Module 4

THE SCIENCE OF MRI

SCIENCE BEHIND THE MRI TOOL

• Key Components Necessary for Scientific Validity:
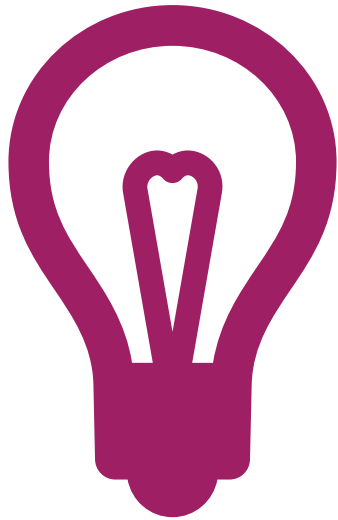
• **Reliability**
• An indication of the precision of a survey tool as well its consistency and repeatability

• **Validity**
• Are you measuring what you think you are measuring? In this case the concept of a "Customer Culture"

MARKETCULTURE

KEY RESEARCH QUESTIONS

What elements of culture (organisational factors) are correlated with performance?

Which of these factors should we measure and why?

What levels of culture should be measured and why?

How will we measure these factors on these levels of culture?

OUR HYPOTHESIS

Does a customer centric culture drive business performance?

And if so, how significant a driver of performance is it?

OUR RESEARCH METHODOLOGY

•A meta-analysis of research conducted over the past 25 years on the academic concepts of market orientation and corporate culture.
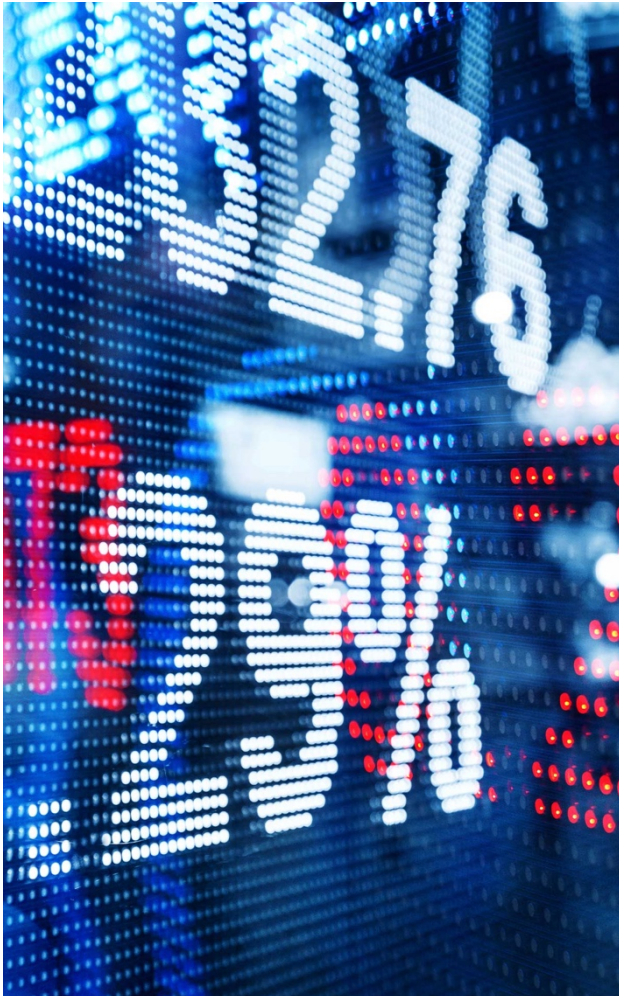
•The research covered more than 10,000 companies from more than 200 academic papers.

•The most relevant studies are included in a document on our website for reference.

107 OF THE STUDIES FOUND STRONG POSITIVE CORRELATIONS

Across more than 35 performance outcomes

FINANCIAL
Average Return on Sales
Growth in Resources
Growth in Revenue
Profitability
Return on Assets
Return on Capital Employed
Return on Equity
Return on Investment
Sales Growth
Sales Volume
Stock Price
Total Assets

CUSTOMER
Customer Retention
Customer Satisfaction
Customer Trust

EMPLOYEE
Employee Performance
Employee Satisfaction
Salesperson Job Satisfaction
Organisational Commitment
Organisational Learning

INNOVATION
Firm Innovativeness
New Product Innovativeness
New Product Sales

MARKETING
Brand Valuation
Improved Channel Relationships
Market Share
Peer Reputation
Power Over Distribution Channel
Product Performance

OPERATIONS
Cost Efficiency
Cost Savings
Product Quality
Service Quality
Supplier Partnership

FROM THIS RESEARCH WE BUILT A MODEL

•**Our first model was overly complex with more than 160 items and 4 levels of culture – values, norms, artifacts and behaviours.**

•We conduced Face Validity analysis involving interviews with 22 key leaders and practitioners around the world representing companies including Amazon, Virgin, Starbucks, Google and salesforce.com

We settled on a 63 item 9 factor model for our initial study.

