
Customer relationship management and the impact of corporate culture — A European study

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Abstract Customer relationship management (CRM) has been in use for about ten years. After the post-2001 economic downturn, CRM attracted less interest in many organisations, as many benefits did not materialise. Cost-cutting strategies prevailed, despite many firms facing problems of decreasing loyalty and declining shares-of-wallet in an increasingly competitive environment. Cultural aspects emerged as important in determining success or failure in CRM implementation. This paper explores the connection between CRM implementation and culture. The model of 'CRM culture building elements' presented here shows the tight connection between customer orientation and learning and the relationship between organisational climate and the respective occupational sub-cultures.

INTRODUCTION

The high failure rates reported in customer relationship management (CRM) projects pose questions about how CRM projects are managed and especially what cultural preconditions are required for implementing CRM successfully. 'Culture' in this context means 'corporate culture', and requires an understanding of social interactions between people, groups and/or organisational functions. Changing culture requires major changes to how people work.

This research investigates whether the right CRM culture needs to be in place prior to starting CRM projects or whether CRM packages, once they are implemented, inherently induce a suitable CRM culture over time. It also investigates the alignment between CRM project activities and organisational cultures and provides an organisational assessment to help identify where the organisation is positioned. A CRM culture model was developed from a literature review, with constituent elements validated for relevance via

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testing a set of hypotheses based on a conceptual framework. An online questionnaire was developed and the results analysed using statistical methods to assure proper results with clear findings.

The paper's main conclusions are these:

- Without an appropriate cultural foundation, CRM will not succeed.
- There is no 'best' route to CRM fortune, as is often claimed by the software vendors or hoped for by the IT departments.
- There is no such thing as a 'CRM culture', although it was found that the communal form of organisational culture yields the best fit.
- A holistic culture for CRM requires a sophisticated approach to integrating distinct sub-cultures; for example, a project organisation or the sales department.
- Nurturing a CRM culture is a continuous leadership task on all organisational levels.
- Empowerment and appropriate measurements are critically important — at all organisational levels.
- A CRM programme approach to implementing CRM is critical for success and for creating a CRM nucleus which will seed the requirements for successful CRM throughout the organisation. This requires openness and innovativeness.
- Relying on internal knowledge is not sufficient to make CRM work.
- All this applies irrespective of industry sector.

LITERATURE REVIEW

Customer relationship management

There are many definitions of CRM.¹⁻⁵ They extend the ideas of relationship

marketing expressed by Berry⁶ and extended by Bendapudi and Berry⁷ to a customer-centric focus by saying: 'The customer continues to be the centre of all conceptualisations of relationship marketing'. Thus, CRM is a holistic customer experience management strategy with internal and external customer-focused activities. In this context, CRM clearly needs to serve the purpose of value creation by managing the whole customer experience value chain that includes three stakeholder groups: employees, customers and shareholders.⁸ The service-profit chain (SPC) model (Figure 1) helps explicate this value creation process and forms a coherent model for understanding CRM and identifying the contributing activities of value creation. Thus the SPC represents horizontal, cross-function value creation processes rather than isolated perspectives within each function.

Crosby and Johnson¹⁰ support this by linking customer retention and employee retention, indicating the importance of employees in managing the relationship and the congruence of brand values and organisational behaviour, meaning a firm's culture.¹¹ The SPC is also defined by a special kind of leadership that involves senior management at every stage of the chain, ie in staff hiring, observation of day-to-day activities or emphasis on soft facts, not just numbers.¹²

Customer orientation as a prerequisite to CRM

Bartlett and Ghoshal¹³ suggest that companies should focus on horizontal processes rather than vertical structures and create an environment that asks employees to challenge conventional wisdom. Jaworski and Kohli¹⁴ underpin this with a behavioural definition of market orientation as: 'Organization-wide generation of market intelligence

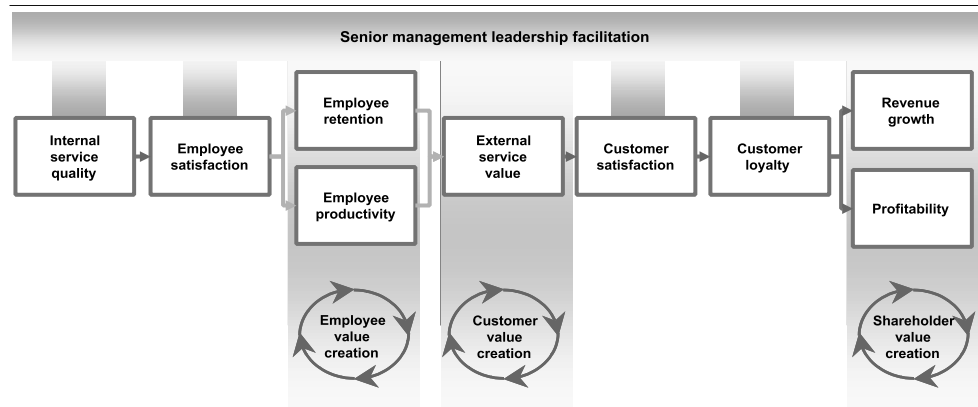


Figure 1: The service profit chain

Source: Adapted from Heskett *et al.* (1994).⁹

pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it'. Success in customer orientation depends on limiting interdepartmental conflicts, exploiting information dissemination across functions, decentralising governance structures, orchestrating inter-functional resources and, critically, rewarding management on market-based factors' eg customer satisfaction. Slater and Narver¹⁵ showed that market orientation is a learning orientation, the main cultural foundation of a learning organisation.

Organisational learning and CRM

Continuous improvement in how organisational value is created is an important part of an organisation's business strategy to realise the benefits of CRM: 'The rate at which organizations learn may become the only sustainable source of competitive advantage'.^{16,17} Argyris understands organisational learning to be the 'process of detection and correction of errors'.¹⁸ If the underlying policies stay unchanged, this is called single-loop learning (adaptive learning) to react in the short term (coping). In double- and triple-loop learning (generative learning), by

contrast, organisations' goals, norms, assumptions and behaviours are open to change (developing/creating).

Some leading firms aim to meet customers' 'latent needs' (what customers might value but have never experienced or think to ask for). From a CRM perspective this is about establishing a different learning relationship with each customer depending on what was learned about that particular customer throughout the organisational functions.¹⁹ Managing this generative learning process successfully is a key loyalty driver²⁰ that requires new ways of looking at the world.²¹ It also opens a huge window of opportunity as 'most customers do not know what they want, how they want it or what is possible to create.' (Ciccantelli and Magidson (1993) in reference 22).

Schein, who sees learning in the context of cultural change,²³ says that organisations cannot learn anything new if leaders do not — especially when basic assumptions and shared beliefs need to be given up. To manage the tensions arising in situations where a parallel learning system is used to learn and test new assumptions while others are discarded, requires convincing leaders. Hawkins (1994, in: Torrington and Hall)²⁴ suggests that, 'learning to become more efficient ... does not necessarily make one more

effective.' This is very important in CRM, as it could cause a trade off between organisational objectives, the management of the value creating elements and their measurements, eg how customers might be managed more effectively so that staff can manage more customers with even higher satisfaction rates.

Organisational culture

The meaning of culture

Are cultural models adequate? Hofstede²⁵ suggested why models are useful in the context of community interaction: 'Social systems can only exist because human behaviour is not random, but to some extent predictable.' Schein's conceptual work was influential in describing how cultures develop.²⁶⁻²⁸ Deshpande and Webster²⁹ and Deshpande and Farley^{30,31} examined the impact of corporate culture and market orientation in the context of corporate marketing concepts. Goffee and Jones' model^{32,33} is based on the idea of an organisation as a community. The meaning of 'culture' and its definition vary. 'Culture', to Hofstede³⁴ is: 'The collective programming of the mind which distinguishes the members of one group or category of people from another'. He concludes that: 'one reason why so many solutions do not work or can not be implemented is because differences in thinking among the partners have been ignored'. Culture is learned, not inherited. To describe how cultural differences manifest themselves he uses four terms: symbols, heroes, rituals and values.

He distinguishes values as being 'desirable and desired' — ie how people think the world ought to be versus what people want for themselves. This is different to the value definition of Schein.³⁵ Here, values govern behaviour and, in the case of successful problem

solving the value is transformed into the underlying assumption about how things really are (and not how people think it should be). As the underlying assumptions are taken for granted over time, they drop out of peoples' awareness.

Schein³⁶⁻³⁸ now defines culture 'as the set of shared, taken-for-granted implicit assumptions that a group holds and that determines how it perceives, thinks about, and reacts to its various environments'. He also states that 'culture is the way in which a group of people solves problems and reconciles dilemmas'. He restricts culture to organisations with groups that have been together long enough to have shared significant problems, had the opportunity to solve these and incorporated new members adding:

Norms become a fairly visible manifestation of these assumptions, but it is important to remember that behind the norms lies this deeper taken-for-granted set of assumptions that most members of a culture never question or examine. The members of a culture are not even aware of their own culture until they encounter a different one.

