Organizational Culture:

Diagnosing a Customer Contact Company

Dale L. Beyer, MBA

Beyer & Associates

1302 Surrey Court

Algonquin, IL 60102

847-458-0020

dale@dalebeyer.com

Ralph Haug, Ph.D.

Roosevelt University

Walter E. Heller College of Business Administration

1400 N. Roosevelt Blvd.

Schaumburg, IL 60173

847-619-4868

rhaug@roosevelt.edu

Abstract

Eighty percent of the United States businesses are considered to be in the service sector. This paper argues that using a diagnostic instrument can be an efficient, effective method of diagnosing the organizational culture of a large service organization. The authors feel use of such instruments can provide management valuable insight into customer contact employee's daily sense of "reality" and preferences. Understanding cultural preferences provide direction for shifting an organizations culture to one which more successfully supports the organization's strategy. Congruence of culture, strategy and management processes have a tremendous impact on the financial success of an organization.

Keywords: organization, culture, customer, service

Introduction

Service organizations rely on many employees to meet the needs of customers in order to generate revenue. The effectiveness of such organizations in delivering quality service can be improved by diagnosing the contingencies of strategy, environment, size, life cycle, technology, management processes, and in particular organizational culture. Utilizing surveys such as the Organizational Culture Assessment Instrument (OCAI) can help service organizations quickly and efficiently identify areas of cultural incongruence that would spur further investigation into areas that are ripe for improving organizational effectiveness. (Cameron and Quinn, 1999)

Theoretical Bases

The contingencies of *strategy, environment, size and life cycle, technology, and organizational culture* influence choices management makes about organization design, which has a tremendous impact on organizational effectiveness (Snow and Hrebiniak, 1980). An organization can have the most superb strategy, but if its culture is not aligned with the strategy, the strategy will either stall or fail.

Service organizations face particular challenges. Bowen and Schneider, (1999) affirm that many service organizations are subject to failures in service delivery because they must depend on customer-contact employees to deliver service to their customers. The attitudes and behaviors of contact employees can influence customer satisfaction of the service and the likelihood of repeat business. For example, Xerox found that its “totally satisfied” customers were *six times* more likely to repurchase Xerox products during the following eighteen months than its “merely satisfied” customers were. “Totally satisfied” ranks only two scale points higher than “merely satisfied,” although it earns six times more loyalty.

Because of the importance of the service encounter, service organizations must find ways to effectively manage their customer-contact employees to help ensure that their attitudes and behaviors are conducive to the delivery of quality customer service and continued customer patronage.

Organizational Culture

Culture or how we do things around here in order to succeed is an organization's way, identity, pattern of dynamic relationships, "reality" (Schneider, 1998). The pattern of dynamic relationships at the organization level is *culture*, which explains why organizational culture is so powerful. So powerful, in fact, that its impact supersedes all other factors when it comes to organizational economic performance (Kotter and Heskett, 1992).

Strong cultures are associated with homogeneity of effort, clear focus, and higher performance in environments where unity and common vision are required (Cameron and Quinn, 1999). It is difficult to name a single highly successful company, one that is a leader in its industry that does not have a distinctive, readily identifiable perceived organizational culture. Companies like Wal-Mart, Southwest Airlines, Microsoft, and others have developed a distinctive culture that is clearly identifiable by its employees.

It is proposed that a strong organizational culture should be perceived to be present by all service organization customer-contact employees and be congruent with the organization's management processes and strategy. No management idea, no matter how good, will work in practice (implementation) if it does not fit the culture. An organization can have the most superb strategy, but if its culture is not aligned with the strategy, the strategy will either stall or fail (Schneider, 1998).

Diagnosing incongruent characteristics of the perceived current vs. the preferred organizational culture assists management in determining the changes needed in order to align the organization. In particular, congruency of culture, strategy and management processes in a service organization can lead to improved customer perceptions of quality of service, which can have a tremendous impact on organizational financial success.

Defining the Service Organization

Service organizations accomplish their primary purpose through the production and provision of intangible output of services, such as education, health care, banking and teleservices. A service is an intangible product that does not exist until it is requested by the customer. This means service is labor and knowledge intensive, relying on many employees to meet the needs of the customer (New Directions in Multinational Corporate Organization, 1981).

