Customer Satisfaction and Corporate Culture: A Profile Deviation Analysis of a Relationship Marketing Outcome

Craig A. Conrad
Wingate University

Gene Brown
Louisiana Tech University

Harry A. Harmon
Central Missouri State University

ABSTRACT

Customer satisfaction has been identified as an important relationship marketing outcome. As such, firms should continually track and assess customer satisfaction. The following study examines how four elements of corporate culture combine to form an optimal mix that encourages attention to and measurement of customer satisfaction. Culture is operationalized as a pattern of values and beliefs that aid individuals in understanding organizational functioning. A profile deviation analysis reveals that an optimal mix of the marketing corporate culture elements of adhocracy, clan, market, and hierarchy does exist and is positively related to customer satisfaction assessment activities. ©1997 John Wiley & Sons, Inc.

Customer satisfaction has been identified as a highly desirable result of the relationship marketing process. As identified by Evans and

Laskin (1994), the benefits of a satisfied customer include "repeat purchases, referrals of other customers, positive word-of-mouth, and the lower costs associated with serving existing customers compared with attracting new ones" (p. 442). Such outcomes are obviously desirable for any firm. However, for these outcomes to become a reality, a continuous maintenance effort must be undertaken by top management.

Perhaps the most efficient method of maintaining a firm's focus on the satisfaction of customers, and thus, relationship marketing outcomes, is through a firm's culture. Recently, the culture that is cultivated and maintained by marketing firms has become the center of attention (Deshpande, Farley, & Webster, 1993; Deshpande & Webster, 1989; Kitchell, 1995). To date, little attention has focused on the connection between a firm's culture and the relationship marketing outcome of customer satisfaction.

PURPOSE

The express purpose of the current study is to examine the relationship between the psychosocial concept of corporate culture and the degree to which a firm focuses on the relationship marketing outcome of customer satisfaction. Corporate culture is operationalized as "the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior" (Deshpande & Webster, 1989, p. 4). Attention to customer satisfaction by a firm is viewed in terms of the amount of importance a firm places on customer-satisfying processes and activities.

BACKGROUND

Customer Satisfaction

As a relationship marketing outcome, customer satisfaction must be viewed as a long-term phenomena rather than a discrete, event-oriented occurrence. The long-term view of satisfaction has been termed *cumulative customer satisfaction* by Boulding, Staelin, Kalra, and Zeithamal (1993). According to Anderson, Fornell, and Lehmann (1994), the benefits of long-term cumulative customer satisfaction "is what motivates firms to invest in customer satisfaction" (p. 54) and thus focus on value creating relationships between firms and their customers.

In a study of 276 immunochemistry analyzers and test kit customers, Evans and Laskin (1994) found that the building of service partnerships or relationships with customers leads to firms having customers that were more satisfied and loyal. Furthermore, customers

perceived a greater level of quality associated with the products of firms who engaged in relationship-building activities.

In order to build such long-term relationships, companies need to embrace the concept of customer satisfaction. Buying into, or embracing customer satisfaction concepts requires that a firm continuously measure and collect information relating to their customers' level of satisfaction. As stated by Naumann and Giel (1995, p. 12), "for a customer satisfaction measurement program to be valuable, it must flow from and be embedded in the firm's corporate culture." Along similar lines, Evans and Laskin (1994) recommend that "relationship marketing needs top management support; its principles should permeate a firm's corporate culture" (p. 451).

Corporate Culture

The marketing literature relating to the culture construct has primarily focused on a culture that "puts the customer in the center of the firm's thinking about strategy and operations" (Deshpande & Webster, 1989, p. 3). Deshpande and Webster (1989) identify this culture of interest as the *marketing concept*. The most common thoughts associated with the marketing concept is that the profit of a firm is related to the creation of opportunities to more effectively satisfy customer needs within a certain set of limitations (Payne, 1988).

In a study of 50 multiple-informant, matched dyads (termed quadrands), Deshpande et al. (1993) examined the relationship of organizational culture to performance. Firms included in their study were publicly traded on the Nikkei stock exchange and individuals interviewed consisted of two marketing executives from each firm. The marketing executives were asked to name three customers from which the customer portion of the quadrand was selected.

