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Market Orientation:

The effect of TMT shared leadership and
perceived contextual discretion

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Abstract

Ever since the 1960s, it has been argued that customer needs have to be a firm's core business purpose. One way for firm to achieve this, is through use of market orientation strategies. Recent research has found that shared leadership could have a positive effect on market orientation, as well as within top management teams. The ability that top management teams have to influence the organization, is further found to be effected by the level of discretion they operate within.

This thesis seeks to explain the relationship between shared leadership within top management teams and market orientation, and how this relationship in turn might be contingent on perceived contextual discretion. This is done through a quantitative method, where a survey study is done on the top management teams in Swedish saving banks.

The findings of this thesis show that shared leadership is positively related with market orientation, and that this relationship is not contingent on perceived contextual discretion. The variable of perceived contextual discretion was, however, found to have the effect of an independent variable with a strong positive direct effect on market orientation within the financial sector.

One limitation of this thesis is that the statements for perceived contextual discretion has been developed only from concepts, and have not been tested in any previous study. This brings with it a risk that these statements did not measure the concept in the most optimal way.

The theoretical contributions of this thesis are how perceived contextual discretion is found to have a direct effect on market orientation. This further imply that perceived contextual discretion has an effect on the level of market orientation within a firm.

Keywords: Market Orientation, Market Driven, Market Driving, TMT Shared Leadership, Perceived Contextual Discretion, Financial Sector

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Table of Contents

ACKNOWLEDGEMENTS

1. INTRODUCTION.....	7
1.1 BACKGROUND	7
1.2 PROBLEMATIZATION	9
1.3 RESEARCH PURPOSE	13
1.4 RESEARCH QUESTION	13
1.5 LIMITATIONS	13
1.7 OUTLINE.....	14
2. LITERATURE REVIEW.....	15
2.1 UPPER ECHELON THEORY	15
2.2 STRATEGIC CHOICE THEORY	16
2.3 CONTINGENCY THEORY	17
2.4 MARKET ORIENTATION.....	18
2.4.1 Market Driven	19
2.4.2 Market Driving.....	19
2.4.3 Market Orientation in the Financial Sector.....	20
2.5 TOP MANAGEMENT TEAMS AND SHARED LEADERSHIP	20
2.5.1 Top Management Teams and Shared Leadership in the Financial Sector	21
2.6 CONTEXTUAL DISCRETION	22
2.6.1 Contextual Discretion in the Financial Sector.....	25
2.7 THEORETICAL MODEL.....	26
3. METHOD.....	27
3.1 RESEARCH APPROACH	27
3.2 CHOICE OF METHODOLOGY.....	27
3.3 CHOICE OF THEORY	28
3.4 CRITIQUE OF THE SOURCES	28
3.5 TIME HORIZON	30
3.6 RESEARCH STRATEGY	30
3.7 DATA COLLECTION	31
3.7.1 Operationalization.....	32
3.8 SAMPLE SELECTION	35

3.9 DATA ANALYSIS	36
3.10 RELIABILITY AND VALIDITY	36
3.11 ETHICAL CONSIDERATIONS.....	37
4. RESULTS AND ANALYSIS.....	39
4.1 DESCRIPTIVE STATISTICS	39
4.1.1 <i>Dependent Variables</i>	39
4.1.2 <i>Independent Variables</i>	39
4.1.3 <i>Moderating Variables</i>	40
4.1.4 <i>Control Variables</i>	41
4.2 <i>Common Method Bias</i>	43
4.3 SPEARMAN’S CORRELATION MATRIX	43
4.4 MULTIPLE LINEAR REGRESSION	44
4.4.1 <i>Hypotheses</i>	48
5. DISCUSSION	50
5.1 MARKET ORIENTATION.....	50
5.2 RELATIONSHIP BETWEEN SHARED LEADERSHIP AND MARKET ORIENTATION	51
5.3 CONTEXTUAL DISCRETION AS A MODERATOR	52
6. CONCLUSION.....	54
6.1 OVERARCHING CONCLUSION	54
6.2 THEORETICAL CONTRIBUTIONS	55
6.3 PRACTICAL IMPLICATIONS	55
6.4 LIMITATIONS	56
6.5 FUTURE RESEARCH	56
REFERENCES.....	58
APPENDIX	65
1.SURVEY – ORIGINAL VERSION	65
2. SURVEY – TRANSLATED VERSION	68
3. TOTAL VARIANCE EXPLAINED.....	71
4. MODEL OF CHIEF EXECUTIVE DISCRETION	71

List of Figures and Tables

Figure 1. <i>Initial Model</i>	26
Figure 2. <i>Final Research Model</i>	49
Table 1. <i>Ranking of Articles from ABS Ranking System</i>	29
Table 2. <i>ABS Ranking 2015</i>	29
Table 3. <i>Overview of the Dependent Variable</i>	39
Table 4. <i>Overview of the Independent Variable</i>	40
Table 5. <i>Factor Analysis Matrix – Perceived Contextual Discretion</i>	40
Table 6. <i>Overview of the Moderating Variable</i>	41
Table 7. <i>Overview of Control Variables – Bank Level</i>	41
Table 8. <i>Overview of Control Variables – Individual Level</i>	42
Table 9. <i>Overview of Control Variables – Bank Position</i>	42
Table 10. <i>Spearman’s Correlation Matrix</i>	44
Table 11. <i>Linear Regression Model</i>	45
Table 12. <i>Hierarchical Multiple Regression Model</i>	46
Table 13. <i>Linear Regression Model – Post Hoc Test</i>	47

1. Introduction

The introduction starts by presenting a background of the subject, followed by the problematization. Thereafter, the purpose of the thesis will be presented and is followed by the research question, hypothesis development. Finally, the outline of the thesis is presented.

1.1 Background

It has been argued since the 1960s that customer needs have to be a firm's core business purpose (Mokhtar, Yusoff & Ahmad, 2014). There is further a constant evolvement of consumer needs and expectations, which in turn also create a requirement for constant tracking and responsiveness to these changes (Jaworski & Kohli, 1993). This is also what is referred to as market orientation (MO). This has brought unexpected changes to the service economy, where organizations of all structures and sizes are looking for strategies that could improve performance without sacrificing quality (Javalgi, Whipple & Ghosh, 2005). Ever since the 1990s, there has been a large amount of research on MO (Tuominen, Rajala & Möller, 2004), and has become an increasingly popular research theme (Mokhtar *et al.*, 2014). Tuominen *et al.* (2004) have discussed MO to emphasize the responsiveness to and awareness of environmental influences, but also as the ability to learn about competitors as well as consumers. The information, could later be used in relation to the application of inter-functional resources in order to create superior value for customers (Tuominen *et al.*, 2004).

MO have been found to be one of the best options to gain a competitive advantage (Martin-Consuegra, Molina & Esteban, 2008). The organization need to be able to redefine customer expectations as well as reflect over changes in the environment (Martin-Consuegra *et al.*, 2008). MO is further a way for firms to understand their stakeholders, which also leads to that they can respond to their preferences in a better way (Ghauri, Wang, Elg & Ríos, 2016). There are two strategies of market orientation for organizations to consider (Kumar, Scheer & Kotler, 2000; Jaworski, Kohli & Sahay, 2000; Tuominen *et al.*, 2004). These are the market driven strategy, which is the reactive market approach, and the market driving strategy, which is the proactive market approach (Tuominen *et al.*, 2004). The market driven strategy suggests that organizations follow customer requirements, which is the more classical view of MO (Narver, Slater & MacLachlan, 2004). However, researchers have argued that firms should not narrowly focus only on the existing preferences and needs of customers, but would need to engage in

market driving activities as well, which could proactively reshape, educate and lead customers (Tuominen *et al.*, 2004; Chen, Li & Evans, 2012).

Studies have revealed that there is a strong statistical association between market orientation and top management teams (TMT) (Harris & Ogbonna, 2001). The TMT have a big role in affecting the outcomes of the firm, which is done through different strategic choices (Finkelstein & Hambrick, 1990). However, how effective these decisions are, depend on the level of discretion, which refers to the freedom of managers to pursue their objectives (Finkelstein & Hambrick, 1990). Finkelstein and Hambrick (1990) found that when the discretion is low the influence of the TMT is limited, whereas if the level of discretion is high the TMT have a significant impact on the organization's performance as well as formation and implementation of strategies. The classical view of leadership is the top-down where the CEO is mainly responsible for those leadership effects, which in turn influence the TMT and all other organizational members (Mihalache, Jansen, van den Bosch & Volberda, 2014). This is referred to as vertical leadership (Ensley *et al.*, 2006). However, new research has proposed an alternative perspective of leadership is shared leadership where all the members share the task of leadership (Ensley, Hmieleski & Pearce, 2006; Mihalache *et al.*, 2014). Developing research propose that shared leadership would fit well within a TMT setting (Denis, Lamothe & Langsley, 2001; Ensley *et al.*, 2006; Mihalache *et al.*, 2014). TMTs that implement shared leadership have also been proven to be more effective, since it has been found to involve a higher grade of self-rated effectiveness and superior performance (Denis *et al.*, 2001; Mihalache *et al.*, 2014).

Since most of the studies on MO have been carried out in association with manufacturing firms, it would be interesting to look closer at MO in relation to the service sector (Esteban *et al.*, 2002). Also, Esteban *et al.* (2002) highlight developing trends where products are becoming more and more linked to services due to changing customer demands. This relates to Kolar (2006), who found that it is increasingly important to consider market responsiveness and customized offers that respond to customer needs in all industries. According to Caruana, Pitt and Berthon (1999), service quality is related to the constructs of market orientation. Research that focus on the service sector and MO, is scarce (Van Egeren and O'Connor, 1998). Therefore, the growth and development of the service sector (Esteban, Millán, Molina and Martín-Consuegra, 2002) provides interesting opportunities for further research. According to several

studies, MO is valuable in a great range of contexts, whereas the financial sector is becoming increasingly important (Harris & Ogbonna, 2001; Esteban *et al.*, 2002; Kolar, 2006).

1.2 Problematization

As emphasised by Dess and Picken (2000), the 21st century business environment require organizations to be continuously innovative by harnessing the collective knowledge, skills, and creative efforts of the employees. This would build individual competences that can lead to sustainable competitive advantage (Mokhtar *et al.*, 2014). To be able to do this, companies could benefit from strategic orientations in strategic activities to guide the firm in its interactions on the market (Noble, Sinha & Kumar, 2002). To have a MO, can be a beneficial part in gaining competitive advantage, because it can help companies to provide superior value for their customers, which can lead to higher business performance (Subramanian, Kumar & Strandholm, 2009; Mokhtar *et al.*, 2014). MO is a strategic way for firms to understand different stakeholders such as customers and competitors in a better way, it also promotes the view, where market trends and customer preferences are responded to in the most efficient way possible (Ghauri *et al.*, 2016).

For many years, market orientation has been the dominant approach in the marketing area, but as a reaction to increased focus on innovation, entrepreneurship and a desire for less strategic adaptation, the concept was developed into a dual concept (Roukonen, 2008; Ghauri *et al.*, 2016). Both Kumar *et al.* (2000) and Jaworski *et al.* (2000) brought forward this development, where MO is suggested to have two strategic orientations, both market driving and market driven. The market driving firm try to bring forward radically new value propositions to customers, while a market driven strategy is associated with responding to existing customer needs (Kumar *et al.*, 2000). Often, these two concepts are described as divergent roles of market orientation, where Tuominen *et al.* (2004) describe this as two primary types of market orientation, and that managers should know which one they are applying. There should also be a match between the market orientation chosen and the business logic. On the other hand, scholars have argued that there might be a need for firms to combine the two directions of market orientation to achieve synergistic/better outcomes (Jaworski *et al.*, 2000; Hult & Ketchen, 2001). This point, where firms could be able to balance and find complementarity between the two types of MO is brought forward by Boso, Cadogan and Story (2012). They emphasised the view of complementarity between the market driving and driven types of MO.

This view can further be strengthened by the findings in Noble *et al.* (2002) longitudinal study, which claim that there is a fundamental challenge for marketers, which is “*understanding that there is no single strategic orientation that leads to superior performance in all situations*” (p. 37). With this information, that the field is divided on the topic of market orientation, of either being mutually exclusive or having complementary. We will in this thesis take the stance of having complementarity between market driving and market driven strategies that could have positive outcomes for companies in the financial sector. How this thesis will use financial sector, will be further discussed in the method chapter

Jaworski and Kohli (1993) found that managers play a significant role in how organizations are shaped, in terms of value and orientation. This is also one of the main contribution of the upper echelons theory, which is to provide a deeper understanding of how different characteristics of the TMT members influence organizations (Hambrick & Mason, 1984). Jaworski and Kohli (1993) further state that, unless the top managers give clear signals throughout the organisation of the importance to be responsive to customers’ needs, it is not likely that the firm will be market oriented. More recently, Kivipõld and Vadi (2013) found that leadership is a central and important part, when it comes to the implementation and forming of a firms’s market orientation. These days, leadership is often divided into two types, where the first one is the traditional view of leadership, as a top-down process where one person is “in charge”, and is referred to as vertical leadership (Yukl, 1989; Pearce 2004; Ensley *et al.*, 2006; Umans, 2012). However, recent research has shown that leadership can be shared by the team leaders and team members, to take advantage of key knowledge, skills and abilities among the members when facing different issues at different times (Pearce 2004; Ensley *et al.*, 2006; Umans, 2012). This leads us to the second one, which is shared leadership. Shared leadership as a concept, refers to the practice in which group members share the responsibility and fully participate in the task of leadership (Ensley *et al.*, 2006; Mihalache *et al.*, 2014), and has also been referred to as the distribution of leadership influence to multiple team members (Carson, Tesluk & Marrone, 2007).

