

Exploring Organisational Culture Difference and Relationship Performance: Perspectives from Service Industries

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Abstract

Marketing and management scholars have provided prolific research into the areas of relationship marketing and organisational culture respectively. The close linkage between these areas, however, has been overlooked. This paper aims to address the related yet under-researched concepts of organisational culture difference and compatibility and their effect on relationship performance. While difference between organisational cultures of partners is suggested to negatively influence relationship performance, compatibility appears to moderate this effect. Based on a series of in-depth interviews, this exploratory paper integrates organisational culture and relationship marketing literatures, developing a conceptual model on the impact of organisational culture difference and compatibility on relationship success.

Introduction

The concept of organisational culture has received prolific interest and research in the sociology, management and organisational behaviour literatures (e.g. Arogyaswami and Byles, 1987; Ouchi and Wilkins, 1985). However, it has been overlooked by marketing scholars despite a clear link between culture and a range of marketing interests, particularly in the critical areas of services and relationship marketing (RM hereafter) (Wilson, 2001). Few authors have examined the impact of culture or of individual cultural dimensions on business-to-business relationships (Jarratt and O'Neill, 2002). While providing first results on the impact of organisational culture on relationship management practice, and in turn relationship outcomes, Jarratt and O'Neill (2002) called for more comprehensive research to advance our understanding of the impact of organisational culture in a RM context.

Moreover, despite a proposed effect of organisational cultural difference or compatibility on private-public partnerships and mergers and acquisitions (Plewa, Quester, and Baaken, 2005, Chatterje, Lubatkin, Schweiger, and Weber, 1992; Weber, 1996), cultural difference and compatibility appear as highly relevant though under-researched concepts in the RM discipline. Hence, this paper presents the results of an exploratory study on the effect of difference and compatibility on business-to-business relationships, leading to a conceptual model for empirical testing. It is postulated that organisational cultural differences may not present barriers towards building successful relationships as long as the cultures are compatible. The remainder of this paper is structured as follows. First, the scant literature integrating organisational culture and RM is discussed to set the scene. A brief description of the qualitative method is then provided, followed by a discussion of findings. The paper then concludes with a discussion of limitations and further research directions.

Background

The complexity of the concept of organisational culture has led to a vast array of conceptualisations and measurements in the literature (Chatterje et al., 1992). Researchers have developed typologies of cultures to ease their analysis and comparison, for example Desphandé et al.'s (1993) conceptualisation of organisational culture types. A large range of

individual organisational culture dimensions have also been developed. Van den Berg and Wilderom (2004) recently reviewed and compared the array of dimensions provided in the literature (Van Muijen et al., 1999, Hofstede, Neuijen, Ohayv, and Sanders, 1990, O'Reilly, Cahatman, and Caldwell, 1991, Gordon and Ditomaso, 1992, Denison and Mishra, 1995). With conceptualisations of culture integrating between four and seven dimensions, similarities were apparent and amalgamated into a framework of five dimensions, including autonomy, external orientation, inter-departmental coordination, human resource orientation and improvement orientation (Van den Berg and Wilderom, 2004). Given the recency and thoroughness of conceptual development of these dimensions based on a range of previous studies, Van den Berg and Wilderom (2004)'s dimensions provided the basis for this paper.

An organisational culture is unique to the organisation, unit or group (Buono et al., 1985). As organisations differ in their organisational culture (Reynolds, 1986), RM and the development of relationships between organisations and groups implies the interaction of parties, and thus a meeting of different organisational cultures. Research in the area of university-industry relationships showed the relevance of a high level of organisational culture difference, anchored in the different roles of universities and private sector organisations in the society and their operations in different sectors (Cyert and Goodman, 1997; Plewa et al., 2005). Research on mergers and acquisitions has also highlighted organisational culture difference as a highly relevant subject matter (Chatterje et al., 1992; Weber, 1996).

However, the effects of encounters between dissimilar cultures have received surprisingly little attention in RM studies, despite continued calls for further research into the effect of organisational culture difference on relationships (Hewett, Money, and Sharma, 2002, Sarkar et al, 2001). The available studies show a lack of consensus regarding the influence of organisational culture difference. For example, cultural difference has been described as negatively affecting shareholder gains (Chatterje et al., 1992) and satisfaction (Smith and Barclay, 1997), while not significantly influencing financial performance of a merger (Weber, 1996). Interestingly, some authors have found that when potentials and experiences incorporated in organisational cultures are complementary, a positive effect of difference on the merger or alliance is possible (Maron and VanBremen, 1999; Schraeder and Self, 2003). Compatibility, rather than complementarity, of cultures, however, is still to be tested in a RM context. The lack of consensus indicates that further research is required to clarify the potential impact of cultural mismatch on relationship management and performance.

