Influence of Organizational Culture on Brand Switching: A Study in B-2-B Services

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Abstract

Societal and organizational cultures have been suggested as an important factor that influences the Switching of a Brand. They not only shape the underlying behavior but also influence the perception of a consumer in decision making. Similarly, the culture of Organization will influence its decision to switch or not to switch in a situation of crucial decision-making. Previous studies linking this phenomenon of culture with switching has mostly been found to be focusing on consumer switching with cross-cultural or societal references in B-2-C context. Research in business-to-business (B2B) is still modest and lagging far behind consumer marketing. Given the prominence of business services, there has been an almost total lack of attention to the industrial or B2B sector. Further, the highest growth in services marketing today is especially in business, making this an important area of study.

This study aims to investigate the influence of different organizational cultures on switching of services in B-2-B context. Our study proposes that Switching Behavior of an organization will differ from one organization to another, and is directly related to its organizational culture. It takes into account the Organizational culture based on Hierarchy, Market, Clan, Adhocracy, Person Support, Bureaucratic and Professional Cultural. We then go on to discuss and propose the hypothesis based on these Organizational Culture type with respect to switching in Business-to-Business context. For an Organization with Hierarchical Culture, there will be a less tendency to Switch a particular Business offering/ Brand. For Bureaucratic, Person-Support, Professional and Market culture with high Internal Locus switching can go either way depending on level of these dimensions. Similarly, for Adhocracy there will be a high tendency to switch because of External Focus. On the other hand, for Hierarchy and Clan culture there will be less tendency to switch. We suggest and discuss these propositions in further details in this study.

Keywords
Brand Switching, Organization Culture, Busines-2-Business, Hierarchy culture, Bureaucratic culture

1. Introduction

Organisations can be characterised as possessing a personality (Selznick, 1957; Rhenman 1973; Harrison, 1972) and culture; culture, therefore, might be considered as the ‘personality’ of an organisation. Every organisation has a culture (Deal & Kennedy, 1982) which might be difficult for the outsider to interpret. It deals with ‘how we do things in this organisation’ on a daily basis. It also affects every aspect of an organisation: organisational performance, relationships...
among employees, relationships with managers, with customers, and so on. Organisational culture is a complex phenomenon, Schein (1992) viewing it as an effective and valid response to the problems arising within an organisation. As such, it could be learned and handed-on as the recognized correct way to respond.

According to Reichers and Schneider (1990), prior to the coining of the term ‘organisational culture’, the dominant concept was that of organisational climate. Tagiuri and Litwin (1968) defined climate as "the relatively enduring quality of the total organizational environment that (1) is experienced by occupants, (2) influences their behaviour, and (3) can be described in terms of the values of a particular set of characteristics (or attributes) of the environment”. It must be noted that they emphasise the way in which the social environment is experienced by those in it. Schein’s viewpoint was supported by Robbins and Judge (2011) who suggested that “culture creates climate” in an organisation, but this notion was refuted by Hofstede et al (2010) who claimed that “organizational culture is a synonym for organizational climate”.

Buchanan and Huczynski (2010) then added further reasons which reflect the importance of organisational culture, including: Increasing globalization, which has brought organisational culture into sharp focus alongside national culture; The enduring assumption that organisational culture performance depends on employee values being aligned with company strategy; and The contentious view that leadership can consciously manipulate culture to achieve changes in organisational objectives. Indeed, culture can affect all aspects of an organisation’s activities.

In 1999, Campbell et al declared that culture could influence employee motivation, employee morale, ‘good will’, productivity and efficiency, the quality of work, innovation and creativity, and the attitude of employees in the workplace. Smircich (1983) treated culture as an independent variable imported into the organisation through membership and exhibiting the patterns of attitudes and actions of its members.

House et al (2002) defined it as "shared motives, values, beliefs, identities and interpretations or meanings of significant events; common behaviours, institutional practices, proscriptions and prescriptions that result from common experiences of members of collectives, which are transmitted across generations”. Another perspective was provided by Williams et al (1993) who described it as “relatively stable beliefs, attitudes, and values that are held in common among organisational members”, and as “shared normative beliefs and shared behavioural expectations”. Yet another view was given by Brown (1998, p. 9) who described organisational culture as "the pattern of beliefs, values and learned ways of coping with experience that have developed during the course of an organisation's history and which tend to be manifested in its material arrangements and in the behaviours of its members”.

