The researcher was interested in the behavioural perspectives of the IMO/MO constructs to determine whether their operationalisation in the services environment would contribute to better organisational performance.

## 9.6 Theoretical Contributions

Face-to-face internal marketing information generation was discovered not to contribute to responsiveness according to the empirical findings of this research.

The inability of all the managerial activities (exogenous variables) to determine the presence of endogenous variables (IMO) implied that the banks have not yet formally recognised the importance of the IMO construct as a key driver of their business processes.

In light of the rapid developments in technology and the increasing deployment of information communication technology and the sophisticated nature of consumers it behoves, particularly on service organisations to engage structures and systems that would cost effectively serve customer needs satisfactorily much as these organisations would also want to succeed. Face-to-face internal information generation between manager and employee does not necessarily need to be part of the three ways through which the organisation should generate information for dissemination to enable responsiveness to occur. The IMO/MO constructs should therefore be “systems and people driven”, argues this researcher, particularly in the service oriented organisations.

Again, the empirical findings revealed that formal written internal market information generation did not contribute to the way managers responded to the needs of their surbodinates. This researcher argues that, even though appraisal systems and employee ratings could throw up pertinent information about the employee to determine the type of training needs to be met to update their skills or management development tasks to be considered, the manager must garner and use other methods such as interpersonal, facilitation, communication and listening capacities and capabilities to address adequately the needs of the subordinate. The work environment and how the manager has crafted it, and how receptive it is for the employee, would impact their engagement and treatment of their subordinates.

This is the first empirical study on IMO/MO aligned to observe their impact on businesses in Sub-Saharan Africa, specifically in the formal banking services sector in Ghana.

## 9.7 Managerial Contributions

### 9.7.1 Government Policy Initiatives

The financial liberalisation policy, according to Owusu-Antwi (2009), removed many of the government controls and introduced market-based instruments and private sector participation in banking in Ghana. With new entrants into the banking system and with mounting competition, the importance of IMO/MO in this service driven sector has become more pronounced. The use of the right personnel with knowledge in IMO/MO would offer a balance between the objectives of the banking institutions and align these with governmental objectives for overall growth and development in light of the opportunities those policies would present. Government's private/public sector initiatives could serve as a platform for the right personnel with IMO/MO knowledge to leverage business opportunities that would benefit both government and private participants.

Again, World Bank Report (1994) intimated that Ghana has a great growth potential for the economy if policies were made more efficient for savings mobilization through the banking system that supported the allocation of resources to the productive sections of the economy. This growth potential is a big opportunity that could be harnessed and used by engaging market-conscious and customer-centric employees who could reach out to targeted segments of the economy with brilliant win-win proposals for engagement. Appropriate engagement would raise confidence in the savings attitude and behaviour of potential customers. This would promote financial deepening and savings mobilisation for higher investment, production, growth and poverty alleviation (Quartey and Blankson, 2005).

This study and its findings would support the following recommendations. Policy makers in the formal banking sector in Ghana should input the concept of IMO into their strategic drives to direct managers to train and develop employees to deliberately engage in in-role activities and behaviours that would be assessed through integrated financial and non-financial measures. Most banks and other financial institutions are going beyond the application of financial measures by integrating non-financial measures. This is so because of the limitations of financial performance measures and the rising prominence of intangible assets (Niven, 2006; Drury, 2004; Kaplan and Norton, 1996).

Armin and Werner (2012) cited in Ahmed et al. (2005) posit that firms that are moving towards integrated reporting are able to develop a healthy competitive advantage, that can secure capital and credit, help in the war for talent, and build strong business relationships. It also enables stakeholders to have a better understanding of the quality and sustainability of performance through insight into external influences, strategic priorities and the dynamics of the chosen business model. Financial and non-financial returns are the outcomes that can be invested in to bring in growth and development. However, poor banking performance has a negative impact on economic growth and development (Marshall, 2009) leading to outlays, failures and crises.

