Examining the Impact of Organizational Culture on Customer Centricity in Organizations : An Analysis

** Madhura Bedarkar*
*** Deepika Pandita*
**** Ravi Agarwal*
***** Rupinder Saini*

Abstract

The aim of this paper was to develop a theoretical framework to understand the effect of organizational culture, customer centricity, and knowledge management on organizational effectiveness. An organization's culture is reflected by its vision and values. A customer centric organization has its core values centered on constantly striving towards serving the customers better. Organizations practice customer relationship management (CRM) to improve customer satisfaction and loyalty. Relevant knowledge about the customers is most important to understand their needs. Knowledge management plays an important role here. Knowledge about the product, customer, brand, and competition are essential for the employees to understand how the customers feel about an organization's products/ services and hence, organizations can innovate further to attain customer delight. A customer-centric culture in an organization leads to customer-centric knowledge creation and thus, improves organizational effectiveness through an increase in customer satisfaction.

Keywords : **organizational effectiveness, organizational culture, knowledge management, customer centricity, customer relationship management, customer satisfaction**

JEL Classification : M00, M3, M31, M310

Paper Submission Date : October 24, 2015 ; Paper sent back for Revision : January 6, 2016 ; Paper Acceptance Date : January 24, 2016

Many a times, we tend to compare two companies and discuss the differences between them. Everything else can be replicated, but the complexity of the human variable is hard to be replaced. It is difficult to define, let alone quantify and predict, how a person would behave under a certain situation. Looking into the S.O.A.R. framework (situation, organization, activity, results), the situation is never in our control. There are always some emergencies and contingencies which arise. However, at an organizational level, the culture of the organization plays an important role in determining some parameters of the situation. For example, the way Taj Hotel staff and Oberoi Hotel staff reacted to the hostage chaos by the terrorists in the Mumbai Attacks of 26/11

* *Assistant Professor,* Symbiosis Institute of Business Management, Symbiosis International University, Symbiosis Knowledge Village, Pune. E-mail : madhurabedarkar@sibmpune.edu.in
** *Assistant Professor,* Symbiosis Institute of Business Management, Symbiosis International University, Symbiosis Knowledge Village, Pune. E-mail : deepikapandita@sibmpune.edu.in
*** *MBA II Student*, Symbiosis Institute of Business Management Symbiosis International University, Symbiosis Knowledge Village, Pune.
*****MBA II Student,* Symbiosis Institute of Business Management, Symbiosis International University, Symbiosis Knowledge Village, Pune.

was very different. Similarly, Tata Group reacted later by providing compensation for the loss and destruction to their employees, which is a commendable act. This could also be seen as the impact of organizational culture. It can lead the situation to a different vantage point altogether, or result into a different set of activities. Only those organizations which have customer – centricity as a core value can differentiate themselves in the market. They can emerge as winners by adopting a unique approach and a different methodology.

The research gap which we have tried to identify in this study is that there was never any such study done which tries to connect the culture of the organization to customer centricity. Many organizations today focus on creating employee value proposition in which they offer a bouquet of benefits and facilities which keeps employees motivated and engaged. Nevertheless, customer centricity is often termed as one of the key values of companies, but very few companies make it a part of their culture.

This study tries to understand how companies make customer centricity as a part of their culture wherein each and every employee understands that customers need to be treated like a king. Today, only customer satisfaction is just not enough, but companies aim at customer delight. This is very commonly found in service based sectors like hospitality, online retailers, retail, banking, beauty and healthcare industries.

Some real-life examples of following customer centricity is, firstly, an organization named PeopleStrong HR Services. Such organizations focus on outcomes rather than output. Output refers to the number of pieces produced/calls made, but the outcome is about the impact created in a customer's life. Keep outcome at the centre and output will follow. It is important for HR professionals to understand the customer brand and align it to the employer brand. This will connect employees to a company's growth story and will improve its performance.

