

A STUDY ON THE INFLUENCE OF ORGANIZATIONAL CULTURE
AND MANAGEMENT STYLE ON USER'S SATISFACTION IN
ORGANIZATIONAL BUYING

BY

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ABSTRAK

Banyak penyelidikan telah dijalankan ke atas pembelian oleh industri. Walau bagaimanapun, tiada penyelidikan dibuat ke atas pembelian oleh kerajaan. Kajian ini menyelidik hubungan di antara budaya “customer driven” ke atas tahap kepuasan pengguna dengan gaya pengurusan pihak atasan iaitu autokratik dan partisipatif sebagai pemboleh ubah penyederhana. Kajian dijalankan ke atas kakitangan kerajaan negeri Pulau Pinang sebagai responden untuk mengukur tanggapan mereka ke atas budaya dan gaya pengurusan jabatan mereka serta tahap kepuasan mereka. Keputusan kajian ini mendapati bahawa terdapat hubungan korelasi yang positif di antara budaya ‘customer driven’ dengan tahap kepuasan pengguna; iaitu apabila budaya “customer driven” meningkat, kepuasan pengguna akan turut meningkat, dan begitu juga sebaliknya. Kajian ke atas perhubungan di antara budaya “customer driven” dan gaya pengurusan pula mendapati bahawa terdapat hubungan korelasi yang positif di antara budaya dan gaya autokratik. Ini bermaksud, untuk membentuk budaya “customer driven” di dalam perkhidmatan kerajaan, gaya autokratik adalah diperlukan dan berkesan. Walau bagaimanapun, tiada hubungan korelasi di antara budaya dan gaya pengurusan partisipatif yang dapat dikesan. Adalah didapati juga bahawa gaya pengurusan autokratik mempengaruhi perhubungan di antara budaya dan kepuasan pengguna dengan mengurangkan tahap kepuasan pengguna. Gaya pengurusan partisipatif pula mempengaruhi perhubungan di antara budaya dan kepuasan pengguna dengan meningkatkan tahap kepuasan pengguna.

ABSTRACT

Many studies have been done in industrial buying. However, they do not investigate the buying in government organizations. This study focuses on position influence on buying centers with top management styles as the moderating variable. This study investigates whether there is a relationship between customer driven culture and user satisfaction in organizational buying. If there is such a relationship, how would management style influence that relationship. A survey was conducted on the perceived culture and perceived management styles of the employees of the State of Penang government departments and their satisfaction. The result of this study shows that there is a relationship between customer driven culture and user's satisfaction. The relationship is significant and positively correlated. This means that the more customer driven the department is, the more satisfied the user is. The study also found that there is a significant positive correlation between customer driven culture and autocratic style, but there is no correlation between culture and participative style. This means that autocratic style is effective and necessary in culture building. It is also found that management style do have an influence on the relationship between culture and user's satisfaction. Autocratic style influences the relationship by reducing the level of user's satisfaction while participative style influences the relationship by increasing the level of user's satisfaction.

Chapter 1

INTRODUCTION

1.0 Overview

Organizations purchase goods and services for many reasons. Some purchases are aimed at improving company welfare. Other purchases, however are specifically intended for the benefit of their employees as users. These organizational purchases are done by their decision-making units, which in marketing are called buying centers. They provide service in the service delivery system by acquiring and delivering it to their users.

Service delivery is concerned with making goods and services available to the user at the right time and at the right place. It is a “performance” rather than a “thing”. These services are experienced by the user rather than owned. The ability of the buying centers to understand and match their user’s needs, desires and expectations will result in a satisfied user and hence develop a good supplier-user relationship.

User’s satisfaction can be achieved by having them participate in the process of service creation, delivery and consumption of the service delivery system. Today, more and more organizations practice a strong user driven orientation as part of their organization’s culture. It is important to bare in mind that it is user’s perceptions, not necessarily objective quality that is important when evaluating service performance. So, only by fulfilling their needs and requirements will result in happy and satisfied users.

Besides conducive organizational culture, an organization also needs good management style to achieve user satisfaction. There seems to be a linkage between culture and management style. The right combination of culture and management

style can influence the level of user satisfaction. So, management style is important in determining the success of an organization.