With this, cultural strength is an expression of homogeneity and stability of group membership and the length and intensity of the group experiences. Hofstede³⁹ defined a strong culture as a homogenous one if all survey respondents gave roughly the same answers to the key questions used in his study. Strong cultures are not necessarily desirable, as they may not correlate with effectiveness (economic success). Older, more diversified organisations may show multiple (occupational) cultures that conflict with each other. So, an organisation consists of many corporate (occupational) sub-cultures.⁴⁰ Schein^{41,42} identified that organisational integration, coordination and learning is hindered mostly by variations in hierarchical subcultures, assuming all managers speak

the same language. For him, organisational learning is impossible unless some learning first takes place in the executive subculture, but communication across (sub-)cultural boundaries needs periodic dialogue.

Culture, subcultures and customer orientation

Deshpande and Webster,⁴³ Schein^{44,45} and Deal and Kennedy⁴⁶ see organisational culture as a characteristic of a group rather than of the total organisation; ie organisational culture is essentially a group-based phenomenon describing a system of meanings and 'learned ways of coping with experience'. Deshpande and Farley⁴⁷ propose looking at the business unit or even departmental level to observe this phenomenon. For them, an organisation has multiple cultures that are not simply subcultures in different departments (eg sales, marketing or service) or hierarchies, but are also national or industry or occupational cultures that reach across the whole organisation (eg a project management culture).

Customer orientation is a type of organisational culture that is an important foundation of a learning organisation. It is not only a set of processes and activities.⁴⁸ If culture is 'the pattern of shared values and beliefs that help individuals to understand organizational functioning and thus prove the norms for behaviour in the organization',⁴⁹ then customer orientation must be part of the organisations' implicit assumptions that give each individual in the organisation the norms for their behaviour. Deshpande's and Webster's suggestions⁵⁰ for analysing innovativeness or team-related activities are closely related to the socialisation and solidarity dimensions of Goffee and Jones' model.^{51,52} These values describe some

core elements of cultural values, ie how humans relate to each other. They include mutual trust, flexibility in adopting new behaviours, tolerance for risk taking and proactive behaviour, empowerment of individuals and resistance to bureaucracy. An important aspect of interpreting an organisation's culture is by the articulation of customers' perceptions of an organisation's brand values. Rust *et al.* describe brand values as the customer's perception of 'brand ethics'.⁵³ Schein describes only the visible artefacts but not the underlying values.⁵⁴ This is dangerous as long as the artefacts do not sufficiently reflect the values that guide behaviour. Thus, the brand experience delivered must be developed from the learned shared values and shared taken-for-granted beliefs of everyone in the organisation.

Project culture — An occupational subculture

A project culture describes the values that an organisation as a whole must hold to, to manage internal or external projects, rather than the capabilities an individual must possess to perform project management techniques successfully. Such organisations are project-based; project-based organisations, (PBOs) are those 'in which the majority of products made or services supplied are against bespoke design for customers' — they depend on their ability to learn through experience on the job.⁵⁵ In terms of a learning organisation, failures are part of the learning experience.⁵⁶ Gareis and Huemann⁵⁷ define the set of project management related values and norms as:

- a) empowerment of employees;
- b) process orientation;
- c) team work;

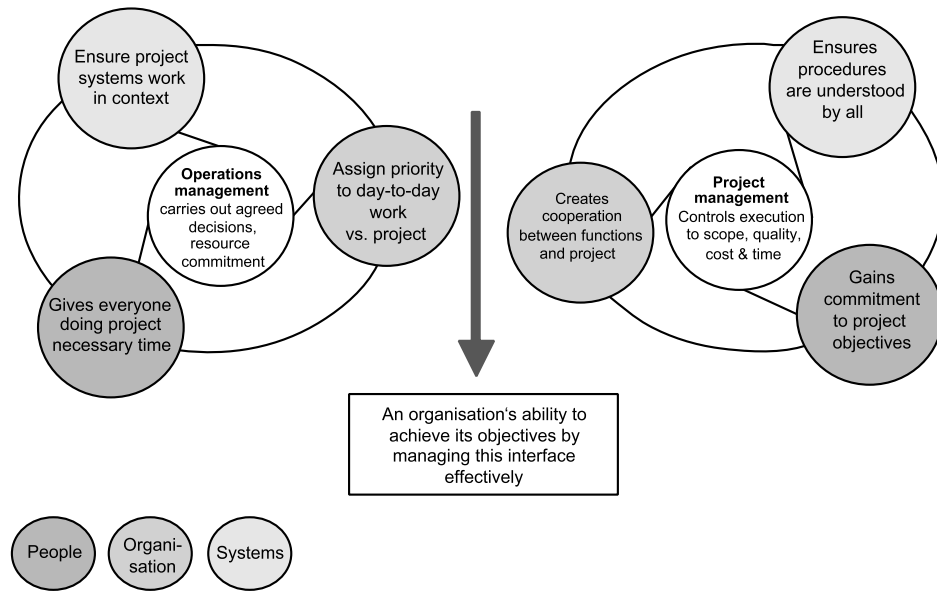


Figure 2: Managing development objectives through projects

Source: Adapted from Turner (1999),⁵⁸

- d) continuous organisational change;
- e) customer orientation; and
- f) networking with clients and suppliers.

The tensions between project functions and organisation can be managed through the:

- Organisation — describes the management style appropriate ‘as process management to overcome the problems of task hierarchy in the projects and the functional hierarchy’. Senior management must assure that both are working towards the same corporate objectives.
- Systems — defining clear corporate strategy through cascading objectives through the hierarchy from the top down. Senior management delegates decision making and monitors the achievement of objectives. The corporate strategy defines an individual’s development, not the functions.
- People — the strategy and retained functional hierarchy may provide the

focus for developing culture and identity.

This is illustrated in Figure 2.

Murray-Webster and Thiry⁵⁹ therefore suggest a project programme-type approach to capture the different functional objectives and to overcome the restrictions of a ‘pure’ PBO. These, typically, are: the lack of a functional home; difficulties in returning to the line-of-business after completion of work; or the difficulties in facilitating learning on an individual level.

Organisational culture and climate

The terms ‘culture’ and ‘climate’ are often wrongly used synonymously and interchangeably.⁶⁰ Culture as presented in the latter sections differs from climate by its invisible or intangible character (Table 1). Climate is more tangible and can be observed in the day-to-day activities (Table 2). Deshpande and Webster state ‘climate refers to ... the routines of organizations and the

Table 1: Organisational shared values

Shared values	CRM literature	Culture literature	Definition
Customer orientation	<ul style="list-style-type: none"> • Bartlett & Ghoshal⁶³ • Narver <i>et al.</i>⁶⁴ • Reichheld⁶⁵ 	<ul style="list-style-type: none"> • Deshpande & Webster⁷⁵ • Slater & Narver⁷⁹ 	<ul style="list-style-type: none"> • The customer at the centre of all activities to build a long-term relationship
Learning orientation	<ul style="list-style-type: none"> • Leverick <i>et al.</i>⁶⁶ • Woodcock <i>et al.</i>⁶⁷ • Angel⁶⁸ 	<ul style="list-style-type: none"> • Argyris⁸⁰ • Deshpande & Webster⁸¹ • Senge⁸² 	<ul style="list-style-type: none"> • The companies' ability to internalise learned behaviour and leverage it throughout the organisation
Project culture norms	<ul style="list-style-type: none"> • Kotter⁶⁹ • Turner & Keegan⁷⁰ • Gareis & Huemann⁷¹ • Woodcock <i>et al.</i>⁷² 	<ul style="list-style-type: none"> • Schein⁸³ • Senge⁸⁴ • Handy⁸⁵ 	<ul style="list-style-type: none"> • Dedicated project culture that facilitates cross-functional collaboration
Community behaviour norms	<ul style="list-style-type: none"> • Jaworski & Kohli⁷³ • Davenport⁷⁴ • Kotter^{75,76} • Marchand⁷⁷ • Others 	<ul style="list-style-type: none"> • Goffee & Jones⁸⁶ 	<ul style="list-style-type: none"> • Classification of culture types

Table 2: Organisational climate factors

Climate factors	CRM literature	Climate/culture literature	Definition
CRM related measurements and rewards	<ul style="list-style-type: none"> • Jaworski & Kohli⁸⁷ • Kotler⁸⁸ • Woodcock <i>et al.</i>⁸⁹ 	<ul style="list-style-type: none"> • Deshpande & Webster⁹⁴ 	<ul style="list-style-type: none"> • Rewarding customer-oriented behaviour like friendliness, quality of services or customer satisfaction • KPI measurements
Leadership	<ul style="list-style-type: none"> • Kotter^{90,91} 	<ul style="list-style-type: none"> • Blake & Adams-McCanse⁹⁵ • Slater & Narver⁹⁶ • Murray-Webster & Thiry⁹⁷ • Higgs & McGuire⁹⁸ 	<ul style="list-style-type: none"> • Shaping corporate culture and lead staff during change • Project leaders to integrate cross-functional objectives • Emotional intelligence
Empowerment	<ul style="list-style-type: none"> • Peppers <i>et al.</i>⁹² • Henning-Thurau⁹³ 	<ul style="list-style-type: none"> • Deshpande & Webster⁹⁹ • Murray-Webster & Thiry¹⁰⁰ 	<ul style="list-style-type: none"> • Training to users • Force user to work with the system • Mainly project-related senior management support • Empowered people to resolve customer complaints and conflicts