At Lafarge Cement Ltd., customer centricity involves describing an organization that is operated from a customer's point of view. Rather than developing new products and attempting to convince consumers to purchase them, a customer-centric firm develops products and services that the customer needs. For HR too, this means designing and nurturing an organization with an outside-in approach that needs to be aligned as a strategic priority of the business.

A few things should be considered in designing a customer-centric organization. First, structure it around the end customer and not the product; second, involve the customer in the design process to ensure proper alignment. Finally, empower the front line staff. Simultaneously, the communication mechanism, the incentive and reward system, and the overall employer value proposition (EVP) must clearly spell out the approach to attract the right talent and ensure focused delivery of results.

At Virtusa Ltd. human resource management (HRM) has metamorphosed in recent years, and customer-centricity has come under the limelight. Customer-centric HR is now being recognized as the next level of HRM. This transition is due to the paradigm shift in the way product or services companies are delivering their offerings to their clients. Clients today are eager to understand all aspects of HR, including how the HR counterpart of their vendor manages its talent engagement, talent development, talent acquisition, performance management, compliance, and even the disciplinary model. This is particularly true for clients who engage with the technology or solution workforce for their businesses. They are interested in knowing how their partner intends to manage the people engaged in their projects.

All the above mentioned companies have customer centricity to the core of their culture in the organization. It is time that HR departments move beyond just creating a culture of keeping employees happy and meeting their expectations. Customers need to be treated as a major stakeholder in the workforce strategy, the workforce policy, and the workforce technology, besides the work culture (Marsh, Sparrow, & Hird, 2010).

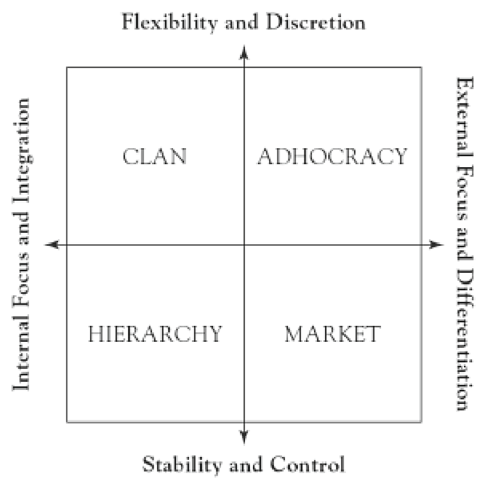
Literature Review

(1) Organizational Culture : Schein (1984) observed that organizational culture and leadership are intertwined. The relationship between the two concepts, namely, organizational culture and leadership represents an ongoing interplay in which the leader shapes the culture and is in turn shaped by the resulting culture. Culture functions as an adaptive regulatory mechanism that unites organizational members into the social system within the organization. It acts as a critical lever or key by which strategic managers can influence and direct the course of their organizations (Schein, 1984). Culture can be defined as "the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior in the organization" (Deshpande & Webster, 1989, p. 4).

Organizational culture is assessed on four quadrants of flexibility and freedom to act, or stability and control, internal focus and integration, or external focus and differentiation. The broad classification of organizational culture includes four different types of cultures- clan (family like), adhocracy (dynamic and entrepreneurial), market oriented, and hierarchical (Cameron & Quinn, 2005) as seen in the Figure 1.

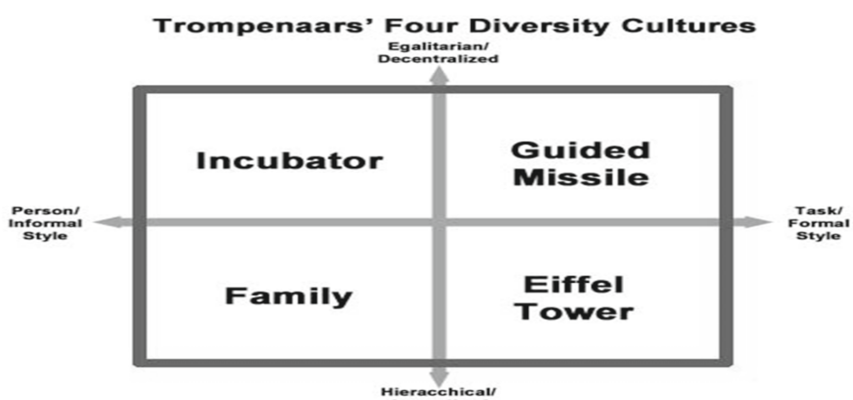
In the Indian context, it can be summarized as "every organization has missions and goals and to attain these, it adopts unique modes and methods of operations. In the process of achieving the corporate mission, participants internalize organizational values and norms to give meaningful expressions to the same in their day-to day activities. Thus, all the members of an organization come to adopt shared values, beliefs, norms, attitudes, and

