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Why Wait Until It's Too Late? - How do the challenges deriving from the adoption of a reactive approach to Market Orientation affect the transitioning process?

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Abstract

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Keywords: Reactive and Proactive Market Orientation, Regulation, Innovation, Cultural Transformation, Technology, Financial Industry, Front End of Innovation, New Service Development

Research question-/s: Incumbents in the financial industry - what are the challenges faced in the beginning of a reactive transition to Market Orientation and how do these influence the process?

Methodology: The case study was conducted in a global financial service provider based in Sweden. The research takes a qualitative approach which follows an inductive method with small elements of deduction. The data collection was conducted with semi-structured interviews to collect empirical data which was supported by additional sources such as company documents and informal discussions.

Theoretical perspectives: The main theoretical perspective of this study is Market Orientation and the related transitioning process as a reactive measure. Contribution to theory is made by investigating challenges present in a reactive approach to Market Orientation.

Conclusions: The reactive approach brings new challenges to incumbents as they are developing immediate short-term strategies to alleviate the issues deriving from the external environment while working towards the main long-term objective of Market Orientation. This results in a conflicting resource allocation that translates in further problems that stakeholders identify as poor leadership and low internal collaboration.

1. Introduction

1.1 Background

To survive in any business environment, companies must strive to develop a sustainable competitive advantage (Kumar et al., 2011), which refers to a way of creating value for customers that is perceived as superior when compared to other players in the marketplace. This is especially true in the relentless moving market we live in today, characterised by a constantly shifting landscape, where advancements in technology have enabled new entrants to operate in novel ways and come up with compelling new value propositions that threaten to revolutionize multiple industries and affect traditional companies (e.g. Manyika et al., 2013).

One of the main characteristics of these successful innovations, is that they are guided by Market Orientation, being able to identify the pains of the customers, and tap on these opportunities by creating innovative new services with novel value propositions (Augusto & Coelho, 2009). Not only these companies were born product of, but are also run by a high sense of Proactive Market Orientation, which is aiming to discover customers' latent needs and anticipate their reaction to the introduction of new services (Gotteland et al., 2007). This approach is expected to give them major advantages both in the front end of innovation and in the new service development process, where a higher degree of Market Orientation will positively influence the innovativeness of a firm, helping them to develop differentiated new services, reducing uncertainty, shortening development cycles, and overall resulting in a better fit between a company's offering and the needs of the customer (Alam, 2002; Nagati & Rebolledo, 2013). The front end of innovation is the first stage of product and service development, and the development of FEI is argued to substantially improve the level of innovativeness of an organization (Agaard, 2012).

Now that Market Orientation has proved to be fundamental to sustain competitive advantage (Narver & Slater, 1990; Slater & Narver 1994; Kotter, 2007; Gebhardt et al., 2006, Kennedy, 2003) incumbents that used to dominate the marketplace, have seen their customer base eroded by the fierce competition of new entrants (Kursh & Gold, 2016; Monica et al., 2002; Clemons et al., 1996), and need to find a way to transition from a traditionally inside-out to a

Market Orientation approach to innovation, aiming to be as effective in the innovation process and product/service offerings as the new entrants.

But as much as a Proactive Market Orientation approach would be the ideal path to take, many incumbents fail to implement such an approach in the time needed due to the internal flexibility restraints and their dominant position in the marketplace. This also results in a difficulty to allocate resources in a manner which will not make such a transition an overlong task (e.g. Kuemmerle, 2008). The alternative then, is to adopt a Reactive Market Orientation approach, that consists of listening closely to the problems that the customers are voicing out and trying to solve them as a mean to implement the transition faster (Gotteland et al., 2007). And this poses as a problem because, according to the authors, the Reactive Market Orientation approach will always fall behind the Proactive Market Orientation approach due to the fact that the latter addresses both the expressed *and* latent needs from customers.

The banking industry is being transformed by changing consumer behavior, new competition and regulations. Consumers expect high quality digital experiences as they do from other industries. With the new regulations from the EU (Directive (EU) 2015/2366), and with consumers' need for alternative banking services has opened the window for smaller FinTech companies to enter the market. This sets pressure for incumbents to transform as well, as the banking model of the future will be driven by customer centricity over products and services. This will enable an information driven and value centric relationship, compared to being based on the bank's needs (Marous 2016). With the digitalization of the industry and increase in regulations, incumbents are facing IT legacy issues as their current IT structure cannot facilitate new digital developments and does not comply with coming regulations.
An understanding of the challenges that arise from transitioning to Reactive Market Orientation could give some guidance on what steps are the most important to take in the early stages and how companies can tackle this transition without harming their business and their position in the market.

1.2 Problem Discussion

The case company has its origins in a group of founders that set their sight in doing things different and revolutionizing several industries with novel value propositions and processes. This way of thinking took them to push novel ideas into new markets to challenge the traditional way of doing things and to offer their customers simpler and alternative products

and services. Although the model has proven to be rewarding and very successful to build a name for their brands, it also creates a strong path dependency (Teece & Pisano, 1997) that makes the company's innovation practices dependent on visionary individuals while neglecting the voice of the customers in the front-end of innovation.

The banking industry has not gone scathed to the important challenges that technology advancements have brought to the marketplace, their traditional ways of driving businesses such as market power, economies of scale and broad product lines (Slater & Narver, 1994) and their inside-out approach to innovation, makes their processes slow, and resource heavy. This opportunity has been identified by FinTech companies (technology solutions and startups) that have disrupted and improved the way banks and financial institutions do business, providing new solutions for greater security, faster transactions, and new options for financial services (Kursh & Gold, 2016). These companies are driven by a high sense of challenging the often complex and uninviting structures of established firms, and offering a friendly face with services that are more simple to use and address the long-ignored pains of the customers.

A recent increase in regulation has seen the European Union release a new and revised Payment Service Directive which seeks to "open up payment markets to new entrants leading to more competition, greater choice and better prices for consumers", taking "into account emerging and innovative payment services, such as internet and mobile payments" (Directive (EU) 2015/2366 on EU-wide payment services). This will see increasing competition from smaller players since banks will have to make their customer's accounts available to third parties through open APIs (application programming interfaces). This is one of the biggest problems banks and other payment service providers are facing now as they have to comply in order to keep their operating licenses.

This emergence of fast moving competition and new smart methods with increased technology have caused a shortening in service life cycles (Dursun & Kilic, 2015; Kursh & Gold, 2016), turning Market Orientation more into the cost of competing in the current marketplace (Kumar et al. 2011), as it is a proven method to be more innovative and efficient (Jimenez-Zarco et al. 2008; Narver & Slater 1990; Narver et al. 2004). For established companies wanting to transition, this means that the time frame to learn and adapt is limited, as firms that do not respond actively to the market place loose profitable customers and market share (Kursh & Gold, 2016; Ngo & O'Cass 2012; Clemons et al.,1996). Due to the

risk it represents, it is beneficial for companies engaging in drastic changes to see if the new methods deliver results before investing a considerable amount of resources (Tidd & Bessant, 2011, p.122) . As a consequence companies would need to start transitioning by implementing the most important or less resource intensive aspects to see advancements, thus reducing risk before jumping into a profound transition.

For an incumbent, breaking down the components of a Market Oriented approach is useful to get a deeper understanding of it and assess which steps to take first in the transition process. We find a useful conceptualization of Market Orientation in the dimensions mentioned by Narver & Slater (1990), which divides the approach into Customer Orientation, Competitor Orientation and Interfunctional Coordination. The beginning of the transition, which is the one this research is going to address, is characterised by higher degrees of Customer Orientation as companies' purpose is to face the turbulent environment by tapping into new opportunities and developing new services based on the data gathered in the market (Balas et al. 2014). Moreover, Narver et al. (2004) state that within Market Orientation, one could take either a Proactive or a Reactive approach, acting upon the latent needs of the customers with the former, and solving the expressed one with the latter.

Due to the urgency and turbulent market discussed before, we argue that companies are prone to adopt a Reactive Market Orientation since the fastest way to gather information from the market is to focus on the pains and needs already expressed by the clients, which in turn will also be a low resource intensive method to test the adequacy of transitioning to a Market Oriented approach to innovation.

Summing up, there is consensus about how the turbulent market environment is presenting new challenges to incumbents (e.g. Dursun & Kilic, 2015), and to address these, Market Orientation has not only become a way to tackle them but also the cost to compete (Kumar et al., 2011). We found extensive literature of the positive effects of adopting Market Orientation (e.g. Nagati & Rebolledo, 2013) as well as the different approaches a company can take to increase their levels of Market Orientation (e.g. Balas et al., 2014). But there is a lack of research around the process of transformation itself. While the challenges of cultural transformations have been documented extensively (e.g. Koter 2007) the purpose of this paper is to see if the same challenges apply to financial companies adopting it as a reactive measure, and more importantly, how these challenges influence the transformation process.

1.3 Purpose

The purpose of the research is to evaluate the challenges incumbent companies face when transitioning towards a Market Oriented approach in the financial industry, as well as how these challenges affect the transitioning process. More specifically, we focus our research on the initial stage of the transitioning process, for companies who adopted a reactive approach to the transition. We look at a market situation where the increase in competition and regulation is forcing incumbents to react fast to the changing environment, in a manner which maintains their profitability and mitigates the risk of losing resources during the process. These reasons make firms to take a Reactive Market Orientation approach to the transition, which poses as challenging considering the implications this may have for their business.

1.4 Research Question

Amidst the rapid changes in the marketplace, incumbents have to strive to be more efficient in order to compete with new entrants. One way to do so, is to implement a Market Orientation approach that enables resource allocation that match customer needs. A number of challenges arise when companies fail to act early, and have to engage in the transformation as a reactive measure to serious threats in the market.

- Incumbents in the financial industry - what are the challenges faced in the beginning of a reactive transition to Market Orientation and how do these influence the process?

1.5 Case Company

The case company is a niche digital bank operating in several markets creating long-term solutions based on fair terms that brings value to their customers and partners. In the consumer market, their largest customer segment is consumers in their fifties, seeking a simple and stable financial service. The company has differentiated themselves with excellent customer satisfaction in the area of loans, and a low interest rates.

The company in question has followed the technology push approach since day one, being one of the first digital bank in Sweden, and although it has worked for them, they have come to realize that such path is very resource heavy and many of the innovations or services pushed through the development process, are ignored by the end users because those don't represent a real value for them, nor cater to their needs. Due to the low success rate, and realizing the amount of resources that are being wasted, they are trying to move to a more customer-centric approach to innovation.

The financial industry has seen an increase in competition and regulation. In recent years the case company has seen how new smaller players are disrupting the market by offering convenient and easy ways to handle money and financial services through the use of technology. This threat is only expected to grow exponentially when the Directive (EU) 2015/2366 gets implemented in 2018, and by then the bank should be fast enough in their developments to match the time to market small companies have and improve vastly in efficiency through Market Orientation. Companies have needed to allocate a substantial amount of resources to maintain a "hygiene level", thus resulting in less resources allocated towards commercially viable products and services. (Hipp and Grupp, 2005). In this particular situation, where the dominant logic (Prahalad & Hamel, 1990) of the firm has been to use a more technology push approach, product and service development will possibly result in decreased customer value and profits. Market Orientation poses as the best way to achieve efficiency since it involves a deep understanding of the customer needs and delivers in providing users the digital services they expect to have, as accurate and easy to use as those offered by big players in other industries (Google, Amazon, Netflix, etc.).

Due to an opportunistic and short-term strategy, the case company has neglected the collection of data from customers and now, feeling the pressure from the market and their competitors, they have to move fast to start collecting data and learn from their customers to

develop a market oriented culture that gives a clear strategic direction to improve the identification of commercially viable opportunities, to push developments that are more relevant for their clients and to be more efficient when it comes to the innovation process.

We see value in the selected case company, as the the forces resulting to the turbulent environment are present in others , thus providing us with the possibility to generalize our findings. Furthermore, it is interesting to investigate a company which is going through a centralization process to become more efficient. Overall, regulation is increasing in several industries to enable digitally native companies to enter the market, which results to challenges to incumbents but also in opportunities for those with high level of adaptability to the changing external environment as seen in the financial industry. Our research benefits from a number of variables affecting the sector, thus making the case study more complete. Having a multinational company under investigation makes the case more attractive, as we need to take in count the complex organizational structures of the company which hinders the adoption of the new approach.

2. Literature Review

2.1 Technology Push and Market Pull

2.1.1 Inseparability of Technology Push and Market Pull

The way a company innovates is highly determined by their processes, structures and culture, and for years authors have discussed market pull and technology push as both cultural traits and approaches to innovation (e.g. Kuratko et al. 2011; Tidd & Bessant, 2014). Market pull refers to companies listening to customers and developing and implementing new features coming from what is voiced out by the market. Conversely, the technology push approach is rooted in the company's ability to come up with new solutions and is precisely aimed to push the boundaries by presenting advancements that defy the status quo and have the potential to revolutionize an industry. Both approaches have their strengths and weaknesses, and are often interrelated in their nature (Di Stefano et al., 2012).

