



**SWP 20/87 CORPORATE CULTURE, ORGANISATIONAL
CLIMATE & MARKETING PERFORMANCE**

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ABSTRACT

This study examines the relationship between corporate culture and marketing effectiveness. Two aspects were examined: firstly, the general values and beliefs of the organization, and the importance and influence of managerial functions in strategic decision-making; secondly, whether the expectations of managers as to an appropriate culture were being met - the organizational climate. Analysis of data collected from 54 mid-American companies indicates that the Peters and Waterman classification of cultural values related positively to those companies which were marketing effective. Additionally, increased emphasis upon marketing, sales, and personnel functions - the human skills - delineated with regard to marketing effective companies. Companies which were classified as marketing ineffective showed the highest level of dissatisfaction between existing and ideal corporate values - the least acceptable organizational climate.

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INTRODUCTION

During the past three decades, both business practitioners and academics have championed a market oriented philosophy. The philosophy's premise holds that the satisfaction of the external demands of the marketplace determine long-term organizational growth and financial success.

Despite the marketing concept's seemingly strong support, a number of papers have been presented which debate the propriety and scope of the philosophy. Some of the debate has centered upon the alleged societal failures of the orientation, (Dawson, 1969, 1980; Feldman, 1971) but the decline of many American industrial sectors in recent years has given rise to another challenge -- the shortcomings of implementing the marketing concept within the organization itself (Reisz, 1980; Bennet and Cooper, 1979, 1981). Nevertheless, McNamara (1981) advocates that companies which have failed to adopt and successfully implement the concept are at a crossroads, and that a decision supporting a market orientation must be forthcoming. As a result, it is pertinent that marketing researchers address thoroughly the problems and constraints impeding the adoption and implementation of the marketing concept.

MARKETING RESEARCH: A NEW CHALLENGE

The traditional focus of marketing research has been upon the development of marketing strategies rather than upon their implementation. When a strategy failed, an implicit assumption has been that it was ill-conceived or inadequate. Rather than questioning the merit of marketing strategies dictated by the marketing concept, some researchers have suggested that a more complete understanding of organizational dynamics and behavioral characteristics would be of merit (Deshpande and Zaltman, 1982; Wind and Robertson, 1983; Bonoma, 1984; Parasuraman and Deshpande, 1984). The neglect of such qualitative issues in the past, for the sake of strategy formulation, presents marketing with a new challenge -- a challenge to establish itself as a vital link between strategy formulation and strategy implementation, between failure and success.

CORPORATE CULTURE AND MARKETING SUCCESS

The need for understanding organizational dynamics and the organization's behavioral characteristics parallels the growing interest in corporate culture (Harrison, 1978; Schwartz and Davis, 1981; Deal and Kennedy, 1982; Sathe, 1983; Smircich, 1983). The increased attention focussed towards the human aspects of the organization, its culture, has been substantial with both practitioners and academics

proclaiming its merit. The fundamental conclusion of most reports is that there seems to be a significant correlation between a company's cultural stance and its performance.

Enis and Mills (1983, p.45) postulate that "organizational culture, adherence to the tenets of the marketing concept, and success in the marketplace are correlated." This view has also been popularized by Peters and Waterman (1982). The ineffective outcomes of many marketing directed strategies points to the need for marketers to study their organization's cultural environment. Parasuraman and Desphande (1984, p.177) summarize the need for studying corporate culture in the marketing context:

Marketing strategy planners would do well to take into account the culture of a firm and to check its compatibility with any proposed strategy. There is also a parallel need for marketing researchers to formally study the nature and extent of the linkage between corporate culture and marketing performance. The current lack of adequate knowledge in this regard, and the resultant inattention to corporate culture aspects during marketing strategy formulation, may be a leading reason why so often an apparently sound strategy works for one firm and not for another.

Thus, corporate culture holds great promise for easing the transition from marketing strategy to marketing action, from the drawing-board to reality.