Figure 1. Four Different Types of Culture



Source: Reproduced from Cameron and Quinn (2005)

Figure 2. Trompennar's Model of Organizational Culture



Source: Reproduced from Trompenaars and Woolliams (2002) ways of doing things and practice, which are unique to the organization. This is called the culture of the organization. (Singh, 2002, p. 387). Trompenaars and Wooligams's (2002) model of culture, as can be seen in the Figure 2, is based on two axes: on the horizontal axis, is an assessment of whether a culture is person oriented or task oriented; on the vertical axis, is the assessment of whether a culture is hierarchical or egalitarian (equal; equal rights or opportunities) (Trompenaars & Woolliams, 2002).Work organizations in India are not self-contained. They are conceived instruments of nation building. They are much more open to societal forces. In short, there is a basis for postulating a desirable direction for building organizational culture.

Consistency among the facets and levels of organizational functioning and assumptions is not enough. They have to be directed towards work: Organizational culture has to be built around work. This notion gives rise to the evolution of work culture as a concept, which needs to be diagnosed and studied. Since culture is such a crucial factor determining the long-term effectiveness of organizations and has an impact on the working environment as well as the individuals working in it, it is imperative that those responsible for managing culture be able to identify the dimensions of culture and develop a strategy for changing it.

(2) Customer Centric Culture : The marketing function has experienced a sea change from being sales and advertising driven to being customer focused. Now, it is not about selling products by pushing them in the market, but creating a demand for your product by focusing on the needs of the customer. Customer centricity and product centricity are the two ends of a spectrum. Creating a customer centric culture is a journey, not a destination. An organization can slowly imbibe the culture of customer centricity moving across from one end of the spectrum to another. It involves moving from being transactional to being relationship oriented in dealing with customers, from different functions working in silos to having a collaborative work culture, where all functions have only one common goal: being customer centric, from hierarchical and bureaucratic organization to participative management, from controlling people to creating and improving processes. It involves listening to and understanding the stated and unstated needs of customers and providing the right solution at the right time to provide not only customer satisfaction, but customer delight.

A customer centric organization has all its people, processes, and technologies focused at customer satisfaction. The production/ service starts and ends with customer focus in mind. Customer focus is a part of the organizational values that drive the business. There is always a conflict that mediates the relationship between culture and market orientation, which is positively associated with the organizations having bureaucratic culture and negatively associated with organizations having innovative and supportive culture (McClure, 2010). An organization's culture influences knowledge management in a positive way, which in turn can influence customer orientation positively (Ghorbani, Demneh, & Khorsandnejad, 2012).

(3) Bringing Change in Culture : A culture in an organization is highly influenced by its people, to be more specific, their career anchors as identified by Edward Schein. Schein (1984), in his work, further elaborated that individuals find their anchors roughly within three years of work experience, which remain constant for the rest of their career path.

Schein (1984) identified five career anchors that existed, along with their inherent motivation. These are technical/functional competences, general managerial competence, autonomy/ independence, security/ stability, and entrepreneurial creativity. His subsequent study added three more anchors to the list: service / dedication to a cause, pure challenge, and lifestyle. Over the years, there has been a drastic change in the motivational (career anchors) factors that drive individuals in their professional journey. This is one of the factors which have contributed to the change in organizational culture.