KPI, Key performance indicator.

behaviours that get rewarded, supported and expected by organizations'.⁶¹ Denison says 'climate is temporal, subjective and often subject to direct manipulation by people with power and influence'.⁶²

Leadership and change

CRM projects are a transformational change effort (Burke in: reference 101),

and there is much literature describing transformational change leadership competencies. Emotional intelligence (EI) is becoming more significant in this context. Higgs and Rowland have shown the relationship between change leadership competencies and EI.¹⁰² Higgs and McGuire then proved the relationship between EI and culture, especially with the Goffee and Jones

High	<i>Networked</i>		<i>Communal</i>	
	Positive	Negative	Positive	Negative
Sociability	<ul style="list-style-type: none"> • Friendly & supportive • High level of trust • Flexible • Informal 	<ul style="list-style-type: none"> • Hidden agendas • Little cooperation across functions • Highly political • Risk avoidance 	<ul style="list-style-type: none"> • Correspondence between goals and behaviour • Knowledge sharing • Strong teamwork • Loyalty to organisation • Prevents a 'blame culture' 	<ul style="list-style-type: none"> • Relying on strong leaders • Sub-cultures undermine organisational goals • Tolerance of under-performance • Inflexible to respond to external threats
	<i>Fragmented</i>		<i>Mercenary</i>	
Low	Positive	Negative	Positive	Negative
	<ul style="list-style-type: none"> • Supports individual creativity & innovation • Flexible to organise work resources, scope and pace 	<ul style="list-style-type: none"> • Highly isolated individuals & groups • No knowledge sharing • Very role oriented • Poor inter-functional communication 	<ul style="list-style-type: none"> • Result oriented • Responsive • Conflicts made explicit • Strong Sr. leadership 	<ul style="list-style-type: none"> • Role oriented • Little cooperation • Little loyalty to organisation • Intolerance of poor performance
	Low		High	
	Solidarity			

Figure 3: The Goffee and Jones culture model

model.¹⁰³ With Goleman’s definition of EI as: ‘the capacity for recognising our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships,’ and Steiner and Perry’s as: ‘the ability to understand your emotions, ability to listen to others and empathize with their emotions, and the ability to express emotions productively’ (see Higgs and McGuire¹⁰⁴), there are good reasons to use EI categories for describing transformational, and thus CRM-relevant, leadership characteristics.

Leadership and project culture

The type of leadership skills in a PBO now depends on the role and situation of the (project) leader. While a project manager facilitates a directive role (transaction or outcome oriented), a programme manager facilitates an

enabling role (supporting or integrative oriented). Thus the characteristics in a programme-managed environment are described by Murray-Webster and Thiry¹⁰⁵ as being:

- encouraged for free flow of information across projects
- open for sharing issues and risks
- well defined in terms of change control, conflict escalation and resolution

The Blake and Adams-McCann leadership grid characterises this as team management, showing a high concern for people as well as for results.¹⁰⁶

The Goffee and Jones model

The present authors prefer the Goffee and Jones model (Figure 3), which identifies cultural characteristics as dimensions of sociability and solidarity and describes culture in terms of

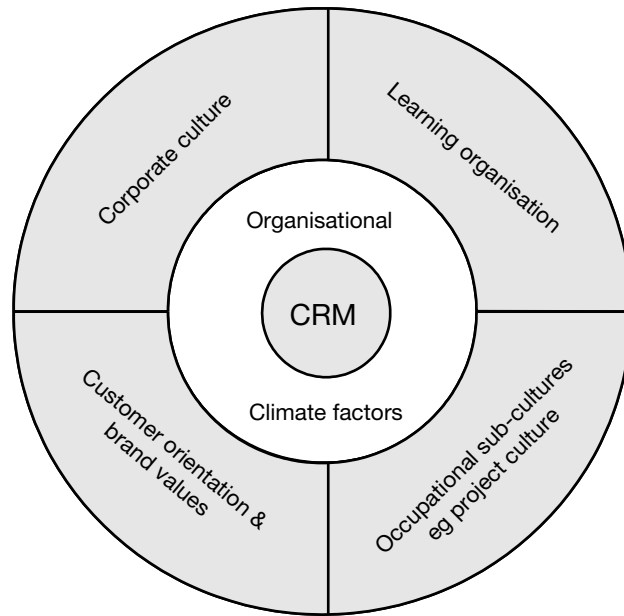


Figure 4: CRM culture building elements

communities and how people relate to each other.^{107,108} Within this model, the two dimensions of sociability and solidarity manifest four culture types, each of which may affect business performance positively or negatively.

Sociability describes the emotional relations between individuals or groups. High sociability can be the glue that holds anything together, but may be too sticky (strong sub-cultures) for true innovations. Solidarity, meanwhile, is based on the interests of individuals pursuing shared goals with an emphasis on ‘what is in it for me?’ Role behaviour is important and desirable.

THE PROPOSED CRM CULTURE MODEL

The literature review shows a strong emphasis on the specific preconditions — eg customer orientation and learning orientation — that are needed as foundations for CRM. As relationship management is at the core of CRM, an organisation’s internal set of values

quickly becomes tangible to its external customers. So, it is critical to assure congruence between values and how they are ‘lived’ by the organisation’s members. Also, the way CRM projects are internally managed is closely related to the overall cultural preconditions of the organisation. Typically, an organisation consists of a set of sub-cultures rather than one general corporate culture, so there is unlikely to be one best corporate culture that meets the requirements for CRM. From this, the above model has been derived showing the key elements of a CRM culture (Figure 4).

RESEARCH METHODOLOGY

The conceptual framework

To investigate the inter-relatedness of ‘the four CRM culture building elements’, the conceptual framework shown in Figure 5 is used for the research.

The following hypothesis will be tested:

H1–H8:
hypothesis to be tested

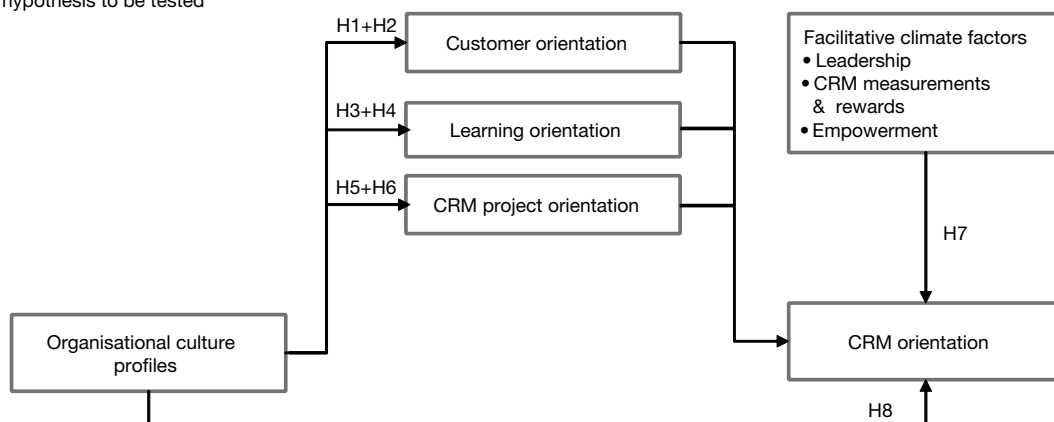


Figure 5: Conceptual framework for hypothesis testing

- Customer orientation
 - H1: The higher the solidarity index the higher the customer orientation
 - H2: In order for an organisation's CRM efforts to make it become or stay customer-oriented it should have mainly a network culture
- Learning orientation
 - H3: The higher the solidarity index the higher the learning orientation
 - H4: In order for an organisation's CRM efforts to make it become or stay as a learning organisation it should have mainly a network culture
- CRM Project orientation
 - H5: The higher the solidarity index the higher the CRM project orientation
 - H6: In order for an organisation's CRM efforts to develop or maintain a CRM project culture it should have mainly a mercenary occupational sub-culture
- CRM orientation
 - H7: The higher the solidarity index the higher the organisational climate factors
 - H8: In order for an organisation's CRM efforts to become or stay CRM oriented it should have mainly a communal culture

The sample design

Organisations were targeted only if they had already undertaken or were actually undertaking a CRM project. Selection criteria were:

- organisations with completed or ongoing CRM project(s)
- organisations from various industries to exclude industry specifics
- organisations that are or were involved in CRM projects with above companies as a consultancy
- organisations with proven business models, ie are long enough in operation

The individuals in each organisation were selected as a quasi-random sample, in so far as the distribution of the questionnaire was done by the primary contacts in the respective organisations. The aim was to:

- involve organisations in a broad variety of industries
- get access to different departments in each of the organisations
- cover a number of countries across Europe

The instrument aims to measure several

causal relationships relating to CRM and corporate culture. To limit the number of causal relationships for later evaluation, the questions are clustered into categories. Each cluster is given a range of marks according to the possible values the single questions carry. High values indicate a strong support for a statement, eg a high value in one category indicates that the organisation basically already has good pre-conditions regarding its CRM activities. To cover these causal relationships with the instrument required a broad set of 33 questions, grouped into 10 categories, was set.