Often, a service organization is labor and knowledge intensive therefore the skills of core service employees need to be higher than in a non-service based organization. These employees need social and interpersonal skills as well as technical knowledge and awareness to handle customer problems (Bowen et al, 1989).

A Customer Contact Company

Various components of an independent call center, headquartered in a midwestern city were assessed including the management processes, strategy, and culture. “The Company” provides their clients with a suite of interactive solutions that includes call/contact center, mail/fulfillment, data mining/customer analytics and customer interaction consulting. The Company operates eight call centers in the US and Canada, handling some 25 million interactions annually for clients in the telecommunications, health care, pharmaceutical, US government and consumer products industries.

The firm has 1700 employees and revenues of $100M for 2002. This would define it as a large size company in a service based industry. Characteristics of a large organization are present in its management structure. There is centralized hierarchy of authority, standard processes and procedures and functional specialties within Information Technology, Operations, Marketing, Sales, Human Resources and Accounting. The customer service department has 1400 customer service specialists in the organization, which is approximately 80% of the total number of employees. It also has one hundred Information Technology employees divided into six specialized groups. Previously, the six groups reported into the Chief Information Officer (CIO). Recently, the CIO was removed from the organization and at the time of this study, the six groups report to the Chief Financial Officer (CFO). This change in organization structure has further increased centralization of authority.

Strategy

Michael E. Porter studied a number of businesses and introduced a framework describing three competitive strategies to achieve organizational goals: low-cost leadership, differentiation, and focusing (Porter, 1996).

The Company's executive team has chosen to pursue a differentiation strategy, in an attempt to distinguish their products and services from others in the industry. The objective is to employ a successful differentiation strategy which would allow the organization to command a premium price for its service, increase its unit sales and gain buyer loyalty to its brand.

A differentiation strategy works best when rapid product and/or service innovations are provided to help maintain buyer interest in the product or service. For example a company can differentiate itself by providing customer service activities that result in more and better product information provided to customers, quicker order processing or greater customer convenience (Thomas and Strickland, 2001).

Corporate and Organizational Culture

Organizational success or failure is often attributed to culture. In Fortune magazine's survey of the most admired companies, the single best predictor of overall excellence was the ability to attract, motivate, and retain talented people. The CEO's state organizational culture is their most important mechanism for enhancing the capability of their firm. (Kahn, 1998).

Numerous discussions by researchers have put forth several important controversies that characterize the concept of organizational culture. Culture is a set of values, guiding beliefs, understandings, and ways of thinking that is shared by members of an organization and taught to new members as correct (Duncan, 1989). Deal and Kennedy (1982) describe a strong culture as a system of informal rules that spell out how people are to behave most of the time. These rules are made up of Values, Heroes, Rites and Rituals, and Communications that define the culture.

Organizational Culture Survey

According to Cameron and Quinn (1999), there are four major types of organizational cultures; The Hierarchy culture, The Clan culture, The Adhocracy culture, and The Market culture. Organizational characteristics, organizational leadership, management of employees, organizational glue, strategic emphasis and the criteria for success distinguish these four types of cultures from each other.

The Hierarchy culture is characterized by a formalized and structured place to work. Procedures govern what people do. Long-term goals of the organization are stability, predictability and efficiency. The Clan culture has shared values and goals of internal cohesion, teamwork, employee empowerment, loyalty and sensitivity to customers. Organizations with a strong Adhocracy culture are mainly in the business of developing new products and services. Management encourages creativity, entrepreneurship and individuality. The Market culture is focused on transactions with suppliers, customers, vendors, etc. The core values center on competitiveness and productivity.

In order to understand the culture of an organization, various diagnostic ideas and instruments have been used. Cameron and Quinn (1999) devised such an instrument called the *Organizational Culture Assessment Instrument (OCAI).* The OCAI has been used by more than a thousand organizations to help decipher the organization's current culture and to help identify the culture organization members think should be developed to match future organizational demands and challenges. The OCAI is in the form of a questionnaire, which contains six groups of questions with four alternative answers to the questions.