After conducting the relevant statistical analyses:
• Exploratory Factor Analysis
• Confirmatory Factor Analysis

The final model included 35 items in 7 factors, now known as the Leadership Market Responsiveness Index™

BUILDING THE **PREDICTIVE MODEL**

•Multiple statistical analyses were then conducted to determine which factors predict performance in which business outcomes:
•Path model with manifest variable equations
•Bivariate correlation analysis
•Multivariate Regression
•Multivariate Analysis of Variance (MANOVA)

•**The final bivariate correlations between the MRI™ dimensions and business performance outcomes ranged from .27 to .51, all statistically significant at the .001 level of confidence.**

The overall relationship between the MRI™ and business performance was measured at .57

THE RESULT - A SCIENTIFICALLY VALID TOOL

• **These results indicate that an organisation's culture, as measured by the Market Responsiveness Index Survey, is directly related to its performance.**

• Overall, the results of these analyses offer support for the psychometric integrity of the Market Responsiveness Index (MRI) Culture Survey as well as the survey's link to organisational performance.
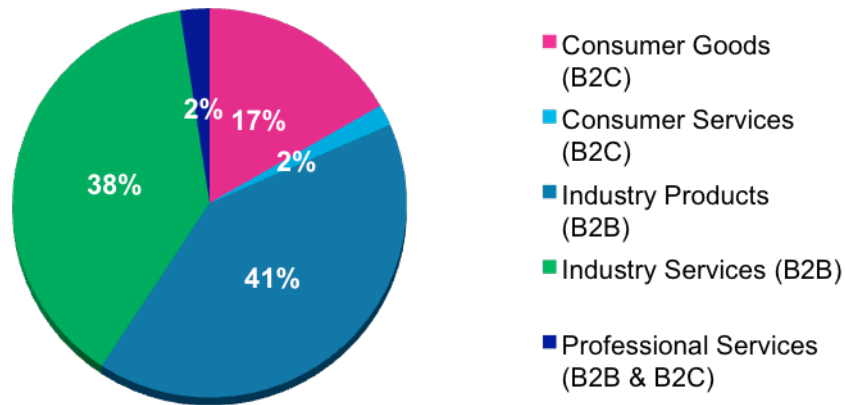
THE DATABASE

- The database includes more than 250 companies with responses ranging from 15 to more than 5000 varying by organisation.

- We do not release the names of all the companies in the database only those that have provided permission.

- To protect client confidentiality we do not release the timing or number of participants involved in client engagement.
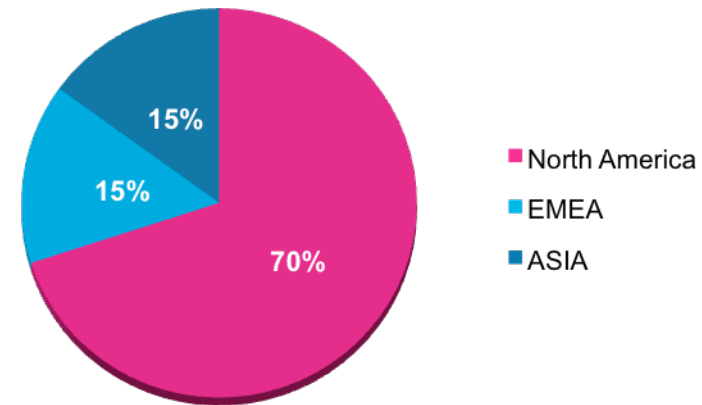
MARKET RESPONSIVENESS INDEX (MRI) - BENCHMARK DEMOGRAPHICS

Industry Groupings
Representation by Percent

Geographic Region Groupings
Representation by Percent

Industry Groupings pie chart:
- Consumer Goods (B2C): 17%
- Consumer Services (B2C): 2%
- Industry Products (B2B): 41%
- Industry Services (B2B): 38%
- Professional Services (B2B & B2C): 2%

Geographic Region Groupings pie chart:
- North America: 70%
- EMEA: 15%
- ASIA: 15%

Currently 200+ companies across 25 sectors
A Sample of Participants are below:

amazon.com · BLACKROCK · vodafone · Telstra · Fairfax Media · KONICA MINOLTA
Virgin · hp · CISCO · Adobe · Seagate · Shell · DOW · HITACHI Inspire the Next · Westpac
BASF The Chemical Company · Boston Scientific Delivering what's next. · DOLBY · FRANKE · Bell · MWV MEADWESTVACO · MERCK Be well · ERGON ENERGY · AUSTRALIA POST

LINKS TO BUSINESS PERFORMANCE OUTCOMES

Factors	Customer Satisfaction	Innovation	New Product Success	Profit Growth	Profitability	Sales Revenue Growth
Customer Insight	✓	✓	✓			✓
Customer Foresight		✓				
Competitor Insight				✓	✓	✓
Competitor Foresight		✓	✓			
Peripheral Vision		✓				
Empowerment	✓	✓				
Cross-functional Collaboration	✓	✓	✓	✓	✓	✓
Strategic Alignment	✓	✓	✓	✓	✓	✓

HOW STRONG IS THE **LINK TO PERFORMANCE**?

Strength of Relationship