



Marketing culture and marketing effectiveness in service firms

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Introduction

The importance of a firm's marketing culture has received considerable interest in the past few years from both researchers and practitioners (see Parasuraman, 1986; Schneider and Bowen, 1985). Marketing culture refers to the unwritten policies and guidelines which provide employees with behavioral norms, to the importance the organization as a whole places on the marketing function, and to the manner in which marketing activities are executed. Since service quality is one dimension of marketing culture, it follows that the kind of marketing culture an organization has would be particularly important for a service firm since the simultaneous delivery and receipt of services brings the provider and customer physically and psychologically close (Schneider, 1987).

Purpose

The concept of marketing effectiveness has also been extensively discussed because of its strong association with many valuable organizational outcomes, such as stable, long-term growth, enhanced customer satisfaction, a competitive advantage, and a strong marketing orientation (see Kotler, 1977; Norborn *et al.*, 1990). Given the importance of and interest in these two constructs, it is surprising to note that no published study has yet empirically investigated the linkage between the kind of marketing culture a firm has and its effectiveness. Thus, the purposes of the current research are to determine the role that marketing culture plays in determining marketing effectiveness and to determine if firms desiring higher levels of marketing effectiveness should take measures to strengthen their marketing culture. More specifically, this article briefly reviews the literature on marketing culture and effectiveness, presents the theoretical orientations which dominate the hypothesized relationship between marketing culture and marketing effectiveness, and empirically tests the relationship using data from 173 service firms representing banking, health care, public transportation, and product repair/maintenance industries.

Background and theoretical orientation

Culture

In the past few years, the construct of culture, or more specifically, organization culture, has been put forth in the popular and scholarly literatures (see Deal and Kennedy, 1982; Peters and Waterman, 1982; Schein, 1985). Although the empirical literature is sparse, many conceptualizations of culture have been written (Beyer and Trice, 1987; Kilmann and Saxton, 1983; Thompson and Wildavsky, 1986). There is, however, an obvious common element running through the various definitions. Organizational culture refers to the unwritten policies and guidelines, to what has been formally decreed and to what actually takes place in a firm; it is the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provides them with norms for behavior in the firm (Deshpande and Webster, 1989). Thus, Organizational culture focuses attention on the nebulous, informal, and

hidden forces within a firm – forces that exert a tremendous influence on the behavior and productivity of its employees, perhaps more so than formal, written policies or guidelines (Deal and Kennedy, 1982; Peters and Waterman, 1982; Schneider, 1980).

An exploration into the culture of a firm is considered important since it has been shown that culture:

- provides the central theme around which employees' behavior can coalesce (Gregory, 1983);
- is the critical key which strategic managers might use to direct the course of their firms (Smircich, 1983);
- influences productivity, the manner in which the firm copes with the various aspects of the external environment and newcomer socialization (Schneider and Arnon Reichers, 1983);
- aids in understanding the characteristics of interviewees who would do well in the firm (Downey, 1987); and
- establishes the rationale for “do’s and don’ts” of behavior (Harrison, 1972).

Importance of organizational culture

Several scholars recently have begun to recognize the importance of organizational culture in the management of the marketing function. For example, organizational culture concepts have been included in a model of selling effectiveness (Weitz *et al.*, 1986). Growing concern for issues of implementation in marketing strategy and the development of a customer orientation within firms is also raising questions specifically to organizational culture. In the past few years, a few researchers have begun an analysis of the linkage between culture and the marketing of services (Parasuraman, 1986). Due to the unique characteristics of services (i.e. intangibility, inseparability of production and consumption, perishability, and variability), the nature of the culture of a service firm is particularly important and worthy of attention.

Marketing culture

Marketing culture is that component of a firm's overall culture that refers to the pattern of shared values and beliefs that help employees understand and “feel” the marketing function and thereby provides them with norms for behavior in the firm. It refers to the importance the firm as a whole places on marketing and to the way in which marketing activities are executed in the firm. Recently, marketing culture has been defined as a multifaceted construct that encompasses the importance placed on service quality, interpersonal relationships, the selling task, organization, internal communications, and innovativeness (Webster, 1993). For example, a type of marketing culture is one that stresses professionalism among employees from top management to operational positions. Employees, as well as customers, should be able to detect or “feel” such a culture both directly and indirectly (e.g. by observing the apparent importance placed on punctuality, professional dress and conduct, organization, etc.). Another type of marketing culture is one that concentrates on implementing the most recent innovations relevant to that particular industry. Yet, another might focus on the continuous monitoring and improving of the quality of established practices. In other words, market culture can stem from any combination of differential weights placed on these various dimensions.