The validity of the questionnaire had been proved¹⁰⁹ through interviewing a number of candidates to assure that:

- the instrument and its questions were plausible (logical flow, easy to understand, etc)
- there are no major problems with the length of the questionnaire and the time required to complete it
- it is possible to analyse the data received from the questionnaire

The 'SurveyPro' on-line questionnaire tool on SurveyPro.com was used to design the questionnaire, administer all further activities and to collect, store, observe progress and convert the results into an SPSS compatible format. The questionnaire was finally distributed to 118 candidates in ten European organisations with a response rate of about 55 per cent — higher than expected. According to Esterby-Smith *et al.* the error was calculated as 6.2 per cent.¹¹⁰

Analysis techniques used

For exceptions from symmetry, a mean comparison with a one-way analysis of variance (ANOVA) and linearity test is

used, since analysis of variance is robust to deviations from normality. There were non-linear relations in data, but analysis revealed that the non-linear components have much less impact than linear ones. For other cases, linear regression was used as far as possible. Correlations were calculated using Spearman's rho (see Table 3), which is a measure of association between rank orders.

Cross-tabulation techniques were used for subgroup analysis where data quality and quantity allowed. Reliability was tested using reliability analysis in SPSS to determine the extent to which the items in the questionnaire are related to each other and allow meaningful conclusions. The Cronbach Alpha score for the whole construct is calculated as 0.8929, showing good evidence that the questions are measuring the same underlying construct.

RESULTS

General observations

The overall results showed that participants claimed that their organisations are excellent in their CRM orientation but poor in CRM project orientation (Figure 6). They state that a communal culture prevails in the CRM area (Figure 7).

At the same time, negative aspects of the various culture styles are clearly seen. An unusually high score in 'value disciplines' shows that organisations must excel in more than two areas. There is a strong focus on operational excellence ('highly convenient services', 'reliable products at competitive prices'). Scoring product leadership ('excellent products that continuously exceed customers' expectations') higher than customer intimacy ('detailed customer knowledge', 'highly flexible in responding to customers' needs') may make one

Table 3: Correlation matrix*

Category variables	CRM															
	CRM orientation	CRM project orientation	Empowerment	Leadership	Sociability	Solidarity	Network negative	Network positive	Mercenary negative	Mercenary positive	Communal negative	Communal positive	Value disciplines	Customer orientation	Learning orientation	Climate factors
* CRM orientation	1,000															
* CRM project orientation		1,000														
* Empowerment			1,000													
* Leadership				1,000												
* Sociability					1,000											
* Solidarity						1,000										
** Network negative							1,000									
** Network positive								1,000								
iv Mercenary negative									1,000							
iv Mercenary positive										1,000						
+++ Communal negative											1,000					
+++ Communal positive												1,000				
+++ Value disciplines													1,000			
* Customer orientation														1,000		
* Learning orientation															1,000	
* Climate factors																1,000

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

+ N = 65

++ N = 33

+++ N = 16

iv N = 12

* Due to small sample size not all culture elements could be fully analysed, thus not all category variables are correlated — the correlations of the 'fragmented' culture type (N = 4) are missing.

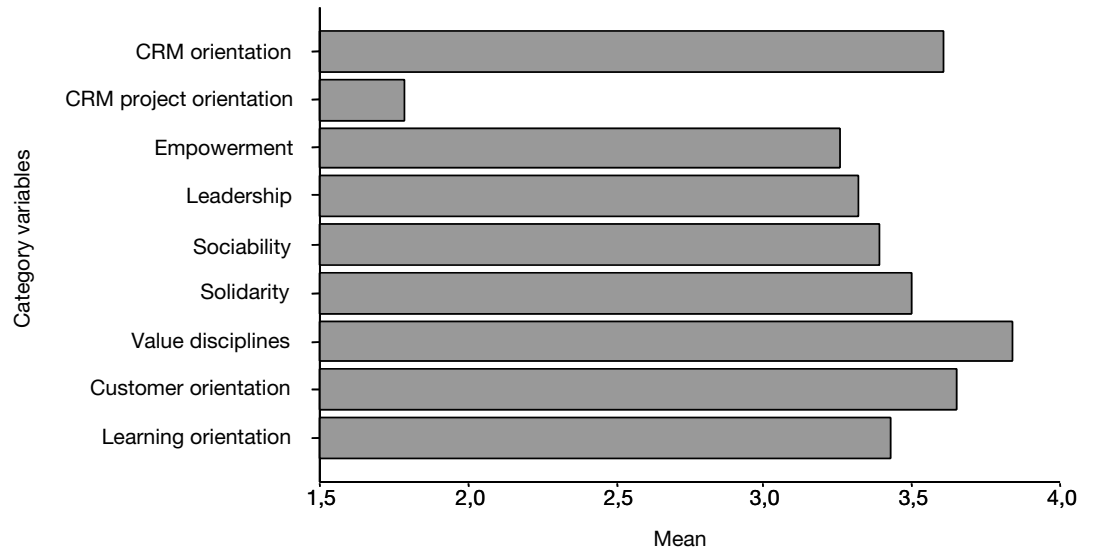


Figure 6: Survey scores for the question cluster

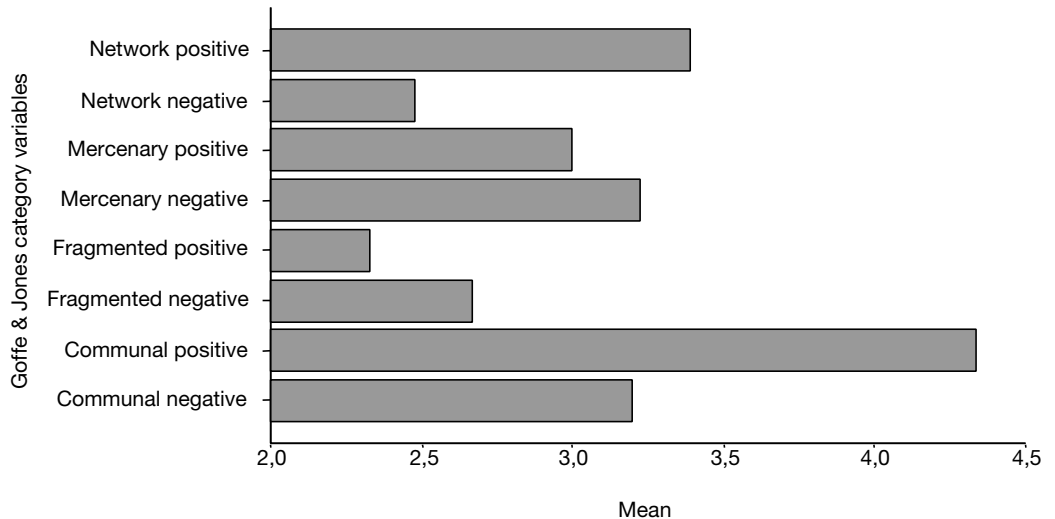


Figure 7: Survey scores for the Goffee and Jones culture dimensions

wonder how excellent products can be serviced without detailed knowledge of customers.

Customer orientation

The most striking finding from Figure 8 is that the higher the customer orientation, the more senior management is directly in contact with key clients and the less senior management thinks that happy customers come from happy

employees. One level below, the managers’ (‘others’) attitude is much more on sociability (very high scores) whereas project management is high on ‘solidarity’ and is thus closer to CEOs’ perception of customer orientation.