1.1 Definitions

Within the scope of this study, a number of concepts will be put forward. They might have other wide definitions, but the definitions to these terms will be confined to the following statements, relevant to this study.

1.1.1 Organizational Buying

Organizational buying (sometimes called industrial or institutional buying) is the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers. (Webster and Wind, 1972).

1.1.2 Institutional Buyers

Institutional buyers are organizations that provide services to society at large, which includes federal, state, and local governments; charitable; health-care organizations; colleges and universities; and other non-profit organizations (Bagozzi *et. al.*, 1998). In this study, the focus is on government buying.

1.1.3 Buying Centers

In marketing, decision-making units are traditionally called buying centers – individuals and groups who participate in purchase decision processes and share common goals and risks arising from the decision (Webster and Wind, 1972). In government buying, buying centers are usually the administrative units of the departments.

1.1.4 Users

Users are the people who use or will use the product or service being purchased (Bagozzi *et. al.*, 1998). For the purpose of this study, the term user, refers to all employees of the organization as a customer to the buying centers, who uses the purchased goods and services. Therefore, the term “customer” and “user” are used and will be used interchangeably in this study.

1.1.5 Satisfaction

The word “satisfaction” is derived from the latin ‘satis’ (good enough, sufficient) and ‘facio’ (to do or make). Research in consumer behavior suggests it is necessary to move beyond mere fulfillment or satisfaction and defines it as: “Satisfaction is a consumer’s post purchase evaluation of the overall service experience (processes and outcome). It is an affective (emotion) state or feeling reaction in which the consumer’s needs, desires and expectations during the course of the service experience have been met or exceeded” (Hunt, 1977).

1.1.6 Organizational Culture

Schein (1989) defines culture at three levels – the surface level, the espoused values, and the basic assumptions of beliefs and perceptions. The second level at which the organization’s values are manifested is what Schein calls espoused values, which include the strategies, goals, and philosophies of the leadership. This second level of Schein’s analysis is more relevant to the meaning of this study which relates to the “customer driven” culture. Since it is measured via the user’s perspective as respondents to the questionnaires, in this context of study, culture refers to perceived culture.

1.1.7 Customer-Driven

The current translation of the meaning to customer driven orientation is “quality function development”. The message is actually to “bring the customer’s voice in-house so you can build your policies and products around your customers needs” (Cannie and Caplin, 1991). In simpler words it means producing and delivering what the customer requests.

1.1.8 Service Delivery System

Services require an effective operating and delivery system in order to function. That system should be designed in such a way as to deliver customer and user satisfaction through an efficient and seamless operation. Therefore, it can be defined as “a complex set of activities involving all areas of the business which combine to deliver and invoice the company’s products in a fashion that is perceived as satisfactory to the customer and which advances the company’s objectives”, (LaLonde and Zinszer,1976).

1.1.9 Management Style

Management style is defined as behavior, predisposition, motives, attitudes and values of managers with respect to decision making, delegation, communication, leadership and flexibility (Kang and Saiyadain, 1994). In this context of study, it refers to perceived management style because it is measured via the perspective of the users as respondents to the questionnaires.

1.2 Background of Organizational Buying

Buyers in the consumer market buy products for personal or household consumption. Buyers in organizational markets buy products to satisfy the needs of

organizations to which they belong (Shoell and Gultinan, 1995). Busch and Houston (1985), categorized organizational buyers as follows:

1. manufacturer – those organization that change resources into finished goods;
2. reseller – those that purchase goods for resale to other organizations or consumers. Retailers and wholesalers make up this group;
3. service organizations – the commercial and non-profit organizations that perform services for other groups or individuals. The diverse types includes hospitals, schools, and charities;
4. government – government agencies at the local, state and federal levels; and
5. farmers – agricultural organizations involved in producing and distributing raw food items.