The Study

In order to diagnose “The Company’s” culture, the OCAI, in the form of a Microsoft Excel questionnaire, was emailed to thirty people within the Sales, Marketing, IT and Operations department. Each person was asked to rate their organization. To determine which organization to rate, the participants were asked to consider the organization to be the group managed by their boss, the business unit or organizational unit in which the participants were a member and that also had clearly identifiable boundaries.

Each of the OCAI questions had four alternatives. A total of 100 points was divided among the four alternatives depending on the extent to which each alternative was similar to the participant’s own organization. The respondents were asked to give a higher number of points to the alternative that was most similar to their organization.

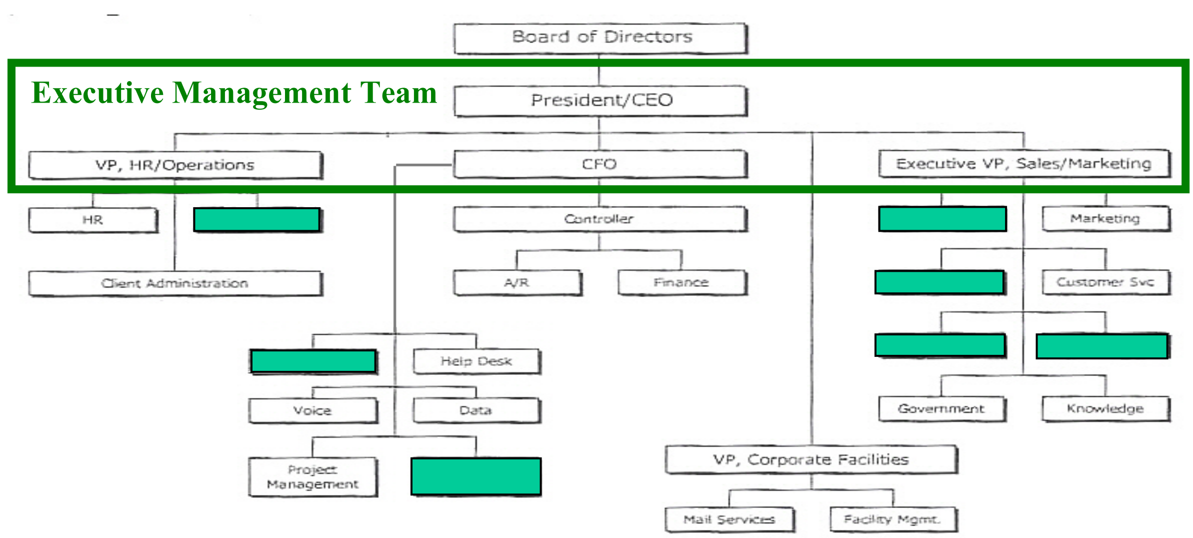
There were two response columns, one labeled *Now* and one labeled *Preferred.* The “Now” responses meant that the participants rate their organization as it was perceived at the time of the survey. The **“**Preferred” responses meant that the participants were asked to rate their organization as they thought it *should be in five years* in order to be highly successful. Responses to the survey were tabulated and mapped onto a grid divided into four culture quadrants; Clan, Adhocracy, Hierarchy and Market.

In addition, the six questions were individually plotted. The breakdown of the six areas of the organizational cultural profiles is Organizational Characteristics, Organizational Leader, Management of Employees, Organizational Glue, Strategic Emphasis and Criteria of Success.

Each cultural profile reflects underlying attributes including the management style, strategic plans, climate, reward systems, means of bonding, leadership, and basic values of the organization.