Sources of innovation can be external or internally generated competences that enable companies to integrate external knowledge within its boundaries. The market pull approach has its advantage stemming from the fact that advancements are inspired and approved from the market, thus improving adoption rates as compared to the opposite approach such as technology push. However, listening too closely to the market can bring its disadvantages, as different authors (Kuratko et al. 2011; Tidd & Bessant 2014) have argued that quite often the customers don't know what they want or don't fully comprehend the boundaries of what is possible or not, thus missing on bigger breakthroughs. Comparing the two approaches in the context of development processes, there is evidence that technology push projects have an higher level of risk and failure rates. The contributors for the high risk level partly derive from the long adoption time of customers and the longer commitment from the firm especially in terms of resources (Sarja, 2015).

Technology push focused research has identified the importance of understanding customer needs in the beginning of the development process. Companies proceeding solely with an internal Technology Push approach can be seen as playing a lottery game, as Samli and Weber (2000) emphasize that a new product or service must fulfill at least some recognized need. Instead, the needs of segmented customers in a target market should be identified in the concept development phase to ensure its relevance (Sarja, 2015). If a company lacks

market knowledge, the chances of success will decrease, as demand is the driver that enables the innovation to adapt to market needs in order to favor its adoption and diffusion (Stefano et al., 2012).

Even though multiple authors have discussed the differences between the two approaches (Kuratko et al., 2011; Tidd & Bessant, 2014; Brem & Voigt, 2009), Di Stefano et al., (2012) focus on how complicated it is to distinguish between a Market-Pull situation from a Technology-Push one, due to the interrelated nature of the curves of demand and supply. For the authors, market demand is the best companion to drive innovation in the right economic and institutional directions, and when innovation derives from technology and science, it still needs a market and related complementary assets to be successfully commercialized. Moreover, innovation deriving from a pure demand pull perspective will still require technological competencies to be developed effectively, and will miss on the clarifying role that technology can offer to the role of demand. The authors state that in the end it all comes down to the three dimensions of resources, competences, and knowledge, as these are the ones that enable the synthesis of both approaches.

2.2 Market Orientation: dimensions and benefits

Having understood the inseparability of the dimensions, it is clear that one of the two is likely to lead the way, and the role of the second is complimentary. The market environment is pushing companies to take a market oriented approach first, which is then complemented with other approaches. Several authors point that embracing such a culture can have an important influence in the firm, creating the necessary behaviors that ultimately will enable the mechanisms to create superior value for customers. Business profitability increases as a result of the positive impact of the approach in the innovation process, which enables companies to be more efficient than competitors in identifying and addressing the market needs (Jimenez-Zarco et al. 2008; Narver & Slater 1990; Narver et al. 2004).

The benefits in terms of market performance for firms with this trait, had been named extensively since Levitt (1960) mentioned it for the first time, but Narver & Slater (1990) were the first ones to identify three complementary dimensions: *Customer Orientation*, which

refers to the understanding of the entire process a customer has to go through to acquire one's product or service; *Competitor Orientation*, where the companies are aware of key and potential competition and can identify their weaknesses and strengths to offer a differentiated value in the marketplace; and *Interfunctional Coordination*, which has to do with the coordination of resources in the company to create superior value.

When evaluating the impact each of the dimensions have in a business, Customer Orientation comes always on top when it comes to the advantages it can provide to a business in terms of innovativeness and competitive advantage (e.g Foss et al. (2011)). Although authors are clear to say that the Customer Orientation has to be matched with a set of organizational practices, and the mere interaction with customers is not sufficient to produce superior performance, the relevance of the knowledge collected poses as the most important of the three dimensions (Huffman and Skaggs, 2010). Moreover, Kaur and Mantok (2015) found that for companies seeking to improve their business performance, Customer Orientation has the greatest impact in highly developed economies.

Under the premise that companies deliberately select strategies in response to the external environment, Balas et al. (2014) distinguish between two possible approaches to Market Orientation. If they operate in a turbulent environment, the results showed that businesses are more likely to adopt a prospector strategic focus which includes higher levels of Customer Orientation and Interfunctional Coordination, which in turn can result in tapping into new opportunities. Alternatively, for companies operating in a stable market environment, the tendency was to lower the prospector approach and be more 'defender' with higher levels of Competitor Orientation as they were constantly monitoring and benchmarking to defend their position, and focus in cost efficiency.

Whichever the approach taken, Interfunctional Coordination always pops as a fundamental mediator to apply the knowledge gathered through the other two dimensions. As Dursun and Kilic (2015) found, learning orientation stands in the way of transforming acquired information into organisational innovativeness. This learning orientation is supported by the encouragement of top management and integration of different departments, maintaining a good flow of communication that permeates every corner of the organisation with the advancements made. Oswald et al. (2012) study shows consistent to this by stating that the departmental interconnectedness is beneficial no matter the approach a firm takes.

Furthermore, Narver et al. (2004) expand on the Market Orientation concept by acknowledging that the market has both expressed and latent needs. As described by the authors, a Market Orientation approach that listens too closely to what users have to say ends up with a narrow understanding of the market. Conversely companies which aim is to "discover, understand and satisfy the latent needs of customers" (Narver et al., 2004:p. 335) should strive to find needs of which the customer is unaware, and come up with innovative solutions pushed by their capabilities and knowledge.

Moreover, Grinstein (2008) conducted a meta analysis to study the effects of Market Orientation in the innovation consequences and concludes that a Competitor Orientation strategy only works when a minimum of customer Orientation is adopted too, showing an interdependence between the dimensions listed previously by Narver (1990). According to Grinstein (2008) Market Orientation effects are also stronger in highly competitive markets, and has shown that it can give an edge in innovation over competitors to firms using it.

2.2.1 Proactive vs Reactive Market Orientation

An organization can be market oriented, but it is important to distinguish between Proactive and Reactive Market Orientation as these approaches contribute different benefits and pose a variety of challenges (Narver, Slater and MacLachlan, 2004). Proactive Market Orientation aims to seek and discover customers' latent needs which can then be satisfied. This enables a company to anticipate in the longer term the customers' reaction to the introduction of new services. To discover latent needs, companies need to go further in the ways they gather information from customers. Gotteland et al., (2007) propose alternative methods such as observation, analysis of complaints, and the identification of lead users as suitable ways to enhance the proactiveness of the organization.

The methods introduced above differ from those used in a reactive organization. Reactive Market Orientation is defined as seeking to satisfy the needs of the company's current customers, through focus groups, surveys, or partnerships with key customers (Gotteland et al., 2007). Comparing the methods of both approaches, one can see that methods used in the proactive approach set an emphasis for the future needs of the market, whereas the ones used in the reactive approach aims to meet the needs that are not fully satisfied in regards of the current offering. Organizations having a reactive approach will have a

short-term vision of demand, to which it adapts itself incrementally and in relation to which it is relatively passive (Gotteland et al., 2007).

Slater and Narver (1998) argue that organizations should not have a solely proactive approach to Market Orientation, as it is not a matter of ignoring the needs expressed from current customers of the organization, but rather not making these needs the sole focus and concern of the organization. To add to that argument, Gotteland et al., (2007) say that organizations should focus on the expressed and latent, current and future needs of their customers, in order to enable short-term performance success and build on its competitive advantage on which the organization's long-term performance is based on. The authors make the note that whatever approach an organization takes, the including processes should involve the entire organization to fully take advantage of a market oriented strategy.

2.2.2 Customer Orientation and FEI

Even though Competitor and Customer Orientation pose as complementary, the latter has been extensively credited as being more important in the literature (e.g. Huffman & Skaggs, 2010; Foss et al. (2011); Alam (2006); Jimenez-Zarco et al. (2011)). This is especially relevant in the case of service firms, as Customer Orientation is the most important thing to conduct in a customer oriented approach because of the relevance of the knowledge collected (Huffman & Skaggs, 2010). Customer Orientation has also shown to be very beneficial to the front-end of innovation process to the point that in some industries it is the main source of innovation, coming on top of others like benchmarking and employees' ideas (Jang & Chung, 2005). The explanation behind this is that by using customer data input, companies can advance their techniques and remove some of the uncertainty. A better fit between the offer and the needs, reduction in development times of new services, and maintaining a long-term relationship with users are some of the benefits pointed by Alam (2002) to which Nagati and Rebolledo (2013), add that interaction routines with customers positively influenced the innovativeness of a firm, and contributed to the cultural proximity of the development which turned out to be beneficial in the selling process.

This interaction also gives customers a level of familiarity with the firm that can be mediated by the means used in the customer-firm interaction (CFI) (Huffman & Skaggs, 2010). Technological advances nowadays allow firms to decide upon the level of direct face-to-face

(CFI) interaction. For example, digital banks structure their services so that transactions can be performed via internet or telephone, whereas traditional banks open numerous branch offices and require face-to-face interactions with customers. The author states that the higher levels of CFI translate to greater knowledge, and lower perceived uncertainty surrounding the service offering. A high level of CFI will increase familiarity and customer's perceived cost of switching to rivals. The direct effect of this is greater disposition to innovation from companies, since their customers overweight the benefits given by their current provider, they are more likely to adopt new innovations coming from the firm (Huffman & Skaggs, 2010).

Going further than previous authors, Straub et al. (2013) examine how positive or negative the interaction of customers is in the innovation process in service firms. More and more, the customer is becoming an active partner in the creation of value, through their actions and contributions they are taking roles in the innovation process that were usually performed by employees of the company, and this is especially true in innovation processes pulled by the market.

By classifying customer roles, Straub et al. (2013) purpose is to identify the status quo of customer integrations and corresponding experiences in the industry. Their findings show that there are two roles customers can assume which are the most beneficial: 'Service Specifier' (the customer defines the details and triggers the service delivery through his actions) and 'Co-designer' (the customer helps as an organisational consultant during decision-making and design processes). Not only that, the results also showed that the specificity and level of detail firms got from customers was directly related to implementation results and satisfaction of the customers.

Literature is consistent in stating that the very nature of service firms, make their offerings be characterised by high levels of customer contacts or by the integration of external factors. Their process orientation, and operations require close contact to customers, and can be seen as one the main success factors for service companies, thus highlighting the importance of high levels of CFI (Hipp & Grupp, 2005).

2.2.3 Customer Orientation and New Service Development

As mentioned before, Market Orientation, and the knowledge gathered through Customer Orientation don't relate exclusively to the opportunity recognition stage, literature has also studied the benefits of including such knowledge in the different stage of the development, specially when it comes to efficiency. Having a systematic approach to new service development is regarded as one of the main success factors, involving several activities aimed at improving the efficiency and effectiveness of launching a new service, such as formal procedures to generate and evaluate new service ideas, a drawing-board approach for service design, and testing new services with customers (Zomerdijk & Voss, 2010).

The process of new service and product development consist of moving from idea through successful services, products and processes, and removing uncertainty through a series of problem-solving stages (Tidd & Bessant, 2011). As discussed before, involving the customer and linking market-and technology related streams during the process can be beneficial in the development activity. The development process of services and products can differ due to unique characteristics. Alam (2006) pointed inseparability, intangibility and perishability as the main characteristics that differentiated the service offering, thus affecting the innovation activities and practises of service firms. In particular, Alam characterizes inseparability as one of the most important factors as it gets at the nature of most services; the interaction between the customer and service provider during service delivery. This interaction provides an advantage, as the service provider constantly receives new insights from the users and maintains a high level of CFI.

Furthermore, La Rocca et al. (2016) posit that companies must move from the traditional new product development (NPD) to a novel scheme of the process that includes customer involvement which they label new solution development (NSD). La Rocca et al. reason the importance of the NSD process due to the significant contribution new solutions have towards business performance. In NSD, companies won't follow a traditional linear approach, where they take some resources and capabilities from their customers at given stages. Instead, the model is characterized for being progressive and regressive, iterative, with interaction patterns that can lead to outcomes that cannot be anticipated and require open-ended mutual commitments but that in return can bring innovative developments. Nevertheless, we saw value in discussing NPD and its process in the previous sections due to its relevance and applicability to NSD.

2.2.4 Challenges in a cultural transformation

Having discussed the benefits of being more market oriented and including the customer voice both in the recognition and development of opportunities, we cannot ignore the challenges several authors have identified for companies embarked in the transition, regardless of the methods used in the initial step moving towards Market Orientation.

First and foremost, it is important to note that even though literature has previously discussed if Market Orientation is a set of behaviors or a fundamental cultural trait, we subscribe to Gebhardt et al. (2006) notion that states it is the latter, and therefore the transition process to get there is a cultural transformation rather than a mere addition of practices. And, as pointed by Nag et al. (2007), organizations embarking on organisational transformation that differs from their current strengths, face greater failure risk than those that stick to what they know best because their inability to adapt due to knowledge growth in organizations being usually highly dependant on the company's history, this difficult to change.

Similar to the case company under investigation, Garret and Wattson (2007) investigated the importance of leadership when transforming a culture in a silo oriented organization. When analyzing companies in the process of updating their IT infrastructure, re-engineering key business processes, and implementing new customer experience standards, the authors found the importance in linking cultural transformation to business results, as well as the leadership's' role in adapting quickly to changing circumstances. A company's leadership must establish clear behavioral expectations for each person in the organization, and establish goals, objectives and key messages to guide the cultural transformation. The authors conclude that words on paper do not transform an organization, actions do. Relating to the role of leadership, Smith and Kuth (2008) provide an example on how multinational businesses can conduct a successful cultural transformation. This consists of a three way intervention which includes a top-down focus on strategy execution and leadership drive, a bottom-up focus on people engagement, teamwork and continuous improvement, and a customers-in focus on process improvement, thus setting an emphasis on customer centricity to the core of the company. The authors argue that in order to ensure leaders maintain their attention to a customer centric cultural transformation, a competency framework based on company values is needed which includes the leadership's contribution to customer interaction.