### 9.7.2 Managerial Implications

Research findings in the banking sector by PriceWaterhouse and Coopers (2011) emphasised the attraction, development and retention of human capital,as key to bank growth (Amissah-Arthur, 2011). The quest for human capital is a prerequisite for the introduction and enhancement of IMO/MO in corporate Ghana, particularly in the services sector. Such human capital must be developed to understand the needs and wants of the market they do business in and continue to do. The personnel with the right training and support must gain the appropriate knowledge, skills and competencies in market-driven constructs such as IMO/MO which are key to achieving the aims of this assignment. Apparently, new markets are emerging for banking business, such as the oil sector and mobile networks. Banks therefore need to have the know-how to transform their business processes, people, products, networks, channels and technology, according to Addo (2012). Banks need to redefine their business strategies because consumer behaviour in Ghana is undergoing transformation towards advanced, sophisticated lifestyles based on technology and driven by-processes, and services. To exploit these opportunities, deeper financial intermediation would only occur when the banks adopted professional standards, hired and trained staff and management teams who are versed in ICT and its uses to gather appropriate customer information, disseminate same and have the capacity to respond quickly and adequately.

For employees of the banks to be effective in the job-roles, managers must begin to see them as part of the team. Management must develop good communication skills, both formal and informal with staff. Managers must make time for their staff in terms of the role requirements. This can be done through company get-togethers; retreats, or durbars, where managers can engage staff informally and share in their social and emotional challenges.

Again, families of employees can be encouraged to form part of management’s attempts to support and motivated staff, and to give of their best in terms of their role deliveries. Managers can also help staff to set personal targets in consultation with them and show support and concern for such targets to be achieved within set timelines. As captured above, in this day of ICT, managers must train staff in relevant IT skills, so that IT anxiety levels become less reduced as this can lead to increased levels of automation, and work efficiency without supervision.

As job attitudes, behaviours and capacities of employees improve, role performance will also improve as innovation and entrepreneurial skills will come to play as employees try to satisfy customer needs more effectively.

Trust was identified as a key factor in reducing risk in a risk dominated banking sector, such as Ghana (Mensah, 2012). Again, with structural changes occurring in the Ghanaian economy, Addo (2012) has identified key sectors that are sources of high income and profits. These new businesses include institutional banking clients; sophisticated upper-middle class clients; dedicated customers; and people as a critical success factor. These underscored the critical importance of the right contact personnel imbued with the tenets of IMO/MO to function to make the interface between the demands of the banks and their customers be met effectively to their satisfaction and value. Employees must be trained and groomed to create a seamless package for customers using the right skills, competencies and resources. A warm working environment that gives value and satisfaction will drive the appropriate in-role behaviour to endear the banks to their targeted market segments.

Trusted ‘people’ will assuage the fears, ignorance, level of satisfaction, confidence and mistrust of the unbanked 70% of the Ghanaian population. This will allow the large pools of funds currently circulating outside the formal financial system to be raked in (George and Bob-Milliar, 2007; Ziorklui, 2001). Adopting IMO/MO in their business plans and processes would allow the banks to introduce new products/services based on market/customer information generated. New business models would have to be established to focus on alternative revenue streams, customer segments and risk management as they adopt robust marketing supported by the appropriate information systems for information generation, dissemination and response for performance. When the banks become well infused with the principles of IMO/MO and use these in their business processes and practices, employees and customers alike would be satisfied. Delighted customers would become good ambassadors by word of mouth since banking services and promotion are highly influenced by referrals and endorsements from family, friends and other customers because it is highly credence-based (Owusu-Frimpong, 1999).

To Kaplan and Norton (1996), financial performance measures that include RO1, ROCE, and CAMEL (Capital Adequacy, Asset Quality, Management Quality, Earning Quality and Liquidity and Sensitivity Performance) are all historic in nature and lack a futuristic outlook. Again, Umar and Olatunde (2011) indicate that traditional performance measurement systems that rely on financial measures only, do not fit today's business-environment. So to succeed in today's business, with a global character, both financial and non-financial measures should be used together (Kaplan and Norton, 1996). These researchers believed that, should firms try to improve the management of their intangible assets, they must integrate the measurement of intangible assets into their management systems.

Mohiuddin (2014) argues that the modern banking sector has become more complex than before. Therefore, to differentiate a good bank from the bad depends on the use of many factors. This is because sound financial health of a bank, contemporarily is both the guarantee of its depositors, as well as shareholders, employees and the whole economy in which these banks operate. So, to use the CAMEL parameters as a model of measuring bank performance, one must highlight whether the position of the bank is sound and satisfactory as far as their capital adequacy, asset quality, management capability and liquidity are concerned.

According to Ahmed et al. (2015), the failure of traditional performance measurement systems based on financial measures to integrate all those factors that contribute to the development of business excellence caused people to start calling for a multi-dimensional performance measure and, as such, the Balance Scorecard (BSC) was adopted as the most suitable tool to integrate both the financial and non-financial performance measures (Hoque and James, 2000; Bisbe and Otley, 2004). Kaplan and Norton (2001) emphasised the need to use multi-dimensional performance measures in the service sector, such as the banking sector.