Over the last several decades, society has become less accepting of the traditional top-down hierarchical leadership from singular individuals within firms (i.e. CEOs) (Ensley *et al.*, 2006). This, combined with today’s increasingly complex business environment, and with a growing need for strategic complexity, could further discard the traditional top-down hierarchical leadership. It can also support the development and the increased interest of shared leadership

in TMTs. One example where complexity provides a need for shared leadership can be when pursuing complementarity between market orientation strategies. The importance of having a team that can deal with the complexity in a more efficient way, rather than having one person to deal with all decisions by him/herself, could be beneficial (Mihalache *et al.*, 2014). For the TMT setting, consisting of the CEO and senior executives who are responsible for important decisions of a firm, shared leadership implies that the task of leadership is distributed among the members to the TMT, where the TMT members have a mutual influence on processes (Ensley, Pearson & Pearce, 2003). It is “a team process where leadership is carried out by the team as a whole, rather than solely by a single designated individual” (Ensley *et al.*, 2006 p.220). This way, shared leadership in the TMT could influence firms market orientation in a positive way. Compared to vertical leadership, research show that teams engaged in shared leadership communicate more information and the information is often of a higher quality (Yukl, 1998; Mihalache *et al.*, 2014). In addition to increased information, TMTs with shared leadership provide a greater compilation of resources to use in decision-making processes, where skills and perspectives of many TMT members are brought together rather than only the CEO’s expertise (Mihalache *et al.*, 2014). The dual strategy approach of market orientation is a complex task for the leadership to achieve successfully. Therefore, shared leadership in the TMT could be beneficial to gain broader perspectives and better information, and could lead to better decision-making outcomes.

This brings us to the question, to what extent and under what circumstances top executives actually influence organizations and organizational outcomes, which have been under debate for many decades (Finkelstein, Hambrick and Cannella, 2009). Strategic choice theory describes the role leaders have within organizations to influence choices in dynamic processes (Child, 1972). Strategic choice theory gave an alternative to previous views, where organizations operated based on only the external environment. The new view of the theory emphasizes leaders within organizations to make choices that dramatically influenced organization development (Peng & Heath 1996). This gives room for organizational learning that adapt to the external environment as well as the internal environment (Child, 1972). From a strategic management perspective, executives are viewed as key decision-makers whose choices shape the fate of the firm (Hambrick & Mason, 1984). Today, most researchers agree that managers’ ability to influence, on organizational outcomes, is determined by the degree of discretion that managers have to work within (Finkelstein *et al.*, 2009). Many strategists have used managerial discretion as a contingency aspect, used to explain how TMT and its

characteristics are related to organizational outcomes. Examples are, CEO compensation (Finkelstein *et al.*, 2009), and executive turnover (Shen & Cho, 2005). Balkin and Gomez-Mejia (1987) described the root of the contingency perspective as the effectiveness of realizing intended strategies depends in a significant way on the existence of a match between strategy, organization and environment. Contingency theory, argue that organizations respond to changes in their environment, and is one of the main theoretical perspectives that illustrates the relationship between forces that form managerial discretion (Ponomareva, 2016).

Managerial discretion is a central concept within management research (Boyd & Gove, 2006; Shen & Cho, 2005), and was introduced by Hambrick and Finkelstein (1987), who suggested that managers' actual influence over forms is determined by the range of strategic options available to them. This mainly depends on the degree to which the organisational and environmental contexts allow for variety and change (Shen & Cho, 2005). Hambrick and Finkelstein (1987) divided the strategic dimension of managerial discretion into three sets of factors: contextual (environmental), organisational and individual managerial characteristics. For this thesis, contextual discretion is of interest, which is how external environment factors affect the level of discretion that TMTs operate within.

The underlying argument of this thesis is that the effectiveness at realizing intended dual MO strategies, depends significantly on the existence of a match between shared leadership within TMTs and the perceived contextual discretion that the firm operates within. Perceived contextual discretion, is further seen as a possible contingent variable on the relationship between shared leadership and MO. On the contextual level, the external environment has previously shown to have significant impact on managers' ability to act (Ponomareva, 2016). The dynamic characteristics of the contextual environment that firms perceive to operate within, affects executive discretion, and therefore the influence managers have in the organisation (Hambrick & Finkelstein, 1987). The fit between the demands of the external environment and managerial discretion is, according to Ponomareva (2016), driven by the efficiency motive. Thus, in order for firms to be able to adapt to changes in external environment, managers need discretion. Contextual discretion contains product differentiability, market growth, industry structure, demand instability, quasi-legal constraints and powerful outside forces (Finkelstein *et al.*, 2009), which will be further elaborated on in the literature review. The contribution of this thesis is to try to explain the relationship between TMT shared leadership and MO, which is grounded on the ideas of Jaworski and Kohli (1993), of how managers play a significant role

in the shape of an organization and its strategic orientation. This thesis will further try to explain the specific contingency of perceived contextual discretion, upon which the relation between TMT shared leadership and MO might be dependent on. Furthermore, this thesis also contributes with an explanation of the concepts from the specific context of the financial sector.

1.3 Research Purpose

The purpose of this thesis is to try to explain the relationship between TMT shared leadership and MO and how this relationship in turn might be contingent on perceived contextual discretion.

1.4 Research Question

The background and problematization have lead us to the following research question: how does TMT shared leadership relate to MO and how is this relationship contingent on perceived contextual discretion?

1.5 Limitations

The purpose of this thesis limits the range only to examine TMT members and contextual discretion. Other people in firms, such as the board of directors, have influence of strategic decisions, but are excluded. This is because they are not conducting leadership tasks in the same manner as the TMT members in firms. To not focus on the organisational and individual managerial characteristics of discretion, was chosen due to that is was of interest to look at the financial sector on a firm level rather than on individual level. Therefore, the organizational factors and personal characteristics, as parts of managerial discretion, have not been considered in this thesis.

1.7 Outline

Introduction. The introduction begun by presenting the background of the subject of marketing orientation, followed by a problematization. Thereafter, the purpose of the thesis, research question, limitations and key concepts was presented.

Literature Review. The literature review will start by presenting the main theories of the thesis, which are the upper echelon theory, strategic choice theory and lastly the contingency theory. Thereafter, these theories will be put in relation to market orientation and leadership in general as well as in the context of financial sectors.

Method. This chapter will start by presenting the research approach of the thesis, followed by the choice of methodology and theory. Thereafter, we will analyse the critiques of the sources in order to present their validity, followed by a time horizon of the work. This is followed by a presentation of the research strategy and data collection, followed by our choice of sample selection. Lastly, the tools used for data analysis will be presented, followed by the validity and reliability of the data and finally ethical considerations.

Results and Analysis. This chapter will present the findings from the data obtained through a statistical data analysis of the survey. Throughout this analysis, the results will further be discussed in relation to whether the hypotheses 1 and 2 are supported or not supported.

Discussion. This chapter will discuss the findings from the data obtained through a statistical data analysis of the survey. Throughout this discussion, the results will further be discussed in relation to whether the hypotheses 1 and 2 are supported or not supported.

Conclusion. In this final chapter, an overarching conclusion of the thesis will be presented, followed by the theoretical contributions and practical implications. Finally, the limitation of the thesis will be presented, followed by suggestions for future research.

2. Literature Review

The literature review will start by presenting the main theories of the thesis, which are the upper echelon theory, strategic choice theory and lastly the contingency theory. Thereafter, these theories will be put in relation to market orientation and leadership in general as well as in the context of financial sectors.

2.1 Upper Echelon Theory

Decisions within firms are limited to the theory of bounded rationality, where individuals'/managers' rationality is limited to understand only a small fraction of the information in a limited time. Therefore, decisions made are not always the best ones, where managers cannot foresee all relevant behaviours needed for organizational effectiveness (Cyert & March, 1963). With growing complexity, the ability to make the right and rational decisions decreases (Gavetti, Greve, Levinthal & Ocasio, 2012). Gavetti *et al.* (2012) argues that individuals that lack perfect knowledge need to search for new information. Although, when individuals are forced to search for information they might not evaluate the information to generate maximum outcomes, and instead there is a tendency to follow previously used decision-making rules.

To understand how decisions are made in organisations and how to increase the potential of making more rational decisions, Cyert & March (1963) brought forward three assumptions that together form a person's learning abilities. The learning ability of a person is referred to as all life experiences, including academic, work and life experiences. When uncertainty is significant, as in many business decisions, and information is unavailable or hard to obtain, individuals resort to coping mechanisms (Gavetti *et al.*, 2012). The above-mentioned facts are further characteristics of behavioural theory.

The behavioural theory of individuals has a central place in the upper echelon theory. It is applicable because it explains how and on what grounds individuals make decisions. Where Upper echelon theory focuses on the highest decision makers (i.e. TMT) in an organization, which leads to an analysis that is in the frame of strategic management theory (Hambrick & Mason, 1984; Yamak, Nielsen & Escribá-Esteve, 2014). Firm results from strategies and effectiveness are reflected by the unique traits and intellectual foundation of the highest

managers in a firm which according to upper echelon theory makes the TMT an important role in firm outcomes (Hambrick & Mason, 1984).

To date, the upper echelons theory research suggests that TMTs influence many outcomes and firm-level behaviours (Carpenter, Geletkanycz & Sanders, 2004). The upper-echelon theory assume that executives make decisions based on what is personalized frameworks of actions (Ponomareva, 2016). Upper-echelon theory has initiated a wave of empirical research, which examines how individual characteristics of TMT members have an influence on the organizational outcomes. This is further referred to as the executives' personal characteristics. Ponomareva (2016) further found that the decisions that are taken by the members of the dominant coalition are bounded of the group's rationality. A firm's strategic outcome is the base of the team process, where social and behavioural integration and conflicts all create dynamics that in turn affect the bias of the group-thinking.

Further, upper echelon theory contributes with a deeper understanding of how different characteristic of the members in the TMT influence the organization. It is therefore relevant in the context of understanding how individuals in the TMT setting can be positively influenced from the aspect of shared leadership. This would be due to that each individual within the TMT is unique with their own characteristics, which would diversify the TMT and could therefore provide better organizational outcomes.

2.2 Strategic Choice Theory

One of the most important ways to ensure competitiveness and viability of an organization, is through the ability to anticipate and respond to opportunities or pressures for change both externally and internally (Wiersema & Bantel, 1992). To be able to do this, strategy is needed and entails to align both weaknesses and strengths of a firm with problems and opportunities in its environment (Wiersema & Bantel, 1992). In the 1980's, Hambrick and Manson (1984) referred to strategic choice to be fairly comprehensive term that would include formally and informally made choices as well as major administrative choices. TMT members, together, shape the vision of the corporation through constant series of group interactions and decisions (Eisenhardt, Kahwajy & Bourgeois III, 1997). Eisenhardt *et al.* (1997) claim the TMT's ability to engage in teamwork also reflects in the firm's success. In relation to the behavioural theory, the strategic choice theory argues that managers have strong influence on the strategy created

for the organization, and also participate in the implementation (Ponomareva, 2016). Ponomareva (2016), states that the idea of strategic choice assumes that managers are able to gain strategic change through development and implementation of strategies. Peng and Heath (1996) found the strategic choice theory to emphasize how leaders in an organization make decisions that dramatically influence the organizational development. This way, the organization can learn to adapt to the external and internal environment (Child, 1972). The perspective of the theory is that TMT characteristics play an important role in how the TMT influence the strategic choices of the firm (Wiersema & Bantel, 1992). Similar to the behavioural theory, strategic choice suggests that managers have a strong influence on the strategy creation, which further gives room for organizational learning and knowing how to adapt to the external environment (Child, 1972).

In the financial sector, research has found that it is important to have group organizational structures, such as TMTs, which in turn can provide better service capabilities (Gardener, Molyneux, Williams & Carbo, 1997). This relates to the findings of Kolar (2006), and how it has become increasingly important to consider customized offers and market responsiveness of customer needs in the financial sector. In relation to the strategic choice theory, this can be related to the findings of Ponomareva (2016) of how managers have a strong influence on the strategy created, but also the findings of Hambrick and Mason (1984), who claim that executives are seen as key decision-makers whose choices shape the organization.

Further, the strategic choice theory is influenced by perceived contextual discretion. The contextual discretion determines the level of freedom the TMT has to influence organizational outcomes, and is determined by the degree of discretion that the TMT operates within (Finkelstein *et al.*, 2009).

2.3 Contingency Theory

In order for an organization to perform as optimal as possible, all components of an organization have to fit well with each other, which is a central theme of contingency theory (Selto, Renner and Young, 1995). According to Pennings (1987), the contingency theory approach forward that there is a need for a great fit between structure and environment in order for an organization to be effective. In further notion, the managers of the organization are constrained by the environment when adopting certain structural designs (Pennings, 1987). Furthermore, Pennings

(1987) found that the contingency theory to allow a certain degree of freedom in the choice or adaptation of structure, but also when it comes to the adaptation to the environment.

The contingency theory, according to Selto *et al.* (1995), has both pros and cons. They identified the pros to be that it is a rich and descriptive framework, that is provides lots of opportunities for measurements and observations. The theory further allows explicit linking of organizational characteristics and performance (Selto *et al.*, 1995). However, Selto *et al.* (1995) identified the cons to be that the theory lack standard measures as well as ambiguity in the operationalization of the key constructs.

Moreover, literature have further suggested that the contingency theory has the power to explain an organizations workgroup performance (Selto *et al.*, 1995). The theory looks into what form of organizational structure is most appropriate for specific circumstances. By making the conclusion that there is not only one optimal way to handle different processes in organisations as decision-making and leadership, where different contexts in the environment will provide different conditions (Mintzberg, Ahlstrand & Lampel, 2009). The theory will in this way be important in order to explain how perceived contextual discretion influence the TMT leadership in their strategic decisions. This is done by highlighting the fact that there are multiple strategic choices available under different contexts, which makes perceived contextual discretion an important factor to look at. The available choices to the TMT are therefore linked to the strategic choice theory, where Eisenhardt *et al.* (1997) claim that TMT choices to engage in teamwork also is reflected in the firm's success.

2.4 Market Orientation

Research have found that MO could help firms to keep their strategic objectives in a dynamic environment (Jaworski & Kohli, 1993; Anwar & Sohail, 2003; Narver & Slater, 2004). One of the main characteristics of market orientation is the focus to put customers interest first (Tuominen *et al.*, 2004). Jaworski and Kohli (1993) further suggest that market orientation is a way to improve business performance and perform on higher levels, which in turn is a way of tracking and respond to customer needs. Market orientation is also affected by the environment, which implies that businesses that appear in more competitive environments may also need a higher degree of market orientation (Jaworski & Kohli, 1993). It has been identified that market

orientation consists of two market strategies, mainly market driven and market driving strategies (Tuominen *et al.*, 2004), which will be explored further below.