Culture was operationalized as including four distinct types: the market culture, the adhocracy culture, the clan culture, and the hierarchical culture. Each of these cultures are discussed below.

The market culture was hypothesized as being associated with firms that had the best business performance. Such a culture places great emphasis on both competitive advantage and market superiority. Deshpande et al. (1993) identify the dominant attributes of the market culture as competitiveness and goal achievement.

The second best performing culture was predicated to be the adhocracy culture. The adhocracy culture places significant emphasis on innovation, growth, and the acquisition of new resources. Entrepreneurship, creativity, and adaptability are the dominant attributes of the adhocracy culture.

The clan culture was predicted to rank third in terms of business performance. Organizations who maintain a clan culture place emphasis on

the development of human resources, commitment, and morale. Other dominant attributes include cohesiveness, participation, teamwork, and a sense of family.

The hierarchy culture, characterized by its emphasis on stability, predictability, and smooth operations, was predicted to rank the lowest in terms of business performance. Dominant attributes of the hierarchy culture include order, rules and regulations, and uniformity.

Results of the culture types as a determinant of performance indicated that the market culture and the adhocracy culture outperformed the clan and hierarchy culture. As hypothesized, the market culture was found to be associated with better-performing firms. The adhocracy culture was ranked second in terms of business performance. The clan culture was ranked third, and the hierarchy culture fourth. It must be noted that the results for the clan culture were not statistically significant. As an explanation, Deshpande et al. (1993) indicate that nonsignificance may have been due to low scale reliability.

Although each of these cultures maintain somewhat distinct identities, it is highly unlikely that firms may be classified into only one of these four categories. Rather, elements of several different types of cultures may be present within a firm at any given time. Deshpande et al. (1993) support such a contention by stating that "most firms can and do have elements of several types of cultures, perhaps between product groups even within the same strategic business unit" (p. 26). Based on such an assumption, this study will use each of these four culture identifies in the specification of an ideal culture type related to the focus on customer satisfaction. Such a relationship may be best expressed by the function presented in Figure 1.

From the discussion above, the following hypothesis relating to the existence of an ideal cultural mix is proposed.

H1: Deviation from the ideal mix of the market, adhocracy, clan, and hierarchy cultural elements will result in firms devoting less attention to customer satisfaction maintenance activities.

As presented by Deshpande et al. (1993), cultural elements will likely be present in the ideal cultural mix to varying degrees. Taking this into account, the second hypothesis relates to the composition of the ideal cultural mix.

$$\text{CUSTSAT} = \mathscr{F}(\text{MARKET, ADHOC, CLAN, HIERC})$$

Figure 1 Attention to customer satisfaction as a function of culture type.

H2: The relative order of importance for the elements of the cultural mix will be as follows:

Market	Greatest Contribution
Adhocracy	
Clan	
Hierarchy	Least Contribution

METHODOLOGY

Sampling Methodology

Hoover's Masterlist of Major U.S. Companies 1993 was chosen as the sampling frame for this study. This frame choice was deemed the most efficient in terms of time and cost. From this sampling frame a random national sample of 2200 organizations was generated.

Both the CEOs and CFOs were initially contacted by fax to ask for their cooperation in this study. For firms who agreed to participate, two questionnaires were mailed to each firm, one to the chief executive officer, and one to the chief financial officer.

The CEOs and CFOs were chosen as contacts for several reasons. First, they are, as key members of top management, intimately familiar with both the overall marketing culture and business level strategy. As stated by Lusch and Laczniak (1987, p. 4), "executives are the makers and executors of decisions in an organization. They respond and adapt to the competitive intensity. They develop and foster the culture of the organization." Second, having multiple contacts within a single firm increases the likelihood of obtaining at least one response from any given organization.

It must be noted, however, that when collecting information from top management executives, there is a possibility that in responding, the executives may rationalize their present and past decisions or may vary their responses according to a desired rather than an actual behavior or state (Huber & Power, 1985). To reduce such possibilities, respondents were instructed to respond in a manner consistent with actual behaviors or beliefs of interest. Huber and Power (1985) make several specific recommendations regarding the selection of strategic-level managers as key informants. Table 1 offers an overview of their recommendations and the specific actions taken in the current study to guard against the introduction of key informant bias.

