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EVALUATING IT IN THE INDEPENDENT FINANCIAL SERVICES SECTOR IN THE UK TAKING INTO CONSIDERATION MARKETING ORIENTATION AND STRATEGIC TYPOLOGY

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Abstract

This paper investigates business practices within the Independent Financial Sector in the United Kingdom. IT usage is an important aspect of the Financial Services Sector. There are many papers that deal with the impact of market orientation on business performance. However there is a paucity of research tying together marketing and IT. The impact of differing market orientation stances, Miles and Snow strategic types and the levels of IT used by companies are brought together in this paper. This study therefore takes into account various dimensions linked to the use of information systems within the IFA sector in the UK. It also considers the different performance levels reached by companies. The results discuss the differences between the different strategic types in their performance levels and IT usage and market orientation.

Introduction

In the UK, there has been a blurring of the traditional boundaries between banks, building societies, and insurance companies due to changing regulations, new competitors, new technology, and increasingly sophisticated consumers (Morgan, 1994). One the main aims of this study was to explore and describe the distinguishing strategic types, different levels of information systems,¹ and performance characteristics of different forms of market orientation. This aim is designed to partially fulfil the concluding call of Jaworski and Kohli (1993) to 'assess the role of additional factors in influencing the market orientation'. Many studies do not take a multi-dimensional approach (Hooley et al., 1990; Greenley, 1995, Liu, 1996; Harris & Piercy, 1999). This study therefore takes into account various dimensions linked to the use of information systems within the IFA sector in the UK. It also considers the different performance levels reached by companies.

Styles of Developing Business Strategy

The identification of business strategy has been an important research domain over many years. Various approaches have been employed in practice, with a wide variation in the variables used to define the strategy and in the methodology used to gather data (Hooley, et al. 1992). One possible theoretical framework for a firm's strategy is the Miles and Snow (1978) typology (Weinsiefeld-Schenk, 1994). Miles and Snow (1978) identified four company typologies -defenders, prospectors, analysers, and reactors. Each of these types has its own favourite strategy for responding to the environment, and its own combination of

¹In the context of this research, level of information system refers to the degree to which the system satisfies the functional and non-functional requirements besides, the level of support given by the top management.

structure, culture, and processes consistent with that strategy. Since the Miles and Snow (1978), typology is developed in terms of adaptive capability; the prospector-analyser-defender-reactor continuum is commonly ranked as decreasingly adaptive to the environment (Hambrick, 1983; McDaniel and Kolari, 1987). Furthermore, the increasing possibilities offered by information and communication technologies, the use of networks and some telecommunication services plays an increasing role in the financial service industry (Channon, 1998; Czerniawska and Potter, 1998). Hence, information system is viewed as an umbrella term, because both information dissemination and utilisation are crucial to the success of an enterprise. Linking strategic types to market orientation and the effective utilisation of information systems is one of the key aims of this study.

Relationship between Market Orientation and Information Systems

Will different forms of market orientation be distinguished by different levels of information systems?

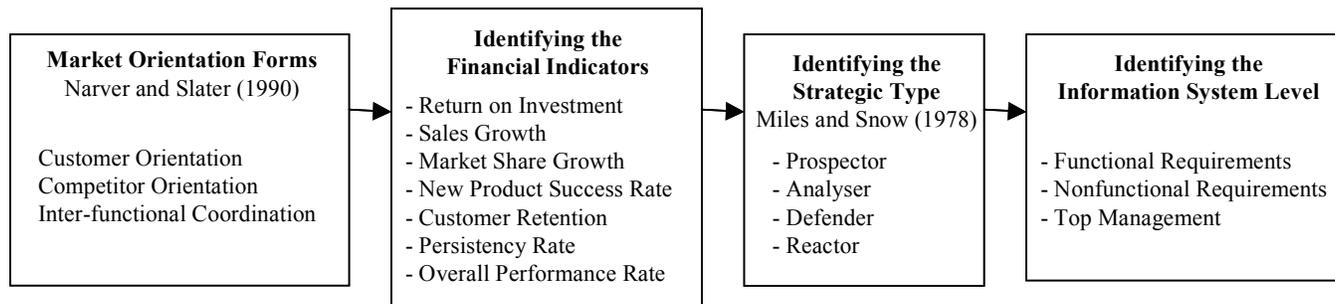


Figure 1. The Role of Information Systems

Figure 1 illustrates the case for a wider approach to understanding the role of information systems and market orientation. According to Slater and Narver (1995) market orientation, can be differentiated in terms of degree and emphasis. The more information is processed from customer, competitor, and internal sources, the greater the degree of market orientation. At the same time, three emphases may emerge:

1. competitor emphasis- a focus on processing competitor information;
2. customer emphasis- a focus on processing customer information; and
3. interfunctional emphasis- a focus on coordinating the utilisation of company resources.

Within this conceptualisation, the overall degree of market orientation signifies business adaptability, whereas the specific emphasis in market orientation reflects business adaptation. Firms face a strategic balance between adaptability and adaptation. Adaptability requires that firms accommodate information from diverse market sources to remain responsive to changes in the competitive environment. At the same time, adaptation necessitates an emphasis on specific sources of market information in order to respond to competitive pressures (Lukas, 1999). Figure three indicates the links between information systems, market orientation, strategic typology and performance. In order to understand the effective links, the following hypothesis was proposed:

Different forms of market orientation will be characterised by different levels of information systems.