1.1 B-2-B Brand Switching

Brand Switching is the way one business shift from one supplier/service provider to another. In the other words, it can be defined the level of propensity of customers, in this case a business itself, to switch from one product or service provider to another in a given industry or purchase situation. Previous research laid emphasis on switching intensions and switching behavior mostly through Consumer Characteristics, Firm’s marketing strategy, service experience and perception of consumers, but switching from an organisational cultural perspective is an area unexplored specially for B-2-B Services.

Research in B2B relationships is still modest and lagging far behind consumer marketing (Homburg and Rudolph, 2001; Rossumme, 2003). Further, most business research investigates goods, with little focus on services (Dawes et. al., 1993; Patterson et al., 1997). Patterson et. Al suggest that given the prominence of business services, “there has been an almost total lack of attention to the industrial or B2B sector” (1997, p.4). Further, the highest growth in services marketing today is in business markets (Fitzsimmons, Noh and Thies, 1998; Brown, 2002; Haddix, 2004), making this an important area of study.

1.2 Transferring B-2-C concept to B-2-B

Fundamental differences exist between an organisation marketing to other organisations; often referred to as industrial or B2B marketing; and an organisation marketing to consumers, that is, business to consumer (B2C) marketing (Webster, 1978; Jackson and Cooper, 1988). Although a number of differences have been cited in the literature, several key characteristics are relevant to this study. First, B2B marketing is generally considered more complex than
business-to-consumer marketing because organization buyer behavior involves a more intricate network or organisational and environmental buying influences (Jackson and Cooper, 1988). Second, organisational buying is characterized by a multi-person involvement in the decision making process, that is referred to as the buying center (Robinson et. al., 1967). The final characteristic is that B2B marketing involves developing and maintaining longer-term relationships with customers than in consumer marketing (Jackson and Cooper, 1988).

Further, four key characteristics namely intangibility, inseparability, variability and perishability (Berry, 1980) pose significantly different challenges for marketing of goods and services. Jackson and Cooper (1988) propose two additional traits that are unique to B2B services: specialization and technology. These characteristics make B2B services marketing more complex than the marketing of B2B goods and consumer goods and services (Jackson and Cooper, 1988). Specialization means B2B products often need to be customized to meet an organisation’s needs, especially in the case of production-related services, a sub-category of services (Jackson and Cooper, 1988). They note that when buyers purchase specialized products, “there is the added complexity of arriving at and conveying to vendors the specifications required for the product; with services, the issues of tangibility and inseparability add to the already complex process of arriving at acceptable specifications”. B2B services also tend to be generally more technological in nature than consumer services, because of the greater complexity of organisational needs (Jackson and Cooper, 1988). While B2B customers rely on vendors to provide information and assistance in purchasing technically complex products, the inherent distinctions and resulting problems are magnified by their technical nature when the technical products are services as opposed to goods (Jackson and Cooper, 1988). Furthermore, it has been suggested that a lack of tangibility results in a service decision process that can be highly complex and difficult because the inputs available to the purchasing agent often becomes vague or ambiguous (Stock and Zinszer, 1987). Jackson et. al. (1995, p. 104) in an empirical investigation of the differences between B2B goods and services state that buyers in their study felt that (1) there are fewer brands of services available compared to goods that limited their choice and that (2) they did not bother looking for other suppliers of services. This may help to explain why dissatisfied customers sometimes do not defect to alternate service providers.

A recent development in B2B research is the transference of consumer concepts such as branding into the business context (Hutton, 1997). Research in business services indicates that consumer concepts may be successfully transferred to the business sector (Cooper and Jackson, 1988; Duravasula et. al., 1999). Accordingly, this research incorporates the barriers identified by Colgate and Lang (2001) and empirically tests their applicability to the B2B services sector.

2. Literature review

2.1 Organisation Culture

Till date, there is no unique accepted definition of organizational culture. Kilman and Saxton (1985) identified culture as “the stated philosophy, ideology, values, assumption, beliefs, hope, behaviors and norms that bound the organization together”. George et al. (2002) offered the definition as an “informal design of values, norms that control the way people and groups within the organization interact through each other and with parties outside the organization”.

Cameron and Quinn (2006) developed an instrument known as the Organizational Culture Assessment Instrument (OCAI). Cameron and Quinn (2006) used the OCAI as a method to specify the changes needed in the organization’s culture through a process of determining its position, available resources and developing strategies for e-commerce operations that are consistent with the overall organization strategy. Cameron and Quinn (2006) argue that the implementation of cultural change requires identification and altering of organizational culture; “A change in culture depends on the implementation of behaviors by individuals in the organization that reinforce the new cultural values and are consistent with them”.