The strategy to access the organizational culture should be honest, thorough, and should be focused on mainly three aspects. First is "what we are today", second is "what we do," and the third is "how we do it." It is important to understand and gauge the gap between the desired or preferred culture and the actual culture. Alignment of business plans and organizational culture is a basic and a fundamental method of ensuring that the organization will be able to meet and exceed its goals through strategies that support these business objectives. Organizational culture can be assessed with the help of various techniques such as individual and group interview processes, surveys which provide quantitative measures across organizations, and also through various workshops.

Rationale of the Study

(1) The aim of the study is to analyze the relationship between organizational culture and customer centricity.

(2) This study will help to develop a framework for measuring an organization's culture and customer centricity.

(3) Also, though being customer centric is subjective, it is also an external factor which affects the organization.

The proposed framework will try to create a customer – centric organization culture.

Methodology

To continue with the work on organization culture and as an endeavour to bring some clarity in the area of organizational culture, this paper is based on a systematic review of literature on organization culture and customer centricity, which seeks to synthesize the current thinking and evidence on this topic. A model has been conceptualized based on the findings from the literature review. The literature for this study was predominantly sourced from Internet searches and use of certain management databases like EBSCO, Emerald, Elsevier, and Scopus.

Conceptual Framework

There are three levels of organizational culture, artfacts and behaviours, espoused values, and assumptions (Schein, 1984). These three levels refer to the degree to which the different cultural phenomena are visible to the observer.

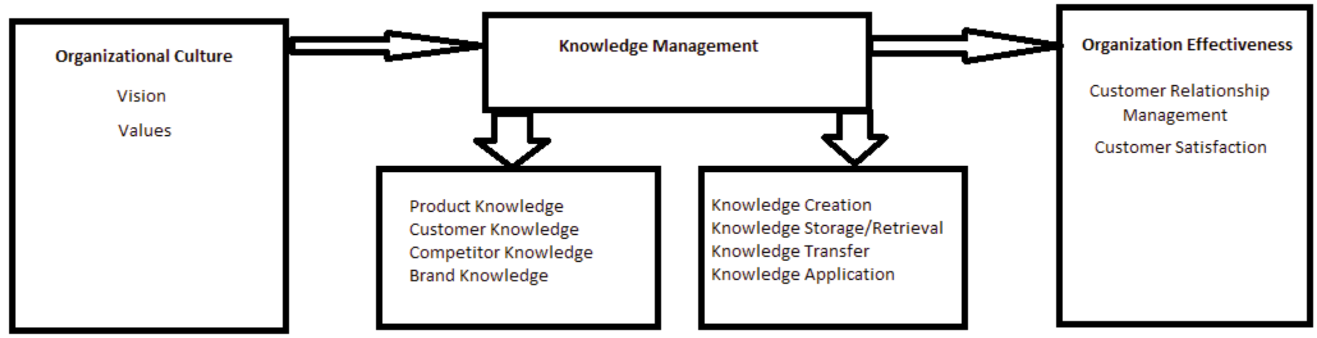
(i) Artifacts include any tangible, overt, or verbally identifiable elements in an organization. Architecture, furniture, dress code, office jokes, all exemplify organizational artifacts. Artifacts are the visible elements in a culture and they can be recognized by people not part of the culture.

(ii) Espoused values are the organization's stated values and rules of behaviour. It is how the members represent the organization both to themselves and to others. This is often expressed in official philosophies and public statements of identity. It can sometimes often be a projection for the future, of what the members hope to become. Examples of this would be employee professionalism, or a "family first" mantra. Trouble may arise if espoused values by leaders are not in line with the deeper tacit assumptions of the culture.

(iii) Shared basic assumptions are the deeply embedded, taken-for-granted behaviours which are usually unconscious, but constitute the essence of culture. These assumptions are typically so well integrated in the office dynamic that they are hard to recognize from within.