PURPOSE OF THE STUDY

The main objective of this research was to examine the relationships between corporate culture and marketing effectiveness. Two aspects of an organization's cultural system were examined; the general values and beliefs of the organization, and the importance and influence of various business functions in the strategic decision-making process. A second objective was to assess the organizational climate of marketing effective and marketing ineffective companies - that is, are employees' expectations of an appropriate culture being met? In this regard, the study investigated the fit between the current organizational culture and the "desired" values of its employees, its organizational climate (Schwartz and Davis, 1981).

The following research questions were addressed:

1. Is marketing effectiveness correlated with the existence of certain corporate values and beliefs?
2. What differences exist in the present value system of marketing effective companies when compared with marketing ineffective companies?
3. What differences exist in the perceived desired or "ideal" value system of marketing effective companies when compared with marketing ineffective companies?
4. What differences exist between the organization's climate of marketing effective and marketing ineffective companies?

5. What differences exist in the importance and influence of various business functions in the strategic decision-making process of marketing effective and marketing ineffective companies?

With these research questions in mind, the following types of information were sought:

1. Top management's responses concerning the cultural values of their present work environment.
2. Top management's responses concerning the cultural value system which existed within their firm.
3. The importance and influence of various functions in strategic decision-making.
4. Information concerning the marketing effectiveness of the organization.

METHODOLOGY

The information necessary to answer the research questions was obtained from a self-administered questionnaire. Marketing effectiveness was assessed using fifteen three-point scales developed by Kotler (1977). The items were designed to audit the marketing effectiveness in five essential areas; customer philosophy, integrated marketing organization, marketing information, strategic orientation, and operational efficiency. The responses to the effectiveness inventory were summed to create a composite score of marketing effectiveness.

Peters and Waterman identified seven key values as characteristics of successful organizations. These are:

1. A belief in being the best.
2. A belief in the importance of the details of execution, the 'nuts and bolts' of doing a good job.
3. A belief in the importance of people as individuals.
4. A belief in superior quality and service.
5. A belief that most members of the organization should be innovators.
6. A belief in the importance of information to enhance communication.
7. An explicit belief in, and recognition of, the importance of economic growth and profits.

Respondents were asked to indicate their agreement or disagreement on a seven-point scale concerning the existence of each value in their organization. Respondents were also asked to indicate their agreement or disagreement on a seven-point scale concerning whether this value SHOULD exist in their organization. The resulting information allowed assessment of the present cultural value system, the preferred value system, and the existing organizational climate.

The last information used in the analysis was the evaluation of the importance and influence of a number of business functions in strategic decision-making in each company. The following functions were included: president, finance, marketing, sales, personnel, accounting, legal, production and technical. The importance of each function

was measured on a five-point scale ranging from very important to very unimportant. Similarly, the influence of each function was measured on a five-point scale ranging from very strong influence to very little influence.

The study was conducted in the summer of 1984. 88 companies were chosen within the geographic triangle of Northern Indiana, Southern Michigan, and Eastern Illinois to represent a broad spectrum of both industry classification and corporate size. 54 companies responded from which a member of the top management team completed the questionnaire. Six of these returned questionnaires were unusable, resulting in a usable response rate of 55%.

The first step in the data analysis was to assess the degree of correlation between marketing effectiveness and the existence of the corporate values under investigation. Following this analysis, the participating companies were divided into three groups -- marketing ineffective, marginally marketing effective, and marketing effective -- based upon the summated marketing effectiveness measure. The groups consisted of 17, 15 and 16 companies respectively. One way ANOVA tests were conducted to compare group responses concerning the existence of key corporate values; whether these corporate values should exist; a measure of satisfaction with the existing value system; and the importance and influence of various business functions. A

paired t-test was also conducted in order to assess the significance of the differences reported between the present and ideal states - in effect, the climate of the organization.

FINDINGS

Table 1 shows the simple correlations between the presence of each corporate value and the marketing effectiveness measure. Six of the seven coefficients were significant at the 0.05 alpha level. The three values resulting in the highest correlation were:

- * a belief in being the best
- * a belief in superior quality and service
- * a belief that most members of the organization should be innovators

The belief in the importance of economic growth and profit was significant at the 0.10 alpha level. All coefficients were positively correlated indicating that when these values exist within an organization there is a greater chance that there will be marketing success. These results strongly support the conclusions reached by Peters and Waterman (1982): corporate culture is significantly correlated to marketing effectiveness.