Organizational users purchase goods and services for their ongoing operations – to enhance the performance of their business activities. Organizational buyers are also different from other buyers, and it can be characterized as follows:

1. size – the importance of this market is probably best reflected in size and number. Organizational buyers represent a relatively small number of large entities that have substantial resources and influence on their markets compared to those of millions of individual customers for consumer products;
2. geographic distribution – organizational buyers tend to be more geographically concentrated than individual consumers, (Bagozzi *et.al*, 1998);
3. buying centers – these are decision making units consisting of individuals or groups who participate in the purchase decisions – usually the purchasing departments (in private firms) and the administrative units of government departments or public institutions. They provide a service in their service

delivery system by acquiring the goods and services required by their organizational users;

4. buying practices – there are several important features of organizational buying which reflects their culture:
 - a. government and institution buying focus on awarding contracts to the lowest bidders in their low budget goals and objectives, focus on their user's needs – customer driven culture;
 - b. reseller – buy what they think they can sell, adopt a customer driven culture; and
 - c. manufacturer – buy what to produce, Just-In-Time (JIT) strategy.

In the buying process, organizational buyers follow closely the 8 stages BUYGRID model introduced by Robinson and Faris (1967), except for the government which are more procedural controlled in their buying process.

Government buying organizations are found at various levels- national, state and local levels. The national level is the largest and its buying units operate in both the civilian and military sectors. Various departments, administrations and other units carry out buying. Sometimes, the central buying operations helps to centralize the buying of commonly used items and in standardizing buying procedures for the other agencies (Kotler *et. al.*,1999). Most buying are done by the buying centers of the organization (Webster And Wind, 1972).

Like consumer and business buyers, government buyers are affected by environmental, organizational, interpersonal and individual factors. One unique thing about government buying is that it is carefully watched by outside publics, ranging from elected representatives to a variety of private groups interested in the government

spends taxpayer's money. Because their spending decisions are subject to public review and audits requirements, government organizations are buried in paperwork (Kotler *et. al*, 1999). Most government purchases by procedure requirements, must be made on the basis of bids or written sales proposals from vendors. As a result, government buyers develop specifications - specific descriptions of needed items for prospective bidders (Boone and Kurtz, 1986). Also suppliers who want to sell to a government agency must request placement on the agency's list of qualified bidders. (Schoell and Gultinan, 1995). So, government buying practices may seem complex and frustrating to suppliers, who have voiced complaints about government purchasing procedures. These include too much paperwork and bureaucracy, needless regulations, emphasis on low bid prices and decision-making delays.

Government organizations have their own buying process. For the state government of Penang, the buying procedures are as follows:

1. direct purchase – RM20,000.00 and below worth value of goods/services;
2. quotation – RM20,000.00 – RM50,000.00; and
3. tender – RM50,000.00 and above.

For quotations and tender needs suppliers to be registered in the organizations approved list of suppliers – Ministry of Finance).

The buying process always begins with someone in the organization recognizing a problem that can be solved by a purchased product or service. Sometimes, the problem is nothing more than the company running out of regularly purchased items. Robinson and Faris (1967), proposed the BUYGRID model which identifies 8 stages in organizational buying decisions. They are closely followed by most government organizations, they are:

1. anticipation and recognition of a problem and a general solution;

2. elaboration of the desired attributes of the product or service required that potentially solves the problem. (building up specifications);
3. determination of the product or service desired and quantities needed;
4. search for potential suppliers (advertising tenders, inquire quotations);
5. acquisition and initial analysis of offerings – samples from suppliers;
6. evaluation of offerings and selection of suppliers (by tender board/ buying centers);
7. selection of an order routine; and
8. performance feedback and evaluation.

Government organizations typically require suppliers to submit bids and they normally award contracts to the lowest bidders. In some cases, however, government buyers make allowances for superior quality or for a firm's reputation for completing contracts on time.

Nonetheless, not only the products and services are being evaluated by the organizational users, but the service quality provided by the buying centers in acquiring and distributing them are evaluated by the users usually measured in terms of the user's satisfaction level.

1.3 Rationale and Importance of Study

From literature review, it is noted that in study of organizational buying, Bunn (1994) has carried out studies on the underlying activities that the buyers engage and found that it involves procedural control, proactive focussing, use of analysis techniques and search for information.

Another research done by Dholakia *et. al.*, (1993) on the length of time that firms take in making major purchase decisions and found that the antecedents such as

buy-class, firms size, decision making unit (DMU) size, information sources, and size of the consideration set affects the decision making time of the DMU.