Developing a market construct

Marketing effectiveness

Considerable attention has been given to the need for firms to increase their level of marketing effectiveness (Reisberg, 1990; Webster, 1988). In their search to help pinpoint the determinants of the concept, Norborn *et al.* (1990) found that those firms which were close to customers, had a common set of values, and demonstrated an external market orientation were those perceived to have a high degree of marketing effectiveness. In related studies, a relationship was implied to exist between marketing effectiveness and the size of the firm (see Canning, 1988) and between effectiveness and geographical scope (see Block, 1989).

Due to the complexity of what is meant by marketing effectiveness, few attempts have been made to develop a measure of the construct. The most frequently cited and best known measure is the one operationalized by Kotler (1977). According to Kotler, the first requirement of effective marketing is that key managers recognize the primacy of studying the market, distinguishing the many opportunities, selecting the best sections of the market to serve, and gearing up to offer superior value to the chosen customers in terms of their needs and wants. Next, the organization should be staffed so that it will be able to carry out marketing analysis, planning, and implementation, and control.

Third, effective marketing calls for managers to have adequate information for planning and allocating resources properly to different markets, products, territories, and marketing tools. Marketing effectiveness depends also on whether management can design a profitable strategy. Lastly, marketing plans do not yield desirable results unless they are efficiently carried out at various levels of the organization. Worthy of note is that marketing effectiveness is not synonymous with profitability. The premiss is that levels of return on investment, sales, etc. depend on marketing effectiveness, which, in turn, depends on marketing culture. As previously mentioned, the current research seeks to determine the underlying structure of marketing effectiveness, the nature of the relationship between culture and effectiveness, and whether marketing culture and effectiveness are indeed two different constructs.

Constituency-based theory

Theoretical orientation and hypotheses

There are two major theoretical orientations which provide the underlying base for hypothesizing a relationship between marketing culture and marketing effectiveness. First, the constituency-based theory suggests that for a firm to be effective in a marketing sense it must satisfy the long-term needs of customers (Anderson, 1982). From this perspective, it follows that the firm must have the appropriate marketing culture in order to implement the marketing concept and achieve marketing effectiveness. Second, the market value theory posits that all major decisions within a firm be treated as investments. Thus, the decision to establish a strong marketing culture (i.e. to upgrade service quality, to innovate, etc.) should be evaluated on the basis of probable return. Such investments are likely to lead to long-term customer satisfaction, which in turn is likely to lead to marketing effectiveness. Indeed, Kotler (1988) advances the notion that investments in first the customer and then in front-line employees are ultimately the key to marketing effectiveness. The current research will provide a partial test of these two theories.

Service quality

Considering that the marketing culture of a firm encompasses service quality, interpersonal relationships, the selling task, organization, internal communications, and innovativeness; and the propositions of the theories regarding marketing orientation and effectiveness, it follows that one might hypothesize the following:

H1: The marketing effectiveness of a service firm is positively related to the marketing culture of the firm (service quality, interpersonal relationships, selling task, organization, internal communications, and innovativeness).

Since the size of the firm (Canning, 1988) and the geographical scope (i.e. local, regional, national, and global) of the firm (Block, 1989) have been implicitly linked to marketing effectiveness, these two factors should be controlled so that the direction and strength of the relationship postulated in *H1* can be examined. Thus,

H2: The marketing effectiveness of a service firm is positively related to the firm's marketing culture even when the possible effects of firm size are removed.

H3: The marketing effectiveness of a service firm is positively related to the firm's marketing culture even when the possible effects of geographical scope are removed.

Method

This section provides a brief coverage of the methodology employed; see Appendix 1 for specific details.

Preliminary study

Kotler's (1977) conceptualization was the foundation for the meaning of marketing effectiveness. As previously mentioned, the original measure has five dimensions:

- (1) Customer philosophy.
- (2) Integrated marketing organization.
- (3) Adequate marketing information.
- (4) Strategic orientation.
- (5) Operational efficiency.

Reliability characteristics

As the validity and reliability characteristics of this measure, the details of its development, and whether or not it was developed for goods-producing or service firms have not been reported, steps – beginning with in-depth interviews regarding the meaning of marketing effectiveness – were taken in a preliminary study to perfect the scale. The resulting scale of marketing effectiveness, which is shown in Table I, has 18 items which measure four dimensions.