Valencia et al. (2011), in their study, asserted that innovation is crucial for attaining a competitive advantage for companies. Innovation, versus imitation, motivates companies to launch new products and become pioneers on markets. Many factors have been shown to be determinants for supporting an innovative organizational orientation, and one of them is organizational culture. The paper found that organizational culture is a clear determinant of
innovation strategy. Moreover, adhocracy cultures foster strategies for innovation, and hierarchical cultures promote imitation cultures.

Organizational cultures with an emphasis on external orientation and flexible structures, or “adhocracies,” are characterized by leaders who are innovators and risk takers. An argument can be made that a culture promoting innovation and risk acceptance would provide the support needed for higher levels of adoption of new technologies. (Klein & Sorra, 1996).

Kumarasingh and Hoshino (2003) aimed to examine the influence of the organizational factors of culture, structure and strategy on organizational performance. Their research findings indicated that the relationship among members, speed of decision making, product strategies and innovativeness, quality of employees and technology defines the difference between a successful and unsuccessful organization. Regression results in their study illustrated that the ROI was also influenced by cultural, structural and strategic variables.

Figure 1. Organizational Culture Typology, adopted from Cameron and Quinn (2006)

### 2.1.1 Clan Culture

A Clan culture has been defined by Cameron and Quinn (2006) as “a friendly work environment where people have the ability to share about themselves. It is like being with friends and family at work. The internal climate is the main determinant of success”. Berrio (2003) explained a clan culture as “an organization that focuses on internal continuance with elasticity, care for employees and customers”. Lund (2003) examined an empirical study to test the impact of organizational culture on job satisfaction in a survey of marketing professionals in a cross-section of firms in the USA. The results indicated that job satisfaction was diverse across organizational cultural classification. Job satisfaction was positively related to clan culture, which positively affects the performance of the organization. Ghoakhee et al. (2011) investigated the internal environment of the organization that affects e-commerce adoption in SMEs. The researchers used a questionnaire- based survey of managers in manufacturing SMEs in Iran. The study concluded that perceived adoption depends on employee attitude towards change and chief executives’ innovativeness to adopt and support changes.

Lin and Lee (2005) in his article on the corporate culture of a clan organization, Chan (1997) suggested that companies who create social reserves are the best performers in a wild market or industrial environment when uncertainty conquers. The clan culture provides guidelines and benchmarks for other companies to manage strategically in an
uncertain business environment. The article further proposed that a clan culture organization is an ideal organization type whose formation, as well as social and cultural characteristics, could be rivalled.

2.1.2 Adhocracy Culture

Adhocracy culture is characterized as a “dynamic and creative workplace, people are risk takers, and leaders in the company are risk oriented whereby the organization is committed to facing innovation and forward looking to being unique in the outcome offered, whereby the organization focuses on external positioning with a high degree of elasticity and individual independence” (Cameron and Quinn, 2006).

Nickels et al. (2008) also investigated the effect of the growth of organizational culture on e-commerce adoption. The study suggested that organizational culture can be a barrier to the acceptance of technology and highlighted its link with the organization’s performance. Data was also collected from senior managers whose functions included formulation of strategy or execution of strategies using the Organizational Culture Assessment Instrument (OCAI) by Cameron and Quinn (1999). The researchers found that organizational cultures which focus on external orientation and elastic structure, or “adhocracies,” are symbolized by leaders who are innovators and have a higher degree of risk acceptance. The study concluded that an organization which encourages risk acceptance and innovation enhances the potential for adoption of the latest technology. More recently, Parikh (2016) described this type of culture to be that of innovation, problem solving and flexibility. In the study, Parikh (2016) showed that for an organization to implement highly innovative and successful products, its staff must be wholly supported, in contrast to controlling strategic summit, which is traditionally more common.

2.1.3 Market Culture

Market culture has been defined Cameron and Quinn (2006) as a “result oriented workplace, focusing on gaining market share and penetration, focusing on external continuance with the need for steadiness and power”.

Homburg and Pflesser (2000) investigated the effect of market oriented organizational culture on performance and its effect on external markets. The researchers adopted a qualitative approach to the data prior to performing a quantitative scale development targeting general managers, marketing managers and managers from other functional departments. The study showed that the market organizational culture adopted by the organization has a notable impact on innovation and development depending on dynamism in the market.

