MARKET ORIENTED COGNITIVE SUBCULTURES IN A MULTIPLE STAKEHOLDER ENVIRONMENT

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ABSTRACT

The importance of an organisation wide market oriented culture revolves around the performance implications of a focus on customers. However, in contemporary multiple stakeholder environments different notions of ‘the customer’ can exist adding complexity and introducing the possibility of different market oriented subcultures. An analysis of managers’ cognitive maps within a single case study highlight different beliefs and values associated with two alternative market oriented subcultures externally driven by a focus on two different customer groups. The lack of management consensus was further emphasised by two other alternative internally driven subcultures within the same firm. The implications are briefly discussed.

KEYWORDS: Market Oriented Subcultures, Not-for-Profit Sector, Cognitive Mapping

1 INTRODUCTION

The importance of a market oriented culture revolves around its potential stability and central role in terms of underpinning a firm’s focus on fulfilling the needs of customers over the long term. A market oriented culture is often defined in terms of shared beliefs and values (Deshpandé, Farley and Webster, 1993; Deshpandé and Webster, 1989) which are said to persist over the long term and create behaviour that provides superior value to customers (Narver and Slater, 1990). In other words, an organization wide market oriented culture is purveyed as being a stable cognitive phenomenon based on shared belief and values (see Smircich, 1983) that underpins behaviour important for the implementation of the marketing concept and its subsequent effects on increasing performance.

However, despite considerable research into market orientation behaviour and its consequences for performance the details of the specific beliefs and values that contribute to a market orientated culture have not been fully investigated in empirical research. The assumptions that management consensus exists internally and only one customer group exists externally are implicit in this body of work but these assumptions run contrary to a substantial body of the broader theoretical work on organisational culture (Harris and Ogbonna,1999). They also run contrary to intuition and management experience especially in some contexts. In some service industries such the education and health sectors or in not-for-profit organisations, for example, alternative market orientations are likely based on different customers where payment of the service is separated from those receiving the service. This complexity has substantial implications for theory and future research into market orientation in multiple stakeholder contexts. It introduces the possibility, for example, of competing market oriented subcultures which may have to compete to fulfil customer needs and thereby reduce performance. Our study starts to unpack this complexity.

Originally, Kohli and Jaworski (1990) recognised that market orientation should incorporate all exchange partners and stakeholders. However, subsequent empirical research (e.g. Jaworski and Kohli,
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1993) fails to distinguish between different customer groups and current research is largely focused on contexts where the customer is singular, clearly defined, and is simply paying for products or services. Wider notions of the customer are evident in the stakeholder literature. In this literature multiple notions of the customer such as those who pay for the services (e.g. donors/funders), those who use the service (e.g. beneficiaries/clients) and various additional potential customers such as tax-payers, the general public and the government are evident (Bruce, 1995; Garland and Westbrook, 1989; Shapiro, 1973; Vazquez et al., 2002). These multiple notions of the customer need to be empirically investigated to fully understand the possible effects on market orientation. In doing so we build on the theoretical arguments presented by Harris and Ogbonna (1999) when they suggest that a market oriented culture itself can be pluralistic with organisations containing various subcultures.

We divert from the main stream of prior empirical research into market orientation which is largely focused on top management using standard measurement instruments and cross-sectional quantitative method. This top management bias de-emphasises the importance of other employees at different organizational levels who are also important for an organizational wide market oriented culture to exist. Such prior research also tends to overlook the issue of subcultures existing in organizations and its effects by collecting data for single informants. Although top management may share similar values and beliefs they may not be diffused throughout the rest of the organisation. Therefore, we go beyond the notion of cultural unity (e.g. Schein, 1985) and aim to build on other theorists views of competing subcultures within single organisations (e.g. Brown, 1995; Sackman, 1992; Trice & Beyer, 1993).

The remainder of the article is structured as follows. First, a background to the study of market oriented culture and its complexities in relation to different customer groups and culture is provided. Second, we discuss our method and research design using cognitive qualitative techniques, which entails collecting cognitive maps from forty managers within a single organization. We then present our analysis and findings. Finally, we briefly discuss the implications.