The most profound difference between Kotler's conceptualization of marketing effectiveness and the results of this study lies in the second dimension as it appears in this study to be a combination of both customer philosophy and integration. This finding may be due to the inherent characteristics of services marketing. In other words, a high degree of

Dimension	Description
1 (Operational efficiency)	How well marketing thinking at the top is communicated and implemented down the line Management showing good capacity to react quickly and effectively to on-the-spot developments Commitment of management to marketing excellence ^{PR} Management doing an effective job with the marketing resources Marketing management working well with the management in other functional areas Management's focus on the firm being a good community neighbor ^{PR}
2 (Customer philosophy)	Recognizing the importance of designing the firm to serve the needs and wants of chosen markets Different offerings and marketing plans for different segments of the market Monitoring customer satisfaction ^{PR} Stimulating and monitoring of word-of-mouth communication ^{PR} Whole marketing system view in planning its business
3 (Adequate marketing information)	Efforts expended to measure cost-effectiveness of different marketing expenditures Regular marketing research studies of customers, buying influences, etc. conducted How well management knows sales potential and profitability of different market segments, customer, etc. Extent of formal market planning
4 (Strategic orientation)	Management's definition and communication of business ^{PR} Focus on long-term growth ^{PR} Quality of current marketing strategy
Total	

Note: The marketing effectiveness items consisted of those from Kotler's (1977) scale

Table I. Marketing effectiveness dimensions and individual scale items

integration between marketing and other aspects of a service firm may be a prerequisite of a customer philosophy. Though slight differences were found in factors 3 and 4 between Kotler's categorization and the findings of this study, these two dimensions are quite similar and the labels of "adequate marketing information" and "strategic orientation" remain intact.

To determine whether marketing culture and marketing effectiveness are two distinct constructs, all of the items were factor analyzed. Two different solutions revealed hardly any overlap between the two constructs.

Main study

The survey used in the main study measured firm size, geographical scope, marketing effectiveness, and marketing culture.

The measure of marketing culture developed and purified for service firms by Webster (1993) was used in the current study. The scale consists of 34 items which measure the six dimensions or facets of the construct. The culture and effectiveness items were measured with six-point scales (see Appendix 2).

Factor analysis

Two-stage sample

The sample of the main study was a two-stage sample of service businesses in a major metropolitan area. First, a listing of all area businesses within four service categories (financial, health care, transportation, product repair-maintenance) was obtained. From this pool of service businesses ($n = 789$), a sample of 500 firms was randomly selected. The marketing culture and effectiveness questionnaire was mailed to a randomly selected employee in a middle-management position (i.e. directors, regional managers, analysts). Of the initial questionnaires mailed in the first wave, 122 were returned. After three weeks, follow-up questionnaires were sent to participants who had not responded to the first mailing. Of the 378 questionnaires in the second wave, 51 were returned. For both waves, 173 participants responded with usable questionnaires, resulting in a 34.6 per cent response rate. Table II shows the characteristics of the final sample of 173 service firms.

To assess nonresponse bias, 35 randomly selected nonrespondents were contacted and asked several of the more important descriptive questions contained in the original test instrument. A series of chi-square tests indicated no significant differences between respondents and nonrespondents on any of the measures analyzed (e.g. firm size, $\chi^2 = 2.23$, $p \geq 0.05$; firm scope, $\chi^2 = 2.87$, $p = 0.25$; type of service business, $\chi^2 = 1.84$, $p = 0.44$). These results suggest that the sample was representative of the overall population of service businesses.

Stepwise regressions

To determine the relationship between the marketing culture and marketing effectiveness of a firm, a series of stepwise regressions were performed. Specifically, the goal here was to pinpoint the component of marketing culture that has the strongest correlation with each dimension of marketing effectiveness and then to identify, in order of predicting power, the other marketing culture dimensions that make a significant contribution to the explanation of marketing effectiveness.

Next, other statistical techniques were used to determine the effect of marketing culture on marketing effectiveness before and after the possible effects of firm size and geographical scope were removed (see Appendix 1 for details).