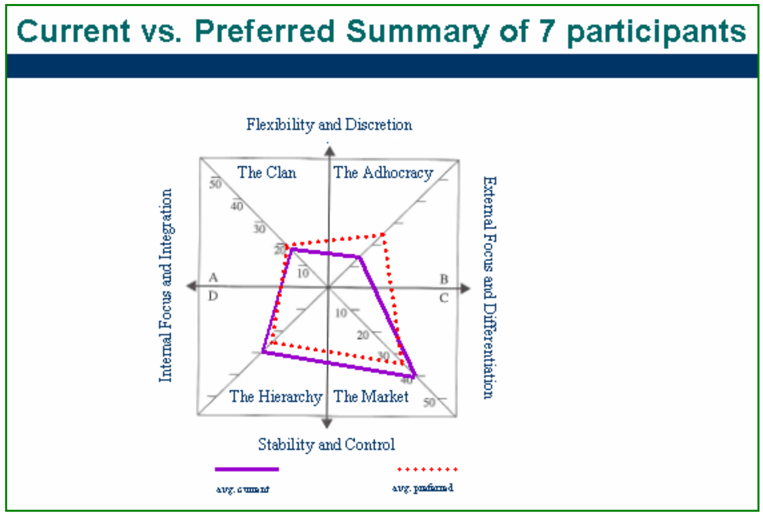
Results

Figure 1 **–Organization chart highlighting participants, November 2002.**



Seven people chose to participate by filling out the OCAI questionnaire. Figure 1 indicates the location of the participant's positions within the organizational structure at the time of the survey. Four of the participants were part of the sales organization, which ultimately reported into the Executive Vice President of Sales/Marketing. The four participants were the Vice President of Fulfillment, Director of Knowledge Center, an Account Manager and Director of Solution Engineering. Two participants were part of the IT organization, which reported into the Chief Financial Officer (CFO). The two participants were the Director of IT Infrastructure and Manager of IT Application Development. One participant was part of the operations organization, the Director of Operations/Quality and reported to the Vice President, HR/Operations. The Executive Management Team consisted of the Vice President, HR/Operations, the CFO and the Executive Vice President of Sales/Marketing, and the Chief Executive Officer (CEO).

Figure 2



In Figure 2, the OCAI average results for the seven participants' responses to the six questions showed a difference in the current vs. preferred organizational culture. Of the 4 quadrants, the largest difference was in the Adhocracy quadrant. With an increase of 10.2 points between current and preferred, respondents preferred the culture to contain more of the characteristics of an Adhocracy culture. This difference would indicate the participants would prefer the organization to be more dynamic, entrepreneurial and creative place to work where individual initiative and freedom are encouraged, the organization's leaders are innovators and risk takers and there is a strategic emphasis and commitment to experimentation, innovation and being leading edge. The corporate culture was perceived as predominately a Market culture. Emphasis is focused on competitive actions and achievement of measurable goals and targets. The criterion for success is market share and penetration, competitive low cost pricing and market leadership.

Breaking down the corporate summary into three organizations; Sales, IT, and Operations, shows a clear difference not only between the current and preferred cultures but also between the functional areas. This indicates that there are subcultures that influence the overall corporate culture.

Figure 3 shows a significant perception that the sales department exhibits a Market culture. The market culture averages 51 points as shown in quadrant C. The preferred Market culture averages 35 points. This is a 32% reduction in the desire for a Market culture. Additionally, there is a 56% increase between the current and preferred Adhocracy culture. This clearly shows a preference to significantly increase the characteristics of an Adhocracy culture in the sales department.

