



CORPORATE CULTURE: A POSITIVE CORRELATE WITH MARKETING EFFECTIVENESS

DAVID NORBURN
Professor of Business Policy
Cranfield School of Management

SUE BIRLEY
Research Professor in Entrepreneurship
Cranfield School of Management
Cranfield Institute of Technology
Cranfield, Bedford MK43 OAL
England
(Tel: 0234 751122)

MARK G DUNN
Assistant Professor in Marketing
University of Notre Dame
College of Business Administration
Notre Dame, Indiana 46556
USA

Presented at Strategic Management Conference, Barcelona, Spain
October 1985.

Published in International Journal of Advertising, 1985,4,65-73.

Working Paper 85.07

Copyright Norburn, Birley & Dunn, 1984

December 1984



CORPORATE CULTURE: A POSITIVE CORRELATE WITH MARKETING EFFECTIVENESS

Abstract

This study tests the relationship between the Peters and Waterman cultural criteria of customer closeness and corporate values, to scales of marketing effectiveness as developed by Kotler. Analysis of data collected from 54 mid-American companies suggests a positive association. Marketing effective companies appear to have distinguishing cultural profiles when compared to marketing ineffective companies.

INTRODUCTION

The traditional focus of marketing research has been upon the development of effective marketing strategies. When these have failed, an implicit assumption has been that the strategy was ill-conceived or inadequate, and that it should be modified to overcome its historic disability.

In parallel, scholars of strategic management have concentrated historically upon strategic definition, of which marketing strategy was frequently the keystone, and have categorized upon a criterion of success or failure within the market-place as defined by financial measures (Hofer & Schendel, 1978). If the "bottom-line" was poor, so too was the strategy. Borrowing from the terminology of econometrics, strategy formulation adopted "me-too," "long-wave" characteristics--in the 1960's, heavy concentration on large-scale manufacturing plant with centralized direction; in the 1970's, conglomerate profiles resulting from the motor of financial leverage, followed by the emphasis upon strategic business units with complementary patterns of market growth and cash generation; in the 1980's, a creed of "back-to-basics" with substantial divestment, off-shore sourcing, and heavy decentralization.

For the majority of both sets of scholars, strategy formulation was seen as a reactive process to uncertain macro-elements determining future market conditions. Yet increasingly, this view is seen to be challenged. Kotler (1984) considers "that marketers can influence the environment in which the firm operates, and do not simply have to accept it, and adapt to it." Similarly, Business Week (1984) stated that of the 33 corporate strategies reported during 1979 and 1980, 19 were abandoned, an experience attributed to "planocracy" and "formula planning--a search for short-cuts." From both directions, the importance of implementation is seen as critical, a view infrequently publicized over the last decade despite the evangelical efforts

of Buzzell, Gale, & Sultan (1975), Norburn & Miller (1981), and Leontiades (1982). The common element is human: the common focus is managerial attitude.

For marketing researchers, the evolution towards this point has emanated from debate as to the value of the marketing concept. Despite the criticism of this philosophy espoused by Bell and Emory (1971), Bennet and Cooper (1979, 1980), Dawson (1969, 1970), and Riesz, 1981), Parasuraman (1981) considers that trends in the present macroenvironment indicate that the marketing concept will strongly increase in its importance, a view endorsed by McNamara (1981) who suggests that companies which have failed to adopt and successfully implement the philosophy are at a crossroads. He further posits that every business must be totally committed to satisfying specific customer needs with profitable products, and that as a result, marketing researchers must address the problems and constraints hampering the adoption and implementation of the marketing concept and its prescriptions for marketing strategies and practices.

IMPLEMENTATION OF THE MARKETING CONCEPT

It therefore follows that if implementation is a pivotal aspect in solving the problems associated with the marketing concept, successful implementation of the philosophy should lead to more effective marketing practices, and a subsequently increased likelihood of marketing success. This suggests that a fruitful avenue for marketing researchers should be the identification of constraints and barriers to successful implementation, and prescription for their rectification.

