

RESEARCH BRIEFS

EMERGING MARKETS GO ORGANIC: DOES ORGANIZATIONAL CULTURE IMPACT MARKET RESPONSIVENESS AND FIRM PERFORMANCE?

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RESEARCH QUESTIONS

The study of organizational culture has seen a resurgence lately in several management subfields. A recent study by Susan Wei (Texas A&M International University), Saeed Samiee (University of Tulsa), and Ruby Lee (Florida State University) suggests the same may be true in marketing. Wei and her colleagues take the view that culture represents a strategic resource that positively influences market responsiveness, especially in emerging economies. More specifically, they paired Cameron and Quinn's (2011) four-part culture scheme with the resource-based view of the firm to predict marketing effectiveness in an emerging economy like China.

This scheme suggests that organizational cultures differ along two dimensions. The first distinguishes culture based on whether the primary focus is inside or outside the company. The second distinguishes culture based on the degree of flexibility or discretion it encourages (organic cultures) versus the extent of stability or control it exerts on business (mechanistic cultures). Wei and her colleagues were particularly interested in how an organic culture might accelerate market awareness and responsiveness, especially in an emerging market where business conditions are volatile, growth is high, and infrastructure and more are rapidly changing.

Organic cultures seem to fit the requirements needed for great success in emerging markets, and particularly China, which was the context for this study. Such cultures are inherently adaptive and flexible; they seem to nurture those who innovate and collaborate well together. Contrast this with mechanistic organizations that stress formality, structure, and standardization in their operations. These organization features have their place and yield great value as well when they are aligned with less dynamic conditions more typical of developed markets. But in fast-paced, unstable markets such as China, flexibility and more dispersed decision control toward matters external to the

firm (adhocracy culture) or internal to the firm (clan culture) should produce greater market responsiveness.

In short, Wei and her colleagues believe that organic cultures are a relevant and important strategic resource for emerging-market firms. This is important because the prevailing wisdom is that competitiveness is driven by other market-based factors such as low labor costs, cheaper raw materials, and fewer business restrictions. While this is likely true, Wei and her colleagues suggest that the fit of the organizational culture to market conditions can produce a competitive advantage and should not be overlooked. In part this is because organic cultures, much more so than mechanistic cultures, can turn on a dime in unpredictable emerging economies. Interestingly, however, the two types of organic cultures (adhocracy and clan) by themselves may improve firm responsiveness to market conditions, while in combination they may actually decrease responsiveness. Likewise, an organic culture may act differently in various industries within emerging markets. For instance, a high-tech company may capitalize on the benefits offered by flexibility and innovation that go hand-in-hand with the externally focused adhocracy (e.g., Alibaba in China), whereas low-tech industries might be more competitive if they have an internally focused clan-type organic culture (e.g., Haier appliances).

RESEARCH METHODS

To examine these provocative ideas, Wei and her colleagues conducted a very careful study using a multi-stage, stratified random sample drawn from small-, medium-, and high-growth Chinese cities (three cities for each size). Twenty manufacturing firms in *each* city were randomly drawn from a trusted database maintained by the State Statistical Bureau of China (SSB), in the process sampling an equal number of state-owned firms, joint ventures, and publicly owned companies.

A questionnaire was developed in English, translators converted this to Chinese, and different translators then back-translated this into English and worked to resolve ambiguities. Five detailed mock interviews with Chinese senior marketers confirmed the relevance and content of the material. Then, a sample of 20 Chinese managers completed the revised questionnaire and provided comments that were used to further update the questionnaire. A marketing research firm with experience in China was employed to collect interview data using the final questionnaire on-site from the large sample of companies noted above. Research shows that this approach results in more valid data and higher response rates (particularly in developing economies). In each of the firms, 22 knowledgeable informants provided the key data. Overall, nearly 4,000 respondents from over 180 firms across nine Chinese cities participated in the survey.