Research Methodology

Forty questions were generated as a result of the extensive literature review in three combined scales in three areas namely market orientation, strategic types (Conant et al., 1990) and information systems. The questionnaire was pilot tested and then sent out to 1000 firms and 222 usable questionnaires were returned.

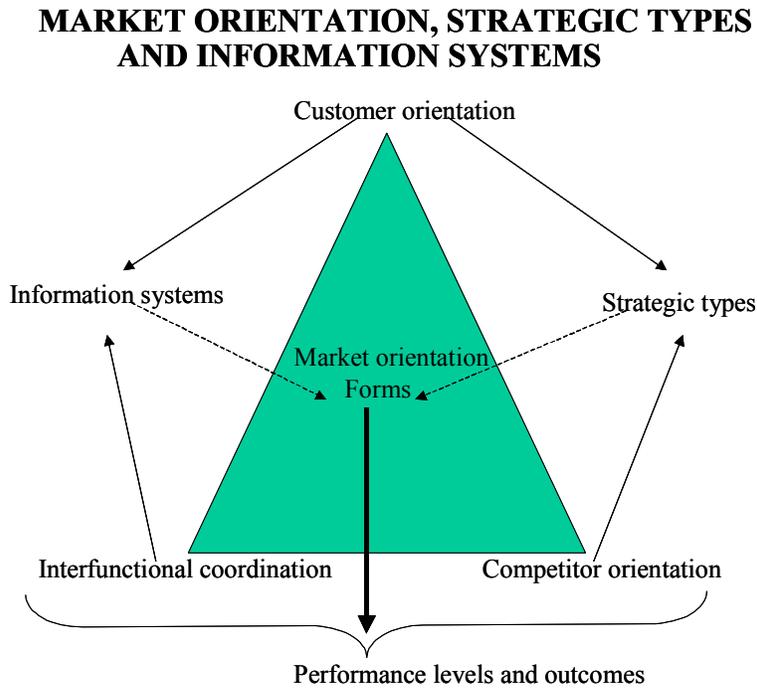


Figure 2. Market Orientation Strategic Types

Results and Discussion

The data was analysed using cluster analysis to determine:

- a) The different forms of market orientation
- b) The strategic typologies associated with each form of market orientation
- c) The type of information system used within each form of market orientation

The main hypothesis tested for the purposes of this paper was:

Different forms of market orientation will be characterised by different levels of information systems

Information Systems and Strategic Type

In order to ascertain the factors related to information systems the following key points were covered in the questionnaire.

Functional Requirement
The information system used by your firm: <ol style="list-style-type: none"> 1. Supports you with the data required by your management level. 2. Enables you to segment your customer base. 3. Has a decision simulation feature (e.g., different decisions' results can be simulated before the client chooses the best alternative). 4. Was built taking into account user's requirements. 5. Reduces paper work.

Nonfunctional Requirement
The Information System used by your firm:
1. Is flexible (responds to changes in the business environment).
2. Has a user-friendly interface.
3. Can be upgraded.
4. Can be integrated with other information systems, when communicating with other firms.

Top Management Perception and Support
The information system used by your firm:
1. Has decision-making capability.
2. Is supported with sufficient training.
3. Has a sufficient maintenance budget.
4. Is an electronic way of storing data.

Multiple Comparisons between strategic type and market orientation (Bonferroni)

(I) STRATYPE	(J) Strategic Type	Mean Difference (I-J)	Std. Error	Sig.
Prospectors (1)	2.00	5.7106*	.9065	.000
	3.00	10.4707*	1.0903	.000
	4.00	15.0594*	1.3752	.000
Analyzers (2)	1.00	-5.7106*	.9065	.000
	3.00	4.7601*	1.0855	.000
	4.00	9.3489*	1.3714	.000
Defenders (3)	1.00	-10.4707*	1.0903	.000
	2.00	-4.7601*	1.0855	.000
	4.00	4.5887*	1.4992	.015
Reactors (4)	1.00	-15.0594*	1.3752	.000
	2.00	-9.3489*	1.3714	.000
	3.00	-4.5887*	1.4992	.015

*The mean difference is significant at the .05 level.

This hypothesis was accepted as there was an indication of a major difference between the levels IT systems in operation, between prospectors, defenders, analysers and reactors.

Conclusions and Limitations

The results mentioned above are in line with previous studies, which suggested that the prospectors differ in the way information systems are used to deliver its strategy (Tan, 1995). Interestingly research by Matsuno et al. (2000), indicates that prospectors are the best performers in every performance measure. The research was carried out in the USA, across a broad range of companies. It appears that the growth for prospectors primarily comes form new market and product development. There is a critical need for the ability to select the most appropriate information requirements determination strategy in order to lower the odds of such dysfunctional outcomes (Sampller et al., 2002). This study attempts match organisational type to information use, broadening the scope for better outcomes. However, it is clear that IS evaluation needs to undertake not only the market orientation parameters but also functional capacity and match with the organisational characteristics. This would need a more qualitative approach to complement the current study.

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