Learning orientation

A clear trend is obvious; if learning orientation is high, learning as such seems to be internalised in the organisation’s

28. How would you describe your company's behaviour concerning customer management (internally and externally) best ?

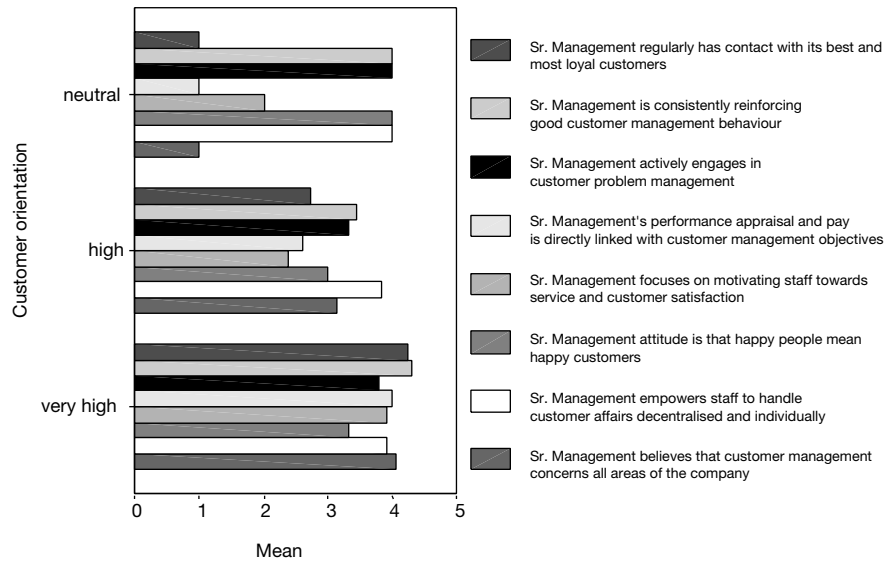


Figure 8: Judgement of senior management activities

29. How is your organisation's approach to learning ?

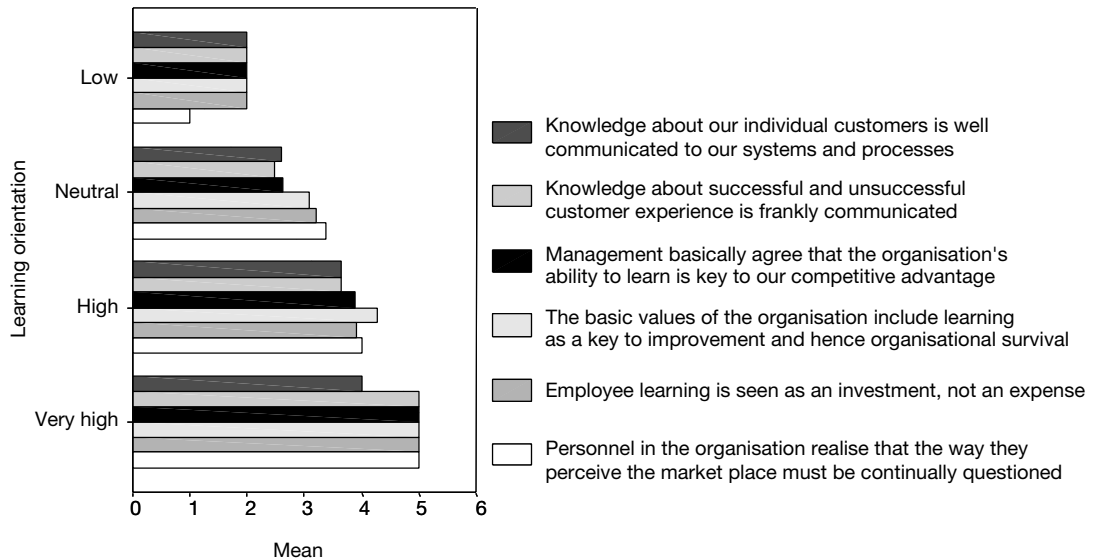


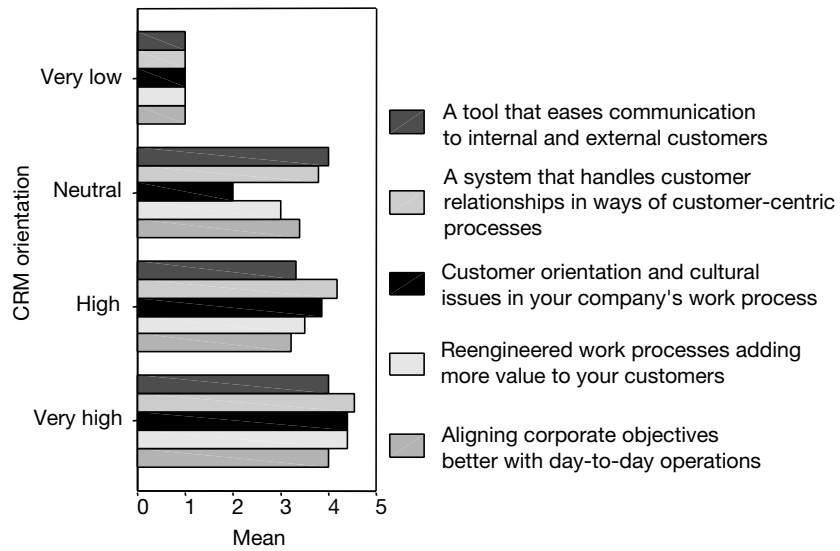
Figure 9: How learning is perceived in an organisation

core. Interestingly, the awareness of staff to questioning what they do weakens when learning orientation weakens, even if learning orientation is seen as high. A major issue seems to be that knowledge about customers is not well communicated (Figure 9).

CRM orientation

The higher the CRM orientation, the more CRM shifts from being a tool aiding communication and managing customer relationships to being a holistic strategy with cultural issues as a central driver, emphasising change rather than

7. In your terminology, which of these definitions describes CRM best ?



8. What are or were the reasons deciding for a CRM project ?

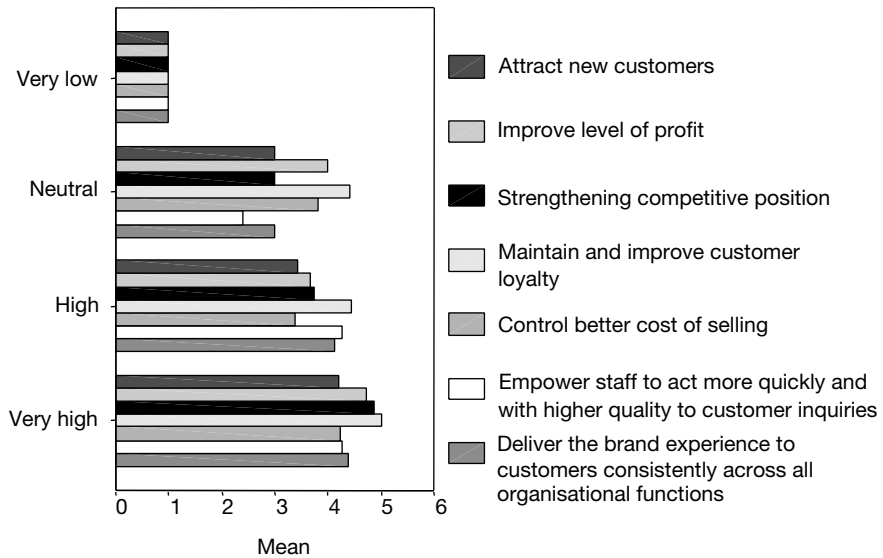


Figure 10: Perceptions of CRM

adapting old organisational behaviours (see top part of Figure 10). Interestingly, even highly CRM-focused companies decide for ‘classical’ reasons (loyalty, cost, competition) to undertake CRM projects. Empowering staff to deliver the brand experience to customers is still an

underestimated benefit. The contradiction lies with the wish to increase loyalty in a competitive world, but staff are not supported in the same way in delivering a consistent client experience across the whole organisation (bottom part of Figure 10).

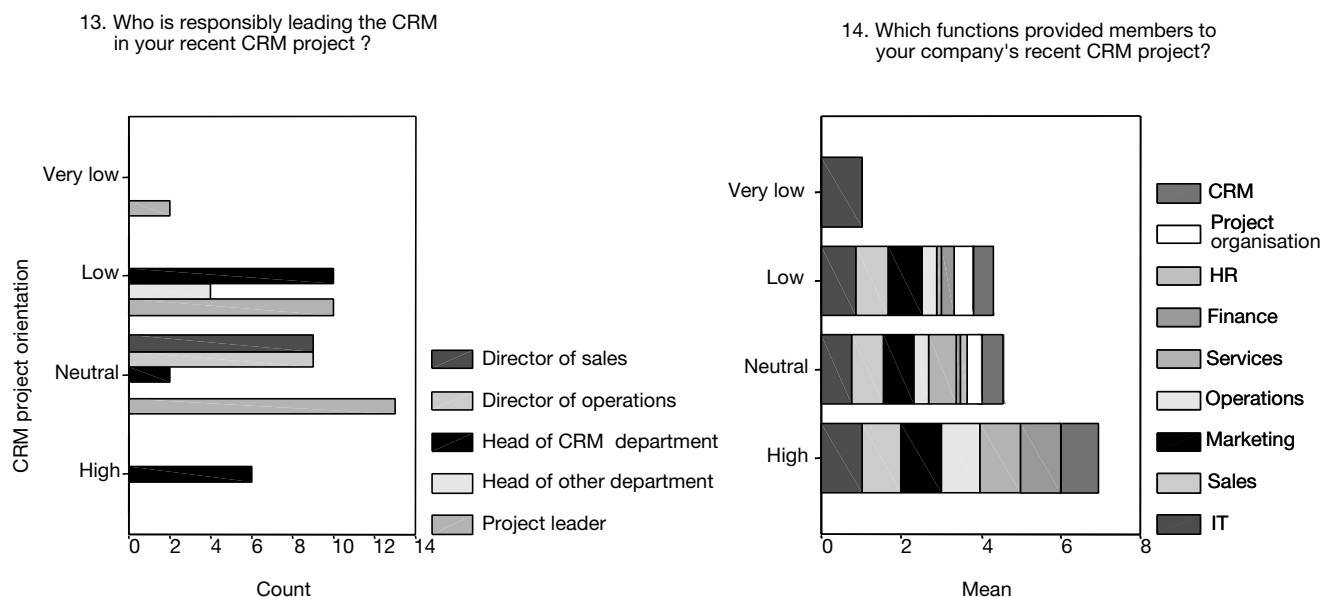


Figure 11: Contributors to CRM projects

Project orientation

Project management staff perceive learning very differently from those at the middle-management level ('others'). Managers emphasise sociability more, project staff emphasise solidarity more. If a high CRM project orientation is obvious, the head of the CRM department is leading the projects (see left side of Figure 11). Furthermore, representatives of all relevant organisational entities become part of these efforts (see right side of Figure 11).