Relating to interfunctional collaboration, Smith (2013) discusses the importance of collaboration when changing culture of an organization, especially in an era of resource uncertainty, and where skillets related to agility, adaptability, and collaboration are valued. One aspect of this is to build trust between functions, especially in terms of understanding pain points, concerns, and objectives. The author argues that this is key in meeting short-term goals with long-term sustainable outcomes. Gebhardt et al. (2006), complement the collaboration with a simultaneous change in the recruitment processes, where the transitioning company should require that new individuals possess the necessary values to move forward.

Taking the previous challenges and adhering to Kotter (2007) we focus on the 'small wins' or planning for visible performance improvements that contribute to the greater goal. This is why focusing in Customer Orientation as a way to start the transition can assist companies in validating if a bigger transformation would deliver the expected results. Summing up, and acknowledging that organisational transformation should be the end goal of every company moving to a more market-oriented approach to innovation, our main focus will be on the challenges in the initial stage of implementation.

Early challenges come from the 'Initiation' phase, the first in a four stage process described by Gebhard et. al (2006). In this initial phase, an area or stakeholder recognizes a threat and try to form a group that can communicate both the threat and the vision to overcome it and advance. Challenges arise here in the form of the team who identified the threat not having the sufficient political power to convince decision makers (Gebhard et. al, 2006; Kotter, 2007), or not being convincing enough to get people with enough political power on board (Gebhardt et. al, 2006).

Now, if the group has the political power to implement the change, a second set of challenges arise if they are not able to create a sense of urgency such as that other areas of the company engage in transformation, and the company moves consistently in the same direction (Gebhardt et al. 2006, Kotter 2007). This presents yet another challenge described by Kennedy et. al. (2003) as the "catalytic role of the proximity leadership": a group may not be able to convince other areas or create a sense of urgency simply because they have a history of failed initiatives and employees don't trust their lead anymore. Which will in turn

produce in turn an adaptation in the language to refer to the processes rather than a substantial change.

The authors continue to unravel that even if the leadership hasn't been affected by credibility issues, stakeholders only start believing in the sincerity of the threat and imminence of the change when the organisation started to drive the commitment with resources. Once the movement has started and the resources allocated, it is fundamental to have the stakeholders aligned under the same vision so that they can all understand and be empowered to move forward, removing the obstacles product of the old ways of doing things (Nag et al., 2007; Kotter, 2007; Gebhardt et al, 2006). Also a big challenge for companies that rely on their structures to be competitive, and would now need to balance between sustaining their current business and advance to meet the new cultural direction.

Finally and when the previous obstacles are overcome, firms have to make sure they put in place not only knowledge content (gathering more data from the market) but also knowledge-use practices (transforming the content in relevant outcomes) (Kennedy et. al, 2003). The authors argue that is not only the use of new knowledge what will determine the success of the transition but the integration and unification of external data with internal customer data.

2.3 Summary of Literature Review

We looked at the suitability of a technology push and market pull approaches for different situations and the reasons one might have to move from one to another. While both approaches have different advantages and disadvantages, it was concluded that the two approaches are interrelated in their nature (Di Stefano et al., 2012). Both approaches require aspects of one another and in the case company's transition to a Market Orientation approach to innovation, there is still need for technological competences in order to develop competitive new service offerings. Furthermore, the case company under investigation could not sustain a technology push approach to innovation, and due to the changing external environment they had to move to a more market oriented approach.

Transitioning to a more market oriented approach to innovation poses as a risky move to incumbents (Nag et al., 2007) and as a first step some 'small wins' or signs of improvement (Kotter, 2007) can turn beneficial to convince before engaging in a complete cultural transformation (Gebhardt et al., 2006). To react to the changing environment and create

superior customer value, incumbents need to have the necessary mechanisms and behaviors to implement Market Orientation within the organization, as it the cost of doing business today (Kumar et al., 2011). Whether the approach is proactive or reactive, companies have to have the needed competences to develop the three dimensions of Market Orientation; *Customer Orientation, Competitor Orientation, and Interfunctional Coordination*.

We found that Customer Orientation has the most notable impact on a company's innovativeness and competitive advantage (Foss et al. 2011). The Market Orientation dimensions relate to each other, and while it is suitable to prioritize one over another, an organization cannot adopt only one of the dimensions. Customer Orientation and Competitor Orientation are connected in nature due to both of them emphasising knowledge gathering from the external environment. Furthermore, independent on which of the previous a company chooses to focus on, to become market oriented companies need to enable interfunctional coordination to achieve the benefits of Customer or Competitor Orientation.

Whether a company takes a proactive or a reactive approach is often dependent on the external environment (Balas et al. 2014). What also affects the approach is whether the company is an incumbent or a new entrant, as new entrants can design their offering to reflect the latent needs of the market from the very beginning. As our research is focused on incumbents in the financial industry, the reason for the case company's reactive approach is due to the turbulent external environment and changing consumer behavior.

For companies transitioning as a reactive measure to the threats of the market, the implementation of Customer Orientation poses as an interesting first step to get visible achievements and to enable them to validate the new direction for future resource allocation. Although Market Orientation is comprised by three major dimensions, many authors claim that Customer Orientation is the most important of the three (Huffman & Skaggs, 2010; Foss et al. (2011); Alam (2006); Jimenez-Zarco et al. (2011)), and can also be the more cost efficient if a Reactive Market Orientation approach (Slater & Narver, 2004) is adopted.

The main challenges identified from the literature consisted of the role of leadership, internal collaboration and communication, needed political power of employees, sense of urgency, strategic consensus, employees' trust on their leaders, and finally acknowledging that the adoption of the new approach is a cultural transformation. The challenges are connected in

nature and from reviewing the literature, we found that leadership often poses as the main challenge as the other challenges then trickle down from the decisions made by top management.

For the purpose of our research, it is important to acknowledge how the dimensions of Market Orientation are connected with the identified challenges. Challenges affecting the adoption of customer and competitor oriented activities are dependent on leadership's decisions on whether these should be prioritized, as well as how these are communicated in the company's strategy. Furthermore, to conduct a cultural transformation, the role of leadership is notable in applying the dimensions of Market Orientation to the core of the company. Interfunctional coordination again is dependent on internal communication, both from leadership down to lower levels of management as well as communication between departments. Strategic consensus is needed for departments to have shared goals and objectives to enable efficient interfunctional collaboration. To conclude, the trust employees have on the company's leadership affects the level of interfunctional collaboration of the company, as if employees do not trust new strategic initiatives or directions, the implementation of the approach will not be successful.

We see a research gap in investigating how the challenges above and the rigid structure of financial institutions affect the transition process. Moreover, our findings could then be applied in a practical context for companies conducting this transformation.

3. Methodology

3.1 Research approach

3.1.1 Epistemology and Ontology

As our research is investigating a transition within a company, there is a need for a research approach that views the area of investigation as a social construct. Therefore, we took a research procedure different from those of natural sciences, which in this case was the approach of interpretivism. Due to our placement in the case company, we could not be fully objective in our research, thus the epistemological approach was necessary as we needed to take in count social constructs in our research, meaning the individuals and the organizational culture within the company. With this notion in mind, we connected the approach to constructivism, which contends that social phenomena and their meaning are continuously being affected and accomplished by social actors (Bryman & Bell, 2011). The case company's transition to a more Market Oriented approach is produced through social interactions which are constantly revised, and it was our assumption that the transition does not only depend on a change in strategy, but the commitment and actions of the individuals within the organization.

3.1.2 Strategy, Approach and Design

The majority of the research took an inductive approach as the purpose of the study was to develop new theory emerging from the data collected. Nevertheless, the research partly took deductive approach as we were investigating if the findings of our research reflected those from theory. The research can be classified as inductive as it mainly used a grounded analysis from interview data, and theory was the result of the research and observation (Bryman & Bell, 2011), although it was complemented with already existing theory, thus taking some elements of the deductive approach in a lower sense. An instrumental case study was conducted, setting an emphasis on qualitative research deriving from semi-structured interviews and observation. Furthermore, the use of company documents and informal discussions with stakeholders enabled us to be more effective in identifying key information from the interviews. This case study design is an intensive analysis of a single case entails the particularities of a company going through a special event (Bryman and Bell,

2011). As the authors mention this is also special because of the opportunities to learn, and offers the possibility to be instrumental in further research on the transition phenomena.

3.1.3 Generalization

As this research is based on a case study, we got insightful empirical generalizations but little theory (Bryman & Bell, 2011). Little theory because from this study one can draw some degree of generalization when it comes to the findings related to the initial stage of the transition. This poses as a revelatory case, since the phenomenon has been studied very seldom (Bryman & Bell, 2011) with some characteristics of representative as well, since the current advancement in technology and increase in regulation is forcing incumbents to move to a market oriented approach, thus we can find companies facing similar issues in the initial stage of said transition.

There is a limitation in generalizing our findings due to limited size of the population under investigation. Bryman & Bell (2011) argue that due to the small number of employees being interviewed and due to a specific organizational context, it is impossible to know if the findings can be generalized in other settings. Nevertheless, as qualitative research seeks to understand behavior, values and beliefs, we argue that our findings can be applied in a variety of organizational contexts. Relating to the notion that we cannot be purely objective in our research, another issue affecting the generalization of our findings is the subjective nature of qualitative research. The findings of the study rely on our individual views about what is important and what is not, and are also affected by personal relationships which we have with the interviewees.

3.2 Data Collection

As we were interested in investigating how a Reactive Market Oriented approach to innovation affects an organization, the use of semi-structured interviews and observation was beneficial to make a more context-sensitive interpretation on the challenges which arise in the beginning of the transition. Using a qualitative approach enabled us to form a more rounded and complete picture of the current state of the case company and the issues in hand. By qualitative interviewing, we were able to be flexible and seek out the worldviews of

each participant. The semi-structured interviews will gave the participants the ability to be open in their responses (Bryman & Bell, 2011).

The interviews were conducted with individuals who initiated, affect, and are affected by the transition towards a market oriented approach to innovation, in the areas of digital development, operations, insights, and higher levels of management. Due to time restrictions and the availability of participants, we conducted one 50 minute interview with each interviewee. If a situation occurred where the time allocated was not enough for the interviewee to fully respond to the questions, arrangements were made to complete the interview.

While the semi-structured interviews are our main source of data, we also collected data from additional sources, such as presentations and project cases to provide us with a better understanding on the context where challenges arise. This assisted us in unveiling how challenges and issues evolve depending on the place in time and on the nature of development initiatives. The additional sources of data also assisted us in understanding how the transition affects different areas of the organization in different ways.

3.2.1 Semi-structured interviews

3.2.1.1 Interviewee selection

As our research is based on the investigation of challenges which arise from moving towards a Reactive Market Oriented approach to innovation, the criteria for the selection of interviewees is based on how involved the participants are in the transition and how much they are affected from it. From this base, we can divide the participants into four groups. The first group consists of individuals leading the transition. These members are involved in the digital development of the company and the NSD process. The second group consists of individuals in close contact with customers. These members are based in operations, where there is an exchange of information with customers on a daily basis. The third group consists of individuals who manage the data gathered from customers via webpage/apps analytics, market research, and provide insights to the rest of the organization, without necessarily being in direct contact with them. The fourth group consists of individuals that are regarded as top management of the company. These members have had a key role initiating the

change of strategy, thus are crucial for our research in regard of understanding the origins and reasons of the transition, and how the transition should be executed.

Title	Group
Head of Digital - (Interviewee I)	1
International Digital Store Manager (Interviewee II)	1
International Store Manager (Interviewee III)	1
Solution Architect (Interviewee IV)	1
Head of Insight Nordic (Interviewee V)	3
Lead Marketing Strategist, Insight (Interviewee VII)	3
SEO and Analytics Manager (Interviewee VIII)	3
Team Manager Customer Operations (Interviewee IX)	2
Head of Commercial Excellence (Interviewee X)	4
Head of PMO (Interviewee XI)	Interfunctional
Business Controller (Interviewee XII)	Interfunctional

3.2.1.2 Interview preparations

Creating the interview guide, we saw an importance in formulating the questions in a way which did not guide or restrict the participants to answer in a specific manner, leaving space for the participants to provide information in a way they feel is the most relevant. The questions were fairly open ended to give space for the interviewees to elaborate on the topic and issue in hand, and from this we were in a better position to identify subjects that were outside of our scope but still relevant on the issue, and follow up on these with more specific questions.