Multi-item measures of adhocracy and clan culture, used in prior research, were completed by study participants. They also responded to standard measures of market responsiveness and their views of the product strategy change. To address common method variance problems and to obtain the most informed answers, the 22 participants answered *different* question sets. Ten front-line managers in each firm responded to the clan culture questions, while the HR manager completed the adhocracy items. Likewise, ten middle-level managers addressed the product strategy change items, and finally, the marketing manager of each firm answered the questions about market responsiveness. Finally, Wei and her colleagues employed an assistant who traveled to study sites in the nine cities and spoke to participants (1,150 in all) to verify that the interviews were correctly executed. Two years after the above data were collected, financial performance data were obtained from the SSB and then crosschecked with an executive in each firm. Inter-rater agreement for various measures showed consistent views of culture type, market responsiveness, and product change strategies.

KEY FINDINGS

Wei and her colleagues found that the higher the level of adhocracy and clan culture, the greater the market responsiveness of the firm. Interestingly, they also found that if a firm showed relatively high levels of *both* types of organic culture, it seemed to suppress their individual, positive effects. The rationale here is that the external search for creative responses to market conditions that is encouraged in adhocracy cultures might be offset by the high

cohesiveness, loyalty, and internal focus of the clan/family culture.

The results also showed that the adhocracy culture resulted in product strategy change indirectly through its degree of market responsiveness, whereas the clan culture had both direct effects on strategy change and indirect effects on change through market responsiveness. In turn, results also showed that market responsiveness did *not* have a direct impact on firm performance; its impact was indirect depending on whether or not it engaged in product strategy changes. Finally, the industry type (high tech vs. low tech) made a difference in market responsiveness, with high-tech firms generally taking a more responsive approach in this emerging market setting.

CONCLUSIONS AND IMPLICATIONS

This study has some far-reaching effects. First and foremost, the results show that organizational culture is an important player in driving market responsiveness and firm performance. Culture can be an effective competitive tool for the marketing function. Second, if there is a match between market conditions and culture type, effectiveness and performance is increased. In particular, in a rapidly changing emerging market, the more flexible and responsive organic-type cultures (the adhocracy and clan type cultures) can act as a strategic resource that positively affects a range of firm activity. These cultures are naturally malleable, elastic, and reactive—the very features needed in emerging economies where market conditions, competition, and innovation rapidly change. One provocative caveat, however, is that flexibility and sensitivity to change outside (adhocracy culture) and inside (clan culture) the firm can have offsetting effects in terms of slower market responsiveness, slower product change, and eventually poor firm performance.

Another takeaway from this study is that culture can directly affect a firm's product strategy change and indirectly drive change through its effect on market responsiveness. In some ways, this shows the applied value of managing corporate culture to meet (emerging) market conditions. After all, managing culture fit can have both direct positive effects by turning attention to needed strategy change (developing new products, technological innovations, and more), and can also have that same eventual effect through its impact on marketing responsiveness (more detailed marketing plans, better coordination of various departments). This is a significant point for practicing managers.

The study also raises new and interesting questions. For example, what about firms whose overall

culture might be more mechanistic and hierarchical—something they've found to be effective in more stable home country markets? Can firms with a deep-rooted home culture “innovate” culturally when they take on the promise of doing business in an emerging market? Can such a company be successful? One might predict challenges since the two key variables studied here—market responsiveness and product strategy change—do not flow naturally from a more static culture. On the other hand, there are famous examples of firms that maintained a largely mechanistic culture for their various divisions, but were able to inculcate unique and innovative divisions that were more organic in form (e.g., Xerox and its innovative research center, PARC; AT&T and its similar Bell Laboratories). Perhaps this could be emulated across borders and markets.

Another interesting question deals with the process of culture and market change. For example, could a responsive, organic adhocracy-type culture change to a mechanistic one when the market conditions warrant? Hopefully other scholars will pursue these and other interesting questions raised by Wei and her colleagues.

REFERENCES

- Cameron, K. S., & Quinn, R. E. (2011). *Diagnosing and changing organizational culture: Based on the competing values framework* (3rd Ed.). NY: Wiley.
- Wei, Y., Samiee, S., & Lee, R. P. (2014). The influence of organic organizational cultures, market responsiveness, and product strategy on firm performance in an emerging market. *Journal of the Academy of Marketing Science*, 42, 49–70.