Size of firm (No. of employees)	Financial ($n = 39$)	Health care ($n = 52$)	Transportation ($n = 21$)	Product repair maintenance ($n = 61$)	Combined sample ($n = 173$)
<50	51	38	24	44	42
50-99	28	44	24	49	40
100+	21	17	52	7	18
Geographical scope					
Local	28	52	19	51	42
Regional	21	17	19	8	14
National level	38	25	38	38	34
International	13	6	33	3	10

Table II. Characteristics of sample (in percentage)

Four stepwise regressions

Findings

The primary purpose of this study was to determine the relationship between the nature of the marketing culture which exists in a firm and its marketing effectiveness. In other words, the answer was sought to the following questions: Which dimensions of marketing culture are most highly associated with marketing effectiveness? Does each of the five dimensions of marketing culture contribute significantly to the prediction of each component of marketing effectiveness? Thus, the regression procedure used was stepwise regression in which each variable in the model is tested as a new variable enters. To simplify the analytical procedure and to reduce the probability of encountering multicollinearity, the scale items comprising each culture and effectiveness dimension were aggregated to obtain both the predictor and criterion variables. Thus, the first regression equation was comprised of operational efficiency and the six dimensions of marketing culture, where the goal was to determine the extent to which culture is a predictor of operational efficiency. The second equation had the objective of determining the extent to which culture is a predictor of customer philosophy. This procedure was continued until each facet of effectiveness was considered.

The simple correlations that the predictor variables have with one another for each of the four criterion variables are presented in Table III. The relatively small correlation coefficients imply that multicollinearity is not prevalent. A notable aspect of these data are the similar correlations for the same pairs of predictor variables. For example, the correlation between internal communications and service quality is 0.25 (when Y = customer philosophy), 0.31 (Y = strategic orientation), 0.24 (Y = marketing information), and 0.26 (Y = operational efficiency).

The summarized results of each the four stepwise regressions are shown in Table IV. The regression results on each element of marketing effectiveness show considerable stability in that none of the previously entered variables were removed from any of the equations as a result of adding one more variable. This also suggests that there is little multicollinearity problem, and hence the explanatory power of each of the culture dimensions is greatly improved.

The T values in Table IV indicate that each dimension of marketing culture makes a significant contribution to the explanation or prediction of each of the four components of marketing effectiveness. It is also worthwhile to note that each marketing culture dimension is positively related to the dimensions of effectiveness. Overall, the significant F and T values lend much credence to the explanatory power of marketing culture. Indeed, 44 per cent, 41 per cent, 37 per cent, and 33 per cent of the total variance in customer philosophy, strategic orientation, marketing information, and operational efficiency, respectively, is explained or predicted by the variance in marketing culture. In other words, the strength of a firm's marketing culture explains a significant amount of each facet of effectiveness. Thus, $H1$ is supported.

Though the marketing culture of a service was found to be a significant predictor of each dimension of marketing effectiveness, the relative strength of each marketing culture component varied across effectiveness dimensions. That is, the importance of a firm's culture to its effectiveness

Correlation coefficients							Increase in R_2	Variable explanation
<i>Customer philosophy</i>								
	1	2	3	4	5	6		
1	1.00	0.21	0.16	0.12	0.24	0.28	0.24	Selling task
2		1.00	0.17	0.20	0.14	0.18	0.07	Organization
3			1.00	0.09	0.09	0.16	0.05	Innovativeness
4				1.00	0.32	0.25	0.04	Internal communications
5					1.00	0.31	0.03	Interpersonal relationships
6						1.00	0.02	Service quality
Total								
<i>Strategic orientation</i>								
	1	2	3	4	5	6		
1	1.00	0.19	0.25	0.31	0.31	0.14	0.20	Internal communications
2		1.00	0.24	0.26	0.31	0.20	0.07	Selling task
3			1.00	0.17	0.23	0.12	0.05	Organization
4				1.00	0.28	0.14	0.04	Interpersonal relationships
5					1.00	0.12	0.03	Service quality
6						1.00	0.03	Innovativeness
Total								
<i>Marketing information</i>								
	1	2	3	4	5	6		
1	1.00	0.15	0.26	0.11	0.19	0.23	0.17	Selling task
2		1.00	0.22	0.11	0.22	0.27	0.05	Internal communications
3			1.00	0.13	0.20	0.30	0.05	Service quality
4				1.00	0.20	0.08	0.04	Innovativeness
5					1.00	0.19	0.04	Organization
6						1.00	0.03	Interpersonal relationships
Total								
<i>Operational efficiency</i>								
	1	2	3	4	5	6		
1	1.00	0.28	0.29	0.26	0.14	0.18	0.15	Selling task
2		1.00	0.23	0.10	0.15	0.18	0.06	Organization
3			1.00	0.26	0.17	0.26	0.04	Service quality
4				1.00	0.16	0.36	0.03	Interpersonal relationships
5					1.00	0.16	0.03	Innovativeness
6						1.00	0.02	Interpersonal relationships
Total								

Table III. Summary table of correlation and R^2 contribution by each major independent variable

depends on the particular aspect of effectiveness. The culture dimensions varying the most across effectiveness dimensions are internal communications and organization. For example, internal communications is the strongest predictor for the strategic orientation dimension and the weakest predictor for operational efficiency.