Sample Description

A willingness to participate was expressed by 342 firms. Respondents were also asked to indicate whether they wanted the questionnaire mailed or faxed. Of the 342 firms who indicated a willingness to participate, 118 returned completed questionnaires. Thus, an effective

Table 1. Key Informant Bias and Preventive Action Taken

Possible Problem	Preventive Action Taken
1. Identify the person who is most knowledgeable about the issue of interest.	Previous literature has identified top management personnel as key informants.
2. Recognize that a person's emotional involvement with a topic may affect accuracy of their response.	Informants were instructed to remain objective and report only on the actual rather than desired state of the firm.
3. Attempt to motivate the informants to cooperate with the researcher.	Each respondent was offered a report of the findings.
4. Minimize the elapsed time between the events of interest and the collection of data.	General information that was not related to any specific event was collected.
5. Consider how the framing of questions will affect the informant's responses.	Each measurement scale used in the study was pretested and previously validated.

response rate of 34.5% was obtained. Chapman (1992) indicates that the potential for the sample to be nonrepresentative of the population exists any time a response rate of less than 100% is obtained. This is the primary concern when addressing the issue of nonresponse bias. In regards to the issue of nonresponse bias, Hunt (1990) states that

> No manuscript should be rejected on the basis of potential nonresponse bias—no matter what the response rate is—unless there is good reason to believe that the respondents do in fact differ from the nonrespondents on the substantive issues in question and that these differences would make the results of the study unreliable (p. 174).

The firms represented in the sample came from 82 distinct industries as classified by the primary four-digit Standard Industrial Classification code.

Operationalization of Marketing Culture

The marketing culture variable referred to in earlier sections is operationalized as having four distinct culture types; market, adhocracy, clan, and hierarchy. As presented by Deshpande et al. (1993), each subscale consists of four constant-sum items. Respondents were asked to allocate 100 points among statements describing the cultural norms of their organization. Internal consistency for each scale associated with the measurement of marketing culture was assessed using Cronbach's alpha. Alphas for adhocracy, clan, market, and hi-

erarchy were 0.74, 0.69, 0.50, and 0.71, respectively. With the exception of the market subscale, these estimates of internal consistency meet the threshold level recommended by Nunnally (1967). Although the market culture scale maintains a low reliability estimate, Deshpande et al. (1993, p. 29) recommend retaining such components of the culture scale ("because it is part of the broader conceptual framework."

Operationalization of Attention to Customer Satisfaction

The amount of attention a firm dedicates to customer satisfaction is best examined in the context of the frequency of customer satisfaction measurement and its relationship to overall firm objectives. Consequently, the following four items were used to measure a firm's attention to customer satisfaction:

1. Our objectives are driven primarily by customer satisfaction.
2. We measure customer satisfaction systematically and frequently.
3. We give close attention to after-sales service.
4. We have routine or regular measures of customer service.

Respondents were asked to rate the degree to which their firm engages in these activities on a 7-point Likert-type scale. Internal consistency relating to the items above was assessed with the use of Cronbach's alpha. Alpha was estimated at 0.78, which exceeds the threshold level recommended by Nunnally (1967).

ANALYSIS AND RESULTS

In order to assess the combined relationship of the four cultural elements on the relationship marketing activities of customer satisfaction measurement, a profile deviation methodology was employed. Van de Ven and Drazin (1985) explain this method of analysis as "testing at the aggregate level by analyzing deviation in the pattern of a given organizational unit from its ideal type pattern or mode" (p. 348). The basic assumption of this analytical mode is that each of the cultural components contributes to the importance a firm places on customer satisfaction measurement activities. In the context of the current study, an ideal mix of the cultural components will result in a maximal focus on customer satisfaction activities. Any deviation from the ideal profile will result in a lesser focus on customer satisfaction activities.

Completion of the profile deviation analysis requires the completion

of three steps. First, an ideal profile must be either theoretically or empirically derived (Van de Ven & Drazin, 1985; Venkatraman, 1989). In the current study, the ideal type was derived empirically by using a calibration sample consisting of the top 10% of attention to satisfaction performers ($n = 6$; some cases were excluded due to missing values). The mean scores of the four cultural elements were then calculated for this calibration group. These mean scores represent the ideal amount of each cultural element.