A review of the marketing literature indicates that problems associated with implementing the marketing concept has been (see Barksdale and Darden,

1971; Hise, 1965; and McNamara, 1972), and continues to be (see McNamara, 1981; Sachs, 1982; and Stampfl, 1983) a familiar topic in the literature. Several marketing scholars and pragmatists have identified some of the problems and constraints associated with implementing the marketing concept. These roadblocks are summarized by McNamara (1981) as: (1) confusion about the meaning of the concept and its implications for other departments, (2) high level executives have not been exposed to basic marketing principles, (3) inability to hire the appropriate marketing manager, (4) lack of the appropriate organizational structure, systems and procedures, and (5) resistance to change. Bonoma (1984) synthesizes these problems into two main components: structural and human. Beyond this, most marketing management research has emphasized only structural components. Management issues have been neglected and, as a result, little is known about the process of marketing decision-making. Despite this, some marketing researchers have suggested that a more complete understanding of behavioral characteristics would lead to a greater probability of success when implementing the strategies dictated by the marketing concept. For example, Felton (1959) and Fram (1965) have suggested that the proper "state of mind" is a prerequisite for the success of market oriented strategies. Yet it would appear that little effort has been expended by marketing researchers toward this important area.

CORPORATE CULTURE

A need for understanding the organization's human side seems to parallel the growing interest in corporate culture. Many organizational theorists are focusing their efforts toward the more global, human aspects of an organization, its culture. The interest in this relatively new area has been substantial, with both academicians and practitioners proclaiming its merit.

Corporate culture research holds great promise for easing the transition from marketing strategy to marketing action, from the drawing board to reality.

Corporate culture refers to the "system of shared values (what is important) and a belief (how things work) that interact with corporate employees, organizational structures, and control systems to produce behavioral norms (the way we do things around here)" (Uttal, 1983). Schwartz and Davis (1981) emphasize that an organization's cultural norms powerfully shape the behavior of the organization and its employees. Indeed, the growing interest in corporate culture has resulted in the "fashionable" view that one obstacle to the success of a complex strategy is an inappropriate corporate culture (Uttal, 1983). Parasuraman and Deshpande (1984) summarize this need, "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 linkage between corporate culture and marketing performance."

The purpose of the present paper is not to review the area of corporate culture of which a comprehensive analysis has been provided by Parasuraman and Deshpande (1984). Rather, the present discussion limits itself to a summary of the views presented by Peters and Waterman (Peters, 1980; Peters and Waterman, 1982). Their book--In Search of Excellence--has remained a number one best seller for more than two years and has stimulated interest in both the corporate and academic world.

The purpose of their book was to disseminate the results of their 1980 study of common characteristics within America's most successful organizations. The major findings of the book categorize the characteristics of those financially superior corporations into three groups.

- Custom driven strategies
- Distinct corporate cultural characteristics
- "Simple" organizational structures and strategies

These characteristics are summarized in Table 1.

Although the Peters and Waterman analysis is descriptive in nature and their methodological rigour has been criticized, the results have been interpreted by many large U.S. corporations into prescriptive plans for more efficient implementation of business strategies. If their results are generalizable, the business management process has been given a clear lead from strategy formulation to strategy implementation. The question remaining, and which is the major justification for this study, is whether those companies which are marketing effective show corresponding success when measured upon the two criteria of corporate culture and consumer closeness.

METHOD

To test this theorem, a four-section questionnaire was designed.

Section 1: Marketing Effectiveness

Kotler (1977) suggests that the marketing effectiveness of a company is primarily a function of its ability to combine five activities: customer philosophy, integrated marketing organization, marketing information, strategic orientation, and operational efficiency. Fifteen three-point scales, three for each activity were drawn directly from those developed by Kotler (1977). These measures were designed to audit the marketing effectiveness of a business. The responses to each scale were combined for a composite score for marketing effectiveness, as well as a composite score for each activity.

Section 2 & 3: Customer Closeness and Corporate Values

Questions were designed and scales were constructed which measured the propositions put forth by Peters and Waterman. Section 2 represented statements reflecting the degree to which a company and its employees feel a closeness to their customers. Eight statements were developed. Each statement was measured on a five point scale anchored strongly disagree and strongly agree. The statements are shown in Table Two.

Section 3 consisted of statements representing the key values Peters and Waterman identified as characteristic of a successful organization. Seven statements were developed. Respondents were asked to indicate their agreement or disagreement on a seven point scale concerning the existence of each value in their organization. The values are shown in Table Three.

Section 4: Corporate Information

This section provided data on financial performance, shareholder composition, organizational structure, customer composition, and managerial backgrounds.

