What characterises the culture of a market-oriented organisation applying a customer-intimacy philosophy?

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Abstract What characterises the culture of a market-oriented firm applying customer-intimacy philosophy? To answer this question, a conceptual framework, drawing on the resource-based perspective and organisational learning is offered as a descriptive and analytical device, rather than as a prescriptive model to highlight the implementation elements of customer-intimacy philosophy. A qualitative research strategy was followed and the in-depth case study approach adopted drew on multiple sources including focus group discussion and face-to-face interviews. Findings include: the outcome of the firm's strategy is attributed to socially complex phenomena such as the prevailing culture in the organization in creating value for the customers and firms; the firm's commitment to continuous improvement and the behaviour of people in the organisation toward their customers and each other are vital sources for firms to attain sustainable competitive advantage. The paper concludes that moving from sales to a customer-intimacy philosophy requires an appreciation of the current and changing needs of customers that continuously fine-tune the strategy's compatibility with corresponding values in the firm's business culture, and maintain an informed workforce that is aligned with the philosophy. Implications are that in a complete customer-intimacy philosophy, all business processes and all individuals are focused on identifying and meeting the needs of customer.

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INTRODUCTION

The last decade has seen the emergence of customer relationship management (CRM) as a technique to underpin organisational performance improvement in improving customer retention, customer satisfaction and customer value.[1] Evidence suggests, however, that many CRM initiatives fail.[2,3]

Bolton[1] suggests that CRM does not go far enough in changing the underlying culture and systems of an organisation. The aim of this paper is not to condemn previous studies on implementation of strategic decisions such as customer-oriented strategy. It is frequently argued in extant literature that endowment with financial and physical resources is the main source for firms to attain sustainable competitive advantage.[4–11] Comparatively fewer attempts have been made to examine the role of socially complex phenomenon such as the prevailing culture in the organisation in creating value for the customers and firms.

To bridge this gap, this paper uses a process-oriented framework, inspired by the resource-based view, to highlight the business culture of an insurance company that has achieved competitive advantage in the Swedish market as the company with the most satisfied customers. Against this background, the firm is viewed as a unique bundle of intangible assets and resources that, if utilized in distinctive ways, can create sustainable competitive advantage. This contribution is in the form of a conceptual framework, drawing on the resource-based perspective and significant concepts of organisational learning and learning organisation. Although the framework is offered as a descriptive and analytical device rather than as a prescriptive model, it highlights the implementation elements of strategic decision (customer-intimacy business philosophy) to encompass a number of categories such as 'content', 'context', 'process' and 'outcome'.

The business environment is undergoing cataclysmic changes — with lifestyles shifting drastically, purchasing power increasing at an increasing rate and consumer buying behaviour changing rapidly.[12] The marketplace has also become more challenging, with more and more firms entering the market and competition getting tighter and keener. These changes in the environment have forced marketers to embrace new approaches in order to address the company's need for long-term growth and survival. For example, all business functions increasingly see their role as one of contributing to the creation of customer value in a competitive market.[13] Consequently, there is a keen interest among researchers in understanding the reasons for profitability and market success.

Historically contrasted with the production and sales orientation, the customer concept is considered to be a philosophy of doing business that should constitute a major part of a successful firm's culture.[11,14] For example, Lee *et al.*[15] argue that the benefit of managing customer relationships by inputs (acquisition and retention costs) and outputs (revenues) for each customer is that marketing managers can better prioritise their efforts by examining the return on marketing investment and thus better differentiate customers by their relative benefits and costs. In the light of this, it is assumed in this paper that the goal of firms applying customer-intimacy philosophy is not mainly profit maximisation or high market share, but rather the 'share of mind of the customer'. The main focus of such firms is on consumer attitudes and behaviours, customer experience, psychographic variables and the cultural environment. Hence, a customer-intimacy philosophy defines a distinct organisational culture that puts the customer in the centre of the firm's thinking about strategy and operations. Hence my research question is as follows:

— What characterises the culture of a market-oriented organisation applying a customer-intimacy philosophy?

To answer this question, a Swedish company that has won the 'Company with the most satisfied customers' award for ten consecutive years has been investigated. The process-oriented framework is used to operationalise the research question, thereby showing how cultural reasoning can inform and develop useful insights with regard to strategies for dealing with a firm's internal and external environments. This paper further highlight the notion that, unlike financial and physical resources, organisational culture is hard for competitors to imitate, which makes it a powerful source of sustainable competitive advantage. It also emphasises that sustainable competitive advantage can be achieved through socially complex phenomena or a culture, which make a customary imitable idea imperfectly imitable.

The rest of this paper proceeds as follows: First is the theoretical lens, which consists of a review of contributions to business strategy implementation framework that can be used to highlight what characterises the business culture of a firm applying a customer-intimacy business philosophy. The framework developed is used as an organising scheme for the empirical findings and data analysis. In the Methodology section, the data collection process and an operational definition of customer-intimacy business philosophy are presented. Thereafter, a presentation and discussion of the findings are carried out. The paper ends with concluding remarks and a discussion of the implications of the study.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Three contributions to modern business strategy are reviewed in brief, not exhaustively. Thereafter, two paradigms in marketing are reviewed to show how they offer complementary, and in some cases unique, contributions to strategy theories. The framework presented later in this section, which highlights what characterises the culture of a market-oriented organisation applying a customer-intimacy philosophy, facilitates the grouping of the implementation elements of strategic decision (customer-intimacy philosophy) to encompass a number of categories such as 'content', 'context', 'process' and 'outcome'. These classifications, which are supported with literature, form the basis of the theoretical framework. The theoretical lens highlighted enables the focus of attention on the inside of firms and thus resources and assets embodied in, for example, the people and culture that underlie any advantages on the product market.

Theoretical approaches to modern strategy

According to Hunt and Lambe,[7] contributions to modern business strategy have come from a broad range of disciplines, including economics, strategic management, organisational behaviour and operations management.[16–25] Three dominant theoretical approaches to modern strategy (industry-based theory, resource-based theory and competence-based theory) are recognised in Hunt and Lambe's paper.[7] I am aware that Bain's book,[26] when combined with the works of Mason,[27] forms the basis of industrial organisation economics, which postulates that structure determines conduct, which determines performance. Industry-based theory of strategy, as exemplified by Porter,[19] turns industrial organisation economics 'upside down' because Porter's 'five forces' framework maintains that the profitability of a firm in an industry is determined by the threat of new entrants to the industry, the threat of substitute products or services, the bargaining power of its suppliers, the bargaining power of its customers and the intensity of rivalry among its competitors.