Effectiveness components

On the other hand, the other four culture dimensions do not vary greatly across effectiveness components. Selling task is a key example of nonvariation as it is the second strongest predictor of strategic orientation and the strongest predictor of each of the other three effectiveness dimensions. This means that the importance of the selling task dimension of culture does not greatly vary according to the particular aspect of effectiveness with which it is associated. An analysis of the strength of each

Variable	T	Significance	R ²	Adj. R ²	Significance	Standard error of the estimate	Overall F	Significance
<i>Customer philosophy</i>								
Selling task	6.895	0.000	0.24	0.23	0.000	1.111	49.71	0.000
Organization	6.164	0.000	0.31	0.30	0.000	1.08	41.71	0.000
Innovativeness	5.587	0.000	0.36	0.35	0.000	0.97	36.41	0.000
Internal communications	3.663	0.000	0.40	0.39	0.000	0.95	31.61	0.000
Interpersonal relationships	2.998	0.003	0.43	0.42	0.003	0.92	28.51	0.000
Service quality	2.835	0.005	0.45	0.44	0.005	0.88	26.52	0.000
<i>Strategic orientation</i>								
Internal communications	6.382	0.000	0.20	0.20	0.000	1.09	40.44	0.000
Selling task	5.511	0.000	0.27	0.26	0.000	1.05	34.14	0.000
Organization	5.300	0.000	0.32	0.31	0.000	0.95	29.02	0.000
Interpersonal relationships	3.113	0.000	0.36	0.35	0.000	0.91	25.64	0.000
Service quality	2.597	0.015	0.39	0.38	0.015	0.89	23.51	0.000
Innovativeness	2.345	0.024	0.42	0.41	0.024	0.85	22.13	0.000
<i>Marketing information</i>								
Selling task	6.211	0.000	0.17	0.17	0.000	1.01	35.98	0.000
Internal communications	5.386	0.000	0.22	0.21	0.000	1.94	31.64	0.000
Service quality	3.433	0.000	0.27	0.27	0.000	0.89	27.12	0.000
Innovativeness	2.744	0.007	0.31	0.30	0.007	0.87	23.87	0.000
Organization	2.514	0.020	0.35	0.34	0.020	0.84	21.39	0.000
Interpersonal relationships	2.302	0.026	0.38	0.37	0.026	0.81	19.51	0.000
<i>Operational efficiency</i>								
Selling task	5.496	0.000	0.15	0.23	0.000	1.00	31.93	0.000
Organization	4.697	0.000	0.21	0.21	0.000	0.92	26.65	0.000
Service quality	4.318	0.000	0.25	0.25	0.000	0.86	23.40	0.000
Interpersonal relationships	3.032	0.001	0.28	0.27	0.001	0.79	20.85	0.000
Innovativeness	2.519	0.019	0.31	0.30	0.019	0.74	19.26	0.000
Internal communications	2.181	0.032	0.33	0.32	0.032	0.71	18.04	0.000

Table IV. Summary table of stepwise regression

Geographical scope

predictor in Tables III and IV indicates that the importance placed on the selling task is most strongly related to marketing effectiveness. The other variables, in order of their predicting power, are internal communications, service quality, innovativeness, and interpersonal relationships.

The next aim of this study was to determine the effect of marketing culture on marketing effectiveness while holding size of firm and geographical scope constant. The firms were first clustered into groups on the basis of the strength of the marketing culture in the firm. Three distinct clusters resulted:

- (1) Firms with a "very strong" marketing cluster (from 1 to 2.2 on the 6-point scale).
- (2) Firms with a "strong" culture (from 2.21 to 3).
- (3) Firms with a "somewhat strong" culture (from 3.1 to 6).

The data in Table V reveal the group means and *F* tests for the four dimensions of marketing effectiveness. The first column of *F* values, *Fmc*, presents the results for the single factor design testing for the effects of marketing culture alone. The second column, *Fmc/s*, presents conditional *F* values on the effect of marketing culture after removing or adjusting for firm size effects. The third column, *Fmc/gs*, presents *F* tests for marketing culture after removing geographical scope effects. Highly significant results were discovered for the single factor design as well as for the conditional tests after removing or adjusting both firm size and geographical scope.