Ronchetto, Hutt and Reingen, (1989) conducted a study on the influence in the organizational buying centers and found that organizational actors derive influence from the position they occupy within the buying system. Another study in organizational buying done by Kohli (1989) investigates factors that affect an individuals influence in buying centers and found that the most influence determinant was expert power.

All these studies were done in industrial buying. However, they do not investigate the buying in government organizations. The researcher feels that it is also important to study the government organizational buying. This study focuses on position of individuals and how it influences buying centers with management styles of top management as the moderating variables. This is an extension of the previous study where it looks at the influences of individuals.

In the study of organizational culture, many studies have been done on how companies that deliver what their customer wants differ from others. Whiteley (1991), in his research on the behavior of people in customer-driven companies shows that the ablest business people have learned an impressive array of reliable practices and techniques that have made product and service quality consistently achievable. These methods include both highly disciplined problem-solving practices such as “just-in-time” manufacturing but no less important techniques of good leadership. He found that most authors concentrate on either highly disciplined problem-solving tools or the demanding human task of leadership behavior but none has shown how to do both. He then in his book introduced the steps to create customer driven companies in the leadership task – walk the talk.

Most studies are done on private firms. As an extension to this study, research can be done to examine the customer-driven culture of government organization and the influence of management style on their service delivery system.

A study on management styles has been done by Kang and Saiyadain, (1994) and effectiveness of management styles among Japanese and US managers by Culpan and Kucukemiroglu, (1993). Extending these studies by examining the influence of leadership styles –autocratic and participative on culture in a service delivery system will also be important in widening the knowledge in this area.

Lovelock (1991) and Christopher (1979) had done extensive studies on service delivery system in private firms, and extending it to a government organization especially the impact on their internal users should cover a wider perspective in this area. The study on the influence of customer-driven culture and management style on the service delivery system should be measured. This is to determine their effects on service quality, and this can be done by adopting the service quality measure introduced by Zeithaml, Parasuraman and Berry (1990) where they measure service quality by using the user satisfaction level.

Last, but not least, this study will be valuable in determining the best policy for government buying.

1.4 Problem Statement

The aim of this study is to investigate whether there is a relationship between customer driven culture and user satisfaction in organizational buying. If there is such a relationship, how would management style influence that satisfaction level. Specifically, the following three questions would be the center of the study:

- i) Is there a positive correlation between conducive culture of an organization and user satisfaction, and is there a relationship between culture and management style ?

ii) Do conducive organizational culture with high autocratic management style leads to lesser user satisfaction ?

iii) Do conducive organizational culture with high participative management style leads to higher user satisfaction ?

1.5 Organization of the Chapters

Previous researches on the similar subjects are discussed in Chapter 2. Theoretical framework and research methodology are discussed in Chapter 3. Chapter 4 shows the results of the study. Discussion, implication, conclusion, limitation of the study and future research are discussed in Chapter 5.

Chapter 2

LITERATURE REVIEW

2.0 Review of Relevant Literature

The review of literature will be discussed in 6 sections, divided as follows:

- 1) Organizational culture,
- 2) Management style,
- 3) Culture and management style relationship,
- 4) Organizational buying,
- 5) Customer service and service delivery system,
- 6) User satisfaction.

2.1 Organizational Culture

Marketing affects culture by increasing the organization's sensitivity to customer needs at multiple levels and by putting top priority on meeting those needs profitably. When marketing affects an organization's culture, its members see themselves as personally involved in meeting customer needs and contributing to the bottom line, and this view influences every aspect of their work.

Becoming customer driven means to listen to what customers want and deliver it. But this customer driven service takes a top-down, whole organization approach that almost always involves a change in organization culture. It calls for training people at all levels to be customer-friendly; implementing new strategies; and getting managers to "think customer" and to model their commitment as customer-champions.

The meaning of the word culture derives from its Latin root: it is often used to refer to art, education, literature, and music. Social and cultural anthropologists

use the term “culture” in a broader sense as the set of symbols, heroes, meanings, rituals, and values shared by a society.