As far as competence-based theory, the second internal factor theory of business strategy, is concerned, it must be mentioned that the term 'distinctive competence' can be traced to Selznick,[28] and was used by Andrew[29] in the SWOT model to refer to what organisations could do particularly well, relative to their competitors. Prahalad and Hamel,[30] however, argue that 'the firm' should be viewed as both a collection of products and a collection of competences because 'in the long-run, competitiveness derives from an ability to build, at lower cost and more speedily than competitors, the core competences that spawn unanticipated products'. Core competences (1) provide access to a wide variety of markets, (2) make a significant contribution to customers' perceptions of benefits and (3) are difficult for rivals to imitate. It is from core competences that both core products and ultimate, end products emerge, because core competences, unlike physical assets, do not deteriorate with use but are enhanced as they are applied and shared (*Ibid.*, p. 90).

Resource-based perspective

Competence-based theory complements the resource-based theory because it explains how firms develop 'strategies to exploit these … (resources and), consideration has been given to the idiosyncratic nature, the links between them and the activities that utilise them'[31] cited in Hunt and Lambe[7] (p. 22). A central assumption in the resource-based view (which focuses on the inside of firms and the resources and assets embodied in, for example, people, machinery and culture that underlie any advantages on the product market) that differentiates it from the industrial organisation views (embodied in, eg, the five forces model,[19] is that industries are heterogeneous and resources are imperfectly mobile).[23–25,32] Firms also differ from each other because they have different resource endowments. Unlike Michael Porter, resource-based proponents argue that various types of competitive advantage can be held simultaneously by multiple firms because competitive advantage is a function of or is determined by individual resources.

The resource-based perspective views the firm as a unique bundle of assets and resources that, if utilised in distinctive ways, can create competitive advantage. In this view, a resource with the potential to create competitive advantage must meet a number of prerequisites, such as value, rarity, imitability and organisation.[24,33] Hence, the ease with which a valuable resource possessed by a firm can be replicated by current and potential competitors entails the imitability prerequisite. A resource is valuable if it allows the firm to exploit the opportunities or nullify the threats in the external environment. For the resource-based school, success is reliant upon the reciprocal action between these external and internal findings, analysis and strategies. While most of the traditional theories on strategic management do not attempt to look inside the company, in contrast, the resource-based perspective highlights the consensus and match between the external market context in which a company operates and its internal capabilities and all the theories and concepts that fit into that perspective.

Figure 1 below is a conceptual framework inspired by resource-based and organisational learning schools.[24,33–36] The dimensions of strategy (context, content, process and outcomes) depicted in Figure 1 is adopted as an organising scheme for the theoretical framework: the empirical data collection and findings in particular and to guide the exploratory objective of this paper in general. The framework shows that the characteristics of, and developments in, the external (exogenous) influence the strategic context and force the companies to develop new strategic direction. In fact, Pettigrew[34] stresses that formulating the content of any new strategy inevitably entails managing its context and process. Context is divided into outer and inner context. The outer context refers to the social, economic, political and competitive environment in which the firm operates. Inner context refers to the organisational structure, corporate culture and political context within the firm through which ideas for change have to proceed. Organisational learning implies the ability of

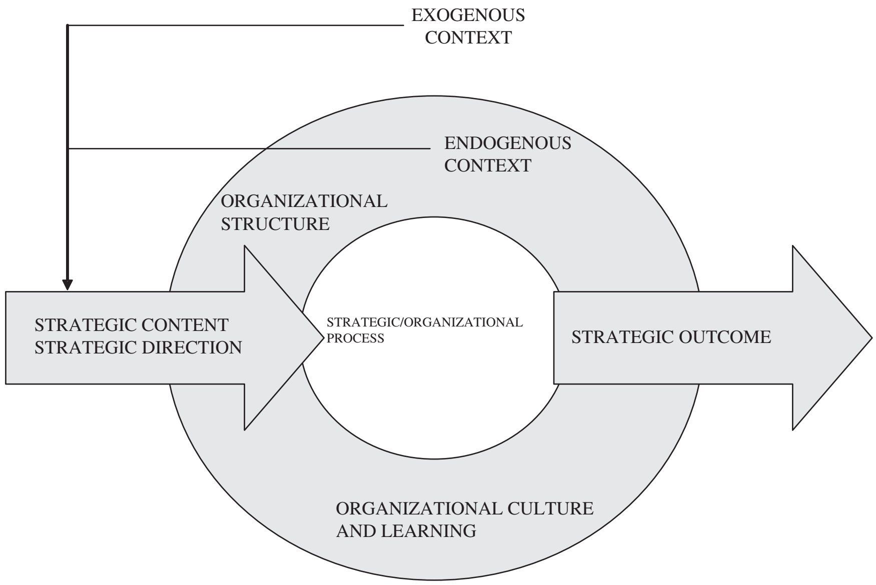

Figure 1: A conceptual framework to highlight what characterises the business culture of a firm applying a customer-intimacy business philosophy

the project implementers and the whole organisation to learn from the process. The characteristics of, and changes in, the external and internal context have an impact on the outcomes. The characteristics of the process variables, and how they are used, determine the outcome of the implemented initiative.

Previous researchers, according to Okumus,[36] have grouped strategy implementation elements into a number of categories such as '*content*', '*context*', '*process*' and 'outcome'. *Strategic content* encompasses the strategic direction and the quest to develop new strategies. *Strategic context*, on the other hand, is viewed to be the domain where strategies are initiated and implemented and thus the variables in this grouping are the enablers of the implementation process. They are less controllable than the process variables.[37] *The operational process* variables (eg resource allocation, communication, people and incentives, monitoring and feedback, and external partners that provide knowledge and assist in competence building) can, in the short run, be controlled by companies and they play a vital role in the implementation process because of their direct involvement in process. According to Okumus,[36] the major difference between the context and process variables is that the latter are primarily used and employed in implementing decisions, while context variables are not primarily used but are taken account of due to obstacles and problems in the implementation process. The expected results of the initiated strategic initiative are regarded as the *outcome variables* (outcome of the market-oriented strategy and customer-intimacy philosophy).