2 THEORETICAL BACKGROUND

In this section we discuss the extant literature in relation to topics important to developing further understanding of market oriented subcultures in multiple customer environments.

2.1 Market Orientation and Customer Complexity

The complexity of multiple and conflicting customers has long been important in marketing. Shapiro (1988), for example, re-evaluated the customer orientation approach of the marketing concept by proposing that as the modern firm has many conflicting customers, a wider knowledge of the market is essential for the foundation of business realignment. This signified a change in thinking in marketing because it is was no longer seen solely about the consumer but about understanding the market as a whole (Houston, 1986; Shapiro, 1988; Webster, 1988). This means that all current and potential exchange partners of an organisation must be considered incorporating end-users, clients, intermediaries and other stakeholders as advocated by Kohli and Jaworski (1990, pp.4-5). However, in their subsequent study (Jaworski and Kohli, 1993) and that of Narver and Slater (1990) the ‘customer orientation’ component does not distinguish between different customer groups and they refer to customer as one. Likewise, despite the majority of market orientation literature acknowledging the complexities of addressing various customer groups there has been limited empirical research conducted into this phenomenon. Therefore, to develop this issue of customer complexity further we draw on the work into stakeholder orientation, relationship marketing and in not-for-profit marketing where multiple customers have been discussed.

The market orientation literature generally focuses heavily on the importance of the customer as the most important stakeholder and under-emphasises other groups. However, research into stakeholders (Freeman, 1984) and stakeholder orientation (Bermann et al., 1999; Greenley and Foxall, 1997) offers a broader perspective. This research highlights that various conflicts exist in relation to different stakeholders (e.g. competitors, consumers, employees, shareholders and unions) and how organizations
strategically respond to their requirements. However, while the stakeholder orientation literature broadens our notion of orientation phenomenon, the customer element is regarded as one single group rather than considering the possibility that different customer groups can be separate stakeholders.

Webster (1992) recognised the changing role of marketing towards long-term relationships and strategic alliances with customers and other external stakeholders. Building on such insights discussions centre around the importance of diverse customer groups in relationship marketing (Helfert et al., 2002; Payne et al., 2005) and suggest integrating the stakeholder approach with relationship marketing (Payne et al., 2005). Other researchers including Doyle (1995) and Lusch (2007) have acknowledged the increased importance of the larger network of external stakeholders for whom the firm must engage through stronger relationships.

However, the only time discussion turns fully to a focus on satisfying different customer groups in marketing research is in the not-for-profit setting (Bruce, 1995; Garland and Westbrook, 1989; Shapiro, 1973). According to Vazquez et al., (2002) for market orientation to succeed in the non-profit sector the organization’s mission must be achieved through satisfying both donors’ and beneficiaries’ needs. Although these researchers advocate this multiple customer approach in their empirical research they combine both sets of customers and fail to differentiate between the two in their empirical work. Potential conflicts are overlooked and the consequences for culture are not explored. In another study, Gainer and Padanyi (2005) explore market oriented culture in a not-for-profit sector, but in this instance the authors use just the client (those who benefit from services) as the customer group.

The existence of multiple and conflicting customers is not just limited to the not-for-profit sector as wider notions of the customer are implicit in the stakeholder literature and it is becoming an issue for managers in all industries whether in the private, public or the third sector.

2.2 Market Orientation and Culture

Culture is a complex set of beliefs, values and assumptions that define the way in which a firm conducts its business (Deal and Kennedy, 1982; Peters and Waterman, 1982; Schein, 1990). Building on Webster (1992) we adopt the position that a market oriented culture as a basic set of beliefs and values about the central importance of the customer that guide the organization. This research purveys the cultural perspective as being a cognitive phenomenon based on shared beliefs and values (Smircich, 1983) that underpins behavioural consequences and its subsequent effects on performance. Of significant importance is how individuals make sense of their organisation and in particular its culture/s based on individual experiences of cultural sharing, subcultural boundaries, and psychological attachment (Harris, 1994).