Figure 3

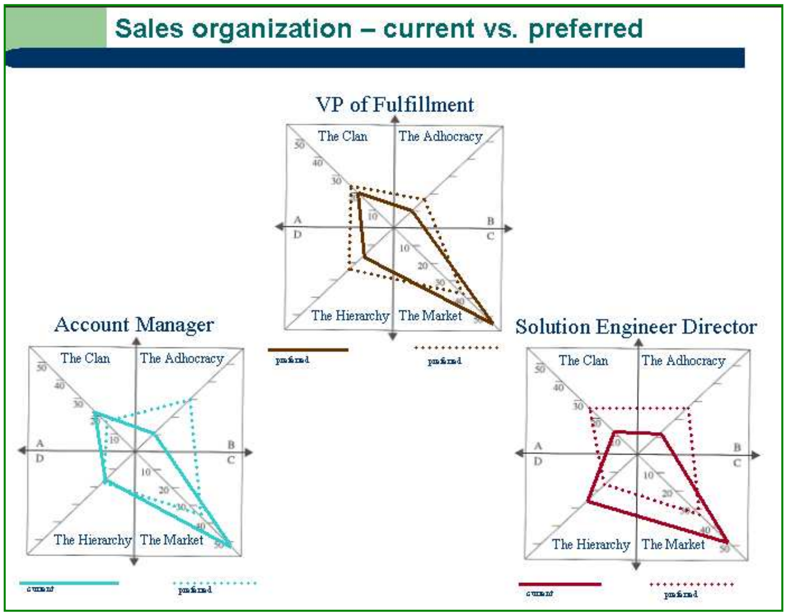


Figure 4

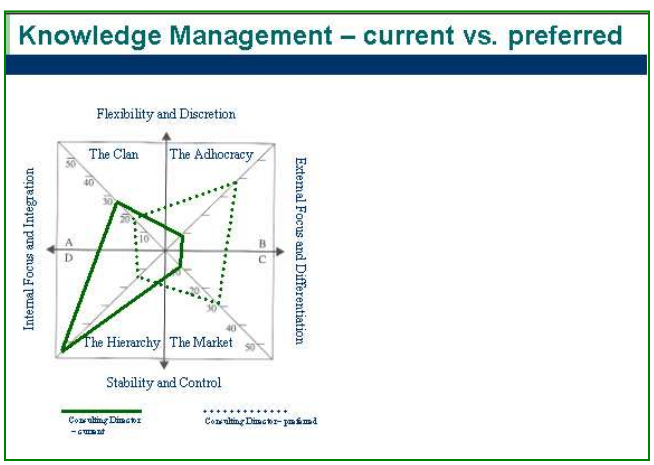


Figure 4 depicts the responses of the Director of Knowledge Management. She currently reports to the Sales department although this position was once part of a consulting department that no longer exists. The consulting department had provided business intelligence and customer relationship insight and was perceived to be the most creative and entrepreneurial department in the organization. The responses indicate the Director of Knowledge Management perceived the Sales department to contain a 55% Hierarchical culture as shown in quadrant D. The preferred culture shows an increase in the amount of the Adhocracy culture from 9% to 39% and to decrease the Hierarchy culture characteristics from 55% to 30%.

Figure 5 depicts responses from participants in the IT department. It is interesting to note the differences in responses between the Technical Manager, who was part of the Application Development group and the Technical Director, who manages the Infrastructure group. This seems to indicate that there are subcultures within the IT department.

Figure 5

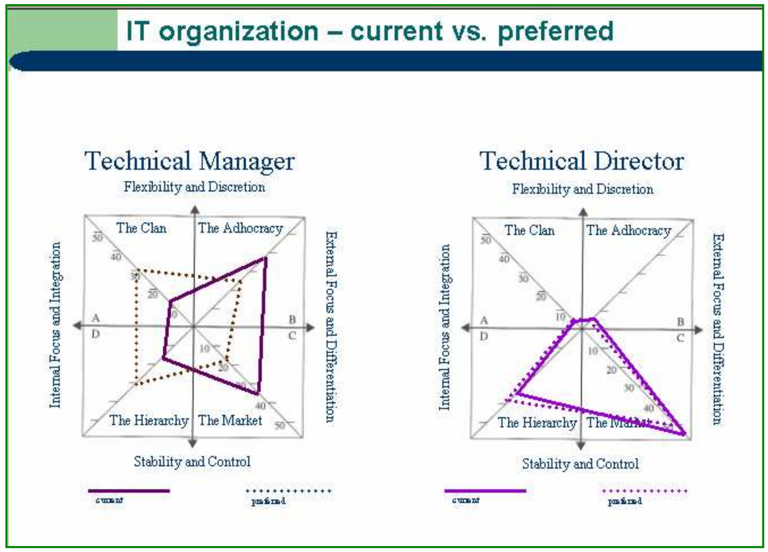


Figure 6 clearly shows a current perception that the Operations organization is dominated by a Hierarchy culture while the preferred culture would be one with less Hierarchy and more of a Market and Adhocracy culture. Operations consist of 1400 customer service specialists who provide the daily interactions of email, white mail and inbound phone calls from end-users. The department provides the implementation of what the sales department sold to the client. Since the Operations/Quality Director needs to maintain a high level of quality account management, she prefers an increase the external positioning of the department in both Quadrant B and C.