The strategic content and strategic direction: Two streams in marketing

Market orientation

The conceptualisation of market orientation is still largely based on the frameworks developed by Jaworski and Kohli,[9] Kohli *et al.*,[38] Narver and Slater[39] and Narver *et al.*[5] According to Jaworski and Kohli, the generation and dissemination of market intelligence, as well as the responsiveness to market intelligence, have to be carried out cross-functionally. A market information system that facilitates acquisition of knowledge on actual and future needs of the customers, dissemination of the acquired knowledge cross-functionally, the affirmation of competitive intelligence, and environment scanning is a fundamental consideration during implementation of the market orientation construct. Consequently, the need for organisations to develop a business system whereby information becomes strategic is reinforced in order to promote business efficiency. Narver and Slater[39] describe market orientation as 'the culture that most efficiently creates the necessary behaviours within an organisation conducive for the implementation and integration of a market orientation construct throughout the organisation and which delivers superior value for the buyers'. This attitudinal perspective implies that organisations maintain and use information on customers, competitors and the trends in the environment, which influence the employees' attitudinal response and actions towards the customers and competitors, and largely form the organisational culture.[8] The culture developed permeates the organisation's marketing strategies and activities in the market to create superior value in the industry, which invariably creates competitive advantages for the organisation.

A market-oriented strategy enables the organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of this intelligence across departments, and organisation-wide responsiveness to it.[9,40] The fundamental imperative of market orientation strategy is therefore that, in order to achieve competitive advantage and, thereby superior financial performance, firms should systematically gather information on current and potential customers and competitors and use this information in a coordinated, cross-departmental fashion to guide strategy recognition, understanding, creation, selection, implementation and modification.[7] Hence, market-oriented organisational culture prompts proactive innovation by enabling firms to anticipate potential market segments and envision market offerings that might be attractive to such segments, as well as prompting the need to acquire, develop or create the required resources to produce the offerings.

Relationship marketing

The past decades have witnessed the inception of a major directional change in both marketing theory and practice, considered by Webster[41] to represent a 'fundamental reshaping of the field' and by others to be a genuine paradigm shift.[14,42,43] The turn is toward relationship marketing, a concept that encompasses relational contracting,[44] relational marketing,[45] symbiotic marketing,[46] internal marketing[47] and the impact of emotional intelligence and trust on performance.[48] The relationship marketing concept differs from market orientation in that it places emphasis on other areas of marketing activities, aiming to enhance marketing productivity by achieving efficiency and effectiveness through developing relatively long-term relationships with customers, suppliers, employees and competitors.[43] For that reason, to achieve competitive advantage and superior financial performance, firms should develop a relationship portfolio or 'mix' that complements existing competences and enables it to occupy positions of competitive advantage (*ibid.*). Grönroos[42] sees relationships as strategic, meaning that interactive marketing becomes a question of strategy — its origins, development and continuation being a strategic focus for the business organisation. For relationship marketing and market orientation concepts, focus on increasing the lifetime value — the net profit a company accrues from transactions with a given customer over the time that the customer has a relationship with the company — becomes predominant in today's marketing strategies.

Marketing strategy and organisational culture (endogenous or organisational context and organisational process)

Organisational culture is described as one of the socially complex resources that enable an organisation to conceive, choose and implement strategies in accordance with the values, beliefs, symbols and interpersonal relationships possessed by individuals or groups in a firm.[22] The advantage of having a strong organisational culture can provide the necessary leadership to ensure that staff attain high levels of performance.[49,50] According to Lee,[49] organisations benefit from having highly motivated employees dedicated to common goals, and firms with a strong culture outperform firms with a weak culture. In this regard, a strong culture is defined in terms of the degree of agreement and commitment to organisational values and norms. Firms with sustained superior financial performance are typically characterised by a strong set of core managerial values that define the ways they conduct business.[10,22] This is determined by a firm's key intangible resource: the culture of the organisation. This strategically important resource relates to the organisation's values, traditions and social norms, which are potentially very valuable.[51] Culture is one of those vague qualities that is difficult to measure or describe with precision, but it nevertheless exists and sets the tone for managerial and employee behaviour. In a sense, the term describes how people view their workplace and how things are done. Unlike financial and physical assets, organisational culture is difficult for competitors to imitate, which makes it a powerful source of sustainable competitive advantage.[23] The degree to which the current organisational culture contributes to the performance of the critical internal processes determines its strategic significance and thus its value to the organisation. When all employees have a commonality of purpose, a shared vision and an understanding of how their personal roles support the overall strategy, the organisational culture serves to create alignment in the company.[10]

Organisational learning (strategic outcome)

There is an argument emerging that being market oriented may not be enough, and that the ability of an organisation to learn faster than its competitors may be the only source of sustainable competitive advantage.[52] Organisational learning is considered by many scholars a key to future organisational success.[53] Learning is a characteristic of an *adaptive* organisation, that is, an organisation that is able to sense changes in signals from its internal and external environments and to adapt.[54] Several models have been proposed that facilitate understanding of organisational learning. For example, Nonaka and Takeuchi[55] developed a four-stage spiral model of organisational learning. They start by differentiating Polanyi's[56] concept of 'tacit knowledge' from 'explicit knowledge' and describe a process of alternating between the two. Tacit knowledge is personal, context-specific, subjective knowledge, whereas explicit knowledge is codified, systematic, formal and easy to communicate. The tacit knowledge of key personnel within an organisation can be made explicit, codified in manuals, and incorporated into new products and processes.[55] They call this process 'externalisation'. The reverse process (from explicit to implicit) they call 'internalisation' because it involves employees internalising an organisation's formal rules, procedures and other forms of explicit knowledge. They also use the term 'socialisation', to denote the sharing of tacit knowledge, and the term ‘combination’, to denote the dissemination of codified knowledge. According to this model, knowledge-creation and organisational learning take the path of socialisation, externalisation, combination, internalisation, socialisation, externalisation, combination … etc in an infinite spiral (*ibid*.).