The interview guide begins with general questions about the interviewee, such as their previous experience, responsibilities within the organization and the time they have been employed. This assisted us in understanding the context which the interviewee is operating in, thus providing us a more holistic view on the interviewee's answers. The general questions also assisted us in identifying which areas of the organization are affected the

most, and if challenges and issues are interpreted differently in different functions and managerial levels of the organization, would prove a difference in vision, one of the challenges brought up by Kotter (2007), and moreover interrupted communication between areas which could either be a sign of how early in the transition the company is, since the team who recognized the need has not had time to communicate it before the beginning of our research (Gebhardt et al. 2006) or that some areas of the company no longer trust the top management due to failed initiatives in the past (Kennedy et al. 2003). However, we need to acknowledge that some participants are involved, or can be categorized in, more than one of the previously mentioned interviewee groups. Thus some answers cannot be tied to a specific area or function of the organization.

The interview guide then moves to more specific questions which are based on the Market Orientation dimensions identified in chapter two. Building on the findings by several authors (Huffman & Skaggs, 2010; Foss et al. (2011); Alam (2006); Jimenez-Zarco et al. (2011)) we previously stated that Customer Orientation, among the dimensions of Market Orientation listed by Narver & Slater (1990), was the most effective way to start the transition, prove results and be resource efficient, thus the first dimension incumbents should aim to implement within their organisations. Since the transition initiated recently, with questions in sections 2 & 3 of the interview guide, we wanted to use the dimensions to identify how Market Oriented was the case company before the transition and furthermore prove if they had followed the Customer Orientation dimension as their first step.

The interview guide then continues with questions built around the challenges found in the literature review. First, and as suggested by Gebhardt et al. (2006) we want the interviewees to acknowledge that the transition is not just a mere addition of processes but a long profound transformation. Acknowledging this, the interview preparation sets an emphasis to get as complete answers as possible on the challenges that can arise in the implementation of the new culture. With questions 9 and 10, and before going into the specific challenges identified in the literature, we wanted to assess in a macro level if the core competences of the company and the dominant logic (Prahalad & Hamel, 1990) are interfering with the company's ability to transform. We wanted to investigate if these aspects are equally influential in all organisational transformation, or are they highlighted in this specific context of transitioning towards a Market Orientation approach to innovation.

Moving onto the specific challenges identified in chapter two, taking in count that the transition in the case company initiated from the middle management, questions 11, 12 and 13 attempt to unveil how convincing employees with sufficient political power, and creating a sense of urgency around the transition (Gebhardt et al. 2006, Kotter 2007) are affecting the implementation of the new culture.

As a third subset of questions within the challenges (15 and 16), we focused on the role of the top management by investigating if their credibility has been affected from previous failed attempts (Kennedy et al. 2003), thus affecting how employees follow their initiative. Convincing stakeholders on the importance of the new direction, Nag et al. (2007), and the notable role of sufficient resource allocation.

Finally, our purpose with this research is to make sense of how the implementation of the transition, and the development of new value propositions is affected by the challenges faced along the way. Therefore we asked the interviewees questions about how the aforementioned challenges affected the adoption of the approach. This poses not only as a conclusion for our research, but also as a challenge itself as identified by Kennedy et al. (2003) where the aim is to get to a stage where the acquired knowledge is used to create value for the company.

With these four sections, the interview guide is built in a manner where every respondent is in a position to provide valuable information around any area or challenge, whether it is resource commitment, role of leadership, organizational behaviour, or the ability to gather and apply external knowledge. More importantly, the main objective of the interview guide is to reveal how the challenges affect the implementation of the new approach. The questions are grouped into the following categories: *General Respondent Information* Q1-4*, Dimensions of Market Orientation* Q5-6*, Reactive Market Orientation* Q7*,* and *Challenges* Q8-19, and *Implementation of Approach* Q20-21.

The interviews were recorded and transcribed for analysis. We also took specific roles in the interviews; one asking the questions and one making notes to identify important aspects which should be followed up on. All interviewees' were anonymized to mitigate the risk of interviewees withholding information, such as critical answers towards a specific function. Nevertheless, we did not offer the interviewees a right to take back information they had

voiced out. When setting the interview, we wanted to provide the participants with a comfortable space, most preferably in a meeting room away from their work space.

3.3 Data analysis

3.3.1 Semi-structured interviews

The data collected from the semi-structured interviews was analyzed using the Gioia method. The framework used to analyse the qualitative data follows the one of grounded theory, but we cannot be specify it as such as a part of our research includes the analysis of theory. Nevertheless, our data analysis majorly reflects the grounded theory as we follow an iterative process in forming theory from the gathered data (Brymann & Bell, 2011). We applied a multi-step analysis, where we analyzed the data gathered from each interviewee and then aggregate all information to develop a generalizable model (Gioia et al., 2013). The process began from coding the information from the transcribed interviews to first order concepts. We emphasised the importance of using the interviewee's language to capture the true meaning of the responses. The second step was to aggregate the similarities and differences of the first order concepts to second order themes. Eventually, the second order themes were sorted to aggregated dimensions which could then be compared and analysed further.

As suggested by Gioia et al., (2013), to the benefit of our research, we maintained a level of flexibility in adjusting our research question and interviews based on the findings that emerged from the analysis.
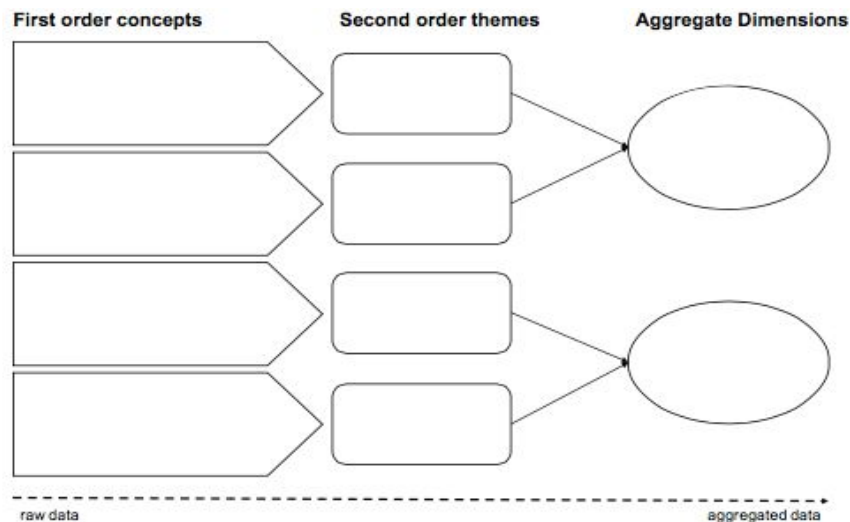
In the beginning of the multi-step analysis, we arrived at 53 first order concepts. The first order concepts were identified based on their relevance to the overall transition to become market oriented and the challenges present within. The first order concepts were then compared and analyzed, looking for similarities as well as differences from the interviewees' responses. This process resulted in 17 second order themes, which were labeled with relevant organizational concepts. At this stage, we started to develop a better understanding of the data in hand, identifying key challenges the company is facing as well as important information around the context in which they are operating in. The second order themes were then grouped into five aggregated dimensions, representing the five main challenges affecting the adoption of the new approach.

3.4 Validity and Reliability

To measure the reliability of our research, we need to look at three factors which determine the consistency of a measure of a concept; stability which refers to whether or not our measure is stable over time, internal reliability which refers to whether or not the interviewees responses on one inquiry were related to the responses of another, and inter-observer consistency which refers to the subjective judgement involved in translating the data into categories, especially when there is more than one participant in the activity (Bryman & Bell, 2011).

Looking at the stability of our research, we argue that due to the fairly large size and diversity of our sample, being from several different functions, ages, genders and backgrounds, the results from our research would not vary to large extent if the sample would be expanded. Referring to internal reliability, from our data analysis we saw clear

linkages in how interviewees from similar functions responded similarly to different questions. For example, those interviewees close to market research and customer operations tended to emphasise customer centricity throughout the interview. Finally, looking at inter-observer consistency, to overcome the possible bias one might have about the importance of certain aspects in the data analysis, we transcribed and coded the interviews of one another to get an unbiased view on what aspects of the data should be emphasised upon.

To measure the validity of our research, we estimated the construct validity of a measure, hence we developed a hypothesis from relevant theory on the concept under investigation (Bryman & Bell, 2011). Before gathering the data, we designed the interview guide to reflect the challenges in the transitioning to a market oriented approach from literature. This enabled our data collection to be focused on relevant issues, and enabled us to get a deeper understanding around these as we did not need to start from the very beginning of identifying the known challenges.

Within our qualitative research we used more than one source data to study a social phenomenon within the case organization. Thus the preferable method was to use triangulation to increase the validity and reliability of our research (Bryman & Bell, 2011). By cross referencing the data gathered from interviews, informal interviews, company documents and observation, we increased the validity and reliability of our findings.

4. Findings

4.1 Introduction to findings

In this chapter we will present our findings from the data analysis. As we progressed in our data collection, we found that the context in which the company operates in, affected the challenges within the transition to an extent we did not anticipate. Thus we will first introduce the external and internal conditions which is the overlying challenge, whereafter we will introduce more specific and pressing issues the company is facing in the initial stage of the transition.

"As a result of the governance and the budget constraints, we are not investing in the competences that are needed to be truly user-centric."

"The focus is how can we be more efficient, how do we develop products faster and how they are more maintainable and standardized so it's not so expensive to scale, and then the fifth question is "what's in it for the customer?""

While the transition to become a market oriented organization is evident, due to the challenging market environment the transition is part of a larger efficiency focused transformation, where the dimensions of Market Orientation are less prioritized. The external context where there is an increase in regulation and competition, and where consumer behavior is changing, is affecting the company to a notable extent. While the company cannot affect the external forces, they have a strong effect on how the company is structured and how resources are prioritized. The challenging market environment has also affected the level of interfunctional coordination through the current dominant logic of the company, and how the departments are placed within the company to enable collaboration.

4.2 Overlying Challenge

Besides talking about the challenges, the interviewees discussed extensively the context in which the company operates and the special transformation it is going through, which turned out to be the overlying challenge where the process takes place. Many of the impediments to move forward in the transition we are investigating, ended up being connected to these factors. Although for moments the context can be seen as the main challenge, we

understand that it is not the context itself but the way the company decides to tackle the threats derived from such a context. This realization came after acknowledging that other players within the financial industry are also operating in the same context, and still outperforming the competition in terms of innovation.

The first big factor that is affecting especially incumbents in the financial industry, is the Directive (EU) 2015/2366 that will make it easier for new players to enter the market and will see the dominant position of established banks being threatened by the new rules established by the European Union. From the interviews we found that the directive will not only facilitate the entrance of small companies, but also obligates banks to provide the conditions and information requirements so that their customers can access other payment methods through APIs. As Interviewee I said "*Most of the efforts are again legally driven compliance efforts*".

This poses as a special problem considering the IT legacy problems the bank is having. The current initiative to centralise and be more efficient, found a special challenge in unifying the backend of the platforms different countries are using. In the past, and since each of the branches operated as an independent entity, they could decide how to proceed and develop their sites and solutions on the internet. With the centralisation, the bank has to get rid of multiple outdated infrastructure and move to an unified one that allow them to scale and standardize developments across markets, which is not only a special challenge when addressing the new regulation, but also a challenge of its own that slows the centralisation and efficiency process of the case company "*The backend is the most critical challenge, all of our customers regardless of the country (...) if we have the core banking system aligned and streamlined, then we can do development in all countries and push it out really efficient (...)*" -Interviewee VIII-.

The centralisation and external regulations have forced the company to allocate the majority of resources available into a robust and unified IT structure that can simplify the communication between markets and comply with the new directives, thus leaving little space for new developments and ideas to improve the services of the bank based on the recent efforts to collect more data from the customers, as expressed by Interviewee XII "*our most highly prioritized projects are compliance related*" and Interviewee II "*we can't continue working with all these old systems and waterfall projects, with an IT department that is not*

scalable either (...). [it] is tough for the organisation, but we have to do it, otherwise we won't be able to catch up by developing all the stuff we need".

4.3 Introduction to challenges

From the data gathered, we identified similar challenges such as revealed in literature (Nag et al., 2007; Kotter, 2007; Gebhardt et al, 2006; Kennedy et. al, 2003). From the areas of leadership, internal collaboration, resource allocation and the challenging market environment, which have resulted in numerous obstacles that have a negative affect towards Market Orientation. Nevertheless, the previously mentioned overlying challenge context affects how these challenges should be addressed. In the following chapters we will introduce and explain the second order themes and aggregated dimensions which are supported by empirical evidence from our interviews. The following findings presented derive purely from the data gathered from interviews and should not be interpreted as statements or independent analysis of the data.

4.3.1 Coding

Internal Collaboration

Two main findings on how the company operates were identified. The first one is what employees label as 'silos' and refers to the separation within departments, the general lack of communication which affects the integration and efficiency, thus hindering the processes that could contribute to move faster in the transition "*It's difficult for me to talk about the company because we are in silos, and with the lack of communication it is really difficult to find out where there are obstacles and where can I help*" (Interviewee VIII). These were divided into two second order themes *Departments distanced from each other* and *Lack of centralised data*. The second finding was that many of the employees in an individual level decided to act independently based on their experience and understanding of the way the bank operates. These evolved in the second order theme *Dominant logic* as it directly refers to the ways people are used to operate (Prahalad & Hamel, 1990). A more detailed explanation of the second order themes will help in understanding their relations and how these correspond to the same group:

Departments distanced from each other: We found that the company is structured within silos, which results in a variety of issues. By being silo oriented, the communication between

departments is not efficient and has a negative effect on the departments' ability to collaborate with one another. It was also revealed that the departments do not share common KPIs (key performance indicators), resulting in the inability to see progress of collaboration, as well as identifying common issues that could be solved together thus increasing efficiency.