2.4.1 Market Driven

Questions have been raised about the actual benefit of marketing orientation. According to Narver *et al.* (2004) claim that previous studies have suggested that market orientation may detract from a business innovation. This is linked to the issue of that companies put their only focus into listening and respond to the wishes of their customers (Narver *et al.*, 2004). This understanding only refers to the responsive part of marketing orientation, which is customer led and refers to a more market driven strategy. A market driven strategy had been identified by Tuominen *et al.* (2004), to be a reactive strategy to the market. This favours gradual adjustments to changes in the business environment, which means that the firm tries to have an adaptive learning throughout the organization (Tuominen *et al.*, 2004). The market driven strategy engages in carefully research the market and investigate customer needs to later develop differentiated products and services for the identified segments to satisfy the needs (Kumar *et al.*, 2000).

2.4.2 Market Driving

Narver *et al.* (2004) further questions the previous found relationship between market orientation and innovation by claiming that these have not yet considered the proactive part of market orientation, the market driving. The market driving market orientation is about to discover, understand and satisfy latent needs of the customers, rather than the expressed needs (Narver *et al.*, 2004). Tuominen *et al.* (2004), refer to the market driving strategy as a proactive approach, which means to create something fundamentally and radically new by generative learning. According to the result of Narver *et al.* (2004), the market driven approach will become more and more common, and therefore the market driving approach is needed in order to create a sustainable competitive advantage. Market driving strategies bring with it a high risk (Kumar *et al.*, 2000). Kumar *et al.* (2000), means that there often is a high financial risk of implementing market driving strategies, with limited capital, but if the implementation is successful there are unlimited upside potentials.

2.4.3 Market Orientation in the Financial Sector

In developed markets, financial service sectors are now becoming increasingly market oriented and tend to pursue more proactive marketing strategies (Kolar, 2006). Martin-Consuegra *et al.* (2008) found that a proactive market orientation relates positively to the financial sector. Therefore, the financial sector should emphasise customer understanding to enhance their level of MO and to be able to maintain a competitive advantage (Martin-Consuegra *et al.*, 2008).

Kolar (2006) claims that the financial sector is becoming more technologically reliant, due to increased technological development in society where customers expect these improvements. Therefore, Kolar (2006) means, the financial sector has been forced to become more flexible as well as more innovative and more market oriented in order to respond more efficiently to market trends. According to research, the financial sector today is becoming more proactive on the marketplace (Kolar, 2006), which is much related to the market driving strategy of market orientation (Tuominen *et al.*, 2004). However, both parts of MO are important, and companies would ideally benefit if they could manage to pursue both market driven- and market driving strategies. This could make it possible to satisfy customer needs in a more efficient way, and could result in a higher overall MO.

2.5 Top Management Teams and Shared Leadership

Leadership has a central role in the implementation of MO and how an organization is shaped (Jaworski & Kohli, 1993). When leaders provide clear signals throughout the organisation, MO becomes easier to implement (Jaworski & Kohli, 1993). Leadership is often defined by researchers according to their individual perspective, and the aspect of the phenomenon of most interest to them (Yuik, 1998). Yuik (1998) found from Stogdill (1997 p.259) that “*there are almost as many definitions of leadership as there are persons who have attempted to define the concept*”. To have an effective team in an organization, leadership is crucial (Carson *et al.*, 2007). Existing research have yet mostly focused on the influence of one individual team member and top-down leadership, rather than the leadership provided by the team members (Carson *et al.*, 2007; Mihalache *et al.*, 2014). Even though Jaworski and Kohli (1993) claim that leadership is the most important element of MO, they are very vague in their description of what it exactly is. Many researchers have put forward CEO leadership as an antecedent (Ensley *et al.*, 2006; Crossland & Hambrick, 2007; Mihalache *et al.*, 2014). Yet, shared leadership presents a better concept for TMTs because the leadership is suggested to flow

laterally within the TMT through sharing leadership responsibilities between the members (Denis *et al.*, 2001; Mihalache *et al.*, 2014).

During the last decades, single individual leadership within organizations has become less accepted (Ensley *et al.*, 2006). Therefore, emergent research has identified that leadership behaviour could flow within the TMTs through shared leadership responsibilities among all members (Denis *et al.*, 2001; Mihalache *et al.*, 2014). Shared leadership imply that the leadership of a TMT, flows within the team through shared responsibilities among the members that could lead to higher problem-solving qualities (Pearce, 2004; Mihalache *et al.*, 2014), which would generate a higher team effectiveness (Pearce, 2004; Carson *et al.*, 2007). Furthermore, to pursue shared leadership also allows for a greater compilation of resources, which means that the many skills and perspectives of the TMT members are brought together in the decision-making process (Mihalache *et al.*, 2014). TMTs that carry out shared leadership are also emphasizing knowledge-based work, which rely on the level of key knowledge, skills and abilities among the members that generates a greater opportunity to shape the leadership function within the team (Pearce, 2004; Ensley *et al.*, 2006; Carson *et al.*, 2007; Umans, 2012). This type of leadership moreover encourages cooperativeness, where the TMT members easier can engage in a more informal network of the organization and receive direct contact with all of the organizational members (Mihalache *et al.*, 2014).

Prior studies have shown that shared leadership encourage cooperation and puts the self-interest aside and the interest of the organization first (Mihalache *et al.*, 2014). Kivipõld and Vadi (2013) identified organizational leadership to play a very important role in forming a suitable MO. According to the findings of Harris and Ogbonna (2001), leadership is a critical antecedent of MO. Although, to pursuit both market driven- and market driving strategies could be a complex task to achieve. Thus, one way to pursue this type of strategy could be trough shared leadership. This could improve and drive MO, and possibly help TMTs to handle the complexity that comes with implementing two strategies of MO.

2.5.1 Top Management Teams and Shared Leadership in the Financial Sector

Shared leadership imply that the leadership of a TMT, flows within the team through distribution of leadership across the team members (Denis *et al.*, 2001; Ensley *et al.*, 2006;

Carson *et al.*, 2007; Mihalache *et al.*, 2014). MO have been identified as a new phenomenon that could be viewed in relation to the financial sector (Kivipõld & Vadi, 2013).

Leadership is found to have a central role in the implementation of MO, where shared leadership would be useful when implementing both market driven and market driving strategies in the financial sector (Kivipõld & Vadi, 2013). As Ensley *et al.* (2006) suggested, shared leadership is carried out by the team as a whole, which could positively influence the implementation of MO. The fact that TMTs with shared leadership could be more successful in achieving a higher overall MO, could be due to the abilities to handle more complex situations in more efficient ways. This would be due to the different parts of leadership could provide abilities to pursue dual strategies of MO. This leads us to the first hypothesis of how TMT shared leadership relates to the ability to have dual strategies for MO.

H1. Increasing degree of TMT shared leadership will lead to higher MO

2.6 Contextual Discretion

Hambrick and Finkelstein (1987) developed the concept of managerial discretion, by stating that a CEO's degree of discretion does not occur by coincidence, and explained that it is derived from three sets of factors: contextual (environmental), organisational and individual managerial characteristics. The contextual factor is called contextual discretion i.e. task environment, and is according to Hambrick and Finkelstein (1987) "*a function of the degree to which the environment allows variety and change*" (s. 379). Both contingency theory and strategic choice theory suggests that managers' strategic decision making will affect firm outcomes, depending on the context of their environment. In accordance with the contingency theory, the firm context has an important role when it comes to organisational outcomes, due to different environmental contexts enables different conditions (Balkin & Gomez-Mejia, 1987). Contingency theory is effective when realizing intended strategies that are dependent on the match between strategy, organisation and the environment (Balkin & Gomez-Mejia, 1987). This makes the contextual discretion that Hambrick and Finkelstein (1987) developed, a possible contingent factor on the relationship between shared leadership and MO. Contextual discretion is of interest due to that it is usually out of reach for the TMT, and depends on the different environmental contexts.

Contextual discretion can be seen as a naturally influencing variable on the relationship between shared leadership and MO. This is because different dynamic aspects in the firm environment can influence the relationship in different ways, e.g. through dynamism, turbulence, munificence, growth and instability, which could lower or heighten the level of discretion (Yamak *et al.*, 2014). Depending on the level of contextual discretion that the firm operates within, more or less freedom is available for managers in their leadership (Hambrick & Finkelstein, 1987; Finkelstein & Boyd, 1998; Finkelstein *et al.*, 2009; Ponomareva, 2016). According to Finkelstein *et al.* (1990), TMTs that operate with a low level of discretion also have a limited effect on the firm, which further gives the upper echelon a weak explanatory power since these characteristics would have less impact in the decision-making process. Whereas TMTs that operates with a high level of discretion have a higher effect on the firm, which is due to that there are less constraints from external and internal factors in the TMTs process of implementing new strategies and changes (Finkelstein *et al.*, 1990).

The freedom TMTs have to influence organisational outcomes through strategic choices, is dependent on, for example, how the industry is structured and the possibilities for product differentiability among others (Finkelstein *et al.*, 2009). These further determine the level of discretion companies operate within (Hambrick & Finkelstein, 1987; Finkelstein & Boyd, 1998; Finkelstein *et al.*, 2009; Ponomareva, 2016). Empirical research has shown that the level of discretion is significantly influenced by the nature of the managers' external environment (Ponomareva, 2016). Hambrick and Finkelstein (1987) set forth six proxy domains for managers' task environment that determine the level of contextual discretion. These are *market growth*, *demand instability*, *product differentiability*, which positively affect the level of discretion, and *industry structure*, *quasi-legal constraints*, and *powerful outside forces*, which negatively affect the level of discretion. The amount of managerial discretion within a corporation is assumed to be determined by a combination of these factors (Ponomareva, 2016).

The *market growth* characteristic implies that growing markets are assumed to be characterized by more managerial actions compared to mature markets (Ponomareva, 2016). In growing markets, decision-making patterns change unpredictably and executives have wide latitude of decision-making choices, while mature markets may impose more constraints on managers' discretion (Hambrick & Finkelstein, 1987), which could be due to less opportunities to develop.

Demand instability is another determinant factor. This refers to the volatility of demand that are on competitive products and reduction in the product life-cycle. Such conditions create opportunities for managers to capitalize on the flexibility of demand. This is done through use of strategic assets that broaden managers' possibilities of strategic actions (Ponomareva, 2016). Furthermore, in a high demand volatility, the role of managers will increase (Hambrick & Finkelstein, 1987).

The *product differentiability* characteristics are positively related to the opportunities the TMT has to make decisions regarding the degree of differentiation of products and services on the market (Ponomareva, 2016). The opportunities managers have to act also depends on whether the level of discretion is low or high. A high level of discretion offers a wide range of choices of product variety, as well as a low level of discretion offers a narrow range of options that managers can act upon (Hambrick & Finkelstein, 1987). This further means that an increased degree of managerial discretion also leads to an increased product differentiability.

The *industry structure* characteristic refers to the amount of competition within an industry that affects the latitude of managerial discretion. Where competitive industries are more open to innovation and new strategic choices, while oligopolistic structures consisting of several main competitors follow established rules within the market. The more strategic choices available to managers in competitive environment, the more discretionary power follows (Hambrick & Finkelstein, 1987).

The *quasi-legal constraints* refer to the amount regulations and legal requirements that firms are forced to follow, which affect managerial discretion. Heavier regulation and legal constraints leads to fewer options for managers (Hambrick & Finkelstein, 1987). A negative influence of the degree of managerial discretion is associated with higher levels of quasi-legal constraints, while a lower level of quasi-legal constraints would be considered to have positive effects on managerial discretion.

Finally, the *powerful outside forces* refer to the role an organization's stakeholders have to shape managerial actions (Ponomareva, 2016). This role is highly important, and may cause constraints on the managerial latitude of actions, but could just as well increase it. According to Hambrick and Finkelstein (1987), the main stakeholders referred to as having this power, are buyers, suppliers and other major competitors within the same industry.

In regard to the six proxy domains for managers' task environment that determine the level of contextual discretion TMTs operate within, there is an important distinction in viewpoints. On one hand, the factual nature of how the environment actually effects the level of discretion. On the other hand, the individual perception of how the environment is perceived to affect the level of discretion. As previously stated, the individual perception of contextual discretion will be regarded in this thesis.

2.6.1 Contextual Discretion in the Financial Sector

For the financial sector, there are rules and regulations to be followed (Finansinspektionen, 2017), which further put pressure on the leadership of TMTs within the financial sector. This could further be interpreted as the financial sector being put under quasi-legal constraints (Hambrick & Finkelstein, 1987). Quasi-legal constraints refer to the amount regulations and legal requirements that firms are forced to follow, which Hambrick and Finkelstein (1987) explain to have negative impacts on the level of freedom that TMTs operate within.

It is also found in previous research by Kolar (2006), that the financial sector is put under increased demands for technological developments in their information technologies and their distribution channels. This can be linked to demand instability, which refer to volatility of demands for competitive products (Hambrick & Finkelstein, 1987). This would broaden managers' possibilities to pursue strategic actions, and therefore have a positive effect on the freedom TMTs have to pursue strategic actions.