Significant effect of marketing culture

Significant differences between firms placing extreme, high, and moderate importance on marketing culture were found for each of the marketing effectiveness items for the single factor design. The significant effect of marketing culture on each effectiveness component remained after removing both firm size and geographical scope effects, supporting *H2* and *H3*. These findings underscore the strong relationship between marketing culture and effectiveness for service firms.

Dimension of marketing effectiveness	Strength of marketing culture			<i>Fmc</i>	<i>Fmc/s</i>	<i>Fmc/gs</i>
	Very strong (<i>n</i> = 46)	Strong (<i>n</i> = 59)	Somewhat strong (<i>n</i> = 68)			
Customer philosophy	1.89	2.85	4.23	10.27 ^a	9.12 ^a	8.56 ^a
Marketing information	1.93	2.24	3.03	5.35 ^a	4.99 ^a	4.83 ^a
Strategic orientation	2.04	2.37	3.89	5.64 ^a	5.58 ^a	5.44 ^a
Operation efficiency	2.11	2.98	4.55	5.97 ^a	4.03 ^b	4.04 ^b
Wilk's Lambda				0.756 ^a	0.781 ^a	0.850 ^b

Notes: Marketing effectiveness was measured with a six-point balanced scale where 1 represented the most positive response (i.e. excellent) and 6 represented the most negative response (i.e. poor)

^a *p* ≤ 0.01

^b *p* ≤ 0.05

Table V. MANOVA on the effect of marketing culture on marketing effectiveness

Summary and managerial implications

Summary

The results of this study show that there is a strong positive relationship between the kind of marketing culture a service firm has and its degree of marketing effectiveness. Even when the possible effects of firm size and geographical scope are removed, the relationship between culture and effectiveness remains significant. In other words, the number of employees working in a particular service establishment (e.g. five or 500) and the geographical scope of the firm (e.g. local or global) do not significantly moderate the impact culture has on effectiveness. While each component of marketing culture makes a significant contribution to the explanation of effectiveness, the import of a particular culture component (i.e. service quality) generally depends on the effectiveness component with which it is related.

Support of theories

These findings support the constituency-based and market-value theories. Furthermore, the finding of this research are consistent with the study reporting a significant relationship between marketing culture and profitability (Webster, 1993) and the well-acknowledged importance of both organizational and marketing culture. However, what do the support of the theories and the findings in general mean for the service marketer?

Managerial implications

A foremost implication of this study for service managers is that a distinct marketing culture may be required if a particular level of marketing effectiveness is desired. Given the strong association between marketing culture and effectiveness, managers wanting a certain degree of marketing effectiveness have to do more than practice the typical concepts of marketing management (i.e. segmenting, targeting, positioning, etc.). More specifically, service managers must understand what is meant by marketing culture and then develop and implement strategies to achieve the desired marketing culture.

Long-term needs of customers

An implication of this study supporting the constituency-based theory is that the firm that is desirous of marketing effectiveness must be one whose culture focuses on the long-term needs of customers. From an applied perspective, the market value theory posits that all major decisions within a firm be treated as investments. Thus, the decision to upgrade service quality, to innovate, etc., should be evaluated on the basis of probable return. In other words, such investments are likely to lead to long-term customer satisfaction which, in turn, is likely to lead to increased marketing effectiveness.

Although each marketing culture dimension was found to be a significant predictor of marketing effectiveness, the results further indicate that the strength of a particular culture factor varies according to the specific effectiveness dimension. For example, internal communications is the strongest predictor of strategic orientation and the weakest predictor of operational efficiency. Thus, it is unwise to assume that marketing effectiveness is affected in the same manner by each element of marketing culture. This calls for the service marketer to decide which components of marketing effectiveness are most important. If operational efficiency receives priority, then a culture must be planned and developed that emphasizes employee training, creative approach to selling and pursuing

Sustained competitive advantage

new accounts (selling task), the organization and professional manner of employees (organization), and service quality. On the other hand, if a strong customer philosophy is the component of effectiveness that receives priority, then the culture of the firm should center around the selling task, organization, and receptivity to change (innovativeness).

Top managers in services marketing might also consider administering marketing culture and effectiveness indexes in their firms. Periodically, employees might be asked to respond anonymously to a series of questions designed to measure their perceptions of the importance their firm places on marketing culture, their perceptions of the actual marketing culture status of their firm, and their perceptions of the ideal or desired marketing culture. Such measurement practices could be used to monitor changes in employees' perceptions over time and could provide an early warning signal of potential problems regarding marketing effectiveness.