Lack of centralized database: A challenge that we found was that there is not a centralized database in the company. Market Orientation is highly dependent on the distribution of information within the company to enable efficient interfunctional collaboration. Currently, departments or functions need to specifically request or gather data from a variety of sources, resulting in inefficiency and inability to keep all parts of the organization updated with relevant data.

Dominant logic: It was voiced out that one of the main challenges in the transition are the people and the dominant logic within the company. A large set of employees have been employed by the bank for several years, and during the time they have developed a tunnel vision where they follow a specific way of working. A good example of the logic behind this was revealed by Interviewee II when talking about the approach to work *"I think I am more independent because I've been working here for so long, I ask my managers what to do and then the path I take is based in what is better for the organisation"*.

Based on the understanding of these themes, we categorize them under the label "Internal Collaboration" which refers to the ability to effectively coordinate functions within the company to come up with a superior value. These three themes evidence the challenges the case company is facing to build a good interfunctional coordination.
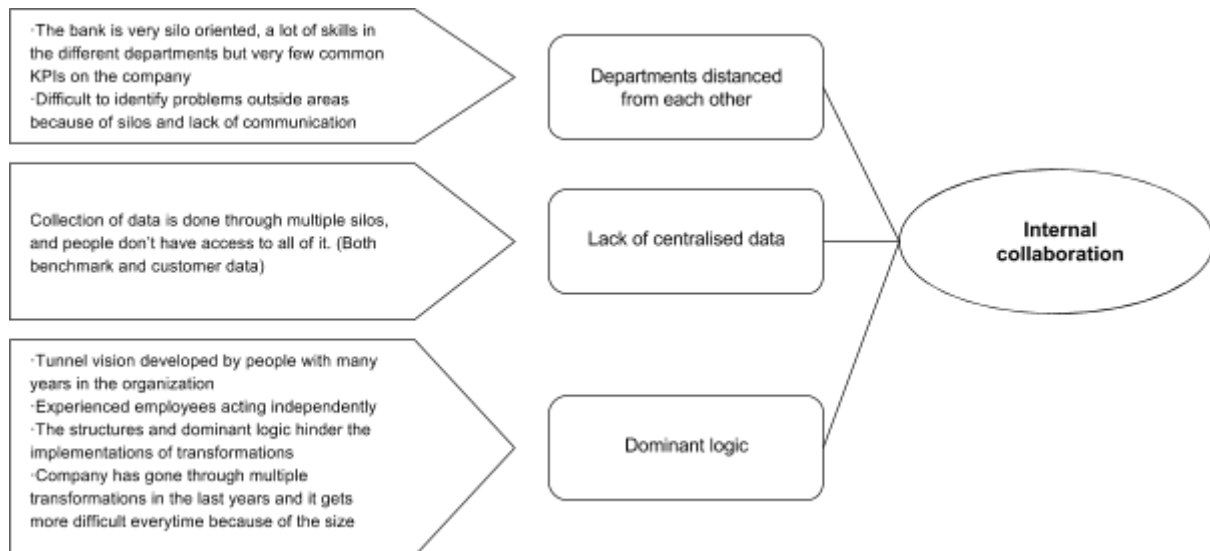
Leadership

In the first order concepts we had several findings relating to leadership within the company. These were, for example, how employees wanted more communication towards their specific function that would enable them to contribute to the company's overall strategy "*The role of top management is to communicate the importance of the transition, giving us the tools to measure performance and define the needed steps*" (Interviewee VII), as well as how employees did not fully trust the top management due to failed initiatives "*Past strategies have not always been successful, and sometimes you feel like: why are they doing this?*" (Interviewee II). The first order concepts resulted in the second order themes; *conflicting communication and action, unsupportive management, lack of communication, lack of strategic consensus, lack of trust*, and *lack of sense of urgency*. The second order themes resulted in the aggregated dimension of *Leadership*. The second order themes are explained underneath:

Lack of strategic consensus: Connecting to the departments distanced from each other, there is also a lack of strategic consensus between departments. When asked about how are the interviewees' departments benchmarking their competition and how they are applying customer input in their work, it was voiced out that while the interviewees knew how their department was conducting these activities, they did not have any idea what was happening in other departments. The most relevant finding to the lack of strategic consensus was that top management has not communicated how departments should work together to achieve a common goal. It was also said that the strategy and responsibilities for each

department was not communicated clearly, and some employees would just give up if there was not a clear plan in place. The lack of strategic consensus hinders the company's ability to transform, and transition to a market oriented approach to innovation. This fundamental difference between this theme and that one of *dominant logic* under the aggregated dimension *Internal Collaboration* is that the latter refers to employees working independently, thus indicates individual levels and decisions, whereas this category is talking about what is voiced out as the strategy of the company and the departments.

Lack of communication/actions from leadership: Relating to leadership within the company, interviewees voiced out that there was conflict in what was communicated from top management and the actions they took. It was said that the reason why projects fail within the company is that employees do not have a strong direction on what they should do, as well as due to the conflicting communication and action, the company struggles in developing standard process to reach a common goal.

Lack of sense of urgency: While the transition was said to be a priority by several interviewees, it was mentioned that this was true in the long but not in the short term. Thus there is no sense of urgency present within the company. We found that while it was conceptually a priority, there has not been clear actions towards that goal. It was also mentioned that there are many employees eager to contribute to the transition, but they have not been given the opportunity to do so.

Unsupportive top management: We evaluated how well initiatives deriving from lower levels of the organization received support from the top management. While it was said that the top management is open to any suggestions, it needs to be in a structured way. It also requires a robust business case, and one employee [Interviewee I] voiced out that initiatives do receive support until they need funding. The top management is selective in what initiatives to take under development, as initiatives which are connected with larger partners receive priority, thus resulting in undermining the end consumer. Our results show that while it is easy to approach the management team about new ideas, it is difficult to push through ideas which would require change in the organization.

Lack of trust: Unsuccessful past strategies initiated from the top management have resulted in some of the employees doubting of the strategic guidance they are given and working independently in ways they think will better help the company. The trust in their leaders has

been affected, and this is a major problem when trying to convince stakeholders to steer the boat in different directions.

Conflicting communication and actions: for some stakeholders, the bank is good in setting directions but what is written in paper and what people do is different and contradictory. And this behavior is impregnated from the top management since they have failed to act consistently with the goals voiced out.

It is evident that there are several issues which connect to the leadership of the company. While the issues discussed above can also be connected to other organizational challenges, our data analysis shows that the common variable in all of these is leadership. Thus the aggregated dimension is termed as such, and the second order themes included here are restricted to those with a clear linkage to the crucial role the top management has in the transition to become market oriented.
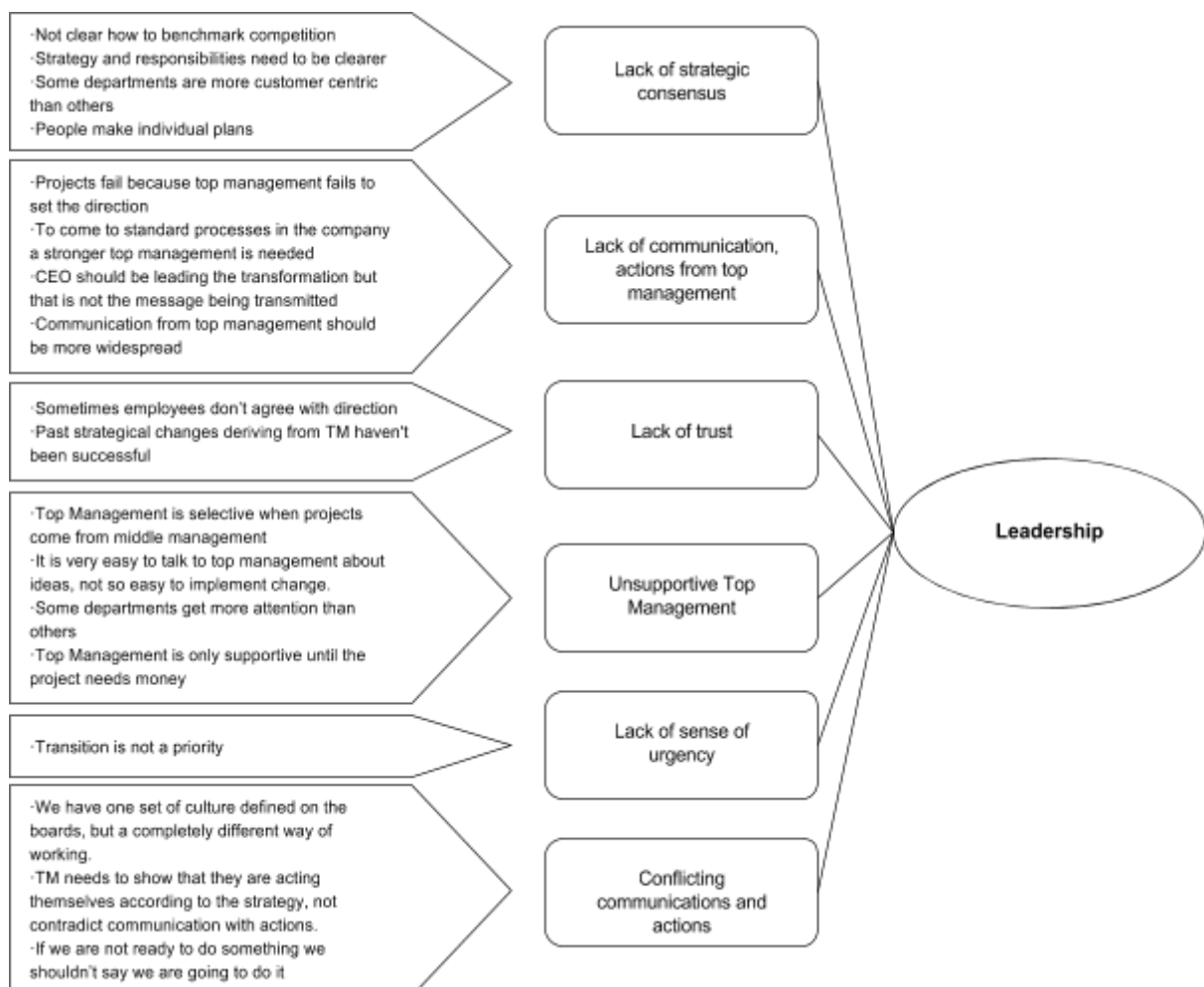
Alleviating and Efficiency Actions

As stated previously the company is going through a process of transformation to be more efficient, and a market orientation approach can assist them in achieving the goal. The problem is that there are some other critical aspects that must be attended before, such as the IT legacy problems where they have different systems inherited from the independent ways branches operated in the past, which are being addressed through the centralisation efforts in place for a couple of years now while the company complies with new regulations to maintain their banking license. These themes were divided in those which referred specifically to *IT Legacy Issues*; *Centralisation Process* which also encompasses processes outside the IT department, and *Different Priorities* which affect the allocation of resources to the efficiency and centralisation process. A more detailed explanation of the second order themes will help in understanding their relations and how these correspond to the same group:

Centralisation process: The need to scale the services of the bank and grow the business, led to a transformation that consisted of centralising the activities of the bank in Sweden in order to be more efficient and advance faster in the light of the increased competition.

IT Legacy issues: As mentioned before, the way the company was structured in the past, resulted in having a number of different approaches and implementation processes for the technology infrastructure that support the websites and internal data of the different markets the case company operates in. This is seen as one of the critical issues to be solved before the company tries to move anywhere else.

Different priorities: Currently the focus of the company is efficiency and restructuring IT. Due to current governance and budget constraints, the company is not investing in competences that are needed to be truly user-centric, not allowing the organization to fully exercise the aspects required for customer awareness. Relating to customer-centricity, data gathering efforts of the company are driven by compliance efforts rather than customer insights.