Methodology

To explore the organisational culture difference and compatibility on relationship performance, qualitative research was chosen for the development of a conceptual model required for empirical testing. Based on a thorough review of the relevant literatures, data was gathered by means of in-depth interviews. The choice of in-depth interviews is justified by its theory-building capability (Carson, Gilmore, Gronhaug and Perry 2001). That is, the exploratory part of this larger research project was to gather insights into the phenomenon and to provide a better understanding of the issue (Malhotra, Hall, Shaw and Oppenheim 2002).

The in-depth interviews were undertaken face-to-face with the senior managers of eight organisations in the professional services industry, including financial, information and judiciary services, varying in size and age. Four organisations operated in the public sector, the other four in the private sector. The interviewees were key informants knowledgeable not only about the organisational cultures within their area or unit but also about the relationship

under examination. Interviews lasted around 45 minutes in which a semi-structured interview guide, developed based on a thorough literature review, was used. The guide integrated questions around the key informant, the relationship, performance, individual dimensions of the group's and its partner's organisational culture, perceptions of cultural difference and compatibility. It ensured a consistent pathway for the interviews and data analysis.

Participants were asked to discuss the questions based on their relationship with a particular current business partner in mind. Six interviews were held with key informants on both sides of three relationships. This approach enabled the researchers to identify whether one party's perceptions of the partner's culture differed from the party's perception of its own culture. The usual quality control mechanisms like triangulation were employed (Healy and Perry 2000, Carson et al. 2001). Content analysis was used to analyse the interview information, attaching codes to data. A starting list of codes prior to the field work that was developed and progressively added to as the interviews proceeded. When the coding was complete, matrices were developed to summarise the data (Miles and Huberman 1994).

Discussions of Findings

Findings from the interviews provided insights and details about the effect of organisational culture difference on relationship performance. Participants are consistent in how they viewed the role of a relationship particularly that with an important business partner. They agreed that such a relationship is long-term in nature and takes effort to cultivate. All relationships appeared to be built on continuous interaction, a level of trust and commitment, and were thus in line with the literature (Morgan and Hunt, 1994). While contact, particularly informal communication, emerged as a relationship building block, a high frequency, e.g. daily contact, was not perceived as necessary to achieve closeness.

The analysis of interviews indicated that participants do not employ a systematic mechanism to measure relationship success. The lack of consensus regarding the most appropriate measure of success is also found in the RM literature, with various studies differing on the basis of the respective context. For example, studies of buyer-supplier relationships have focused on behaviours such as acquiescence, a decreased propensity to leave (Morgan and Hunt, 1994), or a long-term orientation (Ganesan, 1994), whereas studies in the marketing channels context focus on behaviour such as cooperation (Anderson, 1990; Jarratt and O'Neill, 2002), flexibility and conflict resolution (Lusch and Brown, 1996). Hence, one aim of the interviews was to establish how individuals evaluate their ongoing relationship.

While some interviewees reported the use of formal satisfaction surveys at the end of a project, the majority of respondents stated more informal and empathic evaluations, particularly based on informal verbal communication. This clearly relates to the soft and intangible definition of relationship success brought forward by interviewees. Relationship success was associated primarily with informality in dealings with each other, even leading to statements like "once you hit the formal line you are in trouble". Furthermore, success was defined in regards to mutual respect, involvement and collaboration, as well as understanding and working towards parties' goals. Relationship performance thus will be conceptualised in this context as a comprehensive, affective evaluation of the relationship.

As described above, the five dimensions of organisational culture proposed by Van den Berg and Wilderom (2004) were used as a basis for the discussion on culture, cultural difference and compatibility. Importantly, interviewees were able to assess and describe all five

dimensions in the context of their organisational unit and were able to discuss differences between cultures in a general as well as in a dimension-specific manner. The exploratory results of this study clearly show considerable differences in which individual dimensions influence relationship performance. It is not surprising that external orientation appears to have a greater impact on relationship development than other dimensions. This is mainly due to the fact that this dimension deals with how an organisation communicates and interacts with an external entity and what level of importance the firm places on external positioning versus internal maintenance (Hofstede et al., 1990). A relationship characterised by cultural difference in regards to external positioning is likely to be characterised by discontent and frustration, particularly at the side that is externally oriented, given that the other party focuses on internal issues and secrecy rather than on communicating with the partner.

Interestingly, 'relationship orientation' was mentioned as part of the organisational culture when talking about the level of external orientation. For example, one interviewee stated, "we emphasise the importance of maintaining good relationships with our partners at all levels within our organisation and make sure it is part of our culture...". This statement appears to go beyond a mere 'external orientation' as defined in the literature and may relate to a number of dimensions. For example, several participants promote a relationship orientation in their human resource practice: One of the participants stated that "we regularly conduct workshops during staff orientation to teach staff how they can develop good relationship with a customer...". Furthermore, relationship orientation related to inter-departmental coordination, which has been described as a requirement for relationship development (Gordon, 1998). Only if functions coordinate their efforts can an organization-wide focus towards relationship building exist within an organisation (Grönroos, 1991). Hence, rather than aiming to integrate the relational orientation of a unit into one of the existing dimensions, it was added to the model as a separate dimension of organisational culture and organisational culture difference.