Figure 6

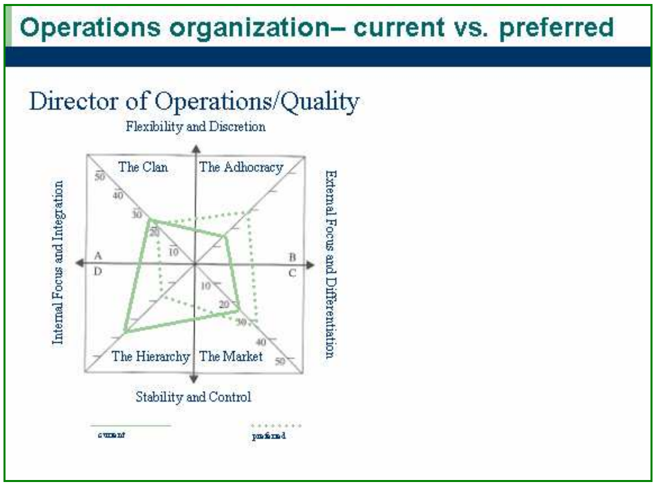
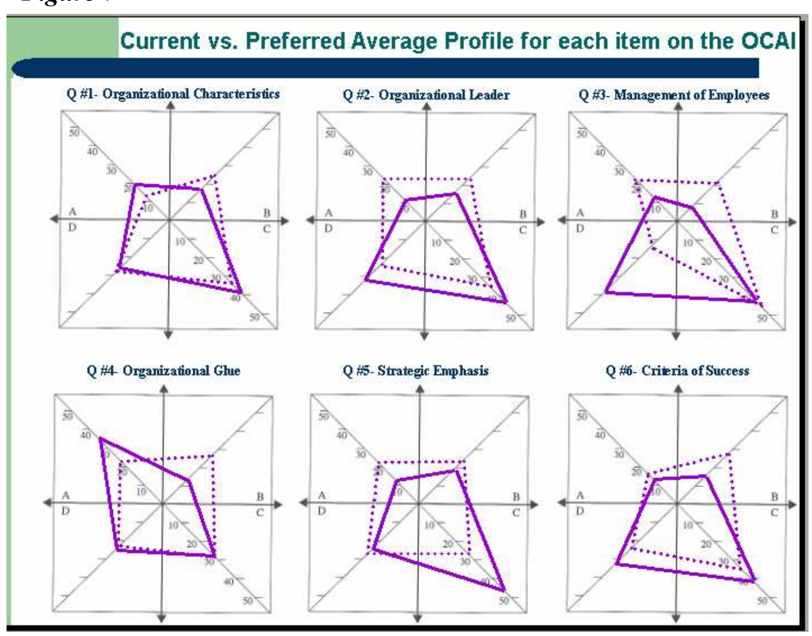


Figure 7 depicts the largest difference between current vs. preferred organizational cultural profile is in the Management of Employees plot. The management of employees currently is perceived to have attributes of a Hierarchy culture while the preferred attributes are ones of Adhocracy. Adhocracy and Clan culture types are associated with leaders while Market and Hierarchy culture types are associated with management. Strong organizational culture and strong leadership are needed to shift to a clan and/or adhocracy culture.

Figure 7



Conclusion

We found incongruent characteristics in “The Company’s” strategy, management processes and organizational culture. The OCAI results show large differences between the seven responses from the three organizations. Individual variances in “now” vs. “preferred” culture in the IT and sales organizations indicate subcultures within the organizations. This would seem to suggest a lack of a strong overall organizational culture. The CEO of the company does not regularly participate in company meetings or decisions. The management team is run by the CFO and the Vice President of HR/Operations. Although Figure 2 shows the average current and preferred culture is predominately a market type of culture, the Sales organization has little power in influencing the direction of the company. Therefore the management processes and organizational culture do not support The Company’s differentiated strategy.

In the fast-paced, ever-changing marketplace of the 21st century, it's imperative that an organization be structured to facilitate the implementation of new processes, and changes in operational methods. According to Management Strategies, Inc., this means that the "culture of control" that permeated business in the 20th century needs to evolve to a "culture of communications" in which the opinions and ideas are shared openly and freely (Management Strategies, Inc., 2002).