Finkelstein *et al.* (1990) found that TMTs that operate within organizations that have a high level of discretion, also have a higher effect on the firm. This further build on how different dynamic aspect in the firm environment can influence the relationship in different ways (Yamak *et al.*, 2014). This is also represented by the level of freedom available to TMT members in their strategic choices (Hambrick & Finkelstein, 1987; Finkelstein & Boyd, 1998; Finkelstein *et al.*, 2009; Ponomareva, 2016). Furthermore, leadership has been found to have an impact on MO (Kivipõld & Vadi, 2013), whereas the level of contextual discretion provides more or less freedom in TMTs leadership (Hambrick & Finkelstein, 1987; Finkelstein & Boyd, 1998; Finkelstein *et al.*, 2009; Ponomareva, 2016). Therefore, contextual discretion might be seen as

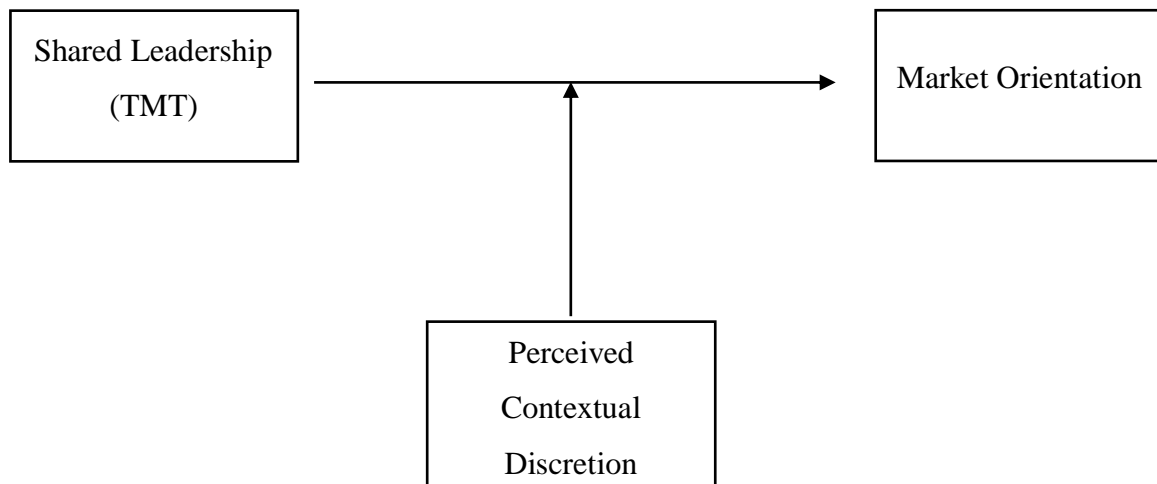
a contingent factor on the relationship between shared leadership and MO, which further leads to the second hypothesis.

H2. Increasing degree of perceived contextual discretion will have a positive effect on TMT shared leadership and MO.

2.7 Theoretical Model

The key concepts of this thesis are TMT shared leadership, MO and perceived contextual discretion. The TMT shared leadership concept is tested to what extent it relates to MO. This relationship is further tested to see if perceived contextual discretion could have a contingent effect on this relationship. This is further illustrated in the model below, see figure 2.1.

Figure 1. *Initial Model*



3. Method

This chapter starts by presenting the research approach of the thesis, followed by the choice of methodology and theory. Thereafter, an analysis of the critiques of the sources will be made in order to present their validity, followed by a time horizon of the work. This is then followed by a presentation of the research strategy and data collection, followed by the choice of sample selection. Lastly, the tools used for data analysis will be presented, followed by the validity and reliability of the data and finally ethical considerations will be discussed.

3.1 Research Approach

There are mainly three different approaches that one could take; and these are either a deductive, inductive or abductive approach (Bryman & Bell, 2015). The deductive approach aims to develop a theory and hypotheses to later design a research strategy to test the hypotheses (Saunders, Lewis & Thornhill, 2009; Bryman & Bell, 2015). The inductive approach is when the researcher chooses to collect data in order to develop theory from the data analysis (Saunders *et al.*, 2009; Bryman & Bell, 2015). The abductive approach, however, overcomes the limitations of the deductive and inductive approach through building new theories about the world through collection of additional findings that appear to be important (Bryman & Bell, 2015). This thesis aims to test the theory and relationship between different variables through already existing literature and theory, which makes a deductive approach a better fit rather than the inductive or abductive approach (Saunders *et al.*, 2009; Bryman & Bell, 2016). The deductive approach allows us to test the theories through development of hypotheses, which further refers to a more standardized and objective outcome of the results (Bryman & Bell, 2015). The deductive approach would further be used in order to gain a deeper understanding of the relationships between shared leadership and MO and how perceived contextual discretion might have a contingent effect on this relationship (Saunders *et al.*, 2009).

3.2 Choice of methodology

This thesis aims to test the relationship between TMT shared leadership quality and MO and how this relationship is contingent on contextual discretion, through development and testing of hypotheses. This thesis also applies a deductive approach and objective testing of theories, which refer to a quantitative method rather than a qualitative (Bryman & Bell, 2015). According to Bryman and Bell (2015), the main steps of a quantitative research is to develop a hypothesis which is deductive from the theory and later tested to find the relationship between the

variables. This also indicate that a quantitative method is most suitable for this thesis rather than a qualitative, since the qualitative method focus more on individuals' interpretation of the world to create new knowledge rather than focusing on the existing relationship (Bryman & Bell, 2015). Thus, since our research question aims to test the relationship of different variables, a quantitative method is a better fit.

A quantitative research method often allows a large amount of data to be collected simultaneously and in a very economical way both in the means of money and time (Saunders, *et al.*, 2009; Bryman & Bell, 2015). Also, a quantitative study provides a more holistic view and generates findings that could represent the whole population, which further gives an opportunity to generalize (Saunders *et al.*, 2009). This would not be possible through a qualitative method. However, there are downsides with a quantitative research methods such as the limited number of questions/statements that can be asked in order to keep interest among the respondents. Also, it is harder to gain a deeper knowledge of the subject through quantitative research, because of the missed opportunity to ask additional questions/statements (Bryman & Bell, 2015).

3.3 Choice of theory

The theoretical framework of this thesis is based on three main theories, which are the upper echelon theory, strategic choice theory and contingency theory. These theories have been used as a base to understand the relationship between shared leadership and MO, and how perceived contextual discretion might be contingent on this relationship. The upper echelon theory explains how and on what grounds individuals make decisions and is mainly focused on the highest decision-makers in organizations (i.e. TMT) (Hambrick & Mason, 1984; Yamak *et al.*, 2014). Strategic choice theory emphasizes how leaders, as key decision-makers, shape the organizational development through their choices (Peng & Heath, 1996). Finally, contingency theory argue that organizations respond to changes in their environment (Pennings, 1987), and is of importance for this thesis since it could help to explain how perceived contextual discretion might influence the TMT in their strategic decisions.

3.4 Critique of the sources

The articles used for this thesis are all scientific and peer-review, retrieved from Google Scholar and Summon@HKR. Some articles have been found through the web page of emerald insights.

Furthermore, for improving the relevance of the topic, newspaper articles and the web page of Sparbankerna have been used. All remaining sources used are academic literature.

To present a more critical view of the literature used, a review is shown in table 1. The quality of each source can be found from the ABS-ranking system of journals, which for this thesis is from 2015, but also the citations of the articles themselves. The ABS-ranking system ranks journals according to its standards: peer-review, editorial and expert judgement, also following the evaluation of hundreds of publications (Academic Journal Guide, 2015). Also, the reliability of the articles can also be found through the number of citations they have. Below, a table is presented with the different gradings in which the ABS-ranking system ranks the different journals.

ABS Rating	Meaning of Quality Rating
4*	World-elite journals of the finest quality and undisputed relevance.
4	Top journals in the field with high submission and low acceptance rates and highest citation impact factor.
3	Highly regarded journals with good submission rates and very selective in what they publish and medium citation impact factor.
2	Acceptable standard journals with modest citation impact factor.
1	Modest standard journals with low citation impact factor.

Table 1. *Ranking of Articles from ABS Ranking System* (Academic Journal Guide, 2015 p.7)

For this thesis, 51 articles have been used whereas 45 of these have been published in recognised journals evaluated in the academic journal guide (ABS, 2015). This means that 6 articles used have not been considered to be qualified as recognized journals. The ranking of the cited journals is shown in table 2 below.

ABS Rating 2015	Number of articles	Percentage
4*	17	33%
4	8	16%
3	11	21%
2	4	8%
1	5	10%
Not Recognized in ABS	6	12%
Total	51	100%

Table 2. *ABS Ranking 2015* (Academic Journal Guide, 2015 p.7)

Out of all 51 cited articles, 88% of them have been published in recognized journals. Furthermore, 70% of the articles cited have been published in world-elite, top- journals and highly regarded journals. This suggests that the majority of the articles cited in this thesis are of high quality. 12% of the journals cited, have not been found to be recognized in the ABS rating, where those articles could be associated with less quality. Although, there is no certainty of that this would have any further consequence for the quality of the theoretical framework of results.

3.5 Time Horizon

The time horizon to research design, is independent of the pursued research strategy (Saunders *et al.*, 2009). There are two different time horizons defined, which are either cross-sectional or longitudinal. A cross-sectional research design often employs the survey strategy, to for example explain how different factors are related (Saunders *et al.*, 2009; Bryman & Bell, 2015). A longitudinal research design, however, rather study change and development over a period of time (Saunders *et al.*, 2009). The aim of this thesis is to try to explain the relationship between different factors, which is related to the definition of cross-sectional research design. Furthermore, cross-sectional research design is used when time is limited, which is opposite to the longitudinal study. This thesis is to be written within a time period of 10 weeks, which further express relevance to use a cross-sectional research design.

3.6 Research Strategy

When deciding on what strategy to pursue, it is most important to consider the research question. Since the research question of this thesis is to explore the relationship between TMTs shared leadership, MO and contextual discretion, the research strategy need to reflect upon that. There are seven different research designs found, which are *experimental study*, *survey study*, *case study*, *action research*, *grounded theory*, *ethnography* and *archival research* (Saunders *et al.*, 2009). Each of these designs can be used for explanatory-, exploratory- and descriptive research (Saunders *et al.*, 2009). For this thesis, a survey study is most suitable, considering the deductive, cross-sectional research approach taken. A survey study allows for a simultaneous collection of a large amount of data through use of questionnaires (Saunders *et al.*, 2009). Due to this, it is also a very economical way of collecting data, both when referring to time and money (Saunders *et al.*, 2009, Bryman & Bell, 2015). Questionnaires also allow each and every person to respond to the exact same questions/statements, which is said to be an efficient way

to collect a large amount of data (Saunders *et al.*, 2009). Furthermore, survey data can be analysed through use of descriptive statistics, which can be used to suggest possible reasons for particular relationships that occur between different variables (Saunders *et al.*, 2009). However, there are limitations when using survey studies, such as the limitations of questions/statements asked in order to keep the respondents from quitting. Also, questionnaires provide only one chance to collect data, and there is no way to collect additional data from respondents who choose to be anonymous (Saunders *et al.*, 2009), which is required for the questionnaire for this thesis.

This survey study for this thesis is mostly based on already established measures of the concepts. Both measures of MO and shared leadership has been found in previous studies and have been used in order to secure validity and correct measurement of the concepts (Mihalache *et al.*, 2014; Umans *et al.*, 2018). However, perceived contextual discretion was established through the six proxy domains of managers' task environment than Hambrick and Finkelstein (1987) established, and had therefore the composed statements had not been previously tested in any research (Appendix 1 & 2).

3.7 Data Collection

In this thesis, several articles have been used to find theory that explains the existing knowledge relations of the variables used. To further explore the relationship, primary data have been collected through a mono-method, through use of a quantitative data collection technique (Saunders *et al.*, 2009). In contrary, data could also have been collected through use of multiple methods, which means that the data could have been collected through several techniques and analysis procedures in order to answer the research question (Saunders *et al.*, 2009). However, this will not be done in this thesis.

The data for this thesis was collected thorough use of survey data, using an electronically administrated questionnaire, Internet-mediated questionnaire (Saunders *et al.*, 2009), with statements that were answered according to the 1-7 Likert scale (1=strongly disagree and 7=Strongly agree). Before sending the questionnaire to the respondents, it was tested on one individual who currently works at a saving bank, in order to ensure that the statements collected the data required in order to answer the research question (Saunders *et al.*, 2009). This individual was not to answer the questionnaire later. The questionnaires were later sent to TMTs in the total range of saving banks in Sweden. This resulted in 284 questioners were sent out to

59 different TMTs. Out of the 284 TMT members, 114 answers were received, which is a response rate of 40%. After looking through the answers, some of them were discarded due to incomplete answers. The final number of responses was 100 (a 35% response rate), where 40 different TMTs responded out of 59 (a 68% TMT response rate).

3.7.1 Operationalization

The data collection was performed at Swedish saving banks. The majority of statements used in the questionnaire were retrieved from articles in English, and was translated into Swedish in order to avoid any confusion or misinterpretations, which would have had impact on the validity of the result and measurements (Umans, Broberg, Schmidt, Nilsson & Olsson, 2016). MO was constructed to consist of two different variables, market driven and market driving. Further, these two variables were then added to be a unified construct in order to gain maximal MO.

3.7.1.1 *Dependent Variables*

The concept of market orientation was measured through the measures of market driven and market driving strategies. These measures were gathered from the market orientation scale from Umans *et al.* (2018), where six statements were measured on the Likert scale where 1= Strongly disagree and 7= Strongly agree. To make sure the scale was valid, a Cronbach alpha reliability test was made and confirmed a Cronbach alpha coefficient of $\alpha=0.702$ which is just above the ideally alpha coefficient of $\alpha=0.7$ (Pallant, 2013). The variables market driven and market driving, are assumed to measure two different aspects of MO. Because of this, the variables will be added into one variable of MO to gain maximum perception of MO from the participants.

3.7.1.2 *Independent Variables*

The concept of shared leadership was found by Jaworski and Kohli (1993) to have a central role for MO. Therefore, leadership has been measured through use of a shared leadership scale retrieved from Mihalache *et al.* (2014), where the respondents were asked eight different statements. Those statements were also measured on the Likert scale where 1= Strongly disagree and 7= Strongly agree. To make sure the scale was valid, a Cronbach alpha reliability test was made and confirmed a Cronbach alpha coefficient of $\alpha=0.902$ which is above the ideally alpha coefficient of $\alpha=0.7$ (Pallant, 2013). From all eight statements, a variable of the means has been constructed, similar to the variable of MO, that measures the perceived shared leadership of the participants.