Insert Table 1 about here

Table 2 shows the comparison between marketing ineffective companies, marginally marketing effective companies and marketing effective companies for the existing value system and the desired value system. As suggested by Peters and Waterman, the presence of each value was not only more likely in the marketing effective companies but the order was also consistent in all cases. Ineffective companies scored lower, and effective companies demonstrated a greater degree of consensus. One way ANOVA tests revealed that four of these seven values resulted in significant differences between the groups.

Insert Table 2 about here

The comparison of the desired value system revealed fewer differences, as only two of the seven values resulted in a difference significant at the 0.05 alpha level. Marketing effective and marginally marketing effective companies desired a value system which emphasized to a greater degree a belief in 'being the best' and a need for innovation. A belief in the need to provide superior quality was significant at the 0.10 alpha level. Thus, there also exist differences in the general values system desired by executives, these differences again being associated with marketing effectiveness.

Table 3 illustrates the difference scores - the extent of managerial dissatisfaction - between the present and the ideal value systems for each group. Respondents employed by marketing ineffective and marginally marketing effective companies indicated that significant improvements were needed in the existence of each corporate value under investigation. An interesting result was that respondents employed by marketing effective companies believed that significant improvements were needed in five of the existing corporate values examined. Thus, management of all companies felt that the climate of their organization could have been improved.

Insert table 3 about here

Table 3 also compares the difference scores across groups. For each value, the marketing effective companies felt that less improvement was necessary. One way ANOVA tests comparing the groups showed significant differences in a belief in "being the best", a belief in providing superior quality, and the importance of informality. The results are encouraging and indicate that companies which are marketing ineffective recognize the need for improving the existing corporate culture.

The final analytical procedure consisted of comparing the IMPORTANCE and INFLUENCE of various business functions in

the strategic decision-making process for each of the three company types. Table 4 illustrates the results. Five of the nine functions considered as important resulted in significant differences between the groups. Most notably for the present study was the significant difference reported for the importance of the marketing and sales functions. The comparison of the degree of influence associated with each function resulted in similar results. The direction of the degree of influence was consistent for the functions studied. Moreover, the influence associated with four of the nine functions was significantly different. These results provide evidence that greater managerial participation is a distinguishing factor between marketing effective and marketing ineffective companies. Further, as suggested, but not tested by Peters and Waterman, the functions which delineate in their importance in the decision-making process of strategic formulation are essentially of a human nature; in the marketplace, the functions of marketing and sales which accentuate consumer closeness; in the organization itself, the personnel function which creates an ambience for internal closeness.

Insert table 4 about here

CONCLUSION

The results of this study appear to suggest that those companies which demonstrate superior marketing effectiveness also demonstrate the characteristics which Peters and Waterman found in their "excellent" companies. These characteristics are also those to which executives in marketing ineffective companies would aspire. Further, the culture of managerial participation in strategic decision-making would appear to enhance company effectiveness, both in the marketplace and financially.

Clearly, a number of factors impact upon corporate success and this research does not suggest that a mere change in culture will improve company performance but rather make a significant contribution. However, effecting cultural change is often a lengthy and difficult process, presenting a formidable challenge to those companies demonstrating ineffective strategies. Nevertheless, the results do suggest guidelines for management -- an environment which encourages managerial participation in strategic decision-making and which is supportive of marketing strategies. In particular, a consumer orientation and a people orientation are related; both customers and employees are valued and looked to for guidance.

It is important to note that this study was exploratory in nature, and although the results are appealing, there

remains a strong need for a more robust sample. To this end, the authors are currently expanding the study to include a larger sample size, stratified by both industry and by company size.