Difference in autonomy emerged as another dimension impacting relationship success. Interviewees commented frequently on the empowerment of employees. The following two comments demonstrate differences between individual responses, which ranged from (1) individuals have a level of freedom that is "realistically next to none ... once we changed CEOs a few years ago, the first thing that was almost immediately noticeable ... is that decisions stopped and we became a department of nobody wanting to take responsibility" to (2) "we value people who think for themselves and have new ideas and are not afraid to speak their minds and value people that are happy to make decisions". Differences in the willingness and ability to make decisions appeared to relate to the level of bureaucracy and to the senior management style. Similar to differences in external orientation, differences in autonomy appear to limit relationship success. Differences in improvement-orientation, and thus the level of proactivity in trying to improve, also emerged as limiting performance. While the analysis suggests less impact of the remaining dimensions on performance, a comprehensive empirical analysis is required before eliminating these factors from the conceptual model.

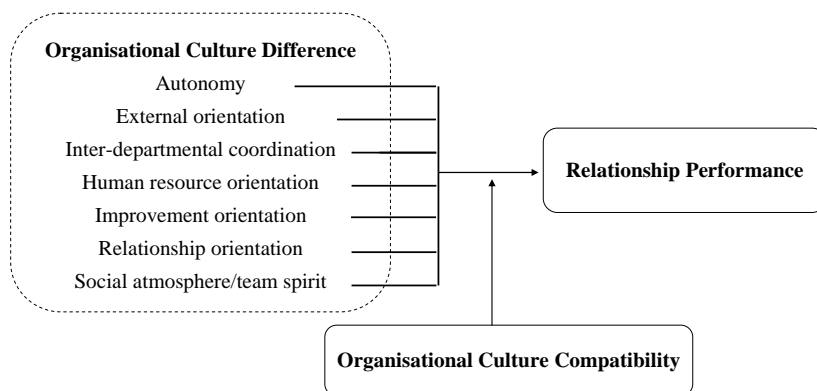
In addition to the five dimensions included in Van den Berg and Wilderom's (2004) organisational culture framework, additional dimensions emerged from the interviews as having an effect on relationship success if an imbalance was experienced in a relationship. Besides the relational orientation described above, the social atmosphere or team spirit of an organisational unit appeared as a relevant cultural dimension. This dimension was exhibited e.g. in social events or clubs and was described as reflecting the importance of the individuals' personal life at work and the interest in the team members on a social level. These events were described on a group rather than relationship level and differences between relationship

parties in this regards appeared to cause disapproving feelings in employees regarding the other party and in turn limit their engagement in boundary-spanning activities.

The interviews indicated the relevance of compatibility for relationship performance. In consensus with the literature, interviewees defined compatibility as congruence in organisational philosophies, goals and values, similarity in outlook and objectives and the right chemistry between firms (Sarkar et a., 2001). For example, one interviewee stated "... the common driving factor, and that is what I keep coming back to, in both offices is that we genuinely want to do what is best for [the customers and stakeholders] ... and I think that is the grand uniting factor". Some interviewees also related compatibility to shared expectations, and to an appreciation of each other's ways of doing business and thus a feeling of sympathetic understanding. Overall, however, compatibility emerged as primarily composed of compatible values, including ethical values, goals and management styles.

The interviews showed a general consensus that as long as organisations have compatible cultures, the relationship will flourish even if there are some cultural differences, e.g. different levels of autonomy, inter-departmental coordination etc. Therefore, compatibility is suggested to moderate the link between cultural difference and relationship performance, as indicated in Figure 1. It is interesting to notice that these findings appear consistent across private and public sectors and across partnerships within and across sectoral borders.

Figure 1. Conceptual Model



Conclusion, Managerial Implications and Future Research

In conclusion, this paper explored the relationships between organisational culture and relationship performance and developed a conceptual model about the impact of culture difference and compatibility on relationship success. Compatibility was found to moderate the negative association between cultural difference and relationship performance. The assessment of compatibility should thus be a crucial component in relationship initiation stages and should be conducted repeatedly over the relationship lifetime. It can be achieved by matching partners' goals, objectives and senior management philosophies. The model will be empirically tested in Australia using a survey method. A number of scales are available, including those developed by the Globe project (Globe, 2007). Due to space limitations, individual scales cannot be discussed in this paper. A one-sided key informant rather than a dyadic approach appears suitable as interviewees showed a good understanding of each other's organisational culture and the differences between the cultures. A comprehensive study on the effect of organisational culture dimensions rather than organisational culture types on relationship success is also warranted.

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