3.7.1.3 Moderating Variables

The concept of perceived contextual discretion has been used as a moderating variable, and is grounded in Hambrick and Finkelstein (1987) who characterised the environment as one factor influencing managers' discretion, which in turn defines the influence managers have in the organization. Contextual discretion was measured through 6 different statements, which has been developed from concepts found to influence the external environment of contextual discretion by Finkelstein *et al.* (2009) (Appendix 4). The first three statements have a positive effect on the level of discretion managers have, whereas the last three have a negative effect on managers' discretion. Therefore, the last three statements were recoded into the same variables in order to receive accurate results. The moderating variable of perceived contextual discretion is multiplied with the independent variable shared leadership in order to be able to measure if any moderating effect exists on the relationship between shared leadership and MO.

3.7.1.4 Control Variables

Firm Level:

These control variables have been aggregated into firm level, where a mean has been composed for each of the 40 responding banks.

Last TMT Change. The respondents were also asked to present when the last TMT change had taken place. The change has then been defined through subtracting the year from 2018, which then defined how many years ago the change took place. This variable is also measured on a bank level, which presents a mean of all 40 participating banks.

TMT Size. When the document of all TMT members was constructed, a total number of TMT members from each bank were found from their web-pages. This was in order to be able to compare the number of respondents to the actual number of TMT members within each of the 40 responding banks.

Number of Respondents. When the excel-file of the final results had been constructed, a total number of respondents from each bank were calculated to find the mean of the number of TMT members that participated.

Employee Size. The respondents were asked to present the number of employees at their bank. Since respondents from the same bank sometimes indicated a different number of employees for the same bank, a mean for each bank was calculated. This variable is measured on a bank level, where the mean of all 40 participating banks have been calculated for the control variable. This variable will further be logarithmized, which is done to take away the risk outliers have to influence regression and correlation in a negative way. This way skew can be reduced or eliminated. According to Mihalache *et al.* (2014), employee size will have an effect on the firms' flexibility and use of resources.

Individual Level:

These variables are used mainly to describe the data of who the respondents are and will not be further used to control for the other variables.

Age. The respondents have been asked to define their year of birth. The age has then been defined through subtracting the year from 2018, which then defined the biological age. Age was measured to get an understanding of the average age among the respondents.

Gender. The respondents were asked to define their gender, which has been coded according to the dummy-variable where 1=female and 0= male. This measure was used to indicate the gender diversity within the TMT (Carson *et al.*, 2007).

Native Language. The respondents were asked to define their mother tongue. The measure is further used to indicate cultural diversity within the TMT (Carson *et al.*, 2007).

Years working at the bank. The respondents were asked to define how many years they had been working within the bank sector and is a continuous variable. According to Umans *et al.* (2018), assumptions are that longer time working within a firm also might decrease the respondents desire to try reach for more innovative solutions or changes.

Bank position. The respondents were also asked to define their position within the bank. These positions were later coded into 6 different variables containing of VD=1, vVD=2, CFO=3, Kredit manager=4, Marketing manager=5 and Others=6.

Years within the bank position. The respondents were asked to define how many years they had been working within their current bank position. This is measured since it might have an effect on the knowledge of leadership and current position.

Years working within the TMT. The respondents were asked to define how many years they had been working within the TMT. This is measured since it might have an effect on the knowledge of leadership and current position, but also as built on the assumption found from Umans *et al.* (2018) that longer time working within the same position might decrease flexibility and willingness to make changes.

3.8 Sample Selection

In 2017 and many years prior, Svenskt Kvalitetsindex (SKI) (Swedish Quality Index) has investigated what customers thought about their banks (Henriksson, 2017). The index of 2017 showed that customers seemed to be more content with the small and local banks, rather than the big ones (Henriksson, 2017). One of the main reasons for this outcome is the availability of the banks when help is required, something larger banks are not able to provide to the same extent. Another reason for the local banks to gain better scores is their strong local connection, and also the close bank relations (Beck, Demirgüç-Kunt & Pería, 2011; Henriksson, 2017). Among the banks customers there was large differences in opinions among the different segments. The mortgage customer segment and large companies were generally happy, but the broad private customer segment and small business segment felt forgotten. This provides large opportunities for the local banks if they are able to capitalise on the situation, and attract the private customers and small businesses in a more effective way than the larger banks. In regard to MO, the local banks strategies could be seen as driven by the larger banks, while possibilities to drive the market could be done through new services and social activities.

One of the banks that has a strong local connection, both for the private and business customers, is Sparbankerna, which is the largest local saving bank in Sweden. Therefore, the firms selected for this thesis are the Swedish Sparbankerna, which are located throughout Sweden on a more local basis. There is a total of 59 saving banks all over Sweden, with over 230 offices (Sparbanken, 2018). Due to that it is a relatively small sample, the total range of saving banks were reached out to in order to ensure a sufficient response rate. Within the saving banks, the TMTs were reached out to in all 59 banks, where each TMT contained 1-11 people. The TMT

members were reached out to by email, which were retrieved from each of the 59 saving banks web-pages.

3.9 Data Analysis

In raw form, quantitative data provides very little meaning, and therefore needs to be processed and analysed (Saunders *et al.*, 2009). When the data had been collected, it was therefore transferred into an Excel document where the statements were redefined into workable variables for the SPSS analytical tool. Also, not sufficient answers were discarded, resulting in 100 valid responses. The variables were then sorted by bank in order to be able to create an aggregated sample on firm level, resulting in a total of 40 TMTs, where the mean for each participating TMT were calculated. Furthermore, the data were transformed into different categories and codes, which were later used to perform several tests in order to find out whether the variables were significant to each other or not.

First of all, a Cronbach alpha was done on all of the variable in order to measure the level of reliability. Also, a Harman's single-factor test was conducted to check for common method bias. Second, a descriptive test was done on each of the variables separately, both the dependent-, independent-, moderating- and control variables. The control variables were tested both on firm level, which have been used for further testing, and individual level, which only are used to show the characteristic of the respondents and have not been used for any further testing. Finally, a Spearman correlation test was done to look at the possible correlation between the different variables. A multiple regression analysis was also done to test the relationship between shared leadership and MO, as well as to see if there was any support for H1. Also, a hierarchical multiple regression analysis in order to test the moderating effect of perceived contextual discretion on the relationship between shared leadership and MO, to see if there was any support for H2.

3.10 Reliability and Validity

After having collected the data, it is necessary to consider the reliability and validity of the data and measures. Reliability of data refer to in which extent the collection technique and analysis process will show consistent findings (Saunders *et al.*, 2009). This refers to for example if the measures provided will show the same results if it is performed in another occasion, or if similar responses are reached by other respondents, or if there is any transparency in how the raw data was interpreted (Saunders *et al.*, 2009). Whether the measures are reliable or not, can be

determined through looking at the stability of the measures, internal reliability or inter-rater reliability (Bryman & Bell, 2015). The stability test is a test-retest method, which tests the same measures on two different occasions in order to find out if they provide the same results (Bryman & Bell, 2015). The internal reliability is testing whether the questions/statements are relating to the same thing, and inter-rater reliability check the consistency of decisions when there are more than one involved in the recoding of observations into categories (Bryman & Bell, 2015). To ensure reliability of the variables, a Cronbach alpha test has been done on all variables. Also, all data has been checked by the supervisor and adjunct, which would further provide for that the measures and data are reliable.

Validity of the data and measurements refer to whether the findings measure what they are intended to do (Saunders *et al.*, 2009; Bryman & Bell, 2015). Bryman and Bell (2009) have identified face validity to be of importance to consider when developing new measures, so that the measure actually reflects to the content of the of the concept which is presented in the question. The statements used in the survey, were re to some extent retrieved from previous quantitative research papers. However, the statements for contextual discretion has not been tested before, since they were developed from the different variables brought forward by Finkelstein *et al.* (2009) about the external environment. From the factor analysis, it was though discovered that these statements had not been correctly understood and therefore, only statement 1,2 and 3 will be considered in the analysis. Another validity to be of importance for this thesis is construct validity. This refers to how the hypotheses have been retrieved, and that researchers are encouraged to deduce hypothesis from relevant theories to the concept (Bryman & Bell, 2015). All hypotheses for this thesis have been deduced from the theories used in the literature review, further strengthening the validity if this thesis. There have been more validity measures identified, but they do not concern the measures of this thesis.

Furthermore, the response rate of the data received a score of 68% (40 out of 59 TMTs), which also provides for a high level of generalization and therefore also the reliability of the results. However, the result only refers to saving banks in Sweden, which makes it difficult to generalize outside of Sweden.

3.11 Ethical Considerations

When collecting the data, several ethical considerations have been made. Ethical considerations reflect upon the appropriateness of the researchers' behaviour in relation to the rights of those

who have been subjects of, or affected by the work (Saunders, 2009). For this thesis, a quantitative research approach was conducted through use of a survey study, using a questionnaire. When sending the questionnaire to the respondents, a full explanation of our work was provided so that they knew who we were, what we were doing and where we came from. Before the respondents began to answer the questionnaire, they were informed of that the results would be shared in the final thesis, but that no answers would be possible to trace back to any individual or bank. To provide this information prior to the survey, could make the respondents feel more comfortable when answering the questionnaire, which in turn could lead to the respondents being more honest in their answers.

4. Results and Analysis

This chapter will present the findings from the data obtained through a statistical data analysis of the survey. Throughout this analysis, the results will further be discussed in relation to whether the hypotheses 1 and 2 are supported or not supported.

4.1 Descriptive Statistics

Descriptive statistics have been used to give an overview of the empirical findings. Each of the variables, dependent, independent, moderating and control will be presented in its own descriptive statistics table in order to provide a clear view.

4.1.1 Dependent Variables

The dependent variable market orientation, were measured through the level of market driven and market driving strategies. A reliability tests of this variable showed that the respondents perceived these two measures as the same, which indicate that they perceived both strategies as MO. Therefore, these measures were merged into the same variable.

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
Market Orientation	40	1.00	7.00	5.41	.61

Table 3. *Overview of the Dependent Variable*

Table 3 show to what extent the saving banks carry out MO, which has been found to be an average of 5.41. This means that the TMT members perceive themselves to carry out a high amount of MO activities.

4.1.2 Independent Variables

The independent variable used in this thesis is shared leadership. Table 4 show that the respondents feel that they carry out shared leadership on an average of 5.60 on the 1-7 scale, which is high and means that they most likely do operate in an environment that is characterised by shared leadership.

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
Shared Leadership	40	1.00	7.00	5.60	.845

Table 4. Overview of the Independent Variable

4.1.3 Moderating Variables

The moderating variable for this thesis is perceived contextual discretion, which is characterised by the level of discretion that the respondents feel they operate within. Since the statements of perceived contextual discretion have not been used in any previous research, it is very important to make sure that they were understood in a correct way by the respondents.

Component Matrix				Rotated Component Matrix			
	1	2	3		1	2	3
Contextual Discretion3	.864			Contextual Discretion3	.899		
Contextual Discretion2	.783			Contextual Discretion2	.858		
Contextual Discretion1	.624			Contextual Discretion1	.484	-.475	
Contextual Discretion6		.811		Contextual Discretion6		.842	
Contextual Discretion5		.669		Contextual Discretion5		.765	
Contextual Discretion4			.917	Contextual Discretion4			.961

Table 5. Factor Analysis Matrix – Perceived Contextual Discretion

Table 5 shows that the respondents have not understood all six statements to measure the intended thing. Only statements 1,2 and 3 have been understood to measure contextual discretion in a similar way. This could be due to that the respondents have not understood the last three statements correctly, or have not had enough time to think about the statements, which would have been needed since these had negative characteristics rather than positive as in the first three. Although, 50% of the statements have been understood correctly and measure the intended thing. Therefore, contextual discretion has been composed as one variable containing only the average value of statements 1,2 and 3.

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
Perceived Contextual Discretion	40	1.00	7.00	5.23	.11

Table 6. *Overview of the Moderating Variable*

Table 6 shows that the respondents perceive themselves to operate in high contextual discretion with an average of 5.23 on the 1-7 scale. To operate in an environment with high levels of contextual discretion means that the TMT perceive themselves to have a high level of freedom in making strategic choices that will have effects on the firm.

4.1.4 Control Variables

For this thesis, several control variables have been measured. These variables have further been divided into firm level and individual level. The control variables on firm level will allow for a better understanding of the dependent-, independent and moderating variables and what they mean for the results. However, the control variables on individual level have mainly been used to get an overview of the characteristics of the respondents and will therefore not be a part of any tests other than descriptive statistics.

4.1.4.1 Firm Level

The control variables measured on firm level are used for further testing. These consists of last time a new member came into the TMT, size of the TMT, number of respondents per bank, employee size and total performance in comparison to the competitors. All the control variables on firm level have been aggregated in order to show results from each TMT.

Descriptive Statistics					
Bank Level	N	Minimum	Maximum	Mean	Std. Deviation
Last TMT Change	40	0.00	6.00	1.72	1.35
TMT Size	40	1.00	11.00	5.32	2.61
Number of Respondents/TMT	40	1.00	7.00	2.85	1.63
Employee size	40	12.00	200.00	73.49	.85

Table 7. *Overview of Control Variables – Bank Level*

Table 7 above shows that last TMT change happened for about 1.7 years ago, where the average size of a TMT contains of around 5 (5.32) members. The average number of respondents from each bank were 3 (2.85) where the average number of employees were 73 (73.49).

4.1.4.2 Individual Level

The variables are presented on an individual level and will not be used further in this thesis. These variables are mainly to show the characteristics of the respondents. These consists of age, gender, industry experience, bank position, time on position and time in TMT.

Descriptive Statistics					
Individual Level	N	Minimum	Maximum	Mean	Std. Deviation
Age	100	25.00	66.00	49.43	8.03
Gender	100	.00	1.00	.40	.49
Industry Experience	100	1.00	45.00	21.94	11.38
Time on Position	100	1.00	30.00	6.22	5.45
Time in TMT	99	.00	30.00	7.78	6.31

Table 8. *Overview of Control Variables – Individual Level*

Table 8 above shows that the youngest person to answer the survey were 25 years old, whereas the oldest were 66 years old. However, the average age of all respondents was 49 (49.43) years old. Gender has been measured through a dummy-variable, where 1 = female and 0 = male. Gender show a mean of 0.40, which means that 40% of the respondents were women. The average experience of the industry among the respondents is 22 (21.94) years and the average time the respondents have had their position within the bank is 6 (6.22) years. Lastly, the average time the respondents have been a part of the TMT were widely spread, were some had just started a few weeks ago to having been a part of the TMT for 30 years. Although, the average time the respondents had been a part of the TMT was 8 (7.78) years. Also, the majority of the respondents had Swedish as their native language, with the exception of three respondents who were fluent in Swedish but had another native language.