Schein (1984) emphasized on the need of digging below 'visible artefacts' and realizing the 'basic assumptions' to understand an organization's culture deeply. As per the theory proposed by Edgar Schein, four approaches to study and decipher the organizational culture paradigm are :

Figure 3. The Proposed Framework



(i) Analyzing the process and content of socialization of new members.

(ii) Analyzing responses to critical incidents in the organizational history.

(iii) Analyzing beliefs, values, and assumptions of the "culture creators / carriers".

(iv) Jointly exploring and analyzing with the insiders the anomalies or the puzzling features observed or uncovered in interviews.

The strength of the culture can be defined in terms of :

(i) The homogeneity and stability of group membership.

(ii) The length and intensity of shared experiences of the group.

(iii) Cultural strength may or may not be correlated to effectiveness.

Organizational culture is a source of sustained competitive advantage and plays a very important role in organizational effectiveness (Zheng, Yang, & McLean, 2010). In today's world of ever increasing competition, companies cannot sell whatever they produce unless they know what the real need of the customers is. According to (Bose, 2002), "they have to make people want instead of trying to convince them to buy whatever they have to sell" (p. 90). This calls for a need to understand your customers first. For that, companies have to build a culture where customer relationship management is practiced, which comes as a by-product of having a customer centric culture.

Hofstede (1980) described culture based on five dimensions : (a) power distance, (b) individualist-collectivist, (c) masculinity- femininity, (d) uncertainty avoidance, (e) long term orientation- short term orientation.

The proposed framework (Figure 3) aims to establish a relation between organizational culture, customer centricity, and organizational effectiveness through knowledge management. Customer centricity is reflected by organizational culture through an organization's vision and values. Values which are not visible but are shared, define the core of a culture (Sharma & Sharma, 2010). Shared vision effects inward knowledge transfer in an organization (Li, 2005). If the core values and vision revolve around customer centricity, it leads to customer-centric knowledge creation.

Knowledge management helps an organization to learn continuously and make use of the knowledge. Information is just the flow of a message, but knowledge is created by the combination of information, individual's belief, and commitment (Nonaka & Takeuchi, 1995). The knowledge in an organization can be classified into two dimensions: tacit and explicit (Nonaka, 1994). The tacit knowledge is difficult to transfer from one person to another. It is not learnt or taught; it is not documented or passed on formally from one person to another, but it comes with experience. The explicit knowledge can be learnt or taught and is well documented and convenient to communicate. The interaction between the two kinds of knowledge – tacit and tacit, explicit and explicit, or explicit and tacit will lead to knowledge creation. The four processes of knowledge management are: (a) knowledge creation, (b) knowledge storage/ retrieval, (c) knowledge transfer, (d) knowledge application.

Customer centric knowledge creation is a process which involves interactions between tacit knowledge and explicit knowledge that lead to creation of knowledge based on customer knowledge within the context of enterprise-wide, customer-centric, technology-driven, cross-functional organization (Srisamran, & Ractham, 2014). The four basic stages of creating knowledge in an organization are socialization, externalization, combination, and internalization (Dierkes, Child, & Nonaka, 2003).

Customer knowledge can be classified into three types: (a) knowledge for customers, (b) knowledge about customers, (c) knowledge from customers (Gebert, Geib, Kolbe, & Brenner, 2003). Customer centric knowledge includes knowing about products, customers, competitors, brands, and so forth and requires an integrated approach. The brand functions like consumer brand emotion, and consumer brand knowledge affects consumer brand relationships (Sinha, 2012).

Product knowledge is important for employees as product decisions come before development (Mello, 2003). Organizations have to create a customer centric innovation rather than being centered on the products, geographies, or functions. Organizations have to stretch both - the segments that they are currently venturing into and the capabilities of people to make the innovation customer centric (Selden & MacMillan, 2006). The customer, supplier, and competitor knowledge should be a part of the internal knowledge chain of an organization to enhance a firm's competitiveness (Tseng, 2009).