These second order themes were grouped under the aggregated dimension "Alleviating and efficiency actions" under the premise that they all have to do be addressed before moving to a bigger transformation, but are not sufficient to reach the desired goal, consisting in the necessary and urgent measures that have to be solved before engaging in a bigger transition.
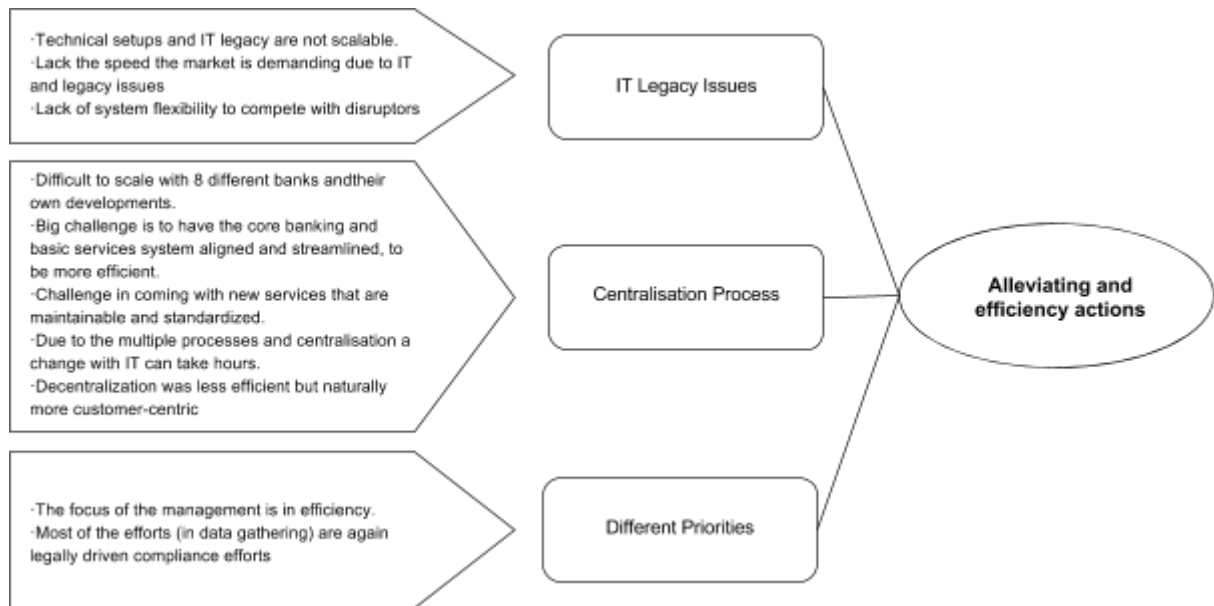
Resource Allocation

From the first order concepts we found issues surrounding how and by what criteria resources are allocated, as well as how the departments within the company are equipped to collaborate with one another "*Different competences sit in different departments that are staffed to different capacity levels, so people run out of capacity to give and to collaborate, collaboration costs time and money*" (Interviewee I). These first order themes resulted in three categories, comprising of *Low Capacity for Collaboration, Resource Allocation*, and *Not Applying Customer Orientation to Full Extent*. Due to the mentioned efficiency focus, resources are prioritized in a way which does not contribute to Market Orientation. The second order themes resulted in the aggregated dimension of *Resource allocation* and are explained underneath:

Low capacity for collaboration: While there is a high level of individual competences and skills within the organization, different competences sit in different departments that are staffed to different capacity levels. By different capacity levels we mean the fact that employees run out of capacity to give and collaborate with different departments, thus one should not confuse the low capacity for collaboration with the aggregated dimension of Internal Collaboration. Collaboration costs time and money, and it was said that capacity planning and resource allocation are the main obstacles the company needs to overcome to transition to a market oriented culture.

Resource allocation: Due to the high efficiency focus and IT legacy issues, the company is prioritizing compliance projects in order to maintain their banking license. Projects need to have expected revenue to receive resources, and when discussing potential revenue versus matching customer needs, revenue takes priority. Given that resources are allocated based on a financial metric, resource prioritization has a notable effect on the company's ability to be more customer centric.

Not applying customer orientation to the full extent: the company has already started to collect information from their customers and for that they have set up multiple data sources, but they are not using it as they could, mainly because the resource allocation is focused in solving other problems the bank has been carrying for some time now. Thus there is a lack of available competences in the company to fully take advantage of Customer Orientation.

Resource allocation affects several fronts within the company. While the current prioritization of resources are directed towards the company's centralization process, this activity has a negative impact on internal collaboration and how the company utilizes customer input to become more customer centric. This aggregated dimension has a notable role in the transition, thus we emphasise its importance in our analysis and discussion.
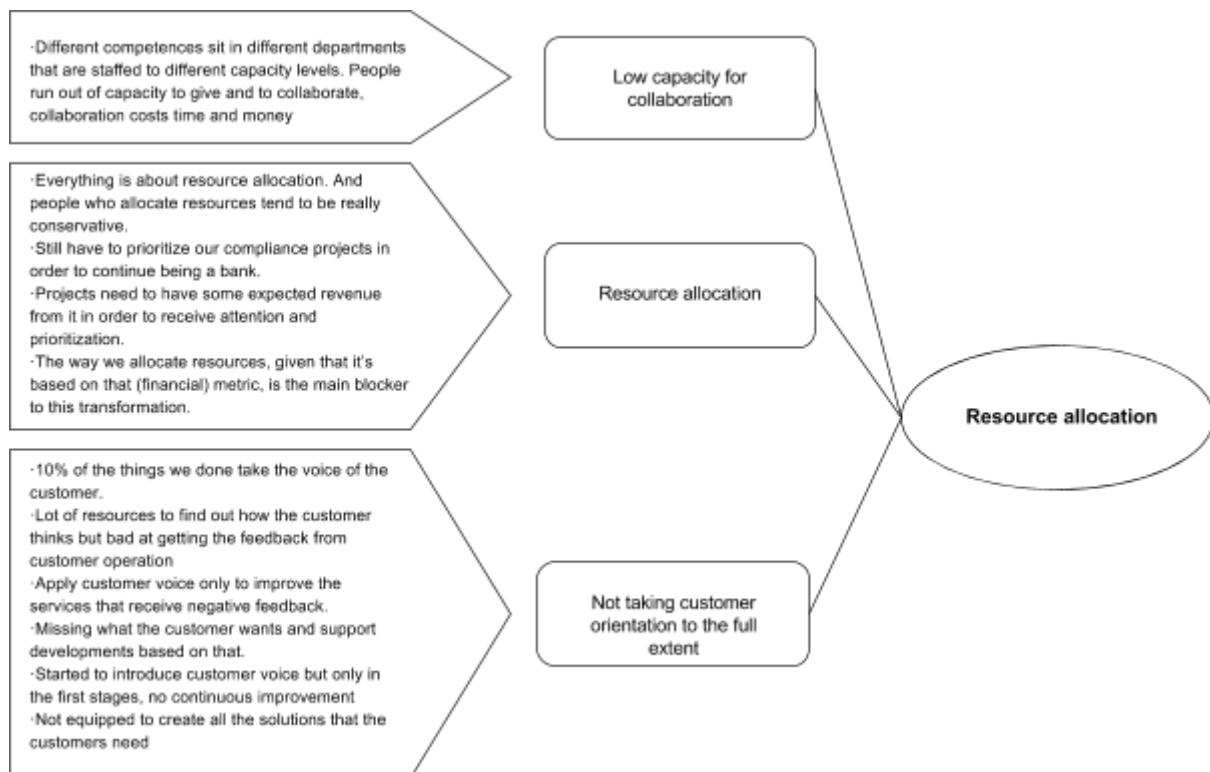
Challenging market environment

From the first order concepts we found how the market environment is causing challenges for the company and how issues arise when the company responds to said environment. Consumer behavior is changing and the financial industry is developing faster than before "*it takes two years making an app, we cannot work like this, if we are looking at our competitors and all the startups*" (Interviewee II). The first order themes resulted in two categories; *Impact of Reactive Behavior*, and *Cross-market Benchmarking.* The second order themes resulted in the aggregated dimension of *Challenging Market Environment*. The second order themes are explained underneath:

Impact of reactive behavior: Some interviewees mentioned that the undergoing transition was already done by their competitors several years ago. Currently the company is behaving in a reactive manner which is resulting in issues. The time to market of new developments is high, as a lot of efforts are directed to reacting to competitors and being efficient. Previously the case company enjoyed being a first mover in the industry and as this has changed, one of the main drives to to transform has been the hope to gain back this position. Interviewee I, for example, mentioned that if you are reactive, then by definition you will be late.

Cross-industry benchmarking: Discussing how the company benchmarks its competition, it was mentioned that this should be done more effectively but there are challenges within the process. Looking at the digital experience the company offers, they cannot benchmark only in the financial industry as consumers are comparing experiences across industries.

The case company failed to address the changes in the market environment when they occurred, thus it has addressed these challenges in a reactive manner. By being reactive, the majority of efforts are focused on keeping up with the competition and new industry requirements. The alternative to this and the main goal of the transition is to become proactive in this matter, being able to direct efforts towards providing consumers with best services possible. This dimension enables us to understand the downfalls of being reactive and to understand the importance of becoming market oriented.
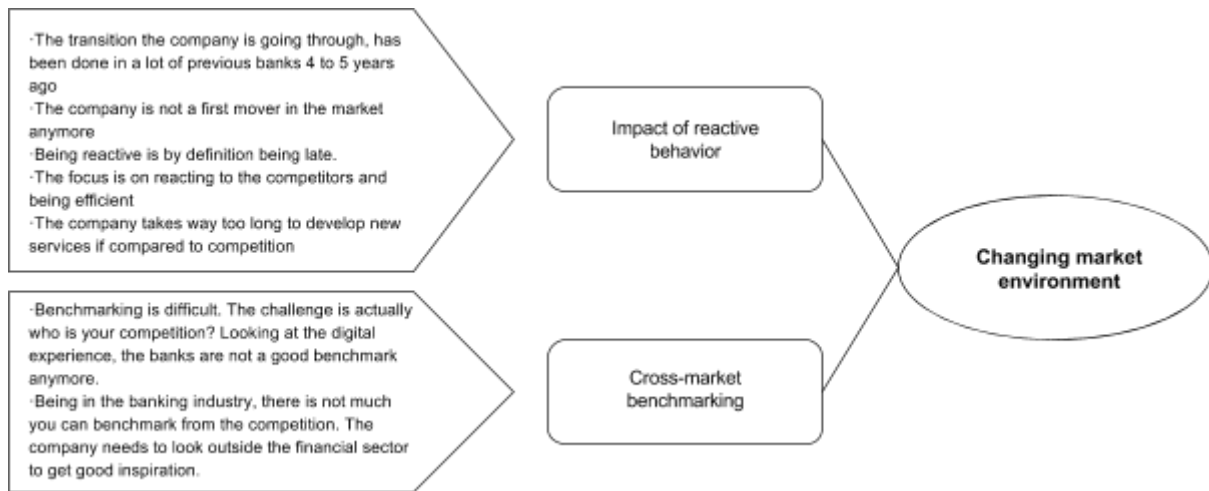
4.3.4 Empirical evidence to challenges

A summary of the quotes corresponding to each of the second order themes is presented below

Second Order Theme	Representative Quotes from Data Collection
IT legacy problems	"Thinking about how the structures and dominant logic affect the transformation, I think that there's a lack of trust that we can do things efficiently and fast because of IT and legacy issues" (Interviewee XII)
IT legacy problems	"We are not flexible today and that has to change a little bit if we are going to compete with smaller companies that are going to disrupt the banking industry" (Interviewee IV)
Lack of centralized database	"We collect data through multiple silos where people don't have access to all the data" (Interviewee VII)
Lack of strategic consensus	"Top management needs to show how departments should work together and responsibilities need to be clarified, with a clear strategy for each department" (Interviewee III)
Lack of strategic consensus	"Some people, just say ok "there's not plan, i'll make a plan myself". Some people just give up." (Interviewee VIII)

Lack of communication/actions from leadership	"...that is the reason why projects fail here, because they don't have a strong direction or someone like a strong manager that's pointing on the direction and what we should do, so i hope that we have a strong manager, to face the changes" (Interviewee II)
Lack of communication/actions from leadership	"We are lacking communication from top management, it's very difficult to find out what is actually happening, there is not that clear communication, it could be better, mass communication, not just in the corners." (Interviewee VIII)
Lack of sense of urgency	"The transition is and isn't a priority in the company. Conceptually yes, but there hasn't been clear actions" (Interviewee XIII)
Lack of sense of urgency	"People want to do the transition but not everyone has gotten the opportunity to do so" (Interviewee XIII)
Low capacity for collaboration	"Different competences sit in different departments that are staffed to different capacity levels, so people run out of capacity to give and to collaborate, collaboration costs time and money" (Interviewee I)
Low capacity for collaboration	"Capacity planning and resource allocation are the main challenges for the adoption of the approach" (Interviewee I)
Dominant logic	"One of the challenges that we have as I see it... many of the co-workers of the bank have been here like forever, so they have began to develop a tunnel vision towards "this is the way we are used to do it" (Interviewee VIII)
Dominant logic	"I mean, working in this organisation, you have to be prepared for changes. I've been working here for six years and we've had 6 reorganisations, so it's the way we work. But the bigger it gets, the harder it gets because the process has to follow along in this changes" (Interviewee II)
Centralisation process	"The backend is the most critical challenge, all of our customers regardless of the country want the same, so if we have the core banking and our basic services system aligned and streamlined, then we can do new developments in all countries and push it out really efficient because we only have to develop with one" (Interviewee VIII)
Centralisation process	"When you were so decentralized and every market had its own organization, then you were less efficient, but naturally you were more customer-centric" (Interviewee I)