Luntraru and Esau (2012) later investigated the consequence of the market orientation type of organization culture and the performance of adopting technologies in small and medium enterprises. In their study, the researchers suggested that in order for an organization to change, it should first analyze its learning capabilities and determine the market orientation to enhance company performance. The study concluded that there is no relationship between market culture and adoption of new technology to improve performance. Nickels et al. (2008) defined market culture as “the opposite of the clan culture”, stating that “a major characteristic is a hard-driving, competitive organizational environment. Managers are demanding, and a major organizational goal is winning in a competitive marketplace”.

2.1.4 Hierarchy Culture

Hierarchical culture has been defined by Cameron and Quinn (2006) as “a formal and strict policy defined well to lead the work tasks and people, whereby the organization focuses on internal continuance with the need for constancy and control”. Zammuto and O’Connor (1992) analyzed the relationship between organizational culture and advanced technology implementation using a survey methodology to gather data. It was suggested that organizations typified with flexibility are more successful and open to the implementation of high technology, and exhibit greater efficiency than organizations characterized by control and hierarchical culture. Parker (2012) explored the attractions and problems of flatness as an alternative to hierarchy in a unique study, and found that hierarchical culture can significantly affect the success of the organization. This is mainly because hierarchical activities were not helpful in socialization and internalization. This culture was also not particularly beneficial in management strategy and plans.

3. Hypothesis Development

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According to Schein (1992), Organizational culture is the pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and integral integration. Cameron and Quinn (1999) defined organizational culture as the core values, assumptions, interpretations and approaches that characterize an organization. In our research we include following 8 types of culture observed in different organizations and based on these we develop following hypothesis:

**The Hierarchy Culture**

The organizational culture compatible with this form is characterized by a formalized and structured workplace. Effective process, capability, consistency, maintaining a smooth running, efficiency and timeliness are important. The long term concerns of the organization are stability, predictability and efficiency. Formal rules and policies hold the organization together (Cameron and Quinn, 1999). The timeliness component of this culture is very important for switching business, because customers would be happy to have received their purchased items on time. This leads us to the following hypothesis:

\[ H_1 \]: Hierarchy culture characteristics will have less tendency to switch between Brands in B-2-2B Services.

**Market Culture**

A market culture has a strong external focus and values stability and control. Organizations with this culture are driven by competition and a strong desire to deliver results and accomplish goals. Because this type of culture is focused on the external environment, customers and profits take precedence over employee development and satisfaction. The major task of the management is to drive the organization towards market share, productivity, and profits. It is assumed that a clear purpose and an aggressive strategy lead to productivity and profitability (Cameron and Quinn, 1999). We propose that this type of organizational culture, with customer focus and value stability and control, is most appropriate for switching businesses. This leads us to the following hypothesis:

\[ H_2 \]: Market culture will have a significant influence on Brand switching in B-2-B Services depending on the marketing conditions.

**The Clan Culture**

Clan Culture has an internal focus and values flexibility rather than stability and control. It resembles a ‘family’ type organization in which effectiveness is achieved by encouraging collaboration between employees. This type of culture is very “employee focused” and strives to instill cohesion through consensus and job satisfaction and commitment through employee involvement. The organization is held together by loyalty and tradition. The organization emphasizes the long term benefit of individual development with high cohesion and morale being important. Success is defined in terms of the internal climate and concern for people (Cameron and Quinn, 1999). This type of organizational culture cannot be implemented fully to switch brands as it prioritizes customers (other business provider, in this case) at the forefront. This leads us to the below hypothesis:

\[ H_3 \]: Clan culture characteristics of organization have less tendency to switch between Brands in B-2-2B Services.

**The Adhocracy Culture**

An adhocracy culture has an external focus and values flexibility. This type of culture fosters the creation of innovative products and services by being adaptable, creative, and fast to respond to changes in the marketplace. Adhocracy Cultures do not rely on the type of centralized power and authority relationships that are part of market and hierarchical cultures. They empower and encourage employees to take risks, think outside the box, and experiment with new ways of getting things done. This type of culture is well suited for startup companies, those in industries undergoing constant change, and those in mature industries that are in need of innovation to enhance growth (Cameron and Quinn, 1999). We argue that switching leads to less adhocracy, as centralization and reasonable control is required as a remedy for its highly sensitive characteristic. Since its related to human being who have full autonomy, we suggest that there will be high tendency to switch brands. This leads us to the following hypothesis:
H4: Adhocracy culture will lead to more switching of brands in B-2-B services

**Power culture**

Harrison and Stokes (1992) define power oriented culture as “organizational culture that is based on inequality of access to resources”. A power oriented culture organization is characterized by high centralization and low formalization modes of operation. A power culture has a single source of power from which rays of influence spread throughout the organization. This means that power is centralized and organizational members are connected to the center by functional and specialist strings. Power Culture relies on central figure, central figure communicates outwards with no system of feedback. So depending on it personality of that central figure switching will be more or less and hence it can go either way. This leads us to the following hypothesis:

H5: Power culture characteristics will have a significant influence on Brand switching in B-2-B Services depending on the Power level of central figure.