The greatest characteristic of the world's economy, currently, is *uncertainty*. It is likely the uncertain economic trend will continue because of relentless pressure on costs, companies are focusing more strongly on their core business, the market for people is becoming more volatile, patterns of competition are becoming unpredictable, with new entrants to long-established markets appearing from quite unexpected quarters. Customer profiles are changing as customers realize that they have the ability to exercise much more power than ever before. In this market, successful companies will be those able to handle uncertainty through dynamic attitudes, structures and processes (Management Strategies, Inc., 2002).

Cameron and Quinn (1999) state congruent cultures are more typical of high performing organizations than incongruent organizations. With the presence of incongruence in The Company's strategy and management processes, financial pressures from global competition, and lack of a strong organizational culture, the executive management team should be responsive to the need to change in order to improve organizational effectiveness.

Research Directions for the Future

Schein (1999) states that culture surveys do not and cannot measure culture. They do not reach the tacit shared assumptions that may be of importance in an organization. Schein advocates four hours of exercises with various groups within the organization. Because service organizations generate revenue by the interaction between the service organization's employees and customers, the interviewing process would be more disruptive and cumbersome to a service organization than a survey such as the OCAI. Therefore, it would be useful to know if other service organizations would derive benefits from using the OCAI or other like instruments.

While the OCAI may not be able to assess every aspect of a service organizations underlying culture, it appears to be a useful tool to help large service organizations identify areas of cultural incongruence that would spur further investigation into areas that are ripe for improving organizational effectiveness.

For this company, there were only seven participants out of 1700 employees. Obviously, having higher participation across the organization would derive a more meaningful assessment of the current and preferred organizational culture. However, even with as few as seven responses, using the OCAI indicates that this organization lacks a strong organizational culture. Additional investigation into the various levels of subcultures and the communication network, which is the "carrier" of the culture, would assist management in incorporating changes in the organization.

Bibliography

Bowen, D. E., Siehl, C., & Schneider, B., "A Framework for Analyzing Customer Service Orientations in Manufacturing", Academy of Management Review, 14, 79-95., 1989.

Cameron, K. S. & Quinn, R. E., "Diagnosing and changing organizational culture; Based on the competing values framework", Addison-Wesley Publishing Company, Inc., 1999.

Cap Gemini Ernst &Young, "Thriving in an Uncertain Economy: How growing unpredictability is shaping business strategy", 2002.

Deal, T. E. & Kennedy, A. A., "Corporate Cultures: The rites and rituals of corporate life" Perseus Books Publishing, L.L.C., 1982.

Duncan, J. W., "Organizational Culture: Getting a Fix on an Elusive Concept", Academy of Management Executive 3, 229-36., 1989.

Hartline, M. D., Maxham, J. G., III McKee, D. O., "Corridors of influence in the dissemination of customer-oriented strategy to customer contact service employees", Journal of Marketing, 64(2), 35-50., April 2000.

Kahn, J., "What Makes a Company Great?", Fortune, 26, 218., October, 1998.

Kotter, J. P., "What Effective General Managers Really Do", Harvard Business Review, 156-67., November-December 1982.

Management Strategies, Inc. "What type of Organizational Culture should we be striving to create?" Retrieved October 14, 2002, from http://www.organizational-culture.com/q4.htm.

New Directions in Multinational Corporate Organization, New York: Business International Corporation, 1981.

Porter, M. E., "What is Strategy?" Harvard Business Review, 61-78, November-December 1996.

Schneider, William E., "Why Good Management Ideas Fail: The Neglected Power or Organizational Culture", Focus on Change Management, May-June, 1998.

Schneider, B., & Bowen, D. E., "Understanding customer delight and outrage", Sloan Management Review, 41, 35-46, 1999.

Schein, E. H., The corporate culture survival guide, California: Jossey-Bass, 2001.

Thompson, A. A. & Strickland, A. J., Crafting and executing strategy (12th ed.), New York: McGraw-Hill/Irwin, 2001.