Final comments

In addition to managerial implications, several research implications are also apparent. First, though the findings of this study demonstrate that the marketing culture/effectiveness relationship is significantly strong across four different service industries, replications with other service industries and non-service industries would be desirable. Second, the findings of this study have implications for longitudinal studies. Research that tracks the changing nature and impact of marketing culture in organizations over time is needed. Answers to such questions as the following could be sought: Does the importance of marketing culture dimensions change over time and place? If so, how? Is the relationship between marketing culture and effectiveness consistent over time and place? Which specific marketing culture dimensions have the most staying power and impact over time?

Finally, cross-cultural studies investigating the relationships examined in this study would be both interesting and useful. Is the marketing culture of a firm associated with marketing effectiveness in other societies, such as those in Europe, Canada, and Japan? Which specific marketing culture dimensions dominate in different cultures and what are the resulting implications for US service marketers? The answers to these and other questions could prove to be invaluable in the continuous quest for a sustained competitive advantage in the global marketing arena.

The search for efficiency, success, a strong strategic and customer orientation, and profitability constitutes a core dimension of the management discipline in general and marketing management in particular. The current research indicates that marketing culture, given its relationship to profitability and marketing effectiveness, may be a key ingredient for success. Companies that develop, maintain, and promote a strong marketing culture in their firms should find themselves stronger in operational efficiency, customer satisfaction, etc. than firms that ignore such a culture.

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Appendix 1. Development of a marketing effectiveness scale and analysis of data in the main study

Development

To develop a valid and reliable measure of marketing effectiveness for service firms, data were first collected from 30 service employees from top-management to operational-level positions. This approach is consistent with procedures recommended for marketing theory development by several scholars (Deshpande, 1983; Peter and Olson, 1983; Zaltman *et al.*, 1982). The employees were randomly chosen from companies known for their marketing expertise; e.g. A & M Pizza, Inc., dba Domino's Pizza, Federal Express, Southland Distribution Centers, etc. (Denton, 1989). The respondents were asked probing questions about the meaning of marketing effectiveness. Their responses were compared with the existing measure of marketing effectiveness (Kotler, 1977). Though many overlapping items resulted, 15 new items emerged:

- Stimulating and monitoring of word-of-mouth communication by management.
- Monitoring customer satisfaction.
- Sales rate.
- How well firm reaches its target market.
- Is the firm a good community neighbor?
- Extent of customer orientation.
- Does business focus on long-range growth.
- Good quality service.
- Management's definition and communication of nature of business.
- Commitment of management to marketing excellence.
- Does firm place more importance on marketing than on any other functional area?
- Importance placed on image of business.
- Does firm regularly and systematically seek improvement?
- Annual marketing plans.
- Is firm well positioned relative to its competitors?

The resulting 30-item scale was then administered to a sample of 182 service marketers from a large metropolitan area which is considered to be among the most representative areas in the US (Burgoyne Information Services, 1990). Respondents were asked to indicate the extent to which each item was indicative of marketing effectiveness by circling the appropriate mark on seven-point scales which ranged from 7 (Strongly agree) to 1 (Strongly disagree). Four service categories were chosen for investigation: financial institutions, health care, public transportation (i.e. airlines and buses), and product repair and maintenance. Though this set of service businesses is not exhaustive, it represents a cross-section of industries which vary along key dimensions used to categorize services (Lovelock, 1980, 1983). The service firms from each industry were randomly selected, and the person within the firm was also randomly

selected. The respondents primarily represented middle-management positions. This stage of the field research was conducted by trained data collectors and was completed during a three-week time period.

The 30-item instrument was refined by analyzing pooled data (i.e. data from all four service categories considered together). Pooling the data was appropriate as the basic purpose of this state of data collection and analysis was to develop a more concise instrument that would be reliable and meaningful in assessing marketing effectiveness in a variety of service sectors. An additional reason for data pooling was that the respondents' description of marketing effectiveness was basically the same for the different types of services.

The new 30-item marketing effectiveness scale was factor analyzed, resulting in five dimensions comprising 23 items. The instrument was then subjected to the computation of coefficient alpha (Cronbach, 1951). Coefficient alpha was computed separately for each of the five dimensions to ascertain the extent to which items making up each dimension shared a common core. The iterative sequence of computing alphas and item-to-total correlations, followed by the deletion of items, was repeated several times and resulted in a set of 21 items, with alpha values ranging from 0.59 to 0.82 across four dimensions.