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 of corporate size. 54 companies responded, from which a member of the top management team completed the questionnaire, giving a response rate of 61%. This paper reports the initial results of the data collected from the first three sections of the questionnaire.

RESULTS

The major hypothesis of this paper proposes that companies who demonstrate a superior degree of marketing effectiveness will also be those who score highly upon those scales of "excellence" as propounded by Peters and Waterman: customer closeness and corporate culture.

Kotler's fifteen category inventory was utilized to establish a dichotomy between superior (marketing effective) and inferior (marketing ineffective) companies. An equal number of each group resulted--a purely random result. A similar procedure was utilized in categorizing each company along the five dimensions of the audit inventory. For each question concerning customer closeness and corporate culture, the mean scores of marketing effective companies were compared with marketing ineffective companies, using a two-tailed t-test. The results are provided below.

Consumer Closeness

The results documented in Table Two indicate that marketing effective companies differ significantly from other companies in their closeness to their customers. Of the eight measurements, six are significant at the .02 alpha level. If the level of significance is relaxed, all criteria are significant at a 10% level. The relationships appear to suggest the following essential characteristics:

- the importance of constantly listening to customers for guidance in decision-making.
- the importance of an obsession with overall quantity and quality improvement.

Marketing effective companies appear to be those companies which recognize the importance of "nurturing" customer contact. These results are consistent with Peters and Waterman's conclusion that winners focus their efforts through customer orientation. This corporate condition can be described as "empathetic schizophrenia"--the ability to transcend the parochialism of the supply host company, and to wear the "hats" of both sides at the same time. Decision-makers would therefore operate within two frames of reference, the company on the one hand, and the customer on the other.

The analysis was also completed for each of the five activities represented in the marketing effectiveness measure providing similar results to that found with the composite measure. Table Four provides the level of significance for each mean comparison between effective and ineffective companies. These results reinforce the previous findings that effectiveness in all aspects of marketing activity is dependent upon a strong belief in consumer sovereignty.

Corporate Culture

The results documented in Table Three indicate that marketing effective companies differ significantly from companies in the saliency of the beliefs and values studied. Five of the seven measures were significant at the .02 alpha level. According to these results, marketing effective companies possess to a greater degree the following values and beliefs:

- a belief in being "best"
- a belief in the importance of the individual
- a belief in superior quality and service
- a belief in innovation, and support for failure
- a belief in informal communication.

These results are consistent with the above conclusion that marketing effective companies operate under a condition of "empathetic schitzophrenia." As well as placing a high value on consumer closeness, these companies likewise emphasize the importance of the individual employee. Both the customer and employee are apparently placed on a pedestal in a marketing effective company. Not only is the consumer regarded as "king" but employees are also treated with royal deference. This finding alone is significant for marketing and organizational theory.

Interesting, and surprising, was the fact that all five of the significant results dealt with perceptual and qualitative values. Contrary to the Peters and Waterman conclusion, a belief in the details of execution, and economic growth and profits--two impersonal measures--failed to achieve a significant difference.

The analysis was also conducted comparing the scales associated with the five activities represented in the marketing effectiveness measure. Table Four provides the level of significance for each mean comparison between effective and ineffective companies. The findings parallel those reported for the overall comparison. Corporate values seem to be strongly associated with the effectiveness of marketing activities.

DISCUSSION

The results of this study suggest that the relationship between marketing performance and corporate culture is valid. More specifically, the findings indicate that the characteristics of companies which demonstrate superior marketing effectiveness are closely allied to a customer orientation.

It should be stated firmly that many factors, some uncontrollable, impact upon corporate success, and that the results presented here do not suggest

that a change in culture will ensure this. Moreover, effecting cultural change is extremely difficult. Thus, a tremendous challenge lies ahead for those companies possessing cultural characteristics which inhibit the implementation of marketing oriented strategies. However, the results do provide the following prescription for managers in the 80's: an environment (culture) must be established which is supportive of market oriented strategies. Based on this analysis, such an environment is a prerequisite, not a guarantee, for successful marketing performance.

A key implication of this research is that managerial concern for customers and employees appears synonymous. Thus, consumer orientation and human orientation are related, and customers and employees are each valued and looked to for guidance. Each group provide an important "gestalt" for management decision-making. It should be noted however, that the present study was exploratory in nature and that although the results are appealing, there remains a strong need for a more robust sample. To this end, the authors are currently expanding this study to include a larger sample size as well as developing an intensive, multiple interview analysis within one industry.