**Person support culture**

Person support culture is a structure and culture built around individuals. It allows power to family members and individuals who have either maternal or marital relation with the families of the owners. Harrison and Stokes (1992) define person support culture as an “organizational climate that is based on mutual trust between the individuals and the organization”. Thus, is often referred to as family support culture. With Person support organizations, power domination is mostly on elderly bases. The mode of operation of this culture depicts low in standardization and is flexible according to the owners wish. This type of organizational culture opposes switching, because it demands, high standardization and professional working environment in order to win the rational behavior of customers in the dynamic and competitive market. So switching can be either ways, high or low depending on person-support. This leads us to the following hypothesis:

H6: Person support characteristics will have a significant influence on Brand switching in B-2-B Services depending on the level of support.

**Bureaucratic culture**

Bureaucratic culture is a hierarchical and formal organization that has several levels where tasks, authority and responsibilities are delegated between departments, offices or people. In this type of organizations, power is concentrated in the hands of a few, high ranking managers. This structure is held together by a central or main administration. Organizational charts exist for every department, and everyone understands who is in charge and what his responsibilities are for every situation. A system of administration distinguished by its (1) clear hierarchy of authority, (2) rigid division of labor, (3) written and inflexible rules, regulations, and procedures, and (4) impersonal relationships. Once instituted, bureaucracies are difficult to dislodge or change [A]. This leads us to the following hypothesis:

H7: Bureaucratic culture will have a significant influence on Brand switching in B-2-B Services

**Professional culture**

A professional culture refers to patterns and traits expressed by a particular group that belongs to a certain profession. Professionalism, which is at the heart of professional culture, is defined by Merriam Webster as a “set of Attitudes and behaviors believed to be appropriate to a particular occupation”. Professionalism is comprised of attitudes and behaviors. Attitudes are often described and measured because of their relationship to behaviors. A professional attitude could be defined as a predisposition, feeling, emotion, or thought that upholds the ideals of a profession and serves as the basis for professional behavior. Professional behavior can also be described as “behavioral professionalism”, behaving in a manner to achieve optimal outcomes in professional tasks and interactions (Purkerson, 2000). Professionalism is the cornerstone of the business world. At its core, professionalism is how you conduct yourself. The seriousness and sincerity with which you approach your job makes you a professional. Professionals are thorough, and oftentimes meticulous about their work. Professionals hold themselves to a certain set of standards they
always seek to maintain interactions (Purkerson, 2000). Customers are rational when purchasing items or in any exchange activities; they place a decision making process that is based on making choices that result in the most optimal level of benefit. People would rather be better off than worse off or have more than less. For example, a person is more likely to buy an item at a lower price than a high one or buy items on sale if they believe, it is better value. Therefore, professional culture is the best practice that an organisation/business must develop and peruse to gain trust of its customers (A). We suggest that there might be high/low tendency to switch depending on professionalism in the organization. This leads us to the following hypothesis:

H8: Professional culture will have a significant influence on Brand switching in B-2-B Services.

4. Conceptual Framework

Our study attempts to develop a framework to study the effect of organizational culture on Business-2-Business brand Switching using 8 dimensions discussed earlier in this research. We developed following theoretical framework based on literature review and hypothesis developed.

Figure 2: Theoretical Framework for our Research

5. Conclusion

The primary purpose of this study is to investigate the influence of organizational culture on Brand Switching in B-2-B Services. This research is first of a kind study to investigate the role of organisation’s culture in brand switching in a B2B services context. In this paper through literature review, we have identified that organizational culture affects Brand Switching in B-2-B services through different dimensions. We includes 8 different types of organizational cultures that are observed in any kind of organization and discuss their impact on Brand switching in a business offering. It is also proposed that Brand Switching would vary depending on the level of these organizational cultures. We give a theoretical framework here and will get back after we are done with data collection and results. The proposed hypotheses will be verified through empirical data in the next version.
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