Bank Position	Persons	Percent
VD	22	22%
vVD	8	8%
CFO	9	9%
Credit	5	5%
Marketing Director	7	7%
Other	49	49%
Total	100	100%

Table 9. *Overview of Control Variables – Bank Position*

Table 9 show the control variable of bank position, and how many of the respondents had different positions, in percentage. For example, 22% of the respondents were VD, whereas 7% of the respondents were marketing directors.

4.2 Common Method Bias

Through descriptive statistic, a normality test was done. Due to that the result appeared not significant, the data is considered to be normally distributed. Furthermore, to check for any method bias, Harman's single-factor test was used. This included all independent and dependent variables in one unrelated factor analysis (Podsakoff, Scott, MacKinzie, Podsakoff & Lee, 2003). To do this, all the not aggregated variables (all questionnaire statements), were put into the test. This test gave us an indication that the data was not biased. Furthermore, the principal component analysis revealed that ten values had eigenvalues exceeding 1, explaining 21.9%, 12.6%, 8.8%, 7.5%, 6.3%, 5.8%, 4.9%, 4.3%, 3.6%, 3.1% of the variance respectively, explaining a total of 79% of the variance (Pallant, 2013). (Appendix 3).

4.3 Spearman's Correlation Matrix

For this thesis, a Spearman's-test is used since the aggregated data only resulted in a small sample of 40 banks. A Spearman's correlation test is a non-parametric test that measures the correlation between two variables through a monotonic function, which would allow for a more precise correlation with such a small sample through use of median rather than mean (Pallant, 2013). A correlation matrix indicates the direction of a positive or negative relationship between two variables, where positive correlations indicate that an increase in one variable also increases the other (Pallant, 2013). A negative correlation indicates that as one variable increase the other decrease (Pallant, 2013).

Table 10 presents the correlation matrix, which further show the relations between the dependent variable market orientation and the independent variable shared leadership and the moderating variable contextual discretion. Further shown in relation to the dependent variable is the control variables, which are the number of respondents within the TMT, size of TMT, total number of employees and performance. The correlation table shows a bivariate correlation, which means that it shows the correlation that is between two variables (Pallant, 2013). Also, for this thesis it would be of importance to bring forward that the significance level is acceptable at 10% ($p < 0.1$).

Correlations							
Variable	1	2	3	4	5	6	7
Market Orientation	-						
Shared Leadership	0.273†	-					
Perceived Contextual Discretion	0.411**	0.156	-				
Number Respondents	-0.213	0.054	-0.049	-			
Size of TMT	-0.159	0.192	-0.037	0.558**	-		
Number of Employees (LN)	-0.096	0.245	-0.247	0.502**	0.698**	-	
Last TMT Change	0.084	-0.179	0.351*	-0.297†	-0.267†	-0.505**	-

Notes: $p < 0.01$ **; $p < 0.05$ *; $p < 0.1$ †

Table 10. Spearman's Correlation Matrix

When analysing table 10, there are some significant correlations to be found. The independent variable of shared leadership is found to have a strong positive significant correlation with MO (0.273†). This indicates that the respondents find shared leadership to be connected to the performance of MO. Another variable that is found to have an even stronger positive significant correlation with MO, is the moderating variable of perceived contextual discretion (0.411**). This indicates that there is a strong correlation between MO and perceived contextual discretion among the respondents, which indicates that the more contextual discretion the TMT members perceive they are operating in, the more MO they have.

4.4 Multiple Linear Regression

The hypotheses will be tested through the help of regression analyses. However, before this could be done, collinearity diagnostics were looked at to check for multicollinearity. This was done through looking at the VIF-value for each model, which indicates how much of the variability of a specific independent is not explained by the other independent variables in the model (Pallant, 2013). If the VIF-value is above 10, it would indicate a high multiple correlation, which would also suggest a possibility of multicollinearity (Pallant, 2013).

For this thesis, three different multiple linear regression models have been created, one for each hypothesis and a third as a post hoc test. H1. *Increasing degree of TMT shared leadership will lead to higher MO*, is tested through the multiple regression analysis in table 11, which has a VIF-value that range from 1.149-2.490 and indicate that there is no multicollinearity since the VIF-value is below 10. H2. *Increasing degree of perceived contextual discretion will have a positive effect on TMT shared leadership and MO*, is tested in table 12, which has a VIF-value

that range from 1.191-2.728 and indicate that there is no multicollinearity since the VIF-value is below 10. The third table 13, further shows a VIF-value that range from 1.207-2.718 and indicate that there is no multicollinearity since the VIF-value is below 10. Each of the models will be discussed.

Due to the fact that the R^2 tends to be a rather optimistic estimation of the true value of the sample and the fact that our TMT sample $n=41$ is rather small, therefore the adjusted R^2 should be used. This value is statistically corrected and often provides a better estimate of the true result when the sample size is smaller (Pallant, 2013). Furthermore, because the smaller sample, fewer control variables would be beneficial to use in order to receive more statistically credible results. Therefore, some of the models have been composed using only Size of TMT and last change within the TMT, which are according to other research the most important and well used control variables to account for in TMT research (Mihalache *et al.*, 2014).

Variables	Model 1 Market Orientation		Model 2 Market Orientation		Model 3 Market Orientation	
	Std.B	Std.E	Std.B	Std. E	Std.B	Std. E
Shared Leadership	0.413*	0.120	0.415*	0.117	0.368*	0.114
Number of Respondents/TMT	-0.116	0.070	-0.118	0.068		
Size of TMT	-0.036	0.053	-0.036	0.052	-0.207	0.039
Number of Employees (LN)	-0.211	0.175	-0.217	0.162		
Last TMT Change	0.014	0.018			0.093	0.074
Constant	4.497***	0.764	4.521***	0.691	4.103***	0.649
F-value	1.610		2.070		2.297†	
Adj. R^2	0.073		0.099		0.091	
VIF value, highest	2.490		2.181		1.205	
	$n=41$		$n=41$		$n=41$	

Notes: $p < 0.001$ ***; $p < 0.01$ **; $p < 0.05$ *; $p < 0.10$ †

Table 11. Linear Regression Model

Model 1 in table 11 shows that shared leadership has a positive significant relationship with MO on a 5% level ($p < 0.05$). The adjusted R^2 for model 1 is 0.073, which indicates that the independent variable explains 7% of the variance in the dependent variable MO. Model 2 also shows that shared leadership has a positive significant relationship with MO on a 5% level ($p < 0.05$). Also, the adjusted R^2 for model 2 is 0.099, which indicates that the independent variable explains 10% of the variance in the dependent variable MO. Finally, model 3 in table 11 shows that shared leadership has a positive significant relationship with MO. The adjusted R^2 for model 3 is 0.091, which indicates that the independent variable explains 9% of the

variance in the dependent variable MO. The regression analysis in table 11 further show support for hypothesis 1.

It is of interest for this thesis to find out if perceived contextual discretion is a moderator on the relationship between shared leadership and MO. Therefore, a hierarchical multiple regression analysis is used. By controlling for the possible effects of our control variables, to see if our independent variables shared leadership and contextual discretion, is able to predict a significant amount of the variance in MO (Pallant, 2013). This is done though entering the control variables in block 1. This will in a pre-determined order force the variables into the analysis, statistically controlling for these variables. The independent variables are then entered into block 2. The difference is that the possible effects of the control variables have been removed, which makes it possible to see whether the independent variables are still able to explain some of the remaining variance of the dependent variable MO. Finally, the variable, *moderating contextual discretion x shared leadership*, is entered into box 3 to see if there is a moderating effect (Pallant, 2013).

Variables	Model 4 Market Orientation		Model 5 Market Orientation		Model 6 Market Orientation		Model 7 Market Orientation	
	Std.B	Std.E	Std.B	Std. E	Std.B	Std. E	Std.B	Std. E
Shared Leadership	0.287†	0.108	0.287†	0.116	0.279†	0.115	0.279†	0.108
Perceived Contextual Discretion	0.459**	0.126	0.496**	0.144	0.468**	0.139	0.498**	0.135
Moderating Con Disc X Sh Lea	-0.089	0.086	-0.097	0.088	-0.597	0.087	-0.094	0.086
Number of Respondents TMT	-0.109	0.061	-0.130	0.063				
Size of TMT	-0.149	0.038	-0.172	0.050	-0.168	0.049	-0.232	0.036
Number of Employees (LN)			-0.006	0.167	0.033	0.160		
Last TMT Change			-0.114	0.076			-0.089	0.071
Constant	2.481*	0.800	2.468*	0.980	2.402*	0.967	2.390**	0.799
F-value	3.797**		2.658*		3.077*		3.754**	
Adj. R ²	0.264		0.229		0.242		0.261	
VIF value, highest	1.419		2.728		2.557		1.307	
	n=41		n=41		n=41		n=41	

Notes: $p < 0.001$ ***; $p < 0.01$ **; $p < 0.05$ *; $p < 0.10$ †

Table 12. *Hierarchical Multiple Regression Model*

Model 4 in table 12 shows that there is a positive significant relationship between shared leadership and market orientation ($p < 0.10$) and MO, as well as perceived contextual discretion ($p < 0.01$) and MO. The adjusted R² for model 4 is 0.264, which indicates that the independent variables explain 26% of the variance in the dependent variable MO. In model 5, the variables

shared leadership and perceived contextual discretion are found to have a positive significant relationship with MO on a 10% respectively 1% level. The adjusted R^2 for model 5 is 0.229, which indicates that the independent variables explain 23% of the variance in the dependent variable MO. The adjusted R^2 for model 5 is 0.229, which indicates that the independent variables explain 23% of the variance in the dependent variable MO.

In model 6, it is shown that shared leadership has a significant positive relationship with MO on a 10% level. Also, the variable contextual discretion is found to have a positive significant relationship with MO on a 1% significant level ($p < 0.01$). The adjusted R^2 for model 6 is 0.242, which means that the independent variables explain 24% of the variance in the dependent variable MO. Finally, model 7 also shows that both shared leadership and perceived contextual discretion has a positive significant relationship with MO on a 10% ($p < 0.10$) respectively 1% ($p < 0.01$) level. The adjusted R^2 for model 7 is 0.261, which indicates that the independent variables explain 26% of the variance in the dependent variable MO.

However, the moderating variable of contextual discretion (contextual discretion x shared leadership) does not gain significance in any of models 4-7. This indicates that the variable contextual discretion is not a moderating variable on the relationship between shared leadership and contextual discretion. Therefore, no support for hypothesis 2 is found.

Variables	Model 8		Model 9		Model 10	
	Market Orientation		Market Orientation		Market Orientation	
	Std.B	Std. E	Std.B	Std. E	Std.B	Std. E
Shared Leadership	0.314*	0.111	0.306†	0.109	0.304*	0.103
Perceived Contextual Discretion	0.465**	0.137	0.440**	0.131	0.469**	0.128
Number of Respondents TMT	-0.126	0.063	-0.111	0.062		
Size of TMT	-0.157	0.049	-0.154	0.049	-0.221	0.035
Number of Employees (LN)	-0.015	0.165	0.023	0.158		
Last TMT Change	-0.107	0.076			-0.082	0.070
Constant	2.490*	0.970	2.426*	0.957	2.392**	0.792
F-value	3.091*		3.691**		4.675**	
Adj. R^2	0.243		0.256		0.275	
VIF value, highest	2.718		2.541		1.229	
	n=41		n=41		n=41	

Notes: $p < 0.001$ ***; $p < 0.01$ **; $p < 0.05$ *; $p < 0.10$ †

Table 13. Linear Regression Model – Post Hoc Test

To be able to make further sense of the data collected, a third regression analysis have been composed. This regression model was made to test if the variable perceived contextual discretion on its own has a significant relationship with the dependent variable MO, and therefore if it could be seen as an independent variable. Also, if the variable shared leadership would still have a significant relationship with MO.

Model 8 in table 13 shows that perceived contextual discretion, as an independent variable have a significant positive relation to MO on a 1% level ($p < 0.01$). Shared leadership have a positive significant relationship with MO on a 5% level ($p < 0.05$). The adjusted R^2 for model 8 is 0.243, which indicates that the independent variables explain 24% of the variance in the dependent variable MO. Furthermore, model 9 shows that both shared leadership and perceived contextual discretion have a positive significant relationship with MO. It is also shown that perceived contextual discretion has a stronger positive significant relationship with MO ($p < 0.01$), while shared leadership has a weaker significant positive relationship with MO ($p < 0.10$). The adjusted R^2 for model 9 is 0.256, which indicates that the independent variables explain 26% of the variance in the dependent variable MO.

Finally, in model 10, it is shown that perceived contextual discretion as an independent variable have a significant positive relation to MO on a 1% level, whereas shared leadership also is found to have a positive significant relationship with MO on a 5% level. The adjusted R^2 for model 10 is 0.275, which indicates that the independent variables explain 28% of the variance in the dependent variable MO. An interesting finding appears, which is that perceived contextual discretion seems to have a direct effect on MO. This indicates that contextual discretion is an independent variable with a direct effect on MO.