Schein (1989), defines culture as “the deeper level of basic assumptions and beliefs that are shared by members of the organization, that operate unconsciously, and that define in a ‘taken for granted’ fashion and organization’s view of itself and its environment”. It is regarded as the unseen and unobservable force that is always behind the tangible activities of an organization which can be observed and measured.

A great deal of strategic research has been devoted to internal and external conditions which facilitate generic competitive strategies (Miller, 1987; Hill, 1988) in attempting to identify predictors, traditionally these studies have employed conventional approaches, focusing on firm characteristics, market structure or product characteristics. In recent years, a number of researchers have focussed on the different competitive strategies of firms in different nations. (Porter, 1990)

More and more organizations are turning to customer-driven culture. “Only those with that kind of commitment to listen and serve can consistently produce delighted customers. And only by delighting customers can you produce robust and growing profits decade after decade”, (Ishikawa, 1988).

Whiteley (1991) laid the steps to create a customer-driven company into just 7 steps, and tells how to make that behavior and those actions part of the culture of a company or work group. He also used a study ‘The Customer Focus Executive Assessment’ conducted in 1989 by the “Forum Corporation” to identify a customer-driven company. The assessment demonstrated that 40 characteristics of corporations are highly correlated with success in meeting customers needs. A technique called factor analysis showed that the characteristics break into seven factors: the characteristics in each of the factors are correlated with one another, meaning that

organizations having one of the characteristics in each factor are more than likely to have the others. The characteristics are:

- 1) Vision, commitment and climate;
- 2) Aligning to customers;
- 3) Readiness to find and eliminate customers problems;
- 4) Using and communicating customer information;
- 5) Reaching out for customers;
- 6) Competence, capability and empowerment of people; and
- 7) Continuously improving process and products.

Cannie and Caplin (1991) suggested adopting the customer-driven orientation to achieve customer for life. In doing so, he outlined 5 dimensions as the key components or characteristics of a customer-driven service. They are:

- 1) Customer orientation;
- 2) Management climate;
- 3) Cooperation/ integration;
- 4) Attitude and skills; and
- 5) Costs/ prevention/ results.

They developed a commitment survey questionnaire consisting of 28 questions related to the above dimensions to assess a company's commitment level to customer-driven. The questions are rated using a 5- point Likert Scale score (1- never, 2- rarely, 3- sometimes, 4- usually, and 5- always).

2.2 Management Style

Likert (1961) and his research team at the University of Michigan identified four main style or system of management in organization. The four types of management styles are:

- 1) Autocratic: decisions are made at the top management level. People do as they are told. It is used in the military type of organization. Fear management motivates people;
- 2) Benevolent: leader has confidence and trust in subordinates. They impose decision making activity to their subordinates but never delegates. They are motivated by rewards. Leaders involve subordinates in problem solving, and seek feedback from subordinates and use them to direct organizational activities;
- 3) Consultative: leader has incomplete confidence and trust in subordinates. They listen to subordinates but controls decision-making. Reward and some involvement motivates subordinates; and
- 4) Participative: leader has complete confidence and trust in subordinates. Work and responsibility is delegated. Decision making involves all level. Reward motivates people.

Likert's (1961) research also shows that effective managers are those who adopt type 3 and 4 management styles.

In the Malaysian context, a few studies have been conducted on managerial styles. Everett, Krishnan and Stening (1984) compared Japanese and Malaysian managers. They found that Japanese managers are characterized by values such as honesty, polite, logical, decisive, patient and flexible. Malaysian managers are found to possess some of those values.

In 1993, Zulaiha used the Myers-Briggs Type Indicator to identify the managerial styles of 800 managers of 17 public and private organizations in Malaysia. She found that 69 percent of them are traditionalists, 21 percent visionaries, 6 percent trouble-shooters and 4 percent catalysts.

In 1994, Kang and Saiyadain compared Malaysian and Taiwanese managers. He examined five aspects of management styles, which are:

- i) decision making – the degree to which subordinates are involved in the decision making process
- ii) delegation – the degree to which responsibility and authority are handed over to subordinates
- iii) communication – the use of two-way versus one-way communication.
- iv) leadership – authoritarian leadership style versus participative leadership style.
- v) Flexibility – whether the manager is flexible or rigid in his management style.