Despite many marketing scholars adopting the cultural perspective (e.g. Deshpandé and Farley, 2004; Gebhardt et al., 2006; Harris, and Ogbonna, 1999; Homburg and Pflesser, 2000; Narver and Slater, 1990) over the behavioural perspective (Kirca et al., 2005; Kohli and Jaworski, 1990) research into marketing cultures remains largely absent from the literature. Many of the researchers who define market orientation as an organisational culture either conduct their research using a behavioural construct (Han et al., 1998; Narver and Slater, 1990; Pelham and Wilson, 1996) or only discuss the phenomenon in theoretical terms (Gao and Bradley, 2007; Harris, 1998, 2000; Harris and Ogbonna, 1999) thus paradoxically the cultural perspective is associated with limited empirical research. Other studies have tried to demonstrate the characteristics of a market oriented culture. For example, Deshpandé et al. (1993) and Deshpandé and Farley (2004) provide initial theoretical glimpses of a market oriented culture which to them can be characterized by an emphasis on competitive advantage and market superiority, distinct from three other cultures of clan, adhocracy, and hierarchy (Quinn and Rohrbaugh, 1983). Kasper (2002) proposes that a market oriented culture should have openness, clarity in marketing goals and a strong drive to be the best as basic features.

However, it is only two key studies by Homburg and Pflesser (2000) and Gebhardt et al. (2006) that begin to research the shared beliefs and values of a market oriented culture. Homburg and Pflesser’s (2000) multilayer model of a market oriented culture consists of shared market-driven values, norms, artefacts and behaviours. They propose twelve potential value dimensions for market orientation: success,
innovativeness, flexibility, openness, internal communication, quality, competence, speed, interfunctional cooperation, teamwork, responsibility of the employees, and appreciation of the employees. There are two problems with this approach. One, these shared dimensions could support behaviours and activities of different organisational cultures as found in other typologies (e.g. those discussed by Denison, 1990; Harrison, 1972; and O’Reilly et al., 1991) for example. Two, these values may disregard the customer or market focus explaining why Farrell (2005) was unable to find a link between these values and the customer orientation of sales personnel.

Gebhardt et al. (2006) propose values that must exist when the market is the raison d’être (central cultural value): collaboration, respect, empathy, keeping promises, openness, and trust.

In summary, while much empirical research into market orientation takes a cultural perspective, the vast majority of the work focuses on behavioural outcomes and their performance implications. Some authors are critical of the market oriented cultural research for failing to incorporate and develop the substantial body of broader organisational culture and management theory (e.g. Harris and Ogbonna, 1999). Primarily, their argument rests on the methodological underpinning of marketing research which is often quantitative and deductive in nature which is contradictory to the deep rooted elements of culture’s beliefs and values. Consequently, due to a dominance of behavioural studies and limited cultural research into market orientation, issues such as ‘cultural entrenchment’ and ‘cultural pluralism’ (Harris and Ogbonna, 1999) are two elements of organisational culture theory still left unexplored in a market orientation context. Based on the arguments around the complexities of addressing multiple definitions of ‘the customer’ there is a clear need to develop the notion of cultural pluralism empirically. The term ‘subcultures’ and ‘multiple subcultures’ (Brown, 1995; Sackman, 1992; Trice & Beyer, 1993) are used to define what Harris (1998) terms ‘cultural pluralism’. In addition other researchers in discussion of ‘clans’ ‘native views’, and ‘mosaics’ have used different terminology but follow very similar arguments. Prior research into subcultures has demonstrated that these are formed based on shared factors in relating to location, functional focus, and professional background (Bloor and Dawson, 1994). Employees may identify more closely with their area of work than the organization itself (Lok et al., 2005). However, the possibility that alternative customer groups might divide a firm because they generate different market oriented subcultures has not been investigated. The remainder of this article is focused on investigating this possibility.

3 METHODOLOGY

We used qualitative research based on single case study method (see Yin, 2004) as it allowed us to investigate managers’ beliefs and values as well as their stakeholder orientations within the same organizational context. We focused on a detailed contextual approach to data collection as opposed to a cross-sectional study because of the difficulty in attributing causality (cognition to outcomes) due to the need to control for potentially a large number of context dependent variables when using the latter design. Furthermore, the adequacy of cross-sectional studies has been questioned when investigating highly complex inter-related phenomena which are the focus of this current study (Hodgkinson and Sparrow, 2002).