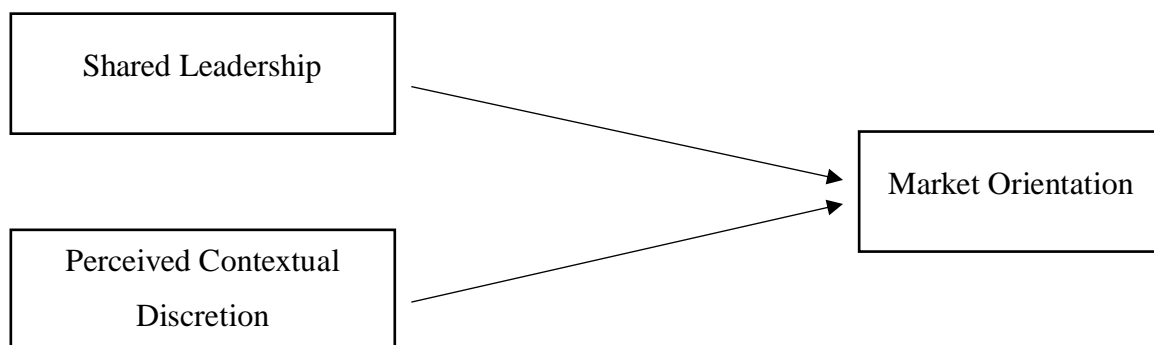
4.4.1 Hypotheses

→ H1. *Increasing degree of TMT shared leadership will lead to higher MO.*

→ H2. *Increasing degree of perceived contextual discretion will have a positive effect on TMT shared leadership and MO.*

The multiple regression analysis was used to find if there were any support for the hypotheses of this thesis. In table 11, support for H1. was found from all three composed models that showed a positive significant relationship between shared leadership and MO. Although, no support for H2. was found. Table 12 explored whether there was any significant relationship between the moderating variable of perceived contextual discretion and the relationship between shared leadership and MO. 4 models were tested to see if such relationship existed, which it did not. All models showed that both shared leadership ($p < 0.10$) and contextual discretion ($p < 0.01$) as independent variables had significant positive relationships with MO. This indicates that contextual discretion as an independent variable has a direct effect on MO itself, just as shared leadership as an independent has a direct relationship with MO. Therefore, no moderating effect of contextual discretion seem to exist. This leads to the final research model shown in figure 2, where both shared leadership and perceived contextual discretion is shown to have a direct effect on MO.

Figure 2. *Final Research Model*



5. Discussion

This chapter will discuss the findings from the data obtained through a statistical data analysis of the survey. Throughout this discussion, the results will further be discussed in relation to whether the hypotheses 1 and 2 are supported or not supported.

The purpose of his thesis was to try to explain the relationship between TMT shared leadership and MO and how this relationship in turn is contingent on perceived contextual discretion. The findings from the collected data will be further discussed in its meaning for MO, the relationship between shared leadership and MO and finally the findings of contextual discretion as a contingency variable.

5.1 Market Orientation

MO has for many years been seen as a dominant approach on the market with two strategic orientations, namely market driven and market driving (Kumar *et al.*, 2000; Jaworski *et al.*, 2000; Roukoniemi, 2008; Ghauri *et al.*, 2016). These concepts were tested through six different statements, where respondents were to indicate to which extent they as a TMT pursued MO. The statements were divided into market driven and market driving strategies. The results revealed that the respondent found both market driven and market driving strategies to be part of MO, which responded to our expectations regarding the possibility to have complementarity between the two strategies. In turn, this could provide each TMT with the possibility to achieve a stronger total MO, because they could be able to pursue both market driven and driving strategies. Because of this, the dependent variable of MO is a combination of the two, market driven and driving strategies. Furthermore, the ability to have, and need for, complementarity could be linked to today's more intense business environment, where having multiple strategies inside organizations are more common and necessary in order to be able to achieve competitive advantage. This finding is further similar to that of Boso *et al.* (2012), who researched the possibility to have complementarity between market driven and market driving strategies.

According to the descriptive statistics, the TMTs in the saving banks found themselves to have a MO with a mean of 5.41, which is high. It has been found in previous research that firms that operate within the financial sector also are becoming more market oriented (Kolar, 2006), which also seem to be true for the saving banks. Since it has been brought forward that the small and local banks, saving banks included, are becoming more and more popular among the

small customers, the saving banks would need to be more strategically oriented in order to differentiate themselves from the other banks. This could also explain the high scale of MO found, which imply that such actions are taken. Further, as Kolar (2006) found, the financial sectors are more or less forced to become more flexible and innovative in order to respond more efficiently to market trends, such as the increased development of technology. The results could also be interpreted as evidence of that the saving banks might actually try to keep up with these changes though high engagement in different MO strategies.

5.2 Shared Leadership and Market Orientation

Leadership is a critical antecedent of MO (Harris & Ogbonna, 2001), and will therefore play an important part in firms' ability to achieve MO. Previous studies have found that there seems to be a strong statistical relationship between MO and TMTs, who play a big role in the outcome of the firm (Harris & Ogbonna, 2001). It has also earlier been argued for how shared leadership is a process where leadership is carried out by the entire team, rather than only one single person, and have positive effects on firms (Denis *et al.*, 2001; Ensley *et al.*, 2006; Mihalache *et al.*, 2014). For this thesis, one of the aims was to find out if shared leadership could have a positive effect on MO.

The findings from the analysis indicate that shared leadership has a positive significant relationship with MO. It could therefore be argued that TMTs with shared leadership provides better strategic outcomes that influence MO positively. One way where shared leadership could benefit firm outcomes in this way, is through the ability to pursue complementarity of strategies in MO. This would fit well with the fact that the TMTs perceived market driven and driving strategies to be a part of MO in complementarity. Since the TMTs of the saving banks find themselves to pursue shared leadership aspects in their TMTs, they might be taking advantage of the effectiveness it brings with it in their strategic choices, such as compilation of resource, knowledge sharing, skills and abilities of all TMT members (e.g. Mihalache *et al.*, 2014). The benefits of shared leadership could further help to overcome the complexity to have complementarity in MO strategies. Another way to look at shared leadership as an enabler is from a saving bank's point of view, where each bank has its own TMT, shared leadership could be argued to be beneficial. Examples are, better overall decision making and faster decision making, which would in turn benefit customers both the expertise received and in the time perspective.

The level of shared leadership within the TMTs of the saving banks were 5.6, which is high. Since the level of MO was high, and previous research have found shared leadership to be of high importance in implementation of MO (Kivipõld & Vadi, 2013), makes this finding highly relevant. Since the saving banks need to be able to differentiate themselves, it is also important that the TMT can provide a high level of MO. The fact that shared leadership is a big part of the TMTs of the saving banks could also make this possible, where the TMT member could handle this process more efficiently though a higher team effectiveness that also would lead to a higher quality of work.

The result of shared leadership could further be discussed from the demographic characteristic of the respondents, such as years working within the TMT with a mean of 8 years. This might have an effect on the result on the level of shared leadership within the TMT, since longer relationships with the other team members might also result in a closer relationship where sharing feels natural. Furthermore, the significant relationship between shared leadership and MO could then depend on that the TMT members together feel that they have a shared impact on the implementation of MO strategies.

5.3 Contextual Discretion

Perceived contextual discretion has been researched as a possible contingent variable on the relationship between shared leadership and MO for this thesis. This was due to that previous research has found contextual discretion within a TMT to be of importance when speaking of the level of freedom managers have to take strategic decisions for the organization (Finkelstein *et al.*, 2009). Contextual discretion determines the level of freedom managers have to influence an organization, which is dependent on the degree of discretion managers operate within (Finkelstein *et al.*, 2009). However, the regression analysis did not show any result on that perceived contextual discretion was contingent on the relationship between shared leadership and MO. Although, to see if any other relationship with perceived contextual discretion existed, a third regression analysis was conducted as a post hoc test. Here, it was revealed that perceived contextual discretion had a significant relationship with MO, this time as an independent variable with a direct effect on MO. This indicates that the more perceived contextual discretion the TMT members operate within, the more MO could be pursued. This could be explained through the notion that the level of discretion is very strong, and does not influence the process of shared leadership within the TMTs directly, but it rather influences the main processes of the

TMTs work. This might further influence the ability to implement strategies and other organisational changes, which in turn would be related to having a positive effect on MO.

The findings revealed that the TMTs of the saving banks perceived themselves to have a level of freedom of strategic choices at a mean of 5.23, which is a rather high level of discretion. However, it could be interesting to connect this finding to how the financial sector, and therefore also saving banks, operate within regulations and legal constraints. This has been found to lower the level of freedom available for TMT managers, and therefore also their ability to implement strategic changes and actions (Hambrick & Finkelstein, 1987). Due to this, one could think that the financial sector would be lower in discretion. But it was also found that members of the TMT had been working within the financial sector for a long time, 22 years on average, which could alter their perception due to having few other experiences or no alternatives to compare with.

An interesting consideration is that the level of discretion that the TMT managers perceived themselves to operate within, might not be the real contextual discretion that they really operate within. For the financial sector, if the perceived contextual discretion in a TMT is lower than the real/actual contextual discretion, this might lead to the members of that TMT to believe less in their strategic abilities to change and develop the organization. This in turn could be argued to hold the effectiveness of the TMT back more than it should have to, which would result in a lower MO.

A final interesting consideration can be connected to Kolar (2006), who found that the financial sector is put under pressure to adapt to new technologies on the market. This might further be emphasized by the customers for new and improved services, which further might put more pressure on the financial sector. This demand could further be referred to demand instability brought forward by Hambrick and Finkelstein (1987), and how this has a positive effect on the level of freedom managers have to implement strategic changes. This is due to increased room for improvements and further developments, which further might give TMTs a higher level of freedom to operate. Therefore, the result shown might be an indication of that the saving banks are able to pursue a higher level of MO, through use of shared leadership, because of their freedom to implement new strategies and changes. Further also in this way, try to keep a competitive advantage against the bigger banks and other competitors.

6. Conclusion

In this final chapter, an overarching conclusion of the thesis will be presented, followed by the theoretical contributions and practical implications. Finally, the limitation of the thesis will be presented, followed by suggestions for future research.

6.1 Overarching Conclusion

This thesis has investigated the TMTs of all saving banks in Sweden with a total of 40 TMTs participating, with the purpose to try to explain the relationship between shared leadership and MO and how perceived contextual discretion might be contingent on this relationship. The findings of this thesis further provide some interesting conclusions.

One of the main assumptions of this thesis was that TMTs would be able to more effectively pursue MO through the characteristics of shared leadership. Shared leadership in turn would provide the ability to pursue the more complex MO that contain both market driven and driving strategies simultaneously. This is described as achieving complementarity between the two strategies. The results confirmed that the saving banks perceived both market driven and driving strategies to be a part of MO. This finding further supports the findings of Boso *et al.* (2012), and how it is possible to have complementarity between these two strategies. In turn, this could provide TMTs in the financial sector with the possibility to achieve a stronger total MO.

The results also conclude that there is a positive significant relationship between shared leadership and MO, which further shows support for hypothesis 1. It seems to be important for the TMTs of saving banks to operate with shared leadership rather than through one single person. This result could be explained through the many possibilities that shared leadership can provide for TMTs in the financial sector. The relationship between shared leadership and MO could also be explained through that shared leadership help to overcome the complexity to pursue multiple strategic activities. These abilities can also be linked to previous findings in TMT research, where

Who have find the shared leadership characteristics to be able to provide greater effectiveness of TMTs through shared responsibilities, increased knowledge sharing and greater compilation of resources (Pearce, 2004; Mihalache *et al.*, 2014).

Finally, the results moreover conclude that there is no significant relationship shown for perceived contextual discretion to be contingent on the relationship between shared leadership and MO. This also shows that no support for hypothesis 2 is found. However, another finding came through as highly interesting, which was the strong positive significance of perceived contextual discretion as an independent variable with MO that was shown in the post hoc test. This result indicates that the more perceived contextual discretion the TMT members operate within, the more MO could be pursued. The high level of perceived contextual discretion that the TMT members have, influence the main processes of TMTs work. In turn, this influence the ability to implement strategies and other organizational changes, which could result in more effective MO. Also, because contextual discretion is found to influence the freedom TMT members have to pursue strategic choices, the high level of perceived contextual discretion would then mean that the TMT of saving banks have a relatively high influence of the outcomes of their particular saving bank.

6.2 Theoretical Contributions

One of the theoretical contributions of this thesis is that shared leadership has a positive effect on MO, which builds upon the findings of Harris and Ogbonna (2001) and Kivipõld and Vadi (2013), who claim leadership to be a critical antecedent of MO and how leadership is important in order to find a suitable MO strategy. A second theoretical contribution of this thesis is the finding of how perceived contextual discretion has a direct effect on MO, rather than being contingent effect on the relationship between shared leadership and MO.

6.3 Practical Implications

The results of this thesis can help banks in the financial sector to gain a better understanding of how MO is effected by shared leadership, and also how perceived contextual discretion of the members in TMTs influence MO. Since both shared leadership and perceived contextual discretion has a significant effect on MO they both have an influence over how much MO that banks in the financial sector are able to achieve.

For saving bank and the financial sector in general, the result that shared leadership have positive outcomes for overall MO, can have positive effects. Where TMTs could take more active approaches to try and implements this kind of leadership into their TMT, to try and gain a more effective MO. This in turn could provide higher effectiveness and better firm outcomes.

The finding of how perceived contextual discretion was highly significant as an independent variable in relation to MO in the financial sector could be good to know, since the level of discretion have in previous research been found to have a great impact on the level of freedom TMTs have in firms (Finkelstein *et al.*, 2009). The fact that perceived contextual discretion has a high significant relationship with MO, indicates that TMTs in the financial sector could benefit to have this in mind when trying to pursue more effective MO strategies. An example of how this finding that could benefit TMTs in saving banks, and maybe also other firms in the financial sector, is if the *perceived* contextual discretion in a TMT is lower than the *real/actual* contextual discretion that the TMT operates within. This might lead to the members of that TMT to believe less in their strategic abilities to change and develop the firm, which in turn might hold the effectiveness of the TMT back more than it should have to. This further imply an importance to knowing more about the level of contextual discretion the firm is influenced by.

6.4 Limitations

One limitation of this thesis is the number of respondents from each of the TMTs. This is related to the response rate from each of the 40 TMTs that ranged from 1-7, which further could cause misrepresentation of the results since it might be built on one individuals thoughts rather than the whole TMT. Another limitation of this thesis is the development of the statements regarding perceived contextual discretion. Since these had not been used before, there was no previous testing and therefore only three of the six statements were used for this variable.

6.5 Future Research

Since perceived contextual discretion has been found to work as an independent variable with a direct effect on MO, rather than a contingent factor on the relationship between shared leadership and MO, it would be interesting to bring this research further. An example for future research could therefore be to further explore the effect of perceived contextual discretion on MO in other settings that in the financial sector. This could be done in a quantitative way as for this thesis, in order to receive a large number of responses in order to make better assumptions of the relationship between these two variables. This would further be interesting due to that perceived contextual discretion received a greater significance with MO than shared leadership.