They found that there are no significant difference between the Taiwanese and Malaysian managers.

For their study, they developed between 30 to 40 statements to test the five aspects of leadership styles. They were measured on a 6-point Likert scale (1- strongly disagree, 2- disagree, 3- slightly disagree, 4- slightly agree, 5- agree, and 6- strongly agree).

2.3 Culture and Management Style Relationship

Organizational culture is often defined in terms of shared meanings – patterns of beliefs, rituals, symbols, and myths that evolve over time, serving to reduce human variability and control and shape employee behavior in organizations (Peters and Waterman, 1982; Wilkins and Ouchi, 1983; Lorsch, 1986; Weick, 1987; Denison, 1990). The development of organizational culture is a natural sociodynamic process which occurs regardless of the intent of executive management, although it may be influenced by management (Schein, 1985). While organizations may develop a relatively homogeneous culture (Peters and Waterman, 1982), unique and divergent sub-cultures may evolve for separate departments or sub-groups within the organization (Gregory, 1983). Barkdoll, (1998) explored the relationship between individual personality and culture. He explored whether individuals do attempt to

(and sometimes manage to shape the culture of their organization to fit their personal preferences. He found evidence that demonstrates that the leaders of organizations have shaped cultures as they set about to reshape the culture of their organizations. The power of the culture to change the leaders and vice versa depends on: 1. The extent of congruency between the values and norms of the organization and the leaders (small changes are easier than big ones), 2. The breadth, depth and uniformity of the organization's cultural norms and values, 3. The size of the organization, 4. The skill, determinations and tenure of the leaders, and 5. The recognized urgency for the organization, or the leaders to change in order to thrive or survive

2.4 Organizational Buying

Bunn (1994) studied the underlying numerous activities in which buyers engage: procedural control, proactive focussing, use of analysis techniques, and search for information. He found that many organizational buying activities are performed sequentially, simultaneously and even overlap one another.

Ronchetto, Hutt, and Reingen (1989) in their study "Embedded influence patterns in organizational buying systems", applied a structural perspective to the study of influence. They assert that organizational actors derive influence from the position they occupy within the buying system. An analysis of a 171 member organizational network demonstrates that individual influence in organizational buying is derived from properties of both the formal and informal structures.

Kohli (1989) in his study on "Determinants of influence in organizational buying: A contingency approach", investigates the factors that affect an individual's influence in a buying center. A field investigation of 251 organizational purchase decisions suggests that expert power is the most important influence determinant,

followed by reinforcement power. He also found that the effectiveness of individual power bases is found to vary with buying center size, viscosity, time pressure, and the strength of accompanying influence attempts.

2.5 Customer Service and Service Delivery System

LaLonde and Zinszer (1976), made the first attempt to explore customer service in a broader context. He expanded the concept beyond the strictly order-cycle-related components. They defined customer service as “those activities that occur at the interface between the customer and the corporation which embrace or facilitate the sale and use of the corporation’s products or services”. They divided customer service into the following sequence:

- 1) Pre-transaction,
- 2) Transaction, and
- 3) Post-transaction.

Rakowski (1982) broadened this further by subdividing customer-service activities into five phases: pre-contact, personal contact, pre-delivery, delivery and post delivery.

Service delivery is concerned with where, when, and how the service product is delivered to the customer. It embraces not only the visible elements of the service operating system – physical support and personnel – but also exposure to other customers. Traditionally, service providers had direct interactions with their customers. But for reasons of operational efficiency and customer convenience, many services that do not require the customer’s physical presence now seek to reduce direct contact, (Lovelock, 1998). A study by Marr and Prendergast (1991), examined the diffusion of ATM technology among New Zealand retail bank customers. They found that while ATMs had reached the maturity stage of the

technology lifecycle, usage rates fell short of their potential. They found that the main reason for consumers not using the ATM was their preference for dealing with another human being.

2.6 User Satisfaction

Services are intangible, inseparable and multi-faceted, therefore it may be harder to evaluate the quality of a service. Gronroos (1990) calls the process of service delivery as functional quality and the output of the service as technical quality. Gronroos and other researchers suggest that the perceived quality of a service will be the result of an evaluation process in which users compare their perceptions of service delivery and its outcome against what they expected.