One of the salient features of the contributions reviewed above is their embeddedness in the resource-based school of thought, which is characterised by value (fosters a firm to exploit both opportunities and weaknesses in the business milieu); rarity (uniqueness of competitors that possess a valuable resource); imitability (ease with which this valuable resource can be copied by competitors); and organisation (the way a firm is organised in order to better exploit its unique resources such as its organisational culture and human resources). Strategy is discussed in the context of two streams in marketing, organisational culture and organisational learning. A common denominator for all the frameworks is that there must be a ‘fit’ among the elements of the strategy implementation frameworks if the implementation process is to be successful. This process, according to Pettigrew, cannot be understood unless the context within which the process has emerged is studied over time. The longitudinal scope of this study is described in the next section.

METHODOLOGY

The findings reported in the next section constitute the second paper from a six-year-long (2001–2007) longitudinal case study. The first paper from this longitudinal study, entitled ‘Customer-centric Strategy: A longitudinal study of implementation of a customer relationship management solution’, is published elsewhere. The case company for the previous and current papers was *Länsförsäkringar* (LF), a Swedish insurance company (henceforth known as LF), which has, during the last ten years, won the ‘company with the most satisfied customers’ award. The award is based on a survey conducted yearly by the Swedish Quality Index (SKI) and analysed by the Stockholm School of Economics. The SKI operates under the jurisdiction of the Institute of Quality Development and European Performance Satisfaction Index. Parameters measured in the survey include the following: level of satisfaction, image, customer expectations, product and service quality, price worthiness and loyalty. LF offers a broad range of policies and financial services for companies and private individuals. Although it was not a priority to speak with LF’s customers to verify whether LF is indeed enacting a successful ‘customer-intimacy’ philosophy, 30 of the company’s customers were among those who participated in the focus group discussion. During the presentation of the findings in the next section, viewpoints from all categories of LF’s customers and employees are reported. Consequently, no distinction is made between viewpoints from customers and employees. For confidentiality purposes, the actual names of the respondents (both internal and external customers of LF) are disguised, and they will be referred to as key informants during the presentation of the findings.

A qualitative research strategy was followed and an in-depth case study approach was adopted in this study. This was because only qualitative research methods were believed to be the most appropriate to allow the detailed analysis of complex change cases.[36,57,58] This allowed the researcher to penetrate their realities and uncover issues of relevance in understanding the substantive research question: What characterises the business culture of a firm applying a customer-intimacy business philosophy? A number of researchers[59,60] call for more field-based research that involves case studies or action research drawing on material from the multiple exchange episodes that constitute relationships and offer insights into the processes of relationship initiation and maintenance. Hence, empirical data in this study were drawn from the following sources:

Focus Group discussion with various categories of customers and employees at LF. A total of ten groups were formed. There were six members in each group, and a session with each group lasted for two hours. A moderator guided the group through a discussion that probed what constitutes the business culture of LF and to what extent LF applies a customer-intimacy business philosophy. In compliance with requirements as to which focus group interview should be conducted, the discussion was observed from behind a one-way mirror. Participants could not see out, but the researcher could see in. Each group of respondents, which included employees at LF and their customers, gathered in the same room. They were screened to ensure that they were a representative subgroup of employees and market segment. For example, the customers were chosen randomly by the researcher from the customer database of LF, including ten customers representing the industrial segment and twenty customers from consumer market segments and 30 LF employees from strategic, operative/middle management and frontline or customer-facing levels in the company. A video camera recorded each of the discussions carried out in each group. Transcripts were created from the ten video tapes from the ten separate sessions. Questions were asked in an interactive group setting where participants were free to talk with other group members. The discussion was loosely structured, and the moderator encouraged the free flow of viewpoints on the main theme for discussion. 'Having key themes and sub-questions in advance lies in giving the moderator or researcher a sense of order from which to draw questions from unplanned encounters'.[61] Corbetta[62] explains semi-structured interviews as follows: 'The order in which the various topics are dealt with and the wording of the questions are left to the interviewer's discretion. Within each topic, the interviewer is free to conduct the conversation as he thinks fit, to ask the questions he deems appropriate in the words he considers best, to give explanation and ask for clarification if the answer is not clear, to prompt the respondent to elucidate further if necessary, and to establish his own style of conversation'.

Face-to-face interviews encompass 60 employees from strategic, operative/middle management and frontline or customer-facing levels in the LF. Each face-to-face interview lasted for two hours and was conducted at different times and dates on the premises of LF. The interviews were recorded with a tape recorder.

Guest lectures: Data were also collected during the six lectures delivered by top management staff of LF in my course, CRM, delivered between 2001 and 2007. Each lecture was two hours long, including time for questions and discussion of the main theme: the culture of a market-oriented organisation. A final interview with the Managing Director of LF was held in April 2007.

The following themes served to initiate open-ended discussions on aspects such as how customer satisfaction and dissatisfaction are determined, including how these determination methods differ among customer groups; how firms ensure that their measurements capture actionable information for use in exceeding customers' expectations, securing their future business and gaining positive referrals; how firms use customer satisfaction and dissatisfaction information for improvement; how firms follow up with customers on products, services and transaction quality to receive prompt and actionable feedback; and how companies keep their approaches to determining satisfaction current with business needs and directions; Customer Relationship building (including how companies build relationships to acquire customers, to meet and exceed their expectations, to increase loyalty and repeat business, and to gain positive referrals); how key access mechanisms enable customers to seek information, conduct business, and make complaints; how companies determine key customer contact requirements for each mode of customer access; how companies ensure that these contact requirements are deployed to all front office and back office employees; etc.