Umar and Olatunde (2011), on performance evaluation of consolidated banks in Nigeria using non-financial measures, found that performance of banks increase as they adopted non-financial measures.

Again, Brancato (1995) and Fisher (1995), cited in Ahmed et al. (2015), indicate that many firms believed that financial measures are too historical and 'backward-looking"; lack predictive ability to explain future performance; reward short-term or incorrect behaviour; provide little information on root causes or solutions to problems; give inadequate consideration; and have difficulty quantifying 'intangible assets' such as intellectual capital. As such, many firms are now adopting both financial and non-financial metrices that are believed to provide better information on the firm's strategic success and progress (Ahmed et al., 2015).

Kaplan and Norton (1996) and Banker et al. (2000) indicate that non-financial performance measures provide managers with timely information based on the causes and drivers of success and can be used to design integrated evaluation systems. Ahmed et al. (2015) reiterate that non-financial indicators are necessary for performance measures and management compensation when current managerial actions influence the firm's long-term financial return but are not reflected in the contemporaneous accounting measures.

The above findings, strengthen the position of the use of non-finanical and intangible measures, such as employee/ customer satisfaction and value as critical performance measures of a service, such as banking. The adoption of IMO/ MO constructs, this researcher argues, is central to the design and crafting of the strategic plans of organisations. This is so because they are consequential to using both financial and non-financial metrices as effective performance measures, particularly in the services sector.
As a result, banks in Ghana, should begin to assess their performances not only based on the objective/financial outputs, but critically consider the non-financial factors as key indicators of business success.

## 9.8 Conclusion

This thesis used the IMO/MO construct dimensions in the banking services sector from the viewpoint of managers specifically to determine their contribution to internal customer and external customer satisfaction and value. The (IMO/MO) constructs were aligned because they both used the same common dimensions and confirmed that they are behavioural in character (Kholi et al., 1993; Lings and Greenley, 2005). Theoretical justifications for the study were gleaned from reviewed literature (Kholi et al., 1993; Lings and Greenly, 2005; 2010; Gounaris, 2006; Raaij and Stoelhorst, 2008; Chelariu et al., 2002). The study employed the mixed-methods approach in order to explore underlying reasons, knowledge and understanding of participants about the IMO/MO constructs and whether they experience them in the practice of their bank service providers, particularly in the urban Ghanaian metropolis. The mixed-methods approach allowed both qualitative (inductive) and quantitative (deductive) research approaches to be used in generating and analysing relevant data, testing the theoretical models put forward by Lings and Greenley (2005) for IMO and the MARKOR scale put forward by Kholi et al. (1993). Confirmatory factor analysis and SEM were employed for data analyses.

The key findings are that not all the five managerial activities designed to drive IMO, according to Lings and Greenley (2005), have been confirmed. In particular, it was difficult to establish that face-to-face internal market information must be dissemination to evoke a response. It implied that not all the dimensions can help predict a relationship between internal information generation and disseminated before response for IMO to become operational and effective. Even though intuitive logic would expect generated market information to be disseminated before response, empirical evidence in this context did not support the theoretical positions of Lings and Greenley (2005; 2010), Kholi et al. (1993), Gounaris (2006), Raaij and Stoelhorst (2008), among others. Additionally, it was empirically confirmed that formal written market information makes no contribution to how the banks responded to employee needs (internal market needs). The other dimensions, of IMO such as: informal internal market information does impact IMO positively, much as internal market information dissemination contributed to responsiveness to the needs of the banks. Managers who are better informed about their own needs and employee needs were seen to contribute positively to the in-role behaviours of their subordinates. The majority of the observable variables measuring the latent construct (IMO/MO) demonstrated acceptable levels of reliability, face, convergent and discriminant validity. The Structural Equation Model fitted the data significantly and satisfactorily. Path coefficients for FF2F-IMO, IFW-IMO-R, MOD-MOR (see Chapter 7; Figure 7.1) demonstrated that the paths between IMO/MO endogenous variables and the exogenous variables were not statistically significant. Finally, the SEM path analysis revealed that appropriate market information dissemination did not contribute to bank responsiveness-value $p<0.05$, (MO-D--→MO-R). This result indicated that MO-R is not driven by MO-D (Table 7.17).