3.1 The Case Study Firm

A case study firm was selected to investigate subcultures and multiple notions of the customer. The empirical research was conducted within a single not-for-profit organization in the health sector in the United Kingdom. This is an ideal context to be able to analyse multiple customers because the separation between payment for services and receiver of services so at least two potentially competing customer groups is evident at the outset.

The sample consisted of forty permanent members of staff representing approximately 20% of the workforce. Using a stratified sampling method the respondents were chosen randomly based on their position in the organisation ranging from the trustees, chief executive, senior managers, head office...
support staff, service managers, and front line staff (senior practitioners, practitioners and support workers who all see clients on a daily basis). As a result, staff were chosen from various locations including head office and satellite offices. Furthermore, there needed to be a balance between choosing recently joined and established staff to investigate cultural differences.

3.2 Data Collection

We collected data from forty managers and other employees. To triangulate the data, within each interview a variety of data collection techniques were used to investigate management cognition. All forty interviews were conducted by the same interviewer using an identical interview protocol in each case.

All the face-to-face interviews were commenced by using sorting technique as a starting point to the development of causal cognitive maps (an example is shown in Figure 1) following the procedure outlined by Markóczy and Goldberg (1995). This technique is used to standardise the production of cognitive maps which is useful when they are to be compared and contrasted. It is also used to reduce interview bias because there is no communication between researcher and respondent during the sorting process (Walsh, 1988). Sorting technique is designed to identify each manager’s beliefs about important factors for success.

The ten most important factors were then used to generate cognitive maps, in real time during the interview, for each manager. This approach was taken, as it is possible to verify the accuracy of the cognitive maps produced by the participants during the interviews and elevates the need for any post hoc interpretation by the researcher (see Hodgkinson et al., 2004). Figure 1 represents an archetypal causal cognitive map drawn by respondents during the interviews.

![Figure 1: An archetypal causal cognitive map](image)

3.3 Data Analysis

Each handwritten map was transferred to Cognizer software for subsequent detailed analysis. The first analysis focused on the beliefs and values present in the organisation as a whole. Therefore, the cognitive maps for all 40 participants were aggregated into Cognizer. All the factors that each participant believed were important for success were placed into a single map along with an accumulation of all the different links (in and out degrees) and their respective strengths.
To investigate the presence of subcultures individual differences between pairs of maps was investigated (see Markoczy and Goldberg, 1995). The following formula is used to provide a statistical value between pairs of maps (Langerfield-Smith and Wirth, 1992) within Cognizer software. Therefore, each participant’s cognitive map was individually compared to the other 39 participants.

\[
DR(A, B) = \frac{\sum_{i=1}^{p} \sum_{j=1}^{p} \text{diff}(i, j)}{(\epsilon + \delta)\sum_{i=1}^{p} + \gamma(2p \nu_{A} + p \nu_{B}) + \nu_{A}^2 + \nu_{B}^2 - \alpha((\epsilon \beta + \delta)\sum_{i=1}^{p} + \gamma (p \nu_{A} + p \nu_{B}))}
\]

This provided a 40 x 40 matrix with a value of how each map compared to another. Following Markoczy and Goldberg (1995) if a value of 0 is present then the maps are exactly identical whereas a value of 1 represents a completely different map. Following their formula a zero value is near impossible and only evident on the matrix when compared with the participants’ own map. The value of 1 can be quite common and occurs several times in our dataset as various participants chose a completely different set of 10 constructs compared to the other participant.

Based on this dataset we looked more closely at the culture within the organisation based on the values and beliefs of the individuals. Therefore, the data was inputted into SPSS and the first analysis that was performed was multidimensional scaling (MDS) to allow us to visually identify which cognitive maps were similar and which were different. Using ‘Analyze > Scale > Multidimensional Scaling (PROXSCAL)’ we modified the settings to show ‘Proximities = Dissimilarities’ ‘Proximity Transformations = Interval’ and ‘Initial Configuration = Torgerson’. Next the analysis provided the SPSS data outputs. The stress values in our study are quite high due to the complexities around dimensionality. Normally stress values should be <0.15 and no more. Following, Markóczy and Goldberg (1995, pp.317) in this research there are several dimensions that can differentiate the cognitive maps and as a result we would never be able to get stress values <0.15. Additionally, as we are looking at culture you would assume that the majority of maps should be similar therefore making it harder to have absolute clear distinctions between them.