The second step involves determining the extent to which firms not included in the calibration sample differ from their ideal types. This is accomplished by the following Euclidean distance formula (Venkatraman, 1990):

$$\text{Misalign} = \sum_{j=1}^{4} (X_{ij} - M_{ij})^2,$$

where X_{ij} = the score for the unit along the jth cultural dimension, and M_{ij} = the mean for the calibration sample along the jth cultural dimension.

The third and final step involves examining the relationship of the criterion variable, in this instance attention to customer satisfaction, and the derived distance measure of Misalign for firms not included in the calibration sample. It is expected that the greater the Euclidean distance from the ideal cultural pattern, the less attention a firm will give to examining customer satisfaction. Stated simply, a significant negative correlation should exist.

As presented in Table 2, a significant negative correlation does exist between the derived Euclidean distance measure of Misalign and the attention that firms give to measuring and assessing customer satisfaction. To examine the sensitivity of the results to calibration sample size, two additional sets of analyses were completed with the use of the upper 15th ($n = 12$) and 20th ($n = 20$) percentiles as the calibration sample. Results appear to be robust to variations in the calibration sample size. In each case, the negative correlation was found to be statistically significant at the .05 level.

The second hypotheses (**H2**) requires an examination of the relative contribution of each of the cultural elements to the ideal mix. This may be accomplished by looking at the means presented in Table 2. It was proposed that the relative contribution of each of these elements would follow a pattern similar to those determined by Deshpande et al. (1993). However, this was not proven true for the current study. The greatest contribution was provided by the adhocracy culture element. This was followed in importance by the clan, market, and hierarchy culture elements. This order of contribution was maintained for each calibration sample examined. Consequently, support for **H2** was not found to exist.

Table 2. Results of Profile Deviation Analysis

| | Calibration Sample | | | | | Profile Deviation Analysis | | |
| | | Means | | | | | | |
	n	Market	Adhocracy	Clan	Hierarchy	n	Correlation of Misalign with Customer Satisfaction Activities	Significance of Correlation
Upper 10% of customer satisfaction activities	6	19.58	39.17	28.96	12.29	101	−0.254	.005
Upper 15% of customer satisfaction activities	12	21.52	36.77	27.50	14.15	96	−0.184	.039
Upper 20% of customer satisfaction activities	20	21.35	38.57	26.13	13.80	88	−0.198	.032

DISCUSSION AND CONCLUSIONS

As previously indicated, the purpose of this study was to examine how an ideal mix of corporate cultural element relates to a firm's ongoing tracking of the relationship marketing outcome of customer satisfaction. It has been determined that an ideal mix of cultural elements does exist and is related to the amount of attention a firm devotes to the measurement and management of customer satisfaction. Although such a finding is important, it is incomplete and is similar to saying that flour, eggs, and sugar make a cake without specifying the amounts of each ingredient.

To remedy this situation, examination of the mean values used to create the ideal cultural mix reveal that relatively higher levels of the cultural mix elements of adhocracy and clan were present, and lesser levels of the elements of market and hierarchy were present. Further examination of Deshpande et al. (1993) reveal that both the adhocracy and clan cultural elements are representative of organic organizational processes. As such, flexibility and spontaneity are stressed. On the opposite end of the continuum, both market and hierarchy cultural elements are viewed as mechanistic processes stressing control, order, and stability.

Changing the components of a corporate culture is not an easy task. However, obtaining a culture mix that focuses on the ongoing assessment of customer satisfaction can result in tangible benefits. Fornell (1992) argues that satisfying existing customers is much less expensive than getting new customers. He estimates that the cost of an aggressive strategy of obtaining new customers is five times more costly than increasing the purchase rates of existing customers. Greater satisfaction of the existing customer base will result in increased repeat sales.

Limitations and Future Research

Researchers such as Churchill (1979), Churchill and Peter (1984), and Peter (1979, 1981) have called for additional research to validate measures. Further examination of the measures of corporate culture is not only recommended, but required. Culture is an extremely difficult construct to accurately measure. Although several scales have purported to measure the construct (Deshpande et al., 1993; Narver & Slater, 1990; Webster, 1990), little agreement over the domain of the culture construct has been reached.