The findings of the tested hypothesis reveal that a 'mercenary' type of culture is more appropriate for CRM project staff, which might be a reason for the weak CRM project orientation observed in Figure 6.

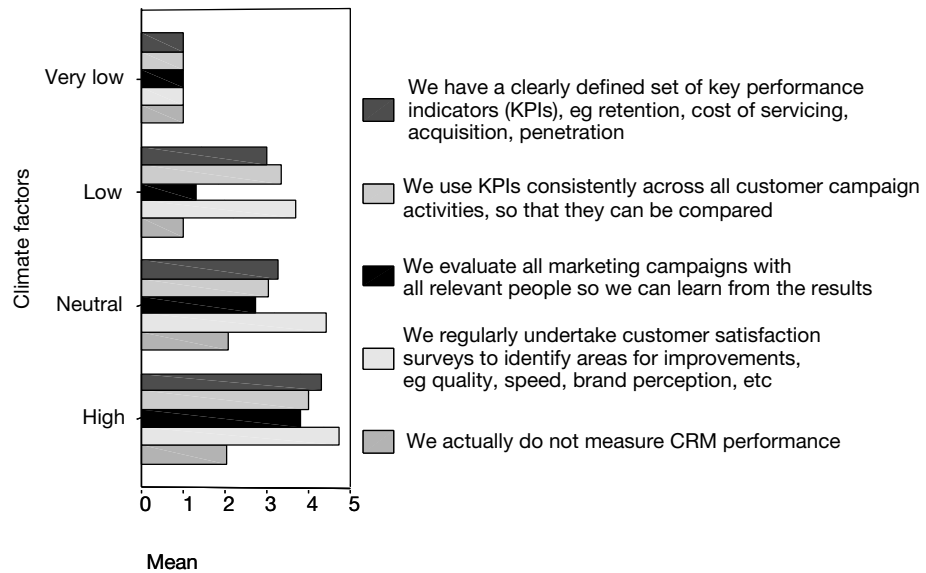
Climate factors

Even when climate factors score low (including neutral), companies claim to do regular customer satisfaction surveys and use key performance indicators (KPIs) consistently, but fail to measure the success of their activities (although

claiming to use KPI measurements). Learning from the past (eg campaigns) is only significant when climate factors score higher. This is shown by a lack of measuring 'soft behaviours' in employees rather than quantifiable performance. Even if companies claim to run employees' satisfaction surveys regularly, what do they do with these insights? Reducing diversity by employing only employees who fit best with an existing organisational culture is understandable, because management 'buys' reduced short-term management complexity; long-term health is damaged, however, (Figure 12 — top).

An interesting discovery is that the higher the climate factor scores, the more the efficiency focus is seen as beneficial. Efficiency positively challenges people to perform better (adequate organisational performance and balanced human needs), but only when people are committed. By contrast, for low scores here, efficiency is seen as negative because of unbalanced demand from the organisation and lack of attention to people (Figure 13 — top).

16. How do you measure your CRM performance ?



17. How are employees encouraged to contribute to CRM results ?

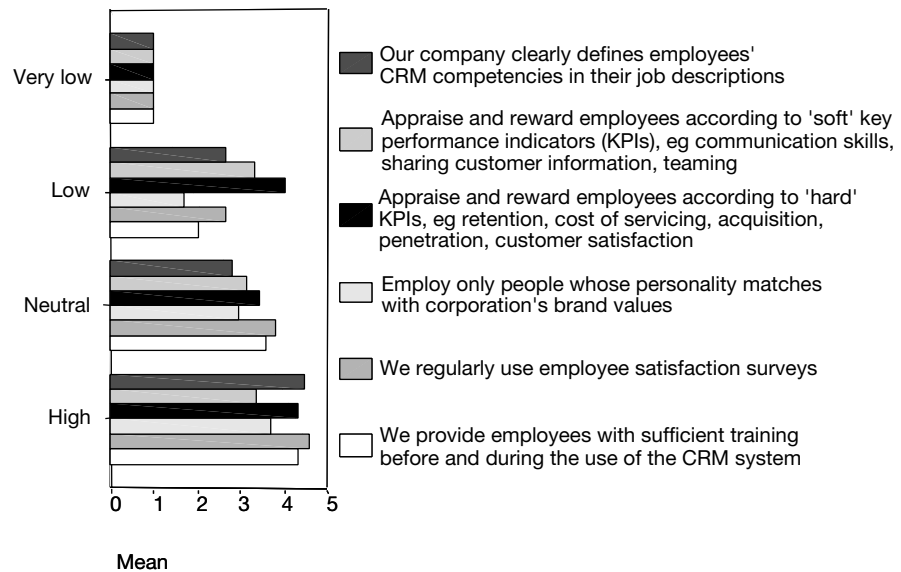
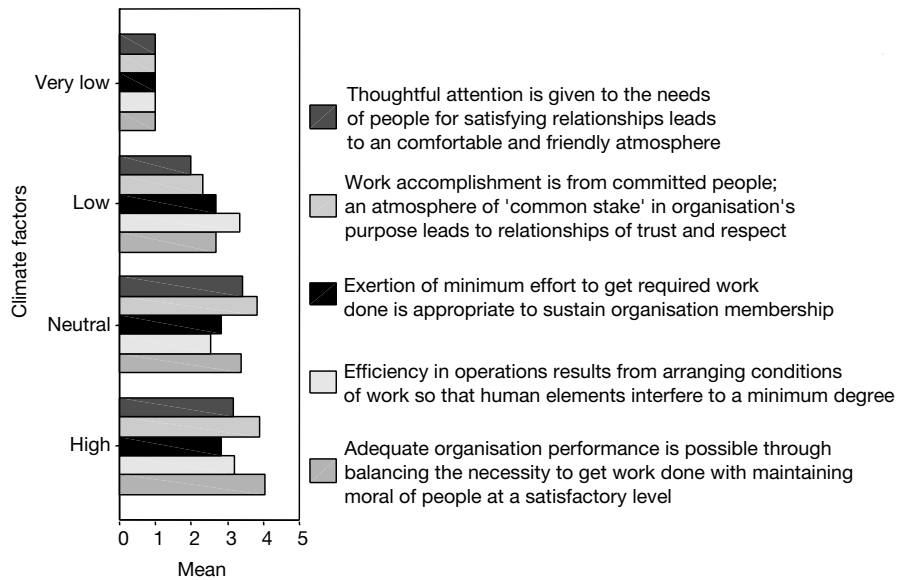


Figure 12: Empowerment

From a leadership perspective, this links consistency of management behaviour and their ability to lead in a controlled and self-recognised way (emotional intelligence) to variances in the climate factor scores (bottom of Figure 13).

From a sector perspective, it is interesting to note that the employees in a service organisation (CRM professionals) are much more tightly bunched around a 'communal' environment than staff in banks who tend slightly more towards a 'network'

18. How do you experience that CRM project(s)is/are led ?



19. How do you experience management leadership in your company ?

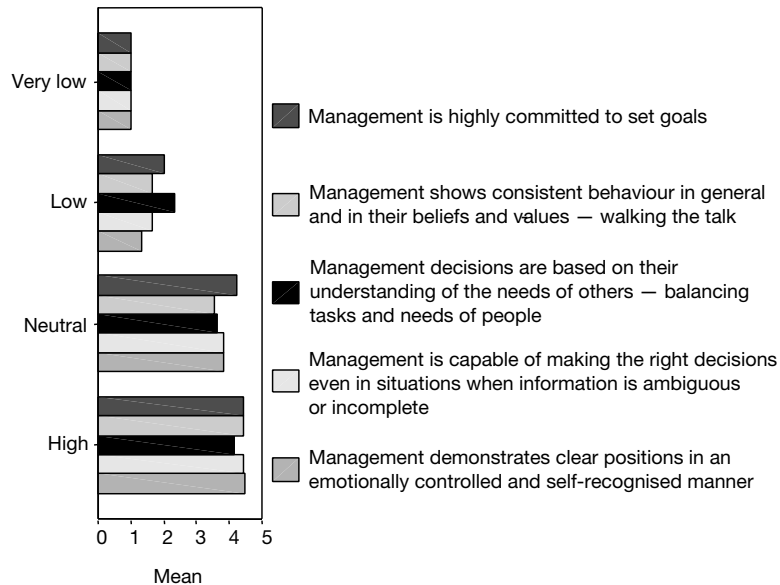


Figure 13: Leadership

environment (Figure 14 — top). Country analysis shows that people from the UK scored high in the ‘communal’ quadrant. By contrast, France’s emphasis is on ‘solidarity’, less on ‘sociability’. The Netherlands and Switzerland tend more

towards ‘mercenary’. Little can be said about the others, but obviously national cultural aspects must be taken into consideration when implementing CRM projects or strategy (bottom of Figure 14).