According to an international survey conducted by Chase (1997), 82% of the respondents felt that customer knowledge is extremely critical to organizational success. This calls for a need to collect and organize data around your customers, then putting the right KPIs in place for the employees to serve the customers better along with experimenting and reiterating until the right systems and processes critical for customer centricity are defined for the organization. This is essentially doing knowledge management in such a way so as to realign the organizational culture around the customers. CRM (customer relationship management) and CKM (customer knowledge management) are critical tools to achieve customer centricity.

Pantouvakis and Bouranta (2013) described that employees when supported by organizational culture, will get the required knowledge and skills and will get more satisfied by their jobs, thus they provide high quality services to satisfy their customers out of their services. This will lead to improved organizational performance. Nurturing an organizational culture that focuses on organizational learning promotes better management and improves quality of customer information, which, in turn, leads to successful customer relationship management (Duwailah & Ali, 2013).

A customer centric culture helps an organization to understand its customers, build relationships with them, and serve them better. Many organizations are now focusing on solutions rather than products and services to be customer centric. Be it business to business or business to customer, solutions are replacing products/ services in every sphere.

Managerial Implications

The results from a management perspective could be varied on a spectrum. It basically depends on the nature of the organization and the kind of customers it is serving. On the contrary, if we look at the business and organization from the macro perspective, every value chain ends at the stakeholder named customer who has created the demand for it. Customers generally receive some kind of products, services, or experiences which help them make the choice of selecting a particular organization. Ensuring customer centricity would make the business plan more sustainable. It would ensure stability and growth of the future plans of the business on proper execution.

Also, knowledge management is a broad process, which is inclusive of all the major affecting variables in the business environment. It might be impossible to pinpoint and predict the effect of each and every variable, but broadly, we can derive the value which business is ensuring amongst the market competitors.

Applying the Blue Ocean Strategy on contesting in the white spaces, this orientation of customer centricity would be immensely helpful in pitching the product or service to the customer for the first time. Getting it right the first time will ensure uncontested monopoly and would be difficult for someone else to displace the first mover's advantage gained. Also, customer centricity would be helpful in re-establishing a connect between a brand and its loyal customers. If the customers intend to derive more value from the product / service, then the consumption levels might also increase, leading to higher revenues, cash flows, and profits for the organization.

However, one should be thoughtful and ensure that the customer focus is not harming the internal alignment of the organization. The people working for the organization are equally important to the organization. Any organization is known by the people working for it. It defines and carries forward the mission and vision. At the end, what we suggest is that break your business into small sub-businesses and ensure all the end users are happy with the value derived.

Conclusion and Scope for Further Research

The main purpose of this study was to understand how customer centric organizational culture can influence organizational effectiveness by using the mediating role of knowledge management. The findings indicate that customer centric knowledge management helps an organization to build a customer centric culture and in turn, enhances organizational effectiveness. Customer centric organizational culture helps to build a loyal customer base through superior customer service. Furthermore, it leads to an increased number of referrals into the organization, which, in turn, helps to develop a talent pool at a relatively lower cost. However, if the employees always think in terms of serving the existing customers better, it might lead to a lack of innovation and risk taking ability among the employees as their focus will only be on customer delight. Customer needs are ever changing. Employees have to be in the shoes of the customers to know what would be their next demand. The next logical step after developing a customer centric culture is to develop a 'Customer Think'. Customers are becoming more and more demanding and individualist. Customer loyalty is a past concept nowadays. Practicing customer centricity will only help the organizations to reach a certain level. They need to think like customers to be in sync with what their needs are. Researchers can extend this study in the future by examining the effect of 'customer think' as an element of organizational culture on organizational effectiveness.

References

Bose, R. (2002). Customer relationship management: Key components for IT success. *Industrial Management & Data Systems, 102* (2), 89-97.

Cameron, K. S., & Quinn, R. E. (2005). *Diagnosing and changing organizational culture: Based on the competing values framework.* C.A. : .John Wiley & Sons.

Chase, R. L. (1997). The knowledge-based organization: An international survey. *Journal of Knowledge Management, 1* (1), 38-49.