This has revealed that the SEM as a statistical analytical tool is more robust at establishing the contribution of one variable (the exogenous) to another variable (the endogenous), and its use must be encouraged in measuring the degree of relationship in behavioural science.

## 9.9 Limitations of the Study

This researcher tried to test the developed IMO/MO constructs in a developing economy, like Ghana, and like any research work, it was not without limitations.

The target population out of which the samples were drawn for the study was made up of bank managers. This group of people comprise mainly busy executives who have little spare time available. As a result, gathering respondents for the qualitative in-depth interview sessions was a big challenge. The knowledge base and experiences of the respondents in decision making were considered for their independent value judgments as far as responses to the questionnaires were concerned. It was difficult to cut out individual opinions, in-house style and codes of conduct to direct how these opinions were expressed when it came to dealing with staff, managers and customers as they responded to questionnaire. Again, individual exposures and knowledge about IMO/MO principles, practices and processes might influence responses. As a result, caution must be shown in trying to interpret the study results. Supposing only marketing managers or departments were used as respondents, results possibly might look different. Quantitatively, the survey took the researcher to all the selected bank branches on a number of occasions even though reminders were given. A more probabilistic method of selecting the sample for the survey would have been cumbersome in light of time and resource constraints. Both the IMO/MO measurement scales and that for IRB and customer satisfaction had to undergo some modifications to suit the environment of the study. The employment of the confirmatory factor analysis revealed that some of the items measuring the factors of the constructs had to be dropped and these could have contributed to the model not totally fitting. Despite the above identified limitations, the study was able to make some contributions to knowledge in the areas of the empirical findings, government policy initiatives and management decisions, particularly in the service sector.

Again, all data for the study were collected from a relating environment (banking). According to Gounaris et al. (2010), simple industry samples allow the researcher to probe into the selected industry, but the trade-off is that conclusions cannot be drawn for other contexts without replication of the study. Again, with bank performance, this study has not considered the ultimate financial performance, because increased customer satisfaction, customer and employee perceived value were used as measures to test the relationships between the independent and dependents variables.

Nonetheless, this researcher argues that the limitations do not diminish the contribution of the study because the study's major scope has been to provide empirical evidence regarding the aligned effects of IMO and MO on bank performance in terms of mutual satisfaction from employees (internal customers and the external) to demonstrate the "broadened" notion of the marketing philosophy.

The concept of IMO aligned with MO examined in a service organisation such as a bank tried to exonerate the broadened notion of the marketing philosophy in the context of an industry that is relevant to value generation efforts that are employee intensive, because in the bank, employees influence directly and heavily the bank's ability to meet customers' expectations and perceived value (Gounaris et al., 2010).

This researcher appreciates the fact that, leaving out staff/other employees who actually implement these constructs in the business processes of these banks, is a limitation. Future, research should therefore be instigated to include staff, managers and customers who actually drive the implementation of both IMO/MO, so that responses from customers would be a direct feedback from customers and not through reports of employees/managers. Replications can be done in other service environments such as insurance or telecommunications to add support for the generalisability of the findings reported in the study. Similarly, data could be collected from other stakeholders such as managers, staff and customers for a matched triad study.

Another limitation of the study is that the research design lacked data regarding the degree of IMO and MO adaptation from the customer's viewpoint. The researcher's findings have clearly demonstrated that both IMO and MO are part of the broader marketing philosophy and do influence the customer's perceived satisfaction and value. Both constructs are therefore needed for understanding the contributions of the customer to any organisation's success.

The main reason why it was difficult to consider the customer data was that, for the most part, customers of the banks could not have answered the questions that the existing instruments used, whereas employees who are customers of the banks could do so. For example, for intelligence dissemination, "the bank organizes interdepartmental meetings at least once a quarter to discuss market trends and development", or "data on customer satisfaction are disseminated at all levels in the bank on regular basis". This researcher therefore argues that future researchers should endeavour to develop the required instruments that will measure the employees' degree of MO and IMO adoption from the customer's perspective, since the study showed that these two constructs jointly serve the bank's efforts to create value and satisfaction for management, employees and customers.

One other limitation of the study could be the lack of appropriate psychometric measures of customer value as captured by the customers' assessment of value rather than managers' perceptions of customer value (Matear et al., 2002). Knowing that the results of this study come from the managerial grades of the selected banks, it will be difficult for any generalisations to be done. Moreso, the study results are limited to a single industry sector, which is the Accra-Tema geographic location in Ghana. The ownership of the banks in terms of being foreign or domestic does not have any influence on the outcomes of the research, and the researcher considers ownership of the bank as a variable to be used for future research work.