4 FINDINGS

In the analysis the coordinates from the matrix are positioned onto a 2-dimensional common space graph (Figure 2) to illustrate which participants have similar cognitive maps (by being close to one another) and who do not (by being further apart). From Figure 2 it is possible to identify that there are large contrasts between the values and beliefs of various members of staff.

This form of analysis allows inferences about the dataset and as we drill down from an organisational level we can see that different subcultures exist within the organisation. Figure 2 indicates four different subcultures within the organisation. As well as locating these clusters visually we also used a dendrogram from performing cluster analysis in SPSS and additionally cross-referenced with the original maps to check for similarities within groups and differences with other groups. Once these clusters were identified it was important to begin checking the descriptive statistics of each participant to see if conclusions could be drawn on what was forming these clusters.

Firstly, it was evident that most practitioners (including senior practitioners and support workers) were found in Cluster 1. These employees are largely client facing staff and clearly share very similar values and beliefs compared to the rest of the organisation. Interestingly, the Chief Executive of the organisation was also within this group but the beliefs and values differ radically to the positioning of other senior managers on the map suggesting a lack of consensus at the top of the firm. Cluster 3 has largely a management focus with senior managers, service managers and trustees (board members) making up the bulk of this group. The other two clusters are fairly mixed in terms of hierarchy within the organisation. See Table 3.
Another interesting observation is the variation in where service managers are positioned on the map. Service managers run the individual services at different geographical locations therefore fuelling an internal debate that different subcultures may exist at different service locations. Through reverting back to the individual cognitive maps, running analysis on clusters themselves and triangulating the data from the questionnaires on stakeholder focus, we could begin to make inferences about the different clusters and how they are characterised. Although we may have what factors are popular across the organisation this doesn’t help explain how respondents’ belief systems are constructed. Therefore, by using Cognizer we are able to gather an understanding of the causal effects of the different factors. We can then begin to see what the objectives are or end states (indicated by in degrees) to the organisation and which factors influence this (indicated by out degrees).

The findings highlight various competing subcultures within a single organisation. A definably cultural split is evident based on the necessity to satisfy two contrasting customer groups. Cluster 1 focusing on client needs or those that receive the service and cluster 4 focused on commissioner needs or...
those that pay for the service. Two other internally focused subcultures were also found. See Table 3 which summarises the different cluster characteristics.

5. CONCLUSIONS AND SUMMARY

The findings point to many problems in terms of conceptualising market orientation as a single organisation wide culture. Indeed, the findings point to two different market orientation subcultures existing in a single firm focused on the two different primary notions of the customer. One market orientation subculture focused on the commissioners, or those paying for the service, and a second subculture focused on the clients, or receivers of the service.

The beliefs and values found in the two market oriented subcultures differ considerably in their focus on associated stakeholder groups. In particular we found that the subculture focused on clients was more concerned about staff with staff motivation and developing staff prominently positioned in their cognitive maps and much less concerned about competition. This finding is surprising considering that a focus on competition is supposed to be a major feature of market oriented firms within the prior research literature. In contrast the other market oriented subculture focused on commissioners who pay for the service considered competitors to be extremely important as well as metrics and targets and these factors were found to be prominent in the cognitive maps of this group. In sum these two subcultures differed considerably in their beliefs and values which are likely to impact on market oriented behaviour and thereby influence performance.

Additionally, the findings also highlight two internally driven subcultures. One driven by the service-product offering and a second subculture focused on internal efficiency and management control. The complexity found in the single organization suggests that competing subcultures will impact on performance especially in this case because the senior management team were found to be spread between the various subcultures. The findings confirm a lack of management consensus in terms of alternative beliefs and values and a focus on two different customer groups. Not surprisingly, given the lack of consensus, the findings also draw into question the use of single informants in cross sectional studies which is the major data collection mode in prior research into market orientation.

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