Future studies should also examine the factors affecting the evolution of corporate culture. It is possible that a definable set of top management characteristics (i.e., personality type, age, sex) affect the development of a firm's culture.

Finally, more longitudinal research is recommended. Corporate culture is ever changing and evolving. Ongoing tracking of these

changing cultural norms will allow for further clarification of the relationship between corporate culture, customer satisfaction, and overall firm performance.

REFERENCES

Anderson, E. W., Fornell, C., & Lehmann, D. R. (1994). Customer satisfaction, market share, and profitability: Findings from Sweden. *Journal of Marketing, 58*(3), 53–66.

Boulding, W., Staelin, R., Kalra, A., Zeithamal, V. (1993). A dynamic process model of service quality: From expectations to behavioral intentions. *Journal of Marketing Research, 30*(1), 7–27.

Chapman, R. G. (1992). Assessing non-response bias the right way: A customer satisfaction case study. *American Marketing Association Summer Educators Proceedings,* pp. 322–329.

Churchill, G. A. (1979). A paradigm for developing better measures of marketing constructs. *Journal of Marketing Research, 26*, 64–73.

Churchill, G. A., Peter, J. P. (1984). Research design effects on the reliability of rating scales: A meta analysis. *Journal of Marketing Research*, 360–375.

Deshpande, R. J., & Webster, F. E., Jr. (1989). Organizational culture and marketing: Defining the research agenda. *Journal of Marketing, 53*, 3–15.

Deshpande, R. J., Farley, U., & Webster, F. E., Jr. (1993). Corporate culture, customer orientation, and innovativeness in Japanese firms—a quadrand analysis. *Journal of Marketing, 57*(1), 23–27.

Evans, J. R., & Laskin, R. L. (1994). The relationship marketing process: A conceptualization and application. *Industrial Marketing Management, 23*, 439–452.

Fornell, C. (1992). A national customers satisfaction barometer: The Swedish experience. *Journal of Marketing, 55*, 1–21.

Huber, G. P., & Power, D. J. (1985). Retrospective reports of strategic-level managers: Guidelines for increasing their accuracy. *Strategic Management Journal, 6*, 171–180.

Hunt, S. (1990). Commentary on an empirical investigation of a general theory of marketing ethics. *Journal of the Academy of Marketing Science, 18*, 173–177.

Kitchell, S. (1995). Corporate culture, environmental adaptation, and innovation adoption: A qualitative/quantitative approach. *Journal of the Academy of Marketing Science, 23*(3), 195–205.

Lusch, R. F. & Laczniak, G. R. (1987). The evolving marketing concept, competitive intensity and organizational performance. *Journal of the Academy of Marketing Science, 15*(3), 1–11.

Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing, 54*(3), 20–35.

Naumann, E., & Giel, K. (1995). *Customer satisfaction measurement and management*. Cincinnati, OH: Thomson Executive Press.

Nunnally, J. (1967). *Psychometric theory*. New York: McGraw-Hill.

Payne, A. F. (1988, May - June). Developing a marketing oriented organization. *Business Horizons*, 46–53.

Peter, J. P. (1979). Reliability: A review of psychometric basics and recent marketing practices. *Journal of Marketing Research, 26*(1), 6–17.

Peter, J. P. (1981). Construct validity: A review of basic issues and marketing practices. *Journal of Marketing Research, 18*(2), 133–145.

Van de Ven, A. H., & Drazin, R. (1985). The concept of fit in contingency theory. *Research in Organizational Behavior, 7*, 333–365.

Venkatraman, N. (1989). The concept of fit in strategy research: Toward verbal and statistical correspondence. *Academy of Management Review, 14*(3), 423–444.

Venkatraman, N. (1990). Performance implications of strategic coalignment: A methodological perspective. *Journal of Management Studies, 27*(1), 19–41.

Webster, C. (1990). Toward the measurement of the marketing culture of a service firm. *Journal of Business Research, 21*, 345–362.

Correspondence regarding this article should be sent to Craig A. Conrad, Campus Box 5000, School of Business and Economics, Wingate University, Wingate, NC 28174 (crconrad@wingate.edu).