## 9.10 Directions for Future Research

This study is supposed to be the first empirical study integrating IMO/MO in Sub-Saharan Africa. The two constructs have been blended because of their conceptual similarities and behavioural perspectives.

The measurements scales have been tested in the banking sector, which is part of the formal financial services industry. However, other financial service operations dominate the economic landscape of Ghana, for example, the micro finances. It would be highly rewarding to test these models in such environments. Additionally, IMO/MO practice would call for a lot of structural changes to enable public sector organisations to perform better: for example, the higher educational institutions (tertiary level) where lecturer/students' engagements, processes and policies could be reshaped for the better. The IMO construct has identified a number of antecedents. Further attempts could be made to research into these identified antecedents to determine their contributions to IMO (Table 4.2). Finally, other conceptualisations of MO, for example, Despande and Farley (1998), Day (1994), Homburg and Pflesser (2000), and Narver and Slater (1990) could be aligned with IMO to determine their impact on and contribution to personnel development, organisational change and customer satisfaction in the product sectors of the economy.

As indicated in the limitations, a fertile area for further research work could be to determine whether ownership of the banks could influence performance in the face of the IMO/MO constructs.

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## APPENDIX I

## SURVEY QUESTIONNAIRE FOR MANAGERS

The researcher is a final year PhD research student of London Metropolitan University Business School., London, U.K. He is conducting research in the Ghanaian formal banking sector with the aim of understanding how care for bank employees in their work roles influence customer needs and wants to help the banks deliver superior values to their customers and themselves.

The title of this research project is “Aligning Internal Market Orientation (IMO) with Market Orientation (MO) to Impact Performance in the Banking Sector in Ghana”. He would appreciate your willingness and understanding to complete this questionnaire. The researcher can confirm that this research project is academic and all ethical standards regulating research are considered and observed. Please be assured that all data collected from individual participants will be treated with the utmost confidentiality and used only for this academic research purpose and theref ore will not be disclosed to a third party.

Please read each of the statements carefully and circle the best response considering the position of your bank. If there is reservation about a particular statement, circle the response that most clearly approximates your understanding. Thank you for your assistance.

**Internal Market Orientation**

| Strongly Disagree | Disagree | Somewhat Disagree | I can't Decide | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

**Demographic Data**

**1.** Gender Male [ ] Female [ ]

**2.** Educational level First Degree [ ] Masters [ ] Doctorate [ ]

Other (specify)……………………………………………………………………………...

**3.** Marital Status Single [ ] Divorce [ ] Married [ ]

This part of the questionnaire is meant to measure the extent of internal market orientation of the banks in Ghana. You will find a number of statements with a set of responses below such as:

| Strongly Disagree | Disagree | Somewhat Disagree | I can't Decide | Somewhat Agree | Agree | Strongly Agree |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

**4. Informal Information Generation:**

| | Strongly Disagree | | Neutral | | | Strongly Agree | |
|---|---|---|---|---|---|---|---|
| At work as a manger I try to find out what my subordinates want from the bank | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| At work as a manager I try to find out the real feelings of my subordinates about their jobs. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| As a manager if I notice that one of my subordinates is acting differently to normal, I try to find out if there is a problem or challenge that is causing a change in his/ her behaviour | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| As a manager, I regularly talk to my subordinates to find out about their work | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

**5. Formal Face-To-Face Information Generation**

| | Strongly Disagree | | Neutral | | | Strongly Agree | |
|---|---|---|---|---|---|---|---|
| As a manager you are familiar with the term 'internal marketing'. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| One would see 'internal marketing'. ideas at work at the bank. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| You regularly interact with your subordinates to find out how to make them more satisfied. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| You often meet with your subordinates to discuss their job expectations for the future. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

### 6. Formal Written Information Generation

| | Strongly Disagree | | Neutral | | | Strongly Agree | |
|---|---|---|---|---|---|---|---|
| As a manager your bank's vision is well communicated to your subordinates by you. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| You encourage internal market research within the bank. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| You organise regular staff appraisals to discuss what your subordinate want. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| As a manager you communicate to your subordinates the importance of their service roles. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

### 7. Information Dissemination

| | Strongly Disagree | | Neutral | | | Strongly Agree | |
|---|---|---|---|---|---|---|---|
| The bank periodically reviews service development efforts to ensure that they are in line with employees needs. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| As a departmental head you regularly meet staff to brief them about issues relating to the whole bank. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| You regularly disseminate data at all levels in the bank about subordinate satisfaction. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| As a manager you encourage attendance at staff meetings to rally information about all subordinates. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