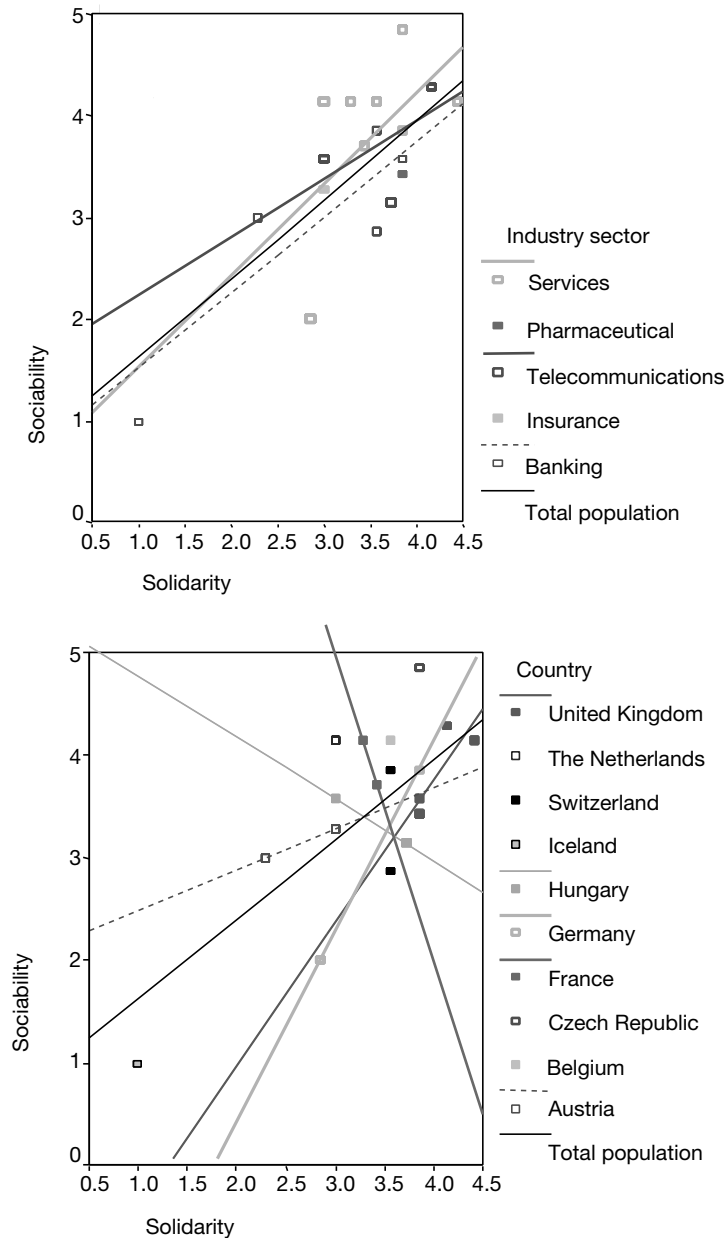


Figure 14: Drill down industry sector and country

ADDRESSING THE HYPOTHESIS

Table 4 summarises the analytical findings. The analysis proved that a customer orientation goes with a dominant mercenary-oriented culture profile, with contradictory positive and negative network culture elements. The same is true of learning orientation, but the strong negative correlations suggest

that there is no one perfect learning environment. Also, there is no ideal linear relationship between the Goffee and Jones culture dimensions ‘sociability’ and ‘solidarity’. Neither could be identified as general indicators except in customer orientation. This does not imply that these dimensions do not indicate cultural alignment, but with this

Table 4: Analytical findings

Hypothesis	Regression	ANOVA	Tested element	Comment	Proved
H1: The higher the solidarity index the higher the customer orientation	Beta = 0.457 R ² = 0.244	—	Solidarity		Yes
H2: For an organisation's CRM efforts to become or stay customer oriented it should have a mainly networked culture	—	F = 56.447 R ² = 0.656 E ² = 0.657	Network positive		Yes
H3: The higher the solidarity index the higher the learning orientation	—	F = 32.198 R ² = 0.268 E ² = 0.5	Solidarity, sociability	Non-linearity	No
H4: For an organisation's CRM efforts to become or stay as a learning organisation it should have a network culture	—	F = 60.338 R ² = 0.676 E ² = 0.686	Network positive		Yes
H5: The higher the solidarity index the higher the CRM project orientation	—	F = 13.942 F _{non-lin} = 8.055 R ² = 0.142	Solidarity, sociability	Non-linearity & weak construct	No
H6: For an organisation's CRM efforts to develop or maintain a CRM project culture it should have a mainly mercenary occupational subculture	Beta = 0.866 R ² = 0.75	—	Mercenary negative	Too few responses Mercenary positive	Yes
H7: The higher the solidarity index the higher organisational climate factors score	—	F = 44.288 F _{non-lin} = 4.548	Solidarity sociability	Non-linearity	No
H8: For an organisation's CRM efforts to become or stay CRM oriented it should have a communal culture	—	F = 10.247 R ² = 0.363 E ² = 0.541	Communal positive		Yes

Sig. < 0.01

survey they were not found to be generally applicable. The same is true for project orientation. A suitable project environment is a more mercenary type of culture, whereas learning is best suited to a network culture. This is a first indicator of the misalignments in organisational settings for a holistic CRM approach. Interestingly, climate factors scale with sociability and largely with solidarity dimensions and so are likely to support project efforts and learning well. This is confirmed by the finding that CRM orientation is strongly correlated with a communal type of culture. On the other hand, the clear separation between project staff in a mercenary sub-culture and all others in a more communally-oriented organisation may explain the trade-off between 'CRM theorists' — managers — and the 'CRM

practitioners' — project staff — with respect to the poor CRM project orientation.

DISCUSSION

Customer orientation and learning

Bartlett and Ghoshal's interpretation could be confirmed in organisations with very high customer orientation.¹¹¹ Horizontal thinking in terms of knowledge sharing by communicating through processes and systems is not given a high priority. Keeping in mind that the average rate was 'high' and no response was below 'neutral', this is a significant identifier of organisational weakness.

With respect to CRM strategy formulation, Payne, Hold and Frow

showed the need to incorporate all stakeholder groups in the value creation process; ie¹¹² strategy formulation is only of value if a clear customer focus exists. This is partly achieved via communication but also via senior management's involvement in day-to-day customer activities. The survey found that contract with senior management as one contributor to the value creation process is given no more than an average rank even in a highly customer-oriented organisation. Also, it was found that their customer management activities are directly correlated with the degree to which they are rewarded and appraised according to these activities. Only in a very highly customer-oriented environment are these measurements applied.

In the terminology of Treacy and Wiersema,¹¹³ one would expect that in highly scored CRM organisations the customer intimacy discipline would be the one with high scores, but what was found is the more traditional view of the world: operational excellence is ranked highly. This contradicts the findings of Reichheld and Sheffer¹¹⁴ and by Crawford and Hauguel.¹¹⁵ Long lasting relationships with an organisation's best customers are scarcely conceivable. This has an immediate impact on how an organisation or its brand is perceived in the marketplace. For these the survey revealed senior management attitudes that could be described as:

- Engage actively in customer problem management but do not know precisely what the customers' problems are (or even do not know the customers)
- The more we know more about our customers the more we can delegate customer management to our empowered employees.

These attitudes change only for organisations with a very high customer orientation. This is no wonder — Woodcock *et al.*¹¹⁶ found that in 88 per cent of companies they surveyed, brand values were not translated into a set of guiding principles.

Our research found that in highly customer-oriented organisations, the solidarity dimension in Goffee and Jones' terminology is directly correlated, meaning the greater the solidarity aspect, the higher the customer orientation. On the other hand, a network culture is a good foundation for customer orientation, ie cultural learning is particularly well supported in these environments. The research has also proven that learning generally is possibly best in a network culture.

Adaptive learning is likely to exist in the lower scoring organisations where the negative aspects of the network culture become obvious. Even for the high scoring organisations there seems to be an imbalance of 'talking about something' and 'doing the right things'. Having people continually questioning what they do may prevent them from frankly sharing information and customer experiences. Finding the right balance certainly becomes a senior management leadership task. Learning in the best rated companies is seen as a basic value and not an expense, however. As such, generative learning supports organisational learning loops as well as supporting the definition of organisational strategy in a flexible way, to allow learning of new organisational values — an effect which in turn supports individual staff learning.