Examining the dimensionality of the reduced 21-item scale was the next stage of scale purification and was accomplished by factor analyzing the difference scores on the items. The principal axis factoring procedure (Harman, 1967) was used to extract four factors, and the resulting solution was rotated orthogonally through oblique rotation. The deletion of some items necessitated the recomputation of alphas and item-to-total correlations and the reexamination of the factor structure of the reduced item pool. Several iterations of the sequence of analyses resulted in a final pool of 18 items representing four dimensions.

The high alpha values and corrected item-to-total correlations indicated good internal consistency among items within each dimension. Also, the combined reliability for the 18-item scale, computed by using the formula for the reliability of linear combinations (Nunnally, 1978), was quite high (0.89).

To further evaluate the reliabilities of the instrument, the component and total reliabilities and the corrected item-to-total correlations were calculated for each of the four subsamples. The reliabilities and item-to-total correlations are consistently high across all subsamples. The total-scale reliability is 0.85 in each of the four cases. The high reliabilities and relatively consistent factor structures of the measure across the independent samples provide support for its "trait" validity (Campbell, 1960; Peter, 1981). However, although these high reliabilities and internal consistencies are important conditions for a scale's construct validity – the extent to which a scale fully captures the underlying, unobservable construct it is intended to measure – they are not sufficient (Churchill, 1979). The scale must satisfy the basic conceptual criterion of content validity. Assessing content validity is qualitative and involves examining two aspects: first, the thoroughness with which the construct to be scaled and its domain have been explicated; and second the extent to which the scale items represent the construct's domain (Parasurman *et al.*, 1986). As discussed earlier, the procedures used in purifying the instrument satisfy both these evaluative requirements. Hence, the scale can be considered to possess content validity.

With factor loadings ranging from 0.88 to 0.51, 18 variables significantly loaded on four orthogonal factors (explaining 71 per cent of the common variance). The most important dimensions, as reflected in the percentage variance, of marketing effectiveness for a service firm are: operational efficiency, customer philosophy, adequate marketing information, and strategic orientation. The results indicate that most of the factors fall into the Kotler categorizations.

By using 30 individuals, systematically chosen from the target population, the test-retest method, and a 12-day interval, the measure was considered reliable ($r = 0.91$).

Analysis

ANOVA and MANOVA were performed to provide insight on the effect that marketing culture has on marketing effectiveness. Then, hierarchical two-factor MANOVAs were performed to test the effect of culture on effectiveness after removing the possible effects of firm size and geographical scope. This hierarchical MANOVA approach is appropriate when two factors (e.g. marketing culture and geographical scope) might be correlated and where unequal cell sizes exist. It does not assume linear relationships between marketing effectiveness and firm

size or geographical scope, as would ANOVA. This approach allows for the testing of the effect of marketing culture alone before removing the effects of firm size or geographical scope. To segment the firms into categories based on the importance placed on marketing culture, cluster analysis was used

Appendix 2. Marketing culture dimension and individual scale items

Service quality

- The firm specifically defining what exceptional service is.
- The commitment of top management to providing quality service.
- Systematic, regular measurement and monitoring of employees' performance.
- Employees' focus on customer needs, desires, and attitudes.
- The belief of employees that their behavior reflects the firm's image.
- For employees to meet the firm's expectations.
- For the firm to place emphasis on employees' communication skills.
- Employees' attention to detail in their work.

Interpersonal relationships

- For the company to be considerate of employees' feelings.
- For the firm to treat the employee as an important part of the organization.
- For employees to feel comfortable in giving opinions to higher management.
- That managers/supervisors have an "open-door" policy.
- Management's interaction with front-line employees.

Selling task

- The firm's emphasis on hiring the right people.
- The firm providing skill-based training and product knowledge to front-line service providers.
- The encouragement of creative approaches to selling.
- The firm's recognition of high achievers in selling.
- For employees to enjoy pursuing new accounts.
- For the firm to reward employees, better than competing firms, with incentives to sell.
- For employees to aggressively pursue new business.

Organization

- Each employee to be well organized.
- For careful planning to be characteristic of each employee's daily routine.
- For employees to prioritize work.
- Each employee's work area to be well organized.
- Each employee to manage time well.

Internal communication

- The firm having an approved set of policies and procedures which is made available to every employee.
- That supervisors clearly state what their expectations are of others.
- That each employee understands the mission and general objectives of the firm.
- Management's sharing of financial information with all employees.
- The encouragement of front-line service personnel to become involved in standard-setting.
- The firm to focus efforts on training and motivating employees.

Innovativeness

- For all employees to be receptive to ideas for change.
- The firm keeping up with technological advances.
- The receptiveness of the company to change.

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