Christopher (1979, 1983) in his research, determined the customer service elements which includes:

- 1) stock availability,
- 2) orders filled completely,
- 3) convenience of placing order,
- 4) customer query handling, and
- 5) returns and warranties.

The most extensive research done was by Zeithaml, Parasuraman, and Berry (1990). They identified ten criteria (attributes) used by consumers in evaluating service quality (Table repair, and maintenance, credit cards and long distance phone calls). They found a high degree of correlation between several of these variables, and consolidated the original ten dimensions of perceptions of service quality into five broad dimensions:

- 1) tangibles,
- 2) reliability,

- 3) responsiveness,
- 4) assurance, and
- 5) empathy.

They also developed a survey research questionnaire called SERVQUAL to measure and model perceived quality. The questionnaire contains 21 expectation and matching perception items reflecting the five service quality dimensions above. It is rated on a 7-point scale ranging from 7-strongly agree, to 1- strongly disagree. When performance ratings are lower than expectations, this is an indication of poor quality, and the reverse indicates a good quality service.

Chapter 3

THEORETICAL FRAMEWORK AND RESEARCH METHODOLOGY

3.0 Introduction

This chapter is divided into theoretical framework, hypotheses and research method, which are further divided into the variables and measures. Research methodology covers the type of study, study setting, time horizon, unit of analysis, population and sample, sampling design, questionnaire, and data analysis method.

3.1 The Research Model

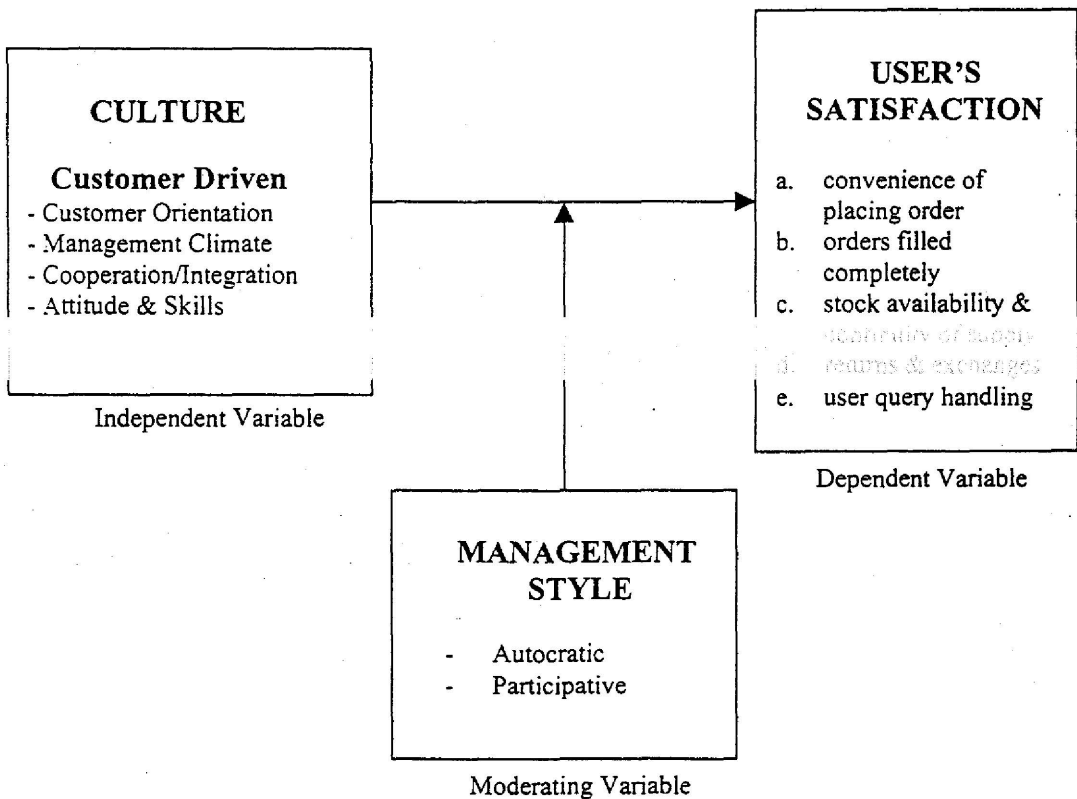


Figure 3.1: Research Model

This study proposes the model as shown in Figure 3.1 as the theoretical framework. The research model represents the relationships that are suggested in the study, i.e. the relationship between organizational culture variables, management

style variables and user satisfaction level variables. The independent variable of interest is organizational culture, which is “customer driven”. Management styles are the moderating variables. The dependent variable is user’s satisfaction level.