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TABLE ONE

Corporate Values and Marketing Effectiveness: Simple Correlations

Corporate Value	Correlation Coefficient	Significance Level
1. A belief in "being best"	0.6284	<0.001
2. A belief in the importance of the details of execution	0.3343	0.011
3. A belief in the importance of people as individuals	0.4052	0.022
4. A belief in superior quality	0.6731	<0.001
5. A belief that most members of the organization should be innovators	0.7010	<0.001
6. A belief in the importance of informality to enhance communication	0.4934	<0.001
7. Explicit belief in the importance of economic growth	0.2908	0.078

TABLE TWO

Corporate Culture and Marketing Effectiveness:
Present and Desired Corporate Values

Corporate Value	GROUP 1 Ineffective Companies	GROUP 2 Marginal Companies	GROUP 3 Effective Companies	F-Value	S.L.	Groups Significantly Different
Present Culture:						
1. Best	4.067	5.353	6.533	12.170	.0001	1-2,1-3,2-3
2. Execution	4.800	5.294	5.533	1.033	.3645	
3. People	4.533	5.118	5.733	1.910	.1602	
4. Quality	4.533	5.588	6.400	12.191	.0001	1-2,1-3,2-3
5. Innovation	2.667	4.118	5.467	17.770	.0001	1-2,1-3,2-3
6. Informality	3.533	4.882	5.267	5.010	.0103	1-3,1-2
7. Profit	5.400	5.471	5.933	.793	.4589	
Desired Culture:						
1. Best	6.143	6.765	6.667	3.216	.0499	1-3,1-2
2. Execution	6.071	6.412	6.133	.840	.4386	
3. People	6.571	6.471	6.800	.870	.4262	
4. Quality	6.357	6.765	6.733	2.460	.0974	1-3,1-2
5. Innovation	4.429	5.588	6.133	6.990	.0024	1-2,1-3
6. Informality	5.286	6.176	5.800	2.353	.1072	
7. Profit	6.071	5.824	6.067	.328	.7221	

TABLE THREE

Organizational Climate: Comparison of Present and Desired Corporate Values

Corporate Value	GROUP 1 Ineffective Companies	GROUP 2 Marginal Companies	GROUP 3 Effective Companies	F-Value	S.L.	Groups Significantly Different
1. Best	2.076**	1.412**	0.134	7.430	.0017	1-3, 2-3
2. Execution	1.271**	1.118**	0.600**	1.000	.3763	
3. People	2.038**	1.353**	1.067**	1.380	.2626	
4. Quality	1.824**	1.177*	0.333*	6.805	.0027	1-2, 2-3, 1-3
5. Innovation	1.762**	1.470**	0.666**	1.955	.1540	
6. Informality	1.753**	1.294**	0.533**	3.709	.0327	1-3
7. Profit	0.671**	0.353**	0.134	.814	.4498	

** Difference between present and desired values are significant at less than or equal to the 0.05 alpha level.

* Difference between present and desired values are significant at less than or equal to the 0.10 alpha level.

TABLE FOUR

Importance and Influence of Business Functions
in Strategic Decision-Making

Corporate Value	GROUP 1 Ineffective Companies	GROUP 2 Marginal Companies	GROUP 3 Effective Companies	F-Value	S.L.	Groups Significantly Different
Importance:						
President	1.500	1.471	1.929	0.793	.459	
Finance	1.857	1.933	1.600	0.546	.584	
Marketing	2.846	1.375	1.571	7.181	.002	1-2,1-3
Sales	3.286	2.214	1.714	6.509	.004	1-2,1-3
Personnel	3.308	3.063	2.133	5.010	.011	2-3,1-3
Accounting	3.059	2.923	2.200	2.967	.062	1-3,2-3
Legal	3.636	3.500	2.500	3.942	.029	2-3,1-3
Production	2.929	2.200	2.067	1.853	.170	
Technical	2.214	1.800	2.214	0.683	.511	
Influence:						
President	1.429	1.294	1.786	1.216	.307	
Finance	2.143	2.063	1.600	1.109	.339	
Marketing	3.167	1.750	1.786	5.371	.009	1-2,1-3
Sales	3.214	2.286	1.714	6.792	.003	1-2,1-3
Personnel	4.079	3.500	2.600	7.922	.001	1-3,2-3
Accounting	3.539	3.438	2.800	2.426	.101	
Legal	4.364	3.400	2.643	8.544	.001	1-3,1-2,2-3
Production	3.286	2.600	2.260	2.170	.127	
Technical	3.071	2.267	2.400	1.723	.191	