TABLE ONE: Peters and Waterman Findings: A Summary of Characteristics Associated with Financially Superior Corporations

• Customer Driven Strategies:

Closeness to customers by quality and service obsessiveness. "Nichemanship" by segmentation to satisfy customer value-added perceptions. Constantly monitoring changes in buyer behavioral characteristics.

• Distinct Corporate Cultural Characteristics:

A bias for action and experimentation. Product "champions." Good news forums, with heavy emphasis upon creativity. Belief in the importance of informality to enhance communication. Belief in being best. Belief in the individual.

• "Simple" organizational structures and strategies:

Concentric diversification ("sticking to the knitting"). Unidimensional managerial responsibilities coordinated by minimal central staff positions. Job rotation from line to staff and back. Substantial autonomy at the profit-centre level.

TABLE TWO: MARKETING EFFECTIVENESS AND CONSUMER CLOSENESS

Consumer Closeness (Peters & Waterman)	Marketing Effectiveness (Kotler)			
	Superior (\bar{x})	Inferior (\bar{x})	t-score	S.L. $\leq 0.02^*$
1. My company thinks of itself as providing a service rather than selling a product.	3.88	3.08	1.89	0.065
2. Employees of my company view the business through the eyes of their customers.	3.54	2.42	3.54	0.001*
3. My company feels the key to attracting and holding customers is to keep improving quality.	4.46	3.38	4.53	0.001*
4. Employees of my company would take a quality complaint as a personal insult.	3.75	3.00	2.48	0.017*
5. My company constantly seeks to improve its total offering defined in terms of more value for their customers.	4.17	3.17	3.68	0.001*
6. An important objective of my company is to provide a reliable high value-added service.	4.00	3.42	1.86	0.069
7. My company encourages feedback from customers	4.58	3.46	4.84	0.000*
8. My company's innovation and change come directly from its customers	3.50	2.58	3.11	0.003*

TABLE THREE: MARKETING EFFECTIVENESS AND CORPORATE CULTURE

Corporate Values (Peters & Waterman)	Marketing Effectiveness (Kotler)			
	Superior (\bar{x})	Inferior (\bar{x})	t-test	S.L. $\leq 0.02^*$
1. A belief in "being best"	6.26	4.42	4.57	0.001*
2. An importance in the importance of the details of execution, the "nuts and bolts" of doing the job well.	5.52	4.92	1.48	0.146
3. A belief in the importance of people as individuals.	5.65	4.63	2.13	0.039*
4. A belief in superior quality and service.	6.30	4.75	5.31	0.001*
5. A belief that most members of the organisation should be innovators.	5.04	3.17	4.54	0.001*
6. A belief in the importance of informality to enhance communication.	5.22	3.96	2.70	0.010*
7. Explicit belief in, and recognition of, the importance of economic growth and profits.	5.65	5.54	0.30	0.768

TABLE FOUR: UNIVARIATE TESTS OF SIGNIFICANCE FOR CONSUMER CLOSENESS AND CORPORATE CULTURE: MARKETING EFFECTIVE VS. MARKETING INEFFECTIVE COMPANIES

	Level of Significance (t-test)				
	CP	MO	MI	SO	OE
CONSUMER CLOSENESS:					
1. providing a service	.254	.204	.126	.703	.068
2. customer view	.021	.001	.008	.030	.030
3. improve quality	.016	.001	.004	.003	.001
4. quality complaint	.212	.058	.003	.001	.001
5. more value offered	.001	.001	.033	.001	.001
6. high value-added service	.115	.386	.451	.527	.135
7. encourage feedback	.006	.001	.003	.003	.001
8. innovation from customers	.072	.002	.101	.029	.001
CORPORATE CULTURE:					
1. being "best"	.025	.001	.001	.003	.001
2. details of execution	.406	.227	.182	.072	.159
3. importance of individuals	.152	.108	.089	.483	.001
4. superior quality	.012	.001	.001	.002	.001
5. innovation	.019	.001	.001	.001	.001
6. informality	.017	.054	.010	.007	.001
7. growth and profits	.904	.500	.291	.511	.484
CP--customer philosophy MO--marketing organization MI--marketing information SO--strategic orientation OE--operational efficiency					