### 8. Response

| | Strongly Disagree | | Neutral | | | Strongly Agree | |
|---|---|---|---|---|---|---|---|
| As a manger you try to find out why a subordinate might be unhappy about your style of management or supervision and you make corrections. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| You try to find out why a subordinate might feel | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| uncomfortable in his/ her work-role and you effect a change. | | | | | | | |
| In the bank you make changes to situations that subordinates become dissatisfied with. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| You welcome subordinates efforts at finding new ways to solving problems/ challenges or exploiting opportunities. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

**Internal Market Orientation Consequences Scale (Employees)**

**9. Employees and Customer Value**

| | **Strongly Disagree** | | **Neutral** | | | **Strongly Agree** | |
|---|---|---|---|---|---|---|---|
| The manager tries to understand all the factors that affect subordinates satisfaction in their work roles. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| To the manager, by keeping his subordinates satisfied is as important as keeping his/ her customers satisfied. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Every good manager makes sure that all employees are happy in the work-roles. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Every manager knows that employees are critical assets to the bank. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| The main goal of every bank is to keep its employees satisfied. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

**10. Organisational Citizenship Behaviour (OCBI) – Measures employees role at work (INSIDE the company)**

| | **Strongly Disagree** | | **Neutral** | | | **Strongly Agree** | |
|---|---|---|---|---|---|---|---|
| I help other employees who have been absent. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| I help colleagues who have heavy workloads | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| I assist my boss with his work whenever there is the need. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| I go out of my way to do extra work even after working hours. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

**MO and Managers**

**11 Intelligence/Information Generation**

| | Strongly Disagree | | Neutral | | | Strongly Agree | |
|---|---|---|---|---|---|---|---|
| The bank meets with customers at least once a year to find out about their future needs | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| As a customer, you clearly understand the term, market orientation | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| The bank puts into practice a lot of market orientation ideas | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| The bank undertakes in-house market research | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| The bank engages in customer survey at least once a year to assess how customers perceive the quality of their services | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| The bank is very slow at detecting changes in customer service preferences. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| The bank is quick at detecting any fundamental changes in its industry, for example in terms of methods of servicing customers (mobile banking, ATMs, or competition). | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| The bank quickly responds to environmental changes (e.g. banking regulations) by adopting the right measures to impact customer needs | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

**12 Intelligence Dissemination**

| | Strongly Disagree | | Neutral | | | Strongly Agree | |
|---|---|---|---|---|---|---|---|
| The bank organizes interdepartmental meetings at least once a quarter to discuss market trends and developments | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Marketing personnel in the bank spend time discussing customers future needs with other functional departments | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Data on customer satisfaction are disseminated at all levels in the bank on a regular basis | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| When one department finds out something important about competitors, it is slow to alert other departments | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| When something important happens to a key customer or market of the bank, the whole bank knows about it in a short time | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| The bank segments its customers based on needs and tries to tailor services to meet these needs | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| You belong to a value segment of customers and believe that the bank appreciates your value as a customer | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| The bank delivers services that generate value to you as well as the bank | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

**13 Information Responsiveness (Taking Action)**

| | **Strongly Disagree** | | **Neutral** | | | **Strongly Agree** | |
|---|---|---|---|---|---|---|---|
| | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| The bank periodically reviews its service development efforts to ensure that they are in line with what customers want. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| The bank tends to ignore changes in the customers service needs for one reason or another. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Customers drive the banks service development efforts | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| When the bank finds that customers would like a service to be modified, the departments involved make a concerted effort to do so | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| There is effective departmental co-ordination in performing activities in the bank | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| The bank quickly implements a response when a competitor launches an effective campaign targeted at its customer | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| The bank reacts quickly to changes in customer needs | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

**Employee Satisfaction (IMO)**

**14 Employee Satisfaction**

| | Strongly Disagree | | Neutral | | | Strongly Agree | |
|---|---|---|---|---|---|---|---|
| Staff are satisfied with the services they provide customers | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Staff receive very warm responses from customers who think they have been given care. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Staff feel satisfied when customers extend courtesies based on effective service delivery. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Staff feel proud and satisfied when they have addressed a customer's problem satisfactorily. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Staff are fulfilled when they see their customer fulfilled. | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Employees often receive complementary calls/letters from their customers | **1** | **2** | **3** | **4** | **5** | **6** | **7** |