The themes addressed during the interviews are in line with the parameters (mentioned above) suggested by the Swedish Quality Index, the Institute of Quality Development and European Performance Satisfaction Index and the conceptual framework (Figure 1). The framework is used as an organising scheme for the empirical findings and data analysis. Its salient features include exogenous (environmental) context because the nature of, and developments in, the external environment influence the strategic context and force the company to develop new initiatives; the strategic direction or strategic decision to be implemented (strategic content); endogenous or organisational context issues such as organiational structure, formal and informal structures/ organisational culture, values, organisational learning (organisational or strategic process); strategic outcome (outcome of the implemented strategic initiative (relationship-oriented organisation applying customer-intimacy philosophy). I am aware of the fact that qualitative field research such as in-depth interviews and case studies play an essential part in refining the conceptual definitions and elaborating the content domains of each concept or construct.[55]

In this study, the operational definition of *customer-intimacy philosophy* does not only encompass increasing customer satisfaction, because the first step toward a customer-intimacy philosophy is moving beyond the standard goal of satisfying customers.[6] Firms need to be more selective about whom they sell to, and they must strive to deliver the most valued products to the markets that are most receptive. A common denominator in the definitions offered by Peelen[63] is that customer-oriented companies consistently embrace three concepts. First, they know they can become customer oriented only by learning everything there is to learn about their customers at the most granular level, creating a comprehensive picture of each customer's needs — past, present and future. Secondly, they know that this picture is useless if employees cannot or will not share what they learn about customers, either because it is inconvenient or because it does not serve their interests. Finally, company executives use this insight to guide not only their product and service decisions, but their basic strategy and organisational structure as well. It is pertinent to mention that the customer concept or customer-intimacy philosophy (in this case) is not a strategy, but a philosophy that is theorised to be a key element of successful firms' cultures.[50,64,65] Hence, customer-intimacy business philosophy defines a distinct organisational culture that puts the customer in the centre of the firm's thinking about strategy and operations. Thus, the customer-intimacy philosophy is a business culture that can guide the formulation and implementation of business strategy (customer-oriented strategy).

FINDINGS

A relationship–focused organisation applying customer-intimacy philosophy (The Strategic Content and Strategic Direction)

What distinguishes LF from most other companies is not its commitment to continuous improvement. It would be difficult to find seriously competitive companies today that do not claim to embrace a continuous improvement philosophy. What distinguishes the people at LF is their behaviour both toward their customers and each other, and the remarkable attention they pay to every customer touchpoint. According to a key informant, 'in a customer-intimacy philosophy, the most important thing is to go beyond the standard goal of increasing customer satisfaction. Rather, it is vital to develop insight not only on the actual value of the customers but on the strategic value as well, thus enabling one to determine and anticipate the current and future needs of the customers'. One of the key informants says the salient feature of the prevailing culture at LF is the 'constant push to offer customers the greatest possible advantage, which inevitably leads LF into close partnerships that go beyond discrete sales to day-to-day involvement in building and improving the customers' business'.

Trust and customer value-building approaches

Being an insurance company, the core concept of the customer-intimacy philosophy at LF is the level of trust in their relationships with customers on the one hand, and systems thinking on the other hand. According to a key informant, 'the customer is always right philosophy prevails in the company until proven otherwise'. LF sees its customers as clients rather than accounts, and therefore creates value in partnership with the customers. Having a local presence is an advantage for LF in terms of the ability to effectively manage its relationships with customers. According to one of the key informants, 'one of the prerequisites to be satisfied in order to reap the benefits associated with being market oriented is that the strategy is aligned with the culture of the company'. An advantage of a strong relationship with customers is low administrative costs and loyal customers. One of the key informants speaks about LF's unique position as a local company, and that they work for the customers' best interests and that they do not sell products, they sell security. This key informant places emphasis on reliability, and believes that the most important reasons for being recognised as insurance company of the year and the company with the most satisfied customers many years in a row are trust, compassion and consideration. According to a key informant, there are 'two components to instilling trust through ethical behaviour. You have the most control over the first — your actions as a leader. The second is more troublesome — how your employees interact with customers and suppliers. Their actions will determine how trustworthy your company is perceived to be. If you notice coolness in your employees, customers or suppliers, you haven't been paying enough attention to building trust. That is a signal that indicates distrust, and you'd better work fast to address its causes. Being an ethical company is a job that is never complete; it's a constant process rather than an end product'.

All the respondents believe that LF does not differentiate between customers, that is, by dividing them into various groups, for example, *gold* and *silver* customers. But they do reward loyal customers and those who choose to buy many products, by offering a discount system. They have special offers for those who choose to finance and insure their houses with LF.

Dialogue and learning relationship

To have two-way communication with its customers, LF uses, among other channels, a newsletter that informs the customers about the entire product portfolio and other developments at LF. They have entered a new market: banking. Going into banking means that, when visiting LF, customers are able carry out many of their errands at the same place: one stop shopping. According to one of the key informants, the outcome of the company's customer-intimacy philosophy is easily noticeable through feedback from customers. LF's website contains information about their products, which include insurance and banking. The customer can easily use the site to look for the terms, conditions and prices, and it is also possible to request tenders online. They also have an internet bank, where customers can log on and do their banking. LF's main medium for communicating with the customer is the telephone. After that comes the face-to-face meeting. E-mails and internet are also gradually becoming a popular medium to communicate with customers. An information technology platform that LF uses is its new CRM system, which enables the administrator to see all the necessary information about the customer in one place. The old system did not have this kind of feature, where you could gather all the information in one place. As a result, the employees' jobs have been made easier and relationships between employees are good, which in turn affects the customers. According to a key informant at LF, good CRM means positive feedback from customers and good CRM is created when the employees enjoy their work.

Organisational culture and organisational process (endogenous or organisational context)

In the past, there have been cultural problems at LF, where the employees saw their jobs more as service oriented rather than customer relationship oriented. LF changed this transaction-oriented perspective by creating a common customer-relationship-oriented culture. To create this common culture, LF advocates three things:

(1) Start with the managers (executives): A key informant feels it is important that management and the directors set the examples (*management by example*) — to show everybody that you mean what you say. 'It's the same as raising children — they do what you do, *not* what you tell them to do'. One concrete example is that this key informant takes every suggestion seriously, the good ones as well as the bad ones, no matter how minor they may seem. He answers every request and phone call. No customer contact is insignificant. According to the key informant, employees at strategic and operative levels in the company are aware that culture within a relationship-oriented organisation like LF is typified by (1) People daring to show their true selves. They make it clear that they like people and are service-oriented; (2) Ensuring that overtures are made in the proper manner; (3) Showing a sufficient level of empathy in a way that creatively displays a unique and surprising behaviour that facilitates the creation of value for the customer, in a way that is not easily emulated by our current and potential competitors; (4) The people customers meet being sincere — otherwise customers could get the impression that they are being manipulated in the relationship by a marketer.