Resource allocation	"We still have to prioritize our compliance projects in order to continue being a bank." (Interviewee XII)
Resource allocation	"Projects need to have some expected revenue from it in order to receive attention and prioritization." (Interviewee XII)
Unsupportive top management	"I don't feel top management that present when it comes to support initiatives deriving from lower levels of management. They are selective with big projects" (Interviewee XI)
Unsupportive top management	"It is very easy to talk to top management about ideas, not so easy to implement change. And it also depend on your immediate manager, how open he/she is." (Interviewee II)
Lack of trust	"Past strategies have not always been successful, and sometimes you feel like: why are they doing this?" (Interviewee II)
Lack of trust	"I've only been here for 7 months, but I would say past strategical changes deriving from TM haven't been successful" (Interviewee XI)
Different priorities	"As a result of the governance and the budget constraints, we are not investing in the competences that are needed to be truly user-centric." (Interviewee I)
Different priorities	"There's been an advancement in customer orientation, but there are governance, budget, competitive pressures that does not allow us to fully exercise you know what that awareness would require" (Interviewee I)
Conflicting communication and action	"In here you have one set of culture defined on the boards, but you have a completely different ways of actually working and acting in the organisation" (Interviewee XI)
Conflicting communication and action	"Not only presenting and making a communication about the strategy but also show that they are acting themselves according to the strategy (is what we need from TM). Not contradict communication with actions. Show you mean serious business" (Interviewee XI)
Impact of reactive behavior	"I actually think the transition we are going to do right now has been done in a lot of previous banks 4 to 5 years ago (..) it is very difficult to launch online because all markets are fragmented in the backend of the bank but also organisational" (Interviewee VIII)
Impact of reactive behavior	"One of the drives to transform was that we are not first movers in the market anymore. If you are

	reactive, then by definition you are going to be late" (Interviewee I)
Not applying customer orientation to the full extent	"Sometimes it feels like working in silos, different areas, but we are missing what the customer wants and support our developments based on that. I think that if the customer and target groups were clearer, it would be better for everyone to set the direction" (Interviewee II)
Not applying customer orientation to the full extent	"Now we have started to include them (customers) in the first stages, with design sprints, customer feedback room, but we don't have them in the whole development phase, doing feedback, iterations,we don't have that yet and we don't have the data drive continuous improvements in our interfaces yet, but we are working on that" (Interviewee II)
Cross-market benchmarking	"Benchmarking difficult... I think the challenge is actually who is your competition? Looking at the digital experience, the banks are not a good benchmark anymore you know..." (Interviewee I)
Cross-market benchmarking	"I think we could be better at that, looking at our competitors in that sense, but since we are also in the banking industry, it is not that much you can actually benchmark, you need to look outside the financial sector to get good inspiration." (Interviewee II)
Impact of reactive behavior	"I actually think the transition we are going to do right now has been done in a lot of previous banks 4 to 5 years ago (..) it is very difficult to launch online because all markets are fragmented in the backend of the bank but also on a organizational level" (Interviewee III)
Impact of reactive behavior	"if you are reactive, then by definition you are going to be late." (Interviewee I)

5. Analysis & Discussion

5.1 Challenges as perceived by stakeholders

The general finding was that there is an apparent resource scarcity when it comes to the transition to become more market oriented, and this perception is the foundation for the other two challenges of *Leadership* and *Internal Collaboration*. "Apparent" because as it will be discussed in heading 5.2, this is only a consequence of the beginning of the transition and the reactive approach the company has chosen to take.

Second to the general finding, some facts came as surprising for us as they conflicted with the challenges identified from the literature. First, and related to the challenges brought up by Gebhard et. al (2006) and Kotter (2007), surrounding the political savviness of the team who wants to initiate a transition to get the people on board, the findings show that there was never the need of doing so because the interviewees recognize the transition as starting from the top management. Despite most of the challenges described in the literature were true for the case company in this stage of the transition, the majority of the interviewees pointed out that there were independent efforts to collaborate in the transition (Nag et al., 2007; Kotter, 2007; Gebhardt et al, 2006). This was even more surprising thinking that the authors state that a prerequisite to have such a behavior, is a clear sense of direction distilled from the management of the company, and as shown in the findings, the *Lack of strategic consensus* is one of the second order themes, and moreover, the problems related to the leadership are evident, which show a great commitment from some of the employees in trying to move forward.

5.2 Consequences of reactive transformations

The overlying challenge presented by the context proved to be more important than expected. The reactive approach the case company is taking towards the transformation, means that they also have to act quickly to solve the issues that initiated it all. As we understand from our findings, a company that takes a proactive approach to the transformation would face a panorama where they have to operate in two fronts, being one the maintenance of the business and the other, working towards the transition which would be mediated by the challenges encountered along the way.

This is a simpler and straightforward way to transition for multiple reasons. Thinking of the sense of urgency, we can see different degrees of it depending if a company is taking a reactive or a proactive approach. In the reactive approach, a high degree of sense of urgency develops naturally as the company needs to react to the changing market environment to stay profitable. Within the proactive approach, the sense of urgency needs to be created internally to enable continuous improvement, thus the degree is lower when compared to the reactive approach. The proactive approach makes it easier and less time pressing, so companies can start working little by little in the transition making it a smooth process. This diminished urgency makes the process easier when it comes to allocating resources as well. As mentioned before, the company has to take care of its operations to have a steady flow of income that allows them to allocate some money on the sides to continue the process, again referring to operating in two clear fronts. And when it comes down to communicating the strategy of the company, we pose that it would be easier to state that the transition efforts would be carried on the side while the main focus is on sustaining the business as it is.

On the other hand, for companies taking a reactive approach to the transformation process, there is an indication that they didn't see the need to engage in it until a special event presented a substantial threat that made them change their mind and start the transition. For the effects of presenting a clearer understanding of the result, such event will be labeled the "initiator". For many companies, the turbulence of the market indicates that the initiator comes also at a late stage, where the only option for incumbents is to quickly adapt to a long ignored trend or face major consequences and threats from the players that followed the trend since the early stages. The initiator for the case company in this study was the challenging external environment and increase in regulation.

But it is impossible to separate the increase of regulation with the increase of competition. The inception of the Directive (EU) 2015/2366, was precisely the arise of new entrants and players presenting different alternatives to facilitate the life of the customers. Thus it is safe to say that for the case company, the challenge now is to face the regulation and the competition that derives from it: smaller and faster players with a customer centric DNA offering appealing new services far from the traditional image of the established players in the industry, that will step up their position in the marketplace when the new directive starts being enforced.

The reaction to this initiator (and the consequences that come with it) is engaging in a long term transformation that can address the problems or challenges presented, in this case being more market oriented will result in a company that manages its resources better, embracing a new cultural strategy that enables the company to compete with the new entrants, and stay relevant for the customers (Kumar et al., 2011). But changing the culture and completing a transformation of this magnitude poses as an enduring process for the case company and other incumbents alike, and one of the characteristics of the initiator is the high degree of sense of urgency that comes with it. Therefore, an associated outcome is that the company has to come up with short term strategies to tackle the challenges introduced by the initiator and alleviate them so that it can survive the entire transition process.

This changes the entire picture as the company has to add a third variable to the picture, as compared to the two variables or fronts a proactive approach would face. And this scenario directly affects the challenges to the long term transformation, as our study demonstrates. When considering the challenges that could be found in a proactive approach, those appeared to stand in the middle of the way the company has to take to get to their goal. With the reactive approach one have to add also the short term strategies to alleviate the immediate threats made evident by the initiator and the initiator itself to the ones already present in the proactive approach.

Diagram 1 shows all of the variables in a visual way. As mentioned before, the aggregated dimensions represent the five main challenges found in the study. The three challenges mediating the way to the ultimate goal of enabling efficiency and customer-centric offerings by being more market oriented, are closely related to the other two challenges deriving from the initiator that make the entire diagram and adaptation process more difficult to tackle.

For the case company, the initiator was a challenging market environment (due to regulations that come from an increase of competition), that led it to engage in a transformation process that operates in three fronts: First and foremost, the centralisation process and complying in regulation, which is the direct way to overcome the threats made evident by the initiator; second, the regular operation of their business to keep a steady flow of income to operate in the other two fronts; and third, the ultimate long-term transformation goal which involves being more market oriented to fulfill the efficiency goal. Also part of this

third front are the challenges in the way to complete the transformation which are closely related to the other two challenges brought by the initiator and present in the other fronts.

It all starts with a strategy that is difficult to communicate from the leadership point of view. The goal is in efficiency and Market Orientation is the mean to reach the efficiency goal. But that has not been reflected with actions because there are immediate more urgent things to fix, which result in the employees being lost in what the company is trying to accomplish. On the one hand they say something (long term efficiency goal), but then resources are allocated somewhere else (short term measures to alleviate immediate threats). While this was clear for some of the interviewees, not all of them could find the relation between the two fronts, resulting in the aforementioned problems with how the *Leadership* is managing and communicating the transition, and a sense of being operating in a resource scarce environment.

The *Internal collaboration,* third and last challenge in the way of the transformation, referred to the ability the company had to start applying the advancements made towards a more market oriented culture, where we found that even though there has been some progress, it is not being applied to the full extent due to the need of resources to integrate functions and skills within the company to come up with superior value, referring back again to the *Resource allocation* antecedent *(see Diagram 1)*. This was a striking finding, since we found that the efficiency was both the reason the company moved towards customer orientation and why it doesn't have the resources to put it in practice, being completely contradictory and undermining their own efforts to advance.

The reactive approach and how resources are currently allocated pose a variety of issues. The prioritization of resources directed to short term objectives has created a sense of frustration for those working towards the long term goal of becoming market oriented. It is evident that resources are allocated to solve internal problems rather than creating new solutions for customers. This hinders the development of new ideas and solutions which then can have a negative affect to the company's overall performance. Furthermore, neglecting the development of NPD and NSD processes will result in lower levels of customer centricity in the company, undermining the attempts to move forward in the transition.

5.3 Challenges connected to the transformation

The lack of clear communication from both top management and between departments has resulted in unclear objectives and responsibilities for each function to contribute to the transition. While the efficiency focus of the company is understandable, it is necessary to maintain the communication towards Market Orientation as the decisions made with an efficiency focus can be unproductive to reach that objective at a later stage. Coupled with the lack of sense of urgency, the company is at a risk to undermine the importance of the transition, especially when employees have already adopted the importance of external challenges and the necessity to move towards Market Orientation. If the communication of the transition continues to be insufficient, there is a possibility for the company to become stagnant.

Referring back to the importance of communication, there has been conflicts between actions of the organization with what has been communicated from top management regarding strategic directions and decisions. This has affected the level of trust employees have towards their leaders, resulting in a biased view that further changes and initiatives will not be executed as they've been communicated. Looking at future initiatives and more specifically the undergoing transition towards Market Orientation, if the communication continues not to reflect the decisions made, we see a risk in the level of commitment employees will have when the transition is prioritised again.

With the centralisation process and efficiency focus of the company, resources are allocated based on financial metrics and directed towards compliance initiatives. Resources should be allocated in a manner which contributes to all fronts of compliance, efficiency and business model development. As previously mentioned, the decisions to allocate resources towards commercial developments have undermined the importance of customer-centricity. We argue that while the efficiency focus is necessary, the continuous neglection of customer needs will have an effect to all aforementioned fronts. The lack of customer-centricity has had an effect on the level of innovativeness of the company, as it was surprising in our interviews that employees did not reflect to innovation even though our discussion included subject areas such as new product and service development, as well as process improvement. Due to the restructuring of the company, this has been clearly unprioritized.

While the main priority of the company is to comply with regulations, we see an interesting discussion point on how the variety of functions behave under this priority. As some functions are focusing on the mentioned regulatory issues and solving internal problems to achieve efficiency, other departments that have maintained a customer-centric focus have been affected as well. The priority has been emphasised to the extent that employees are not completely comfortable in their usual daily operations because there is a risk that they might not comply with the overall objective of the company. Moving towards Market Orientation, there is a sense that the majority of employees do know what to do, but they do not act upon it. There is a feeling of being constrained to do so and thus are conservative when it comes to taking action. Under this pressure, and without the option to change focus, there is uncertainty on what should be the next steps in transforming the company to reflect the needs of the market.

Continuing with uncertainty between departments, there are different perspectives when it comes to the allocation of resources. For many interviewees it's a matter of working with what you have, trying to get to the center of each issue. Some interviewees work under the belief that with additional resources the company could solve the majority of the discussed challenges. If they are able to present a robust business case, there will be funds available. And that in many ways has to precede the transformation to Market Orientation. It is difficult that the company tries to achieve several objectives simultaneously.

Even though there is a variety of issues, the company has started their transition towards a market oriented approach to innovation with an increase of Customer Orientation during the past year. As suggested by literature, this is the most suitable first step. Nevertheless, the company is not applying the gathered knowledge to the extent needed, as resources are allocated towards alternative competences in the development process.

5.4 Findings connected to literature

As suggested by Gebhardt (2006), we found that the overall transition to become market oriented is not just a mere addition of processes, but a cultural transformation. Thus our findings relating to the dominant logic of the company supports this notion. From the literature we identified the importance of visible small improvements which contribute to the overall transition (Kotter 2007). While we did not identify many specific "small wins", overall there has been an improvement in customer orientation, but with the efficiency focus of the

company, the information gathered from these activities has not been applied to the full extent.

Gebhardt (2006) discuss how the initial phase of the transition is triggered by identifying a threat. The challenge here is if the stakeholder or employee who identified this threat has enough political power to move it forward in the organization. From our findings this was not necessarily the case, as the the threat was so evident it was adopted throughout the organization and its management as it occurred. The author also discusses the need for sense of urgency, and from our analysis, we found that the transition has not been prioritized as the company is focusing on different issues on several fronts. It is important to note that this notion derives from the overall opinions of employees. When observing the full transformation spectrum the company is going through, the transition is in fact prioritized, but there are pressing issues which need to be addressed first to contribute to the underlying objective of the transformation.