# APPENDIX II

## QUALITATIVE IN-DEPTH INTERVIEW QUESTIONS FOR MANAGERS

### A. Informal information generation

- Do you as a manager try to find out what your employees want from the banks?
- Are managers ever too busy to meet a subordinate who wishes to meet them personally?
- If you are at work and notice that one of your subordinates is acting differently to normal, do you try to find out if there is a problem that is causing a pain or change in behaviour?
- Are you as a manager sincerely interested in listening to what your subordinates have to say about their jobs, the problems they have and the solutions subordinates suggest?
- Do you as a manager try to find out about how your subordinates really feel about their jobs?
- Do you regularly talk to your staff to find out about their jobs?
- Do you have the flexibility to accommodate the differing needs of employees?

### B. Formal face-to-face information generation

- Are you familiar with the term (internal marketing)? If yes, what are the ideas of internal marketing you see in the bank?
- Do you regularly do staff appraisals during which you discuss what your subordinates want?
- How often do you meet with your staff to find out their expectations they have of their jobs for the future?
- How do you interact with your staff to find out how to make them more satisfied?
- Do you put great emphasis on the bank communicating with your employees? What forms do these communications take?

### C. Formal written information generation

- Do you embark on internal market research within the bank?
- Do you communicate your bank’s vision well to employees?

- How often in the year do you survey your staff to assess the quality of job performance?
- Do you communicate to employees the importance of their service roles?
- How often do you talk to or survey your staff to find out influences on their in-role behaviours (e.g. influence from unions, customers, sales reps)?

**D. Information Dissemination**

- Does the bank review service development efforts periodically to ensure they are in line with employee needs?
- How often do you meet with all staff to report about issues relating to their working environment?
- How often do you meet with all your staff to report about issues relating to the whole bank?
- What channels (e.g. staff meetings) do you often use to rally information about all staff?
- Do all staff attend regular staff meetings?
- Do you disseminate data at all levels on employee satisfaction in the bank regularly?

**E. Response**

- What do you do when you find out that a staff member or subordinate is unhappy with your supervision or style of management?
- What do you do if it turns out that a subordinate is uncomfortable in his/her work-role? Or conditions of engagement?
- What happens when subordinates become dissatisfied with the same way of doing things at the bank and they give you feedback?

**F. Management Attitude to IMO**

- Do you know about factors that affect your staff's satisfaction with their work?
- What do you say to this statement: keeping your staff satisfied is as important as keeping the bank's customers' satisfied?
- Is it your responsibility as a manager to make your staff happy in their jobs?

- How do you assess your staff in terms of resources you use in your bank?
- Does the bank recognise satisfied employees as very important for its growth and survival?

**G. IMO Behaviour of the Bank**

- Is the bank genuinely concerned with the welfare of all its employees?
- Does the bank try to accommodate the different personal needs of all its employees?
- How important do you think employees are to your bank?
- How does the bank demonstrate to employees that they are valued?

**H. Staff Altitudes**

- Are staff happy working at your bank?
- Are staff ready to put in extra effort when you ask them to?
- Are staff well motivated?
- Are staff willing to help out if you need them to?
- Are staff willing to take on more responsibility?
- Do you find the banking hall atmosphere positive?

**I. Staff Retention**

- Do you find staff working with the bank for a long time?
- What do you think is the rate of staff turnover in the bank?
- What is the average time (number of years) staff stay with the bank?

**J. Staff Compliance**

- Does staff behaviour mirror the image the bank wishes to develop and portray?
- Is staff aware of its image (brand)?
- Do staff constantly check that their work has been done properly?
- Are you happy with the way your staff perform in the bank?
- Do you need to chase up staff to make sure that jobs are done on time?

**K. Relative Competitive Position**

- Do you think other banks attract customers more than your bank?
- Do you think your bank affects your community?
- Do you think you have what it takes to outperform your rivals?
- Do you think your profits levels are higher compared to your rivals?

## APPENDIX III

## IN-DEPTH INTERVIEW QUESTIONS FOR CUSTOMERS

### A. Customer Emphasis

- As a customer, are you encouraged to make comments and complaints because they help the bank to do a better job?
- Do you find staff of your bank committed to you?
- Do you think your bank looks for ways to create value for you?
- How does your bank measure your value?
- Do you really feel as if the bank's problems are your own?
- Are you satisfied with the services you get from your bank?
- Do you find staff at your bank very friendly?
- Do staff show courtesy and responsive treatment towards you as a customer?
- Are you happy to find that staff of your bank are happy?
- How critical is customer service to differentiate yourself from rivals?
- How is your bank able to differentiate itself from others based on customer service?