(2) Convince people: A key informant thinks that what all good company cultures have in common is the need for the employees to feel that they are working for the customer — that he or she gets her pay check from the customer. According to this key informant, 'compassion and consideration for the customer are key concepts, something that will hopefully result in a long-term relationship. The will to understand the customer and to give him or her an experience of professionalism, personality and commitment are things that cannot be expressed verbally, they have to be lived and repeated. All employees abide by the norms and values that apply in the company. They have become emotionally involved in the organisation and are prepared to make that extra effort in the relationship and the emotional attachment they have with the company'.

LF does not have a formal dress code for employees. A key informant believes there is an unspoken one. His impression is that this code is quite consistent throughout the organisation and reflects fairly well on the customers that LF employees meet. It is more important to make the employees aware of what the company they work for stands for — differentiation by creating value for the customer by applying a customer-intimacy philosophy. Moreover, according to the key informant, 'all our employees are aware that our business philosophy, a customer-intimacy philosophy, entails moving beyond the standard goal of satisfying customers. It is about taking responsibility for the customer's results. The employees are aware that companies who employ a customer-intimacy philosophy consistently embrace the following concepts: they know they can become market-oriented only if they learn everything there is to learn about the customers at the most granular level and create a comprehensive picture of each customer's needs — past, present, and future. For example, in LF, culture sensitivity has become an integral part of our front-line employees. The result is a down-to-earth and simple culture. "*Keep it simple*" is a key phrase in the culture'.

One example of the new culture versus the old culture is as simple a thing as answering the phone. In the past, the receptionists and switchboard were transaction-oriented. In the new culture, the customer comes first and answering the telephone is a priority. To become more customer-focused, the company has recruited some new service-minded workers and the 'old' customer service group now works with more technical customer service tasks. A key informant does not think that having a strong culture is a danger as long as the culture works in the 'right' direction. On the other hand, a culture can become a danger to business. An example of this can be seen in many large successful companies with strong cultures where they take their customers for granted. If a new competitor arrives in the market, it may be necessary for the company to change their strategy. A culture that is too strong may resist this. Regarding culture, it is also important not to confuse what you *want* with what you *have*. It is important that you *have* an open climate where the employees can tell their managers what is wrong. It is also important that the employees are allowed to make mistakes. It is vital to remember, however, that you rarely get the whole picture from your employees; there is often something that is left out.

(3) Change the organisational structure: LF has created a flat organisation structure with decentralised decision-making, where the local offices in the district have more authority. This allows for fewer stages in the decision-making process. The key informant also notes 'that having offices close to the customers and letting the different offices make decisions for them helps to control the culture in a firm with a flat organisation. The staff are able to adapt their work as necessary and the focus is on availability'. LF has done a lot of work with the calls waiting to be served. That was important from a CRM standpoint. According to the informant, 'LF is aware that, to promote flexibility in the company, it is important to have a learning organization culture that is able to make changes quickly and adapt rapidly to changes in the organization but that is also able to adopt changes from the environment. LF works with this at the organizational level. They feel that if the top management is united, it will show throughout the whole organization and that this will create a sense of security. In addition, the company is also aware that it is not enough that top management have a strong willingness to change. The organization must accept and be mature for changes, and people must accept and be open to these changes'.

According to Daft,[66] the field of management is undergoing a fundamental shift worldwide — a transition from a modern to a post-modern organisation paradigm. The views expressed by Daft are in line with the prevailing climate at LF. LF has transformed from traditional hierarchical management to full participation by every employee. According to one key informant, 'in our previous centralised organisation, head office (or a few senior managers) retained the major responsibilities and authority. Conversely, LF's current decentralised organisation allows us to spread the responsibility for specific decisions across various outlets and lower level managers, including branches or units located away from head office/headquarters. LF also implemented vertical and horizontal decentralisation. "Vertical" means that the power to make certain decisions is handed down the hierarchy of the organisation'. Horizontal decentralisation enables LF to spread responsibility across the organisation. For example, the implementation of new technology across the whole business was the sole responsibility of technology specialists employed by LF.

According to key informants at LF, the advantages of a decentralised structure for LF include the following: Senior managers have time to concentrate on the most important decisions, and other decisions can be undertaken by other people further down the organisation structure. Decision-making is a form of empowerment. Empowerment can increase motivation and therefore means that staff output increases. People lower down the organisational structure have a greater understanding of the environment they work in and the people (customers and colleagues) that they interact with. This knowledge, skill and experience may enable them to make more effective decisions than senior managers. Empowerment enables departments and their employees to respond faster to changes and new challenges, whereas it may take senior managers longer to appreciate that business needs have changed. Empowerment makes it easier for people to accept and make a success of more responsibility.

Learning organisation (strategic outcome)

A commonly view held by all employees at LF is that the management shift that has taken place at LF has been prompted by two accelerating trends. The first is the increasing rate of change brought about by global competition. Organisations have to adapt faster and be able to do things well. The second trend is a fundamental change in organisational technologies. Traditional organisations were designed to manage machine-based technologies, with a primary need for the stable and efficient use of physical resources, such as in mass production. LF's current organisation is, however, knowledge-based, which means that it is designed to handle ideas and information, with each employee becoming an expert in one or several conceptual tasks. Rather than striving for efficiency, each employee in knowledge-based companies must continuously learn and be able to identify and solve problems in his or her domain of activity.[59] In this new world order, the responsibility of management is to create organisational learning (*Ibid*.). According to a key informant, 'at LF, we are aware that, in our industry, the ability to learn and change faster than the competitors may be the only sustainable competitive advantage. Hence, LF has redesigned itself toward something called the learning organisation'. It was also mentioned by the key informants that the characteristics of and changes in the exogenous (environmental) context and the endogenous or organisational context, which forced the company to develop the new strategic intent, also have direct impact on the tangible and intangible outcomes of the strategic content. The company's ability to respond to the needs of its internal and external customers in a more effective way was enhanced because LF successfully internalised its strategic intent into its organisational culture. This strategic intent invariably resulted in the attainment of a comprehensive approach for creating, maintaining and expanding relationships with internal (employees in the company) and external customers.