Deshpande, R., & Webster Jr, F. E. (1989). Organizational culture and marketing: Defining the research agenda. *The Journal of Marketing, 53* (1), 3-15.

Dierkes, M., Child, J., & Nonaka, I. (2003). *Handbook of organizational learning and knowledge.* U.K.: Oxford University Press.

Duwailah, F.Al, & Ali, M. (2013). The effect of organizational culture on CRM success. *Presented in European, Mediterranean & Middle Eastern Conference on Information Systems 2013 (EMCIS2013)* on October 17-18 2013, Windsor, United Kingdom. Retrieved from http://bura.brunel.ac.uk/bitstream/2438/8185/2/Fulltext.pdf

Gebert, H., Geib, M., Kolbe, L., & Brenner, W. (2003). Knowledge-enabled customer relationship management: Integrating customer relationship management and knowledge management concepts. *Journal of Knowledge Management, 7* (5), 107-123.

Ghorbani, H., Demneh, S. M. A., & Khorsandnejad, A. (2012). An empirical investigation of the relationship between organizational culture and customer orientation: The mediating effect of knowledge management (An empirical study in the household appliance industry in Iran). *International Journal of Marketing Studies, 4* (3), 58-67.DOI: 10.5539/ijms.v4n3p58.

Hofstede, G. (1980). *Culture's consequences: International differences in work-related values.* Beverly Hills, CA: Sage.

Li, L. (2005). The effects of trust and shared vision on inward knowledge transfer in subsidiaries' intra-and inter-organizational relationships. *International Business Review, 14* (1), 77-95.

Marsh, C., Sparrow, P., & Hird, M. (2010). *Is customer centricity a movement or myth?: Opening the debate for HR* (White Paper). Lancaster : Centre for Performance-Led HR, Lancaster University Management School.

McClure, R. E. (2010). The influence of organizational culture and conflict on market orientation. *Journal of Business & Industrial Marketing, 25* (7), 514-524. DOI : http://dx.doi.org/10.1108/08858621011077745

Mello, S. (2003). *Customer-centric product definition: The key to great product.* Boston, M.A.: PDC Professional Publishing.

Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization Science, 5* (1), 14-37.

Nonaka, I., & Takeuchi, H. (1995). *The knowledge-creating company: How Japanese companies create the dynamics of innovation.* U.K.: Oxford University Press.

Pantouvakis, A., & Bouranta, N. (2013). The link between organizational learning culture and customer satisfaction: Confirming relationship and exploring moderating effect. *The Learning Organization, 20* (1), 48-64.

Schein, E. H. (1984). Coming to a new awareness of organizational culture. *Sloan Management Review, 25* (2), 3-16.

Selden, L., & MacMillan, I. C. (2006). Manage customer-centric innovation-systematically. *Harvard Business Review, 84* (4), 108 - 116.

Sharma, S. K., & Sharma, A. (2010). Examining the relationship between organizational culture and leadership styles. *Journal of the Indian Academy of Applied Psychology, 36* (1), 97-105.

Singh, K. (2002). An exposition to work culture: Relationship with organization culture. *Indian Journal of Industrial Relations, 37* (3), 386-403.

Sinha, N. (2012). *Customer centric branding by leveraging corporate brand identity and consumer brand knowledge* (Doctoral Thesis). Jaypee Institute of Information Technology, Noida, India.

Srisamran, P., & Ractham, V. V. (2014). Customer-centric knowledge creation for customer relationship management. *Journal of Applied Business Research (JABR), 30* (2), 397-408.

Trompenaars, F., & Woolliams, P. (2002). A new framework for managing change across cultures. *Journal of Change Management, 3* (4), 361-375.

Tseng, S. M. (2009). A study on customer, supplier, and competitor knowledge using the knowledge chain model. *International Journal of Information Management, 29* (6), 488-496.

Zheng, W., Yang, B., & McLean, G. N. (2010). Linking organizational culture, structure, strategy, and organizational effectiveness: Mediating role of knowledge management. *Journal of Business Research, 63* (7), 763-771.