This proves that perceived contextual discretion has an important connection with MO, which could be interesting to explore further.

Another suggestion of future research could be to build upon the findings of the high level of perceived contextual discretion that the TMTs of the saving banks perceived to operate within. This was a very interesting finding of this thesis. However, there is no deeper explanation of how and why the level of perceived contextual discretion was so high. Therefore, it could be of interest to perform a qualitative study, that explored to what degree the external factors of contextual discretion actually were perceived to influence, or not influence, the perceived contextual discretion of the TMT members in saving banks.

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APPENDIX

1. Survey – Original Version

Enkät

Hej!

Vi är två studenter, Marcus Hesselroth och Alina Bruhn, som läser magisterprogrammet i företagsadministration, med inriktning på internationellt företagande och marknadsföring. Vi skriver just nu vår magisteruppsats där vi vill undersöka relationen mellan ledarskap i högsta ledningsgruppen och marknadsorientering, samt hur denna relation påverkas av självuppfattat handlingsutrymme i företagets branschmiljö. För att göra detta, anser vi att Sparbankerna är en unik företagsgrupp som skiljer sig från mängden med unika strategier och social påverkan. Vi har därför valt att göra en kvantitativ studie bestående av en enkätundersökning, som vi skickar till samtliga ledningsgrupper inom sparbanken.

Enkäten tar ca 5–10 minuter att genomföra och är konfidentiell. Det vill säga, inga resultat kommer vara kopplade till specifik bank och person utan generella samband vill hittas. Resultaten kommer att sammanställas i uppsatsen, och vid önskemål kan man få ta del av uppsatsen med sammanställningen.

Vi är högst tacksamma om du skulle vilja genomföra denna enkät och på så sätt hjälpa oss att genomföra vårt examensarbete! Det går givetvis bra att kontakta oss om några frågor skulle uppstå, på både mail och telefon som finns nedan.

Med vänliga hälsningar

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Allmänt

1. Jag är __ år
2. Jag är Man / Kvinna
9. Mitt modersmål är _____
4. Vi är __ antal anställda på banken
7. Hur länge har du arbetat inom den finansiella industrin? ____ år
6. Hur länge har du jobbat inom bankbranschen? _____ år
3. Min bankposition är _____
8. Hur länge har du haft din position inom banken? __ år
10. Hur länge har du arbetat inom ledningsgruppen? ____ år
11. När va det senast som ni tog in en ny person i ledningsgrupp? År _____

Vänligen ange på skalan nedan I vilken utsträckning antagandena nedan passar in på ditt företag, där 1=Mycket sämre än konkurrenterna och 7= Mycket bättre än konkurrenterna

12. Företagsprestation:

- Ekonomisk prestation
 - Tillväxt i försäljning / vinst
 - Avkastning på försäljning / vinst
 - Avkastning på tillgångarna
- Utveckling- och kvalitet av service
 - Kvaliteten på produkter och service
 - Utveckling av produkter och service
- HR prestation
 - Förmågan att attrahera och behålla anställda
 - Relationen mellan ledning och anställda
 - Relationen mellan anställda

Vänligen ange på skalan nedan I vilken utsträckning antagandena nedan passar in på ditt företag, där 1=Instämmer inte alls och 7= Instämmer fullständigt

Marknadsdriven

1. Företagets strategi för en konkurrensfördel är baserad på förståelsen av kundernas nuvarande behov.
2. Företagets försöker ständigt att förbättra den nuvarande teknologin och tekniken för att möta kundernas nuvarande behov.
3. Företaget lyssnar alltid till kunderna för att tillfredsställa deras behov.

Marknadsdrivande

1. Företaget förnyar och utvecklar ständigt ny teknologi och tekniker för att hitta nya lösningar för kunderna.
2. Företagets strategi för en konkurrensfördel är baserat på att upptäcka och tillfredsställa kundernas framtida behov genom att bevisa för kunderna att det finns ett behov av de nya lösningarna.
3. Företaget tänker ständigt på nya lösningar och mer värdefulla erbjudande som skulle kunna tillfredsställa kundernas eventuella framtida behov.

Ledarskap

1. Högsta ledningsgruppen bestämmer tillsammans implementering av ny verksamhet.
2. Högsta ledningsgruppen är tillsammans ansvariga för att fastställa strategiska mål.
3. Högsta ledningsgruppen bestämmer tillsammans planeringen av större förändringar i verksamheten.
4. Högsta ledningsgruppen uppmuntrar varandra till höga förväntningar i arbetet
5. Högsta ledningsgruppen uppmuntrar varandra till att verkställa gemensamma mål.
6. Högsta ledningsgruppen ringer upp varandra för att fatta kritiska beslut.
7. Högsta ledningsgruppen uppmuntrar varandra att tillsammans utvärdera affärsprestationen.
8. Högsta ledningsgruppen uppmanar varandra till att samarbeta.

Ledande Diskretion

1. Jag känner att industrin har möjligheten att differentiera sina produkter/service.
2. Jag känner att industrin har möjligheten att växa på marknaden.
4. Jag känner att industrin kunder har en ökad efterfrågan för våra tjänster.
3. Jag känner att industrin verkar i en marknadsstruktur med full konkurrens.
5. Jag känner att industrin befinner sig i en marknad där regleringar och lagar är starka.
6. Jag känner att industrin påverkas mycket av starka externa krafter som håller tillbaka företaget.

2. Survey – Translated Version

Survey

Hi!

We are two students, Marcus Hesselroth and Alina Bruhn, who study the master's program in international business and marketing. We are now writing our master's thesis where we would like to explore the relationship between leadership within the TMT and market orientation, and how this relationship is contingent on perceived contextual discretion within the firm. In order to do this, we believe that the saving banks is a unique business that stands out from the crowd with its unique strategies and effects on the social environment. We therefore chose to do a quantitative study with use of a survey, which we will send to the TMTs within all of the saving banks.

The survey will take approximately 5-10 minutes to complete and is confidential. Which means that no results will be possible to connect to a specific bank of individual, only general relations are of interest. The results will be summarized in the thesis, and if you would like, it is possible to take part of the thesis and results.

We highly appreciate it if you would like to complete the survey, and in that way help us to complete our thesis! You are more than welcome to contact us if any questions occur, both through e-mail and phone, where you can find the information below.

Kind regards

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General

1. I am ____ years old
2. I am a man/woman
3. My mother tongue is ____
4. We are _____ people hired at the bank
5. For how long have you been working within the financial sector? ____ years
4. For how long have you been working within the banking industry? ____ years
5. My bank position is _____
6. For how long have you had your position within the bank? ____ years
7. For how long have you been working within the TMT? ____ years
8. When was the last time you brought a new member into the TMT? ____ years

Please indicate on the scale below to which extent the following statements reflect orientation of your firm where 1=much worse than the competitors and 7=Much better than the competitors.

12. Firm Performance

- Economic Performance
 - Growth in sales / revenue
 - Return on sales / revenue
 - Return on assets
- Development- and quality of service
 - Quality of products and services
 - Development of products and services
- HR prestation
 - Ability to attract and keep employees
 - Relationship between managers and employees
 - Relationship among employees

Please indicate on the scale below to which extent the following statements reflect orientation of your firm where 1=Strongly disagree and 7=Strongly agree.

Market Driven

1. The firm's strategy for competitive advantage is based on its understanding of customers' current needs
2. The firm constantly tries to improve current technologies and techniques to meet immediate needs of customers
3. The firm constantly listens to our customers in order to be able to satisfy their needs

Market Driving

1. The firm constantly innovates and develops new technologies and techniques to find new solutions for our customers.
2. The firm's strategy for competitive advantage is based on uncovering and satisfying the customers' future needs by proving to these customers that their need for these new solutions.
3. The firm constantly thinks about new solutions and more valuable offerings that may satisfy the needs the customers might have in the future.

Leadership

1. TMT members jointly determine the implementation of new business.
2. TMT members are jointly responsible for setting strategic objectives.
3. TMT members collectively determine the planning of major operations.
4. TMT members encourage each other to high expectations in the work.
5. TMT members encourage each other to draw on common goals.
6. TMT members call each other to make critical decisions.
7. TMT members encourage each other to jointly evaluate business performance.
8. TMT members encourage each other to cooperate.

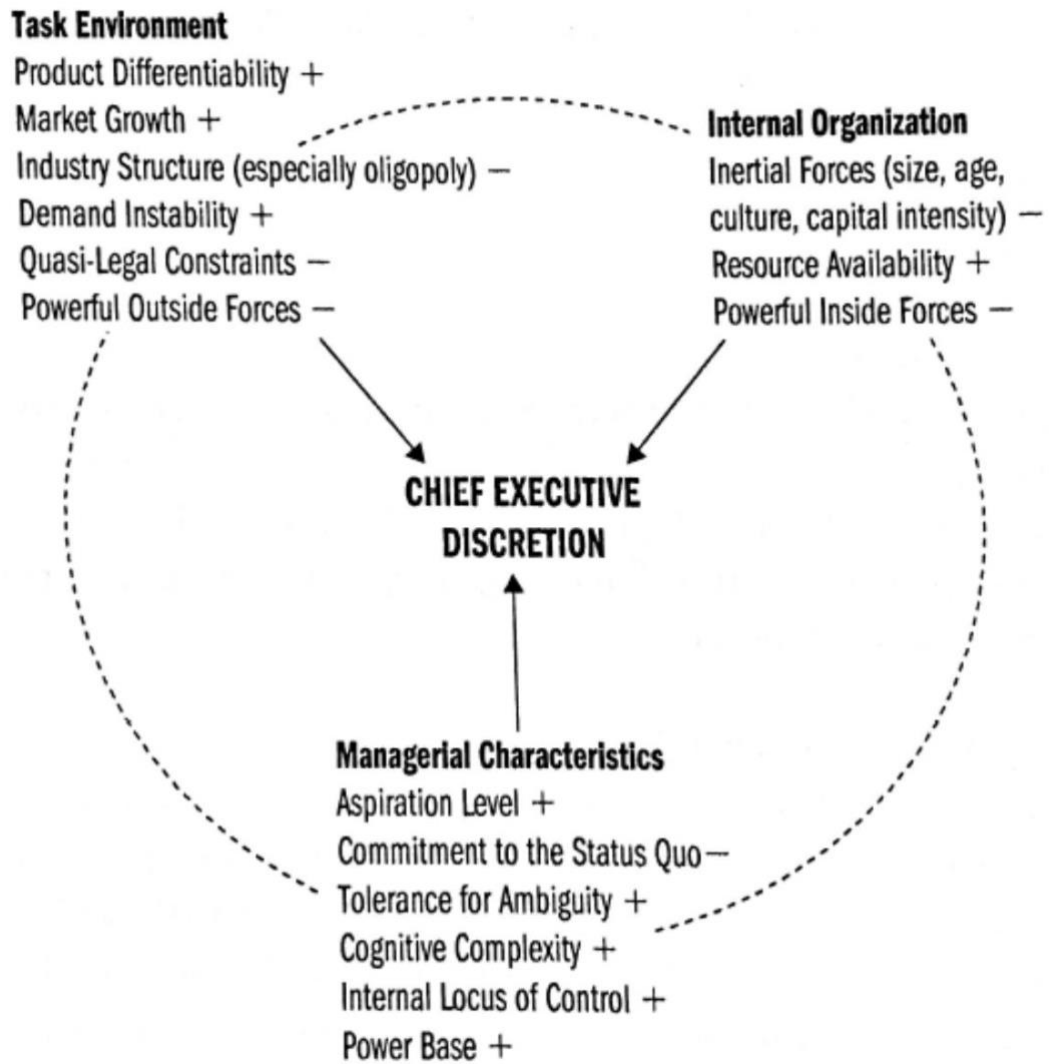
Perceived Contextual Discretion

1. I feel that the financial industry has a possibility to differentiate its products and services.
2. I feel that the financial industry has the possibility to grow on the market.
4. I feel that the financial industry's customers have a growing demand for our services.
3. I feel that the financial industry operates in a market structure with high competition.
5. I feel that the financial industry I work within operates on a market with a high level of regulations and laws.
6. I feel that the financial industry is affected by strong external forces that holds the firm back (Ex. Stakeholders such as customers, competitors, government etc.).

3. Total Variance Explained

Component	Total Variance Explained					
	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8,346	21,964	21,964	8,346	21,964	21,964
2	4,812	12,664	34,629	4,812	12,664	34,629
3	3,361	8,846	43,474	3,361	8,846	43,474
4	2,865	7,540	51,014	2,865	7,540	51,014
5	2,399	6,313	57,328	2,399	6,313	57,328
6	2,235	5,881	63,209	2,235	5,881	63,209
7	1,870	4,920	68,129	1,870	4,920	68,129
8	1,645	4,328	72,457	1,645	4,328	72,457
9	1,389	3,656	76,113	1,389	3,656	76,113
10	1,207	3,176	79,289	1,207	3,176	79,289
11	,978	2,573	81,862			
12	,868	2,284	84,146			
13	,860	2,263	86,409			
14	,825	2,172	88,581			
15	,707	1,859	90,441			
16	,582	1,530	91,971			
17	,476	1,253	93,224			
18	,424	1,116	94,340			
19	,348	,916	95,255			
20	,341	,897	96,152			
21	,267	,702	96,854			
22	,227	,599	97,452			
23	,207	,546	97,998			
24	,181	,477	98,475			
25	,140	,367	98,843			
26	,110	,290	99,132			
27	,083	,218	99,350			
28	,069	,181	99,531			
29	,046	,121	99,652			
30	,039	,104	99,756			
31	,026	,067	99,823			
32	,024	,063	99,886			
33	,021	,056	99,942			
34	,013	,034	99,975			
35	,006	,017	99,992			
36	,002	,006	99,998			
37	,001	,002	100,000			
38	4,715E-5	,000	100,000			

4. Model of Chief Executive Discretion



(Finkelstein *et al.*, 2009 p.27)