DISCUSSION

A customer-intimacy philosophy (Strategic intent or content)

Being an insurance company, the core concept of the customer-intimacy philosophy at LF is the level of trust in their relationships with customers. Findings show that 'the customer is always right philosophy prevails in the company until proven otherwise'. This is in line with Forbes' paper,[67] which considers the value of customers as an important intangible asset of a business. 'In fact, they are arguably the most important, for without customers a business would not exist' (*Ibid.*, p. 4). Findings presented above also show that LF creates value in partnership with customers. LF's approach is in line with Smith's conceptualisation of 'practitioners of systems thinking'.[68] A practitioner, according to Smith, must understand a new definition of a system, especially when dealing with new market forces and empowered customers, because traditionally a system is a whole whose elements continually affect each other and operate towards a common goal. The structure is the pattern of interrelationships among elements of the system and is typically invisible until someone discovers it. LF wants to build relationships with its customers in order to retain loyal customers and maintain low administrative costs. For example, in the previous section, three customer value-building approaches as specific marketing tools to develop stronger customer bonding and satisfaction that prevail at LF are presented. Theoretical support for this can be found in previous studies.[7,15] They support the notion that strong customer relationships lead to lower costs for the company because loyal customers build business by buying more, are less price-sensitive and provide good word-of-mouth advertising. Extant literature also states that the focus has historically been on attracting new customers. This has also been a problem for LF, but they have now realised the importance of keeping, taking care of and developing their customer relationships. Both the theoretical and the empirical findings show that trust is a key factor for a good relationship between the customer and the company. Indeed, trust is one of the reasons why customers remain loyal to a company. Previous studies[11,48] also support the importance of trust in relationship strength. Without this trust, one of the cornerstones for building a relationship is gone.

Organisational culture and strategic process (exogeneous and endogenous or organisational context)

To make its strategic intent (the high-level statement of the means by which LF will achieve its vision — a customer-intimacy business philosophy) a reality, LF began seeking ways to adapt its culture to new conditions prevailing in its environment. This approach supports those posited in the literature.[1,14] The findings show that LF implemented a number of measures in its organisational context. For a decentralised organisational structure, business process and value systems that enable all members in the firm to work and collaborate cross-functionally. Organisational culture is defined earlier in this paper as the set of shared values and norms that control organisational members' interactions with each other and with suppliers, customers and other people outside the organisation.[22,50] LF demonstrates that just as an organisation's structure can be used to achieve competitive advantage and promote stakeholder interests, an organisation's culture can be used to increase organisational effectiveness. This is because organisational culture controls the way members make decisions, the way they interpret and manage the organisation's environment, what they do with this information, and how they behave.[66] Findings show that LF maintains and uses information on customers, competitors and the trends in the environment, which influence the employees' attitudinal response and actions towards the customers and competitors. The culture developed permeates the organisation's marketing strategies and activities in the market to create value for the customers and the company, which invariably creates competitive advantages for the organisation. This attitudinal perspective adopted by LF is also in line with the views expressed in the literature.[8,39]

A critical point in LF's customer-intimacy philosophy winning the endorsement it needed was the involvement of the different levels of employees as much as possible.[10,69] In the case company, culture's competitive value has been renewed and affirmed through communications across various departments. This is in agreement with the resource-based perspective,[21,25,70] which emphasises those resources internal to a firm as the principal driver of the firm's profitability and strategic advantage. This finding is also related to the work of Jaworski and Kohli[9] , who argue that the generation and dissemination of market intelligence, as well as the responsiveness to market intelligence, have to be carried out cross-functionally as a prerequisite to successful implementation of market-oriented strategy. Encouraging creativity and implementation of initiatives in order to be competitive in a constantly changing business environment has become a continual process that has evolved into the core of the company's culture.[71] Creating a new culture was important for the success of LF's customer-intimacy philosophy. This intangible asset has formed a unique competitive advantage for its business.

The learning organisation (strategic outcome)

A learning organisation is an organisation in which everyone is engaged in identifying and solving problems, enabling the organisation to continuously experiment, and improve and increase its capabilities.[66] Thus, the essential value of the learning organisation is problem solving, in contrast to the traditional organisation that was designed for efficiency. In the learning organisation, employees engage in problem identification, which means understanding customer needs.[10,52] Employees also solve problems, which means putting things together in unique ways to meet customer needs. The characteristics of learning organisations are similar to those that prevail at LF, as demonstrated in the findings reported in the previous section.

The findings reported earlier show that a common culture is essential for a relationship-oriented company. Theory implies that if the company wants to establish an effective company culture, the employees need to learn the organisational values.[49,72] The findings also show that the company is aware of the dynamic nature of the environment and therefore the employees must instinctively know how to handle unexpected situations. LF's organic structure gives a flat and decentralised organisation, and thus a more market-oriented organisation, because a good relationship with the customer demands flexibility and opportunities for the employees to make their own decisions. This is in line with findings reported in Smith.[68] According to Smith, 'the degree of flexibility which an organisation expends in the allowance of change is regulated by the existence of innovation and inertia. Aligning organizational elements within an organisation and between an organisation and environment are important for competitive success' (p. 200). This is important because there may not always be specific rules on how to meet all customer demands that can arise. An important part of LF's culture is that it allows mistakes to be made, as long as everything works out in the end for the customer.

CONCLUSIONS AND IMPLICATIONS

The main objective of this paper was to answer the question of what characterises the culture of a market-oriented firm applying a customer-intimacy philosophy. This paper contributes to existing knowledge by showing how considering culture can provide information and help to develop useful insights for practising managers, particularly regarding strategies for dealing with a firm's internal and external environments. Also reinforced in this paper are the notions that, unlike financial and physical resources, organisational culture is difficult for competitors to imitate, making it a powerful source of sustainable competitive advantage, and that, beside a special business proposal, sustainable competitive advantage can be achieved through socially complex phenomena or a culture, which make a customary imitable idea imperfectly imitable. Thus, the firm is viewed as a unique bundle of intangible assets and resources that, if utilised in distinctive ways, can create sustainable competitive advantage. The process-oriented conceptual framework operationalised in this study facilitated the illumination of the customer-intimacy business culture at the case company (LF), thereby showing that unlike financial and physical resources, organisational culture is hard for competitors to imitate, which makes it a powerful source of sustainable competitive advantage.