Our findings show that the majority of employees see top management as the most crucial factor in the successfulness in adopting the new approach. This is also discussed by Gebhardt (2006) with the notion of convincing the leadership about the importance of the transition. As a challenge, this was not present in our findings, but other issues regarding leadership were evident. While employees feel it is easy to approach members of the top management, there are several issues highlighted in regard of the top management's role in the transition. For example, there has been lack of communication around strategical changes, as well as communication conflicting with the actions taken by top management. This has resulted in a lack of trust towards the leadership, which affects cultural transformations. With the conflicting communication and action, and from unclear communication around responsibilities and objectives, there is a lack of strategic consensus between functions in the organization.

To successfully implement the new approach, organizations require relevant knowledge content from the customer, as well as the competences to transform said knowledge into relevant outcomes. Kennedy et al. (2003) argue that this will not solely determine the success of the transition, as there is a need for integration and unification of external data with internal data. Within this area we found several issues. The company is struggling to facilitate internal collaboration, as departments are distanced from each other and do not have the capacity to collaborate with one another. The low capacity derives from resources

being allocated towards prioritized initiatives such as the centralization process, regulatory initiatives and IT legacy issues. Also affecting internal collaboration is the lack of a centralized database, referring back to Kennedy et al. (2003) that companies need to have the means to apply the gathered data to create value.

Our research and analysis has been focused on the initial stage of a company transitioning towards a Market Orientation approach, as well as the challenges and issues that arise in this specific point of the transition. While there is an extensive amount of research regarding Market Orientation, its adoption, and the challenges within (Nagati & Rebolledo, 2013; Grinstein 2008; Jimenez-Zarco et al. 2008; Kuemmerle, 2008; Kotter 2007; Kotter 2006; Gotteland et al., 2007; Gebhardt 2006; Narver et al., 2004; Slater & Narver 1994; Clemons et al. 1996), we did not find any contribution towards this specific area. Furthermore, we found a research gap in investigating how incumbents adapt to a Market Orientation approach through a reactive strategy, as the reactive approach reveals findings that were not present in other Market Orientation literature. This information can be used to provide companies with the needed knowledge about possible challenges when taking a reactive approach. Also, we found value in investigating how can a company move towards a Market Orientation approach while conducting an overall organizational transformation at the same time, and how the adoption of the approach is affected by a turbulent external environment.

The result is that by being reactive, companies have to face not only the challenges related to the transition itself, but also the ones raised by the *Initiator* and the *Immediate efforts* towards alleviating those, which results in conflicting *Resource Allocation* that in turn acts as an antecedent to further problems related to communication from the *Leadership* and difficulties with the *Internal Collaboration*.
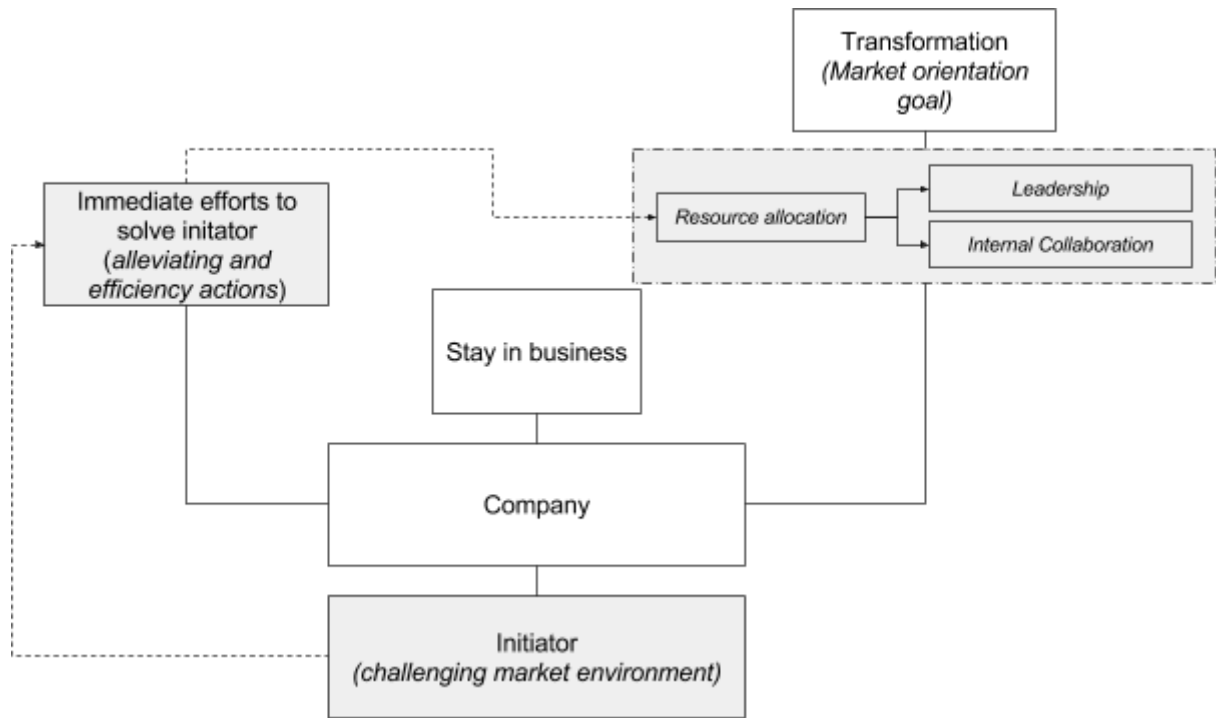
Diagram 1: Case company's reactive approach (challenges with gray background)

6. Conclusion

6.1 Contribution and process

The present research contributes to the literature about Market Orientation and organisational transformation by bringing together the challenges previously identified in the latter and linking them to the efforts of incumbents transitioning to a Market Orientation culture, elucidating the challenges present in the first stages of such a transformation. We also elaborate on the risks companies can face if they wait and engage into the transformation as a reactive measure to the market, amidst the turbulence and rapid change we are experience due to the disruption multiple industries are facing to the hands of digital based companies. This reactive measure can also be linked with the reactive approach to Market Orientation as defined by Narver et. al (2004), and will bring a number of challenges that were listed before.

As we see it, the industry itself brought some benefits to arrive to findings that could be extrapolated to other industries. The financial sector is an advantageous one due to the regulations to the market, that encompass more challenges and limitations for companies wanting to take action. In terms of regulations, other industries could find easier ways to operate, thus making the application of this case study more complete as it comprised a fair number of variables. For generalisation purposes we pose that it is easier to take out variables and imagine a different outcome than trying to include them in a model that never considered them.

The context can also be extrapolated as new entrants are disrupting multiple industries in different manners by tapping the unattended needs and pains of customers derived from the relations and use of products and services offered by the current players. In that regard, we see that this phenomenon is not exclusive to this specific industry or company, and can be applied and adapted widely. The case company also offered us a good base to work with as it is a large bank with operations in several countries, with big structures in place and a long hierarchical strategy with thousands of employees, and challenges to overcome if they want to transition and implement a culture shift.

Our case study showed what challenges incumbents face in the financial industry when transitioning towards a market oriented approach. Furthermore, the study revealed how

these affect the transitioning process, as well as how transitioning to a market oriented approach has to be regarded as a cultural transformation. In a turbulent market environment, companies need to operate in several fronts to maintain profitability, and address long-term and short-term objectives. This itself poses as a challenge, as it is important not to meet short-term objectives with activities which are counterproductive to Market Orientation in the long term, such as efficiency focused resource allocation. Leadership and their activities was found to be the most notable challenge in a cultural transformation, as well as their role in enabling efficient internal collaboration. Whether a company chooses to focus on either Customer or Competitor Orientation, the adoption of a market oriented approach will not be achieved without interfunctional collaboration.

6.2 Implications of the study

A handful of authors have listed the challenges companies have to face when going through an organisational transformation (Nag et al., 2007; Kotter, 2007; Gebhardt et al, 2006 and Kennedy et. al, 2003). The purpose of this research was to verify if the same applied for incumbents going towards a Market Orientation approach described by Narver & Slater (1990), which we pose is an efficient way to run a company and compete in the turbulent environment resulting from the advancements of technology and new entrants disrupting different industries. Moreover, we examined the consequences and additional challenges that arose from taking a reactive approach to the transformation.

Many additional challenges come with the reactive approach to a transformation. The implications of the challenges as shown by the results, where a general sense of mixed information and ambiguous communication and actions from the leadership. This is originated by the company being late and forced by the market conditions to take a reactive approach to the transformation. The recommendation for a company that encounters itself in this position, is that it is very important to communicate clearly what is happening. Even though there is a long term goal which refers to the objective and what the company wants to transform to, the immediate priority is to alleviate the threats made evident by the initiator, as sometimes these will also be the first steps necessary to engage in a bigger change and are the measures that will guarantee the survival of the firm in the long run.

As discussed in Chapter 3, we enquired about the time employees had been employed within the company to see if competences play a notable role in a company's ability to

transition to a Market Orientation approach. Surprisingly, this was not found as a challenge in our findings. As mentioned by interviewee I, there is a substantial amount of new and relevant competences in the organization. The findings showed that a large amount of the inteviewees have been employed only between twelve to fourteen months, thus the needed recruitment for suitable competences took place in the very beginning of the transition when reacting to the external initiator, but it never arises as a challenge itself for the transition.

Clear communication will assist in the mitigation of other associated challenges such as the frustration derived from the confusion, the apparent resource scarcity and the lack of coordination. For the case company, the results showed that the stakeholders were not completely aware that the first stage of the transformation is special in its nature, thus they felt their ideas were not being heard and the company had become stagnant in the innovation process.

6.3 Limitations and suggestions for further research

While our study shows the challenges in the initial stage of transitioning to a Market Orientation approach, to fully comprehend the dynamics of such transition and give recommendations on how to execute the entire process, we would need to observe a transition to a stage of maturity. Thus there is a limitation of time in our research, as well as a limitation of scope. Currently we can emphasise on some organizational challenges over others, but we fail to show how these challenges evolve during different stages of the transition.

Digitalization and changing consumer behavior is having a notable effect on several industries, and we see that the findings of our research can be applied to more industries than just the financial sector. Nevertheless, there is a limitation in generalizing our research, as we touch upon industry specific issues and investigate their effect on the company's transition. Furthermore, to fully able to generalize our findings, we see it necessary to have more than one entity under investigation.

Finally, we see a limitation in our data collection method. As the case company is going through a substantial organizational transformation, using the semi-structured interviews to investigate the transition within this transformation was difficult, as interviewees were prone to move the discussion to the overall transformation as they could not separate the two. Nevertheless, this provide us with a robust overall understanding of the ongoing

transformation and enabled us to understand the interconnected nature of the challenges we were investigating.

As previously mentioned, we suggest further research to investigate the entire transition from initiator to maturity. Ideally and more importantly, this could reveal how the dynamics of a Market Orientation approach change when an organization moves from a reactive to a proactive approach. Even without the investigating the entire transition, we suggest future research to conduct a similar type of analysis of our own, investigating the challenges when moving to a Market Orientation approach as a proactive measure to enable comparison of the two approaches.

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APPENDIX

Appendix 1 - Interview Guide

General respondent information

1. Name
2. Position and description of functions
3. Time in the company
4. Background (past experience)

Dimensions of MO

5. When you started working in the company how would you describe the level of
   a. Taking the voice of the customer as a driver for development
   b. Benchmarking your competition
   c. Efficiently coordinating all of the available resources to create superior value
6. Looking at the present, has the levels mentioned above changed?

Reactive MO

To increase efficiency to better support the Bank´s profitability, the company is trying to become more market oriented and efficient in the resource allocation of new developments to reflect the needs of the customer.

From the previous section, the Bank was identified as TP driven. Moving to MO demands a cultural transformation more than a mere addition of processes.

7. Taking in count the levels what we just discussed, how do you believe the transition was initiated and were any of the levels mentioned present in the first steps the company took towards Market Orientation that were visible to you?

Challenges

8. How does the current structures and dominant logic of the Bank affect the implementation of new initiatives?

9. Comparing to the Bank's previous change initiatives, do you feel that the current structures and dominant logic have more effect on a cultural transformation?

10. Where do you believe the transition began in the company (area)?

11. Who do you think (person or team) is leading the transition now?

12. Do you feel the transition is a priority in the company?

13. How would you describe the role of top management in the transition?
    a. Has it been communicated throughout the organisation?

14. Looking at past strategical changes, has top management been supportive of initiatives deriving from lower levels of management?

15. Looking at past strategical changes initiated by top management, have the implementation of these been successful?

16. How would you describe your role in the transition?

17. Have you seen any independent efforts to contribute to the transition?

18. How is the Bank collecting information or data from the current customers?

19. How is the Bank using this data to improve its offerings?

Challenges affecting adoption of approach

20. Taking in count all the challenges we discussed, which of them do you feel has the most effect on the adoption of the approach?

21. How is the company adapting to tackle those challenges and continue the transition?