CRM orientation and successful projects

A key finding in the literature review was that most CRM projects were

unsuccessful, meaning projects had either not been completed or the intended benefits had not been realised. Our research shows that different sub-cultures do not nurture a holistic CRM approach — rather they hinder its realisation. Project orientation was weak in all responses. A number of reasons were given in the literature and are supported by this research:

- Inter-functional problems: Leverick *et al.*¹¹⁷ found that difficulties with inter-functional communications and a culture that supports resistance to change are prevalent problem areas. The present research identified that, for all culture types, significant negative forms exist, meaning that, for example, the openness of a network culture is misused to keep decisions pending. Inter-functional communication is characterised by the use of filtered or manipulated information.
- Information use: Marchand¹¹⁸ introduced information behaviour values as a category where excellence was needed. In CRM projects the problem is now to marry the interests of organisational functions with the needs of the CRM programme. The traditional way, as described by Day,¹¹⁹ was partially proven here. He speaks of short-term and inner-directed activities typically belonging to individual functions. Overall, the survey identified low project orientation, so cross-functional project management still works better with two reporting lines — to function and project lead. The project-based form (PBO) of project management was found with the ‘neutral’ ranks. Astonishingly a PBO was said to be used with those who ranked project orientation ‘low’.
- Sub-cultures as micro universes: the

research found that cultures manifest very differently depending on job level, job function, industry or even country. The high rates of, for example, mercenary sub-culture in project staff is obviously right, as a clear focus and outcome-driven policy is key. At individual job levels, this changes as they report a tendency towards a communal culture.

Differences in perceiving culture go up and down the hierarchy and across the industry. Banks tend to have a higher degree of sociability in a communal culture, whereas service organisations tend to a higher degree of solidarity. Project staff’s perceptions of culture differ from those of senior managers and from CEOs.

- Project management values: Turner and Keegan¹²⁰ and Gareis and Huemann¹²¹ see those values holistically as the values of the whole organisation. The success of a PBO within a given governance structure depends on the individual’s ability to learn through experience. The main values are empowerment, process orientation, team work, continuous change, customer orientation and networks with clients and suppliers. Ideally these are found in a positive communal culture. Since PBOs are typically temporary organisations, people working within them lack what is called a ‘functional home’ and learning is hindered, since the end of a project means the end of the PBO. To overcome these issues in the context of CRM strategy implementation through a whole programme of projects, a clear set of objectives is required stating what CRM should be and do. The different perceptions of CRM found in the research are likely to make a holistic approach difficult. Although high votes have been given to

‘customer centric processes’ or ‘cultural issues’, only the ‘very high’ scorers showed a more balanced approach including alignment with corporate objectives.

The culture forms identified here do not exist exclusively in one or another organisation, but represent a collection of parallel cultures induced over time. A mercenary culture, for example, is suitable in times of turnarounds when tough targets must quickly be met to survive, eg as with IBM in the early 1990s. A network culture might be ‘humane’ but can be negative — obstructing change via a poor project culture.

Facilitating a CRM (project) orientation

Since CRM requires a cross-functional cohesion throughout the whole organisation and quick responses to customer’s enquiries, the communal culture form comes to mind. Indeed this research has envisioned that communal culture is most suitable for building or maintaining a CRM orientation. One problem with communal organisations is the leadership style. Here leaders are charismatic or visionary and most are loved and followed unquestioningly. The authors found clear separation of leadership characteristics between those who scored the organisational climate factors ‘neutral’ or ‘high’ and those who scored lower. This might differentiate the solidarity fraction from the sociability fraction within one culture. Differences between rates may separate those leaders with higher EI from those with lower EI. Together with the understanding of these culture types, the conclusion might be that the identified communal culture form has convincing leaders with high EI and a clear focus on organisational

commitment — an ideal combination for CRM.

Similar characteristics are required, for project organisation. Murray-Webster and Thiry¹²² have identified

- encouragement for free flow of information
- openness to risk taking and sharing
- change control, conflict escalation and resolution

as leadership characteristics for programme managers in enabling organisation-wide change — pairing with the CEO. A project manager is a facilitator who has to deliver results in terms of timelines and budgets. Here a clear mercenary type is required.

The Blake and Adams-McCanse leadership grid¹²³ indicates that CRM projects are managed — for those who rated climate factors ‘high’ — somewhere between ‘middle of the road management’ and ‘team management’ (a close relation of the communal culture with a high degree of sociability). Those who rated climate factors ‘low’ showed primarily a mercenary culture. Across the responses, a significantly higher score was given to ‘impoverishment management’, proving a negative aspect of the communal culture — tolerance of under-performance. Overall, high scores for ‘team management’ veiled an underlying ‘country club management’ mentality, partly explaining the negative elements of the communal culture.

The research found that empowerment in the context of CRM very much depends on getting climate factors right. Those who rated ‘low’ basically put emphasis on ‘hard’ KPI measures, caring little for training. Although respondents report that CRM competencies are clearly defined in job descriptions and regular employee satisfaction surveys are undertaken, the environment for learning

from these discoveries might not be provided. With highly-scored climate factors comes a stringent evaluation and learning process, although a significant number did not measure CRM outcomes at all. From the tested hypothesis it was found that 'climate factors' correlate directly with a communal culture form. If climate is good, employees see a much more balanced appraisal and reward system than if climate is poor. In this positive environment, employee surveys are not paid lip-service but foster employee commitment. Building passion is the strength of a communal culture, although the research shows that a highly negative component comes with this culture, implying that either there is a sense of invulnerability over competition or deficits in leadership or a certain unwillingness to change.

Nurture a culture for CRM

As was found with the research, the best fit with CRM was identified with the communal culture form. Clearly not all organisations are of a communal type, nor will they ever be transformed into such. Nevertheless, some were communal and had been transformed into a more mercenary style. Some were unexpectedly fragmented while being acquired or if the charismatic leader left. Others may have started in a network culture and moved towards mercenary. Most of the organisations had to change towards mercenary — ie increasing solidarity and decreasing sociability — becoming more results-focused in the light of economic pressure. With the emergence of more demanding customers and the e-world, everything and everyone got closer together, more direct, more visible. Thus, mercenary or network cultures are no longer enough.

The present research revealed that all observed culture types carry significant negative components. According to Goffee and Jones and this research, all of these elements directly negatively affect customers' perception of the organisation. Also, the negative forms of the cultures have negative effects on organisational performance. Thus, arranging one organisation's culture settings best to support CRM is about adjusting, ie increasing or decreasing, the levels of sociability and solidarity to match the organisation's strategy and objectives.

Goffee and Jones give some hints about what this means. The most relevant to the needs of CRM were adapted and are presented below. One approach is to increase sociability as the most important element to support a move from mercenary to a more communal and thus to a better CRM suited environment. This can be achieved by:

- Promoting idea-sharing by employing 'compatible' people, to foster commitment and contribution
- Providing a conducive workplace. This is obvious from the characteristics of the network culture and the lack of it in the mercenary one. But do not take this as a cost containment activity — it would simply increase the negative form
- Reducing hierarchical differences. Have a stringent, coherent, customer management appraisal and reward system that applies to senior management as well as to the front-line staff.
- Create a culture of caring. Customer management is all about caring for customers by delivering more, better and faster than expected by the client.
- Reducing sociability becomes most important, for reducing the negative

forms of a networked or communal culture and reducing over-high solidarity.

- Breaking cliques and creating a common purpose of urgency, by reassigning team members in the project organisation or in functions. The research found that knowledge sharing is poor and that truly cross-functional or even PBO approaches to projects are rare. Breaking up solidaristic cells is a mirror action in decreasing solidarity.
- Demanding commitment to action while linking actions to outcomes, by providing an environment that allows risk-taking and prevents a blame culture and honour those who take the lead.

Setting goals and rewarding success is crucial in typically large and complex CRM projects. Fostering teamwork and cross-organisational coherence becomes a critical tool for success.

Other ways of reducing solidarity include:

- Introducing measures of qualitative behaviour. The research found that measurement of soft KPIs is still underutilised, although organisations state that they have clearly defined CRM competencies in employees' job descriptions.
- Mitigating speed of decision-making and execution: although quick response to customer inquiries or complaints is required, taking more time might mean finding a better solution. Quality assurance in projects is about this. Leaders who encourage people to broaden and deepen their understanding of the world significantly contribute to CRM doing better. This was shown in the research, where learning was permitted in high scoring

organisations and where a strong flavour of EI was present.

CONCLUSIONS

This research clearly showed that without an appropriate cultural foundation, CRM will not succeed. There is no one way to CRM success — as often claimed by software vendors or hoped for by IT departments. No single CRM culture exists, although it was found that the communal form of an organisational culture yields the best fit. A holistic culture for CRM requires a sophisticated approach to integrating distinct sub-cultures; for example a project organisation or the sales department. Nurturing a CRM culture is a continuous leadership task on all organisational levels. Empowerment and appropriate measurements are critically important — at all organisational levels. These findings apply irrespective of industry sector. A CRM programme approach to implementing CRM is critical for success and for creating a CRM nucleus which will seed the requirements for successful CRM throughout the organisation. This requires openness and innovation. Relying on internal knowledge is not sufficient to make CRM successful.

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