### B. Market Orientation (Intelligence/Information Generation)

- What do you understand by the term (market orientation)? Will you say your bank is market oriented?
- Does the manager/staff meet with you to find out about your future needs? How many times in a year?
- Does the bank engage in customer research?
- Does the bank undertake any survey of customers to assess how they perceive the quality of the banks service?
- Does staff of the bank quickly notice changes in customer's product preferences?
- Is the bank able to detect any fundamental changes in the banking industry, e.g. in terms or competition /technology?
- Does the bank respond to/or have periodic reviews of effects of environmental changes in its business environment e.g. regulations on customers?

**C. Market Orientation (Intelligence Dissemination)**

- Are changes in customer needs and market trends known and shared by your bank?
- Do you bring to the notice of your bank the future needs for discussion?
- Are your satisfaction levels made known to staff of the bank?
- Do you carry news about your bank's competitors to them?
- If you are a key account with your problem, how are you treated?

**D. Market Orientation-Information on Responsiveness (Taking Actions)**

- How long does it take your bank to respond to any competitor's changes/promotions?
- Do you see the bank review service/product development efforts to be line with your needs/wants?
- Do you see your bank pay quick attention to product or service needs – how quick or are you ignored?
- Do you consider yourself as one who drives your bank's business?
- Do you notice departments in your bank concerned with product needs modification doing their work?
- Do you notice the departments working together?
- Are customers complaints taken seriously?
- Do other departments buy into the marketing efforts of the bank? Or these efforts are left to the marketing department?
- Will you as a customer be happy to remain doing business with your current bank?
- Do you provide feedback on your banks service processes? How serious do they accept this?
- How quickly is your bank able to respond to a rivals promotion that is likely to negatively affect you?
- Does the bank react quickly to changes in consumers' needs?

**F. Consequence of IMO/MO**

1. Would you please explain the relationship between your staff and the bank in terms of their commitment to the bank?
    - Do you think all the people in the bank relate well to each other? If yes, how do these people relate to each other? If no, any reasons?
    - What will constitute a team spirit of the employees in the bank?

2. Do you think blending staff needs and customer needs together can help your bank in achieving better business performance? If yes, why do you think so?
    - Would you attribute the better performance to the above effect?
    - Has there been an increase in your customer base? Market share over the last 3 years?
    - Would you attribute this to the above? If yes, is the bank better off now in terms of overall business performance in the last 3 years?
    - Can business performance be achieved without being market-oriented?
    - If yes, how do you think it can be achieved? If your bank is not performing well, what could be the reason for not doing well?

3. Do you think your bank provides maximum employees as well as customer satisfaction? If yes, what makes you feel they are satisfied?
    - Do you often or how often do you send complaints to staff?
    - Do customers often send complementary phone calls mentioning the quality of service provided or care given them at the point of transactions?
    - Do employees complain that you worry them?

4. How does the bank measure repeat business?
    - What does your bank do to retain you as a customer?
    - What does the bank do to build customer segments to enable them tailor the right product/service to them?

## APPENDIX IV

## INTRODUCTORY LETTER

The bearer Solomon Gladstone Kutu-Adu is a permanent lecturer of CENTRAL UNIVERSITY COLLEGE, ACCRA and his staff No is 20193. He is a PhD Research Student of LONDON METROPOLITAN UNIVERISYT BUSINESS SCHOOL, LONDON, UK.

He has expressed interest in conducting research in the Ghanaian Banking Sector with the aim of understanding how employee work-roles influence customer needs and wants to help the banks to deliver supervior value to customers and themselves.
The Title of the Study therefore is ‘Aligning Internal Market Orientation (IMO) with Market Orientation to impact the Banking Sector in Ghana’.

The researcher would highly appreciate your willingness and understanding to allow your Managers and customers to become part of this project by becoming participants for data to be collected through a questionnaire. The nature of the project is highly academic and that as much as possible all ethical standards regulating research have been considered and observered. Responses therefore provided would be treated with the strictest confidence.

The researcher can confirm that all data collected from individual participants would be treated with maximum confidentiality and would be used for this academic research purpose and not disclosed ot a third party.

The researcher is also willing to share relevant research information pertinent to the growth and development of your organisation.

Yours faithfully,

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**(George Amoako)**

**Head of Department – Marketing**