REFERENCES

- Barksdale, Hiram C. and Darden, Bill. "Marketers' Attitudes Toward the Marketing Concept," Journal of Marketing, Vol. 35, October, 1971, pp. 29-36.
- Bell, Martin L. and Emory, C. William. "The Faltering Marketing Concept," Journal of Marketing, Vol. 35, October, 1971, pp. 37-42.
- Bennet, Roger C. and Cooper, Robert G. "Beyond the Marketing Concept," Business Horizons, June, 1979, pp. 76-83.
- Bennet, Roger C. and Cooper, Robert G. "The Misuse of Marketing: An American Tragedy," Business Horizons, Vol. 24, December 1981, pp. 51-61.
- Bonoma, Thomas V. "Making Your Marketing Strategy Work," Harvard Business Review, Vol. 62, No. 2, March-April 1984, pp. 69-76.
- Business Week. "The New Breed of Corporate Planner," September 17, 1984, pp. 62-68.
- Buzzell, R. D., Gale, B. T., & Sultan, R. G. M. "Market Share--A Key to Profitability," Harvard Business Review, February 1975.
- Dawson, Leslie M. "The Human Concept: New Philosophy for Business," Business Horizons, Vol. 12, December 1969, pp. 29-38.
- Dawson, Leslie M. "Marketing for Human Needs in an Humane Future," Business Horizons, Vol. 23, June, 1980, p. 72.
- Felton, Arthur P. "Making the Marketing Concept Work," Harvard Business Review, Vol. 37, July-August, 1959, pp. 55-65.
- Fram, Eugene H. "Application of the Marketing Concept to Retailing," Journal of Retailing, Summer, 1965, pp. 19-26.
- Hise, Richard. "Have Manufacturing Firms Adopted the Marketing Concept?," Journal of Marketing, Vol. 29, July, 1965.
- Hofer, C. W., & Schendel, D. Strategy Formulation: Analytical Concepts. West, 1978.
- Kotler, Philip. "From Sales Obsession to Marketing Effectiveness," Harvard Business Review, November-December, 1977, pp. 67-75.
- Leontiades, M. "Choosing the Right Manager to Fit the Strategy," Journal of Business Strategy, Vol. 3, No. 2, 1982.

- McNamara, Carlton P. "The Present Status of the Marketing Concept," Journal of Marketing, Vol. 36, January, 1972, pp. 50-57.
- McNamara, Carlton. "Time is Running Out for Executives Still Flirting with the Marketing Concept," Sales and Marketing Management, March 16, 1981, pp. 103-104+.
- Norburn, D., & Miller, P. "Executive Reward: The Mismatch in the Strategic Process," Journal of General Management, Vol. 6, No. 4, 1981.
- Parasuraman, A. "Hang On to the Marketing Concept!," Business Horizon, Vol. 24, September-October, 1981, pp. 38-40.
- Parasuraman, A., & Deshpande, R. "The Cultural Context of Marketing Management," Proceedings, American Marketing Association, Chicago, 1984.
- Peters, Thomas J. "Putting Excellence into Management," Business Week, July 21, 1980, pp. 196-205.
- Peters, Thomas J., & Waterman, Robert H., Jr. In Search of Excellence. New York: Harper and Row, 1982.
- Riesz, Peter C. "Revenge of the Marketing Concept," Business Horizons, Vol. 23, June, 1980, pp. 49-53.
- Sachs, William S. "Why Companies Cannot Implement the Marketing Concept," in Poondi Varadarajan, ed., The Marketing Concept: Perspectives and Viewpoints (College Station, Texas: Marketing Department, Texas A&M University, 1983), pp. 108-117.
- Schwartz, Howard and Davis, Stanley M. "Matching Corporate Culture and Business Strategy," Organizational Dynamics, Summer, 1981, pp. 30-48.
- Stampfl, Ronald W. "Structural Analysis and the Marketing Concept: Problems and Solutions," in Poondi Varadarajan, ed., The Marketing Concept: Perspectives and Viewpoints (College Station, Texas: Marketing Department, Texas A&M University, 1983), pp. 95-107.
- Uttal, Bro. "The Corporate Culture Vultures," Fortune, October 17, 1983, pp. 66-72.