In addition to the above, the following conclusions and perspectives are also noted:

(1) It seems that strategy in fact embraces all the critical activities of a firm. Furthermore, a strategy provides a sense of unity, direction and purpose, as well as facilitating the necessary changes induced by a firm's environment. A review of the six critical dimensions that must be included in any unified definition of the concept of strategy is available in deWit and Meyer.[35] This paper neither has a normative ambition nor belongs to the design, planning or positioning schools that explain aspects of the origin of prescriptive strategy.[73] Rather, this paper is posited within the realm of cultural or ideological schools that, together with the entrepreneurial and process schools, support the view that strategies are the result of emergent and deliberate processes.[74,75]

(2) The conceptual framework (Figure 1) was used in this study as a descriptive and analytical device rather than as a prescriptive model to highlight the implementation elements of customer-intimacy philosophy. In light of this, this paper did not aim to outline ways in which a company might create a customer-intimacy business philosophy. The main objective, therefore, has been to use a process-oriented framework, inspired by the resource-based view, to highlight the business culture of an insurance company that has achieved competitive advantage in the Swedish market as the company with the most satisfied customers. The findings presented above show how a customer-intimacy business philosophy and a continuous improvement ethic are practised at LF. The programme involved all levels of staff, from the CEO through to front-line employees, and established a sustainable competitive advantage in the process. It can be concluded that

the strategy has been implemented successfully, with positive results for the period LF has been awarded 'Company with the Most Satisfied Customers' award 1998 to date. The significance of value creation for internal and external customers mentioned by the respondents at LF is also reinforced in the literature.[76,77] They assert that value to the customer is a much better means for delivering excellence and that the key factors of success for the proper implementation of a quality management programme in any organisation lie within that statement.

(3) Moving from a product and sales philosophy to a customer-intimacy philosophy gives a company a better chance of outperforming the competition, and the cornerstone of a well-conceived marketing orientation is strong customer relationships. Customer-centred companies are adept at building customer relationships, not just at product engineering.[14] Thus, an understanding of customers, and potential customers, is fundamental. This requires a deep appreciation of current and changing needs and wants of consumers, something in which marketers and market researchers claim a particular expertise.[6] According to Strebel and Ohlsson,[78] for many companies, incremental growth is not sufficient. The changing business landscape is forcing corporate leaders to learn how to reposition their businesses more fundamentally. Companies need to be prepared to shift the focus of their resources between innovation, operational excellence, efficiency and customer-intimacy, depending on their current business and financial needs. Operational excellence and efficiency is dependent on greater coordination, leveraging activities in the business system and removing slack from the organisation. Customer-intimacy requires a culture of listening and networking with resources directed at building relationships with customers.[78]

(4) No company can succeed today by trying to be all things to all people. A company must instead find the unique value[22,23] that it alone can deliver to a chosen market. Customers have taken control of the marketplace and their expectations for value are rising rapidly. In this new competitive environment, they increasingly seek cheaper products, quicker delivery, premium service and high quality. In order for a company to be successful in this new form of competition, it must have both focus and discipline.[79] This is in agreement with the findings reported above and views expressed in extant literature on resource-based perspectives, which emphasise resources internal to the firm as the principal driver of a firm's profitability and strategic advantage.[24]

(5) The findings show that organisations must continuously fine-tune the compatibility of the strategy and the corresponding values of its business culture, and maintain an informed workforce aligned to the strategy, working together and sharing knowledge to help the strategy succeed. This observation is also conveyed in extant literature on knowledge management, discussed in the context of competitive advantage,[80] quasi-explicit or formative knowledge as the aftermath of information society,[81] critical success factors for implementation of knowledge management strategies,[82] the conversion of tacit knowledge to explicit knowledge,[83] and the dynamic relationships between knowledge creation, diffusion and utilisation that occur in collaborative knowledge networks.[84] This implies that knowledge management programmes are typically tied to organisational objectives and are

intended to lead to the achievement of specific business outcomes such as shared business intelligence, improved performance, competitive advantage or higher levels of innovation. 'Knowledge management' embodies organisational processes that seek a synergistic combination of data and the information processing capacity of information technologies that can be enhanced through creative strategies. The case company, LF, has communicated clearly and precisely about corporate culture and hence the spirit of LF is a function of its collective commitment to success.

(6) All the respondents in the case company are in agreement with the facts that in today's competitive marketplace, consumers and businesses have many choices available to them to solve personal or business problems. Findings reported above show that conscious efforts are made at LF to increase the firm's chances of success by developing a deep understanding of markets and the customers within those markets.
LF developed a strategy that is connected with insight, purpose and likely future trends. This is in line with views in extant literature. For example, Mintzberg *et al.*[74] suggest that it is important for managers to analyse their business strategy and map out the future directions that need to be taken against the resources possessed by the organisation. Strategic analysis is the examination of the organisation's objectives and its relationship with the environment, and an understanding of its strategic position. The analysis leads a manager to understand what changes are going on in the environment and how they will affect the company; what the resource strength of the company in the context of these changes is; what the aspirations of the people involved — managers, shareholders or owners, unions, etc — are; and how these affect the present position and what could happen in the future.

(7) Finally, it is shown in this study that being market oriented is a source of competitive advantage, and, as such, organisations should seek to become market oriented. Similarly, given the substantial evidence suggesting a positive relationship between market orientation and performance, the logical next question is how a business can best create and increase a market orientation. Creating a market orientation is, however, only a start. Despite the benefits of market orientation outlined earlier, there are some limitations. For example, Slater and Narver[52] argue that market-oriented organisations may not take enough risks, concentrating on what Hamel and Prahalad[21] call the 'tyranny of the served market' (p. 83), thus ignoring competitors. It has also been argued[54,85] that a market orientation may result in adaptive learning only, with its focus on the expressed needs, as opposed to the latent needs of customers. Moreover, market-oriented organisations may underestimate the potential contributions of other learning sources that possess knowledge useful to the organisation.[86,87] In short, a narrow construction of market orientation could lead to learning only within traditional boundaries. The above-mentioned limitations ought to be subjected to additional scientific scrutiny in future research. Findings from this study may be regarded as a narrow account of customer-intimacy business culture of one company applying a customer-intimacy philosophy. Consequently, it is worthwhile for a future researcher to carry out a quantitative and qualitative study that aims to outline ways in which a company might create a customer-intimacy business philosophy. The quantitative and qualitative data for such a study should encompass more than one

company and their customers in order to verify if the companies are indeed enacting a successful customer-intimacy philosophy. Alternatively, a future study may outline detailed inventory of the elements of the customer-intimacy culture.

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