The research model was based and realized by putting together the research on customer driven culture by Cannie and Caplin (1991), management styles by Kang and Saiyadain (1994), and user satisfaction by Zeithaml, Parasuraman and Berry (1990). Since this study focuses on position of individuals and how it influences buying centers with management styles of top management as the moderating variables, only leadership aspects of management styles i.e. autocratic and participative will be studied.

3.2 The Hypotheses

From the theoretical model discussed and the objectives of this study, the following hypotheses will be tested:

- Hypothesis 1: Customer driven culture is positively correlated with user’s satisfaction.
- Hypothesis 2: Conducive organizational culture with high autocratic management style leads to lesser user satisfaction.
- Hypothesis 3: Conducive organizational culture with high participative management style leads to higher user satisfaction.

3.3 Variables and Measures

3.3.1 Organizational Culture

For organizational culture – customer driven, Cannie and Caplin (1991) designed a customer commitment survey. They evaluated organization’s culture on the key factors in customer driven service based on 5 dimensions:

1. customer orientation;
2. management climate;
3. cooperation/integration;
4. attitude and skills; and
5. costs/prevention/results.

For each of the dimensions, the respondents were asked to provide ratings on a five-point scale (1 – never, 2 – rarely, 3 – sometimes, 4 – usually, and 5 – always), on each of the questions designed for the above mentioned dimensions.

For the purpose of this study, the commitment survey design was adopted with some modifications. Only four dimensions are used – customer orientation, management climate, cooperation/integration, and attitude and skills. The fifth dimension – costs/prevention/results were left out because they are not applicable and not relevant to respondents. For every dimension, five questions were selected from the original questionnaires and adopted, and rated by using the same 5- point scale. These dimensions were used because they have been tested and proven to be able to test for customer driven culture. The culture measured in this study is the perceived culture.

3.3.2 *Management Styles*

In their study, Kang and Saiyadain (1994) developed 30 to 40 statements for each of the 5 aspects of managerial styles – decision making, delegation, communication, leadership, and flexibility. These are measured on a 6- point scale (6- strongly agree, 5- agree, 4- slightly agree, 3- slightly disagree, 2- disagree, and 1- strongly disagree).

The 10-item questionnaires used in this study were modifications from the study of Kang and Saiyadain (1994). The questionnaires attempt to measure the managerial styles of managers on the leadership aspect – autocratic or participative. They are measured by using 5 statements to each aspect rated on a 5-point scale (5- strongly agree, 4- agree, 3- neutral, 2- disagree, and 1- strongly disagree). These tests are suitable for testing the management style required, because it has been tested and proven. The management styles measured here are the perceived management style.

3.3.3 User's Satisfaction

The measure of service quality can be obtained by applying the servqual instrument developed by Ziethaml, Parasuraman and Berry, (1990). Their questionnaires are based on 22-items with a 7-point scale ranging from strongly disagree to strongly agree. It was designed such that it can be applicable across a broad spectrum of services. The servqual instrument may be used individually or may be averaged across the 22 pairs of items to obtain an overall service quality score. The five dimensions of the servqual instrument that they used are tangibles, reliability, responsiveness, assurance, and empathy.

The Conceptual Model of Service Quality (Appendix A) identifies five gaps that cause unsuccessful service delivery. Gaps 1 to gap 4 are within the organization of the marketer whereas gap 5 is external and focuses on the user.

For the purpose of this study, the servqual questionnaire is used. This is because it is the best method to measure satisfaction and had been tested and proven. However, a modification to the original servqual questionnaires is essential in order to make it applicable and relevant to the objectives of the study. The items in the questionnaire needs to take into account the service factors that influences the