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A dyadic approach to the impact of differences in organizational culture on relationship performance

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ABSTRACT

The authors extend previous research on relationship management by investigating the potential effect of differences in organizational culture on relationship performance among 124 dyads. Theory suggests that partner similarity may improve the feeling of we-ness thereby contributing to the perceived success of inter-firm cooperation. The findings reveal that differences in organizational culture are larger in less successful inter-firm relationships, but do not influence the perceived relationship success significantly. Our results suggest that relationship managers should not confuse compatibility with similarity; personal chemistry is important for relationship atmosphere but does not solely depend on similarities. Future research in this area may wish to concentrate on a more complete measure of organizational (sub)culture(s), the different levels of analysis (personal, organizational, dyad), relationship life cycles (stage models) and the role of organizational identity.

1. Introduction

Relationship marketing has become a central research paradigm in the marketing channels literature (Achrol, 1997; Bagozzi, 1975; Hingley, 2005). An impressive body of conceptual and empirical literature has addressed a range of aspects of inter-firm relationships. Building on different theoretical approaches like the transaction cost approach (Williamson, 1975, 1985), resource dependence theory (Pfeffer & Salancik, 1978) and contract theory (Macneil, 1980), numerous scholars have studied the relational aspects of exchange relationships (Heide, 1994). Empirically, concepts like dependence (Hallèn, Johanson, & Sayed-Mohamed, 1991; Heide & John, 1988; Ganesan, 1994), commitment (Anderson & Weitz 1992; Noordewier, John, & Nevin 1990), trust (Brock Smith & Barclay 1997; Ganesan, 1994; Moorman, Zaltman, & Deshpandé, 1992; Seppänen, Blomqvist, & Sundqvist, 2007) and communication (Anderson & Weitz 1992; Noordewier et al., 1990) have been shown to be related to the economic success of buyer–seller relations and inter-firm cooperation in general (Achrol, 1997; Heide & John, 1992; Hoffman, 2000; Kingshott, 2006; Wren & Simpson, 1996).

A number of scholars in this tradition have argued that differences in organizational culture may influence the success of buyer–seller cooperation in a negative way (Brock Smith, & Barclay, 1997; Bucklin & Sengupta, 1993; Dwyer, Schurr, & Oh, 1987). Incompatibility of the transacting organizations' operating philosophies is assumed to negatively influence the feeling of "we-ness" (Jap & Ganesan, 2000), and partner similarity in terms of working practices may be an important element of the overall 'relational syndrome' (Noordewier et al., 1990). Despite these arguments that differences in organizational culture may negatively influence the development and success of inter-firm cooperation, empirical evidence is rather weak (cf. Seppänen et al., 2007, p. 261). Existing empirical studies do not actually measure culture, but tend to concentrate on organizational differences in broad sense, for example strategic compatibility (Achrol, Scheer & Stern, 1990; Brock Smith & Barclay, 1997; Bucklin & Sengupta, 1993), are performed in an international setting conflating national and organizational culture (LaBahn & Harich, 1997; Mehta, Larsen, Rosenbloom, & Ganitsky, 2006; Skarmeas, Katsikeas, & Schlegelmilch, 2002), or concern higher levels of integration, like international joint ventures or formal alliances (Haspeslagh & Jemison, 1991; Medcof, 1997; Nahavandi & Malekzadeh, 1998). To the best of our knowledge, no large scale analysis of the role of organizational culture in regular national buyer–seller relationships has been made. Research on this issue is important because a better understanding of the role of differences in organizational culture can increase the effectiveness of inter-firm cooperation.

Embedded in social exchange theory, we contribute to the existing literature in two important ways. First of all, our sample of 124 buyer–seller relationships allows us to simultaneously study the impact of cultural distance on performance as perceived by *both* sides of the relationship, while controlling for relational norms like trust and commitment. Such a dyadic study is important, because it has been

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shown that validity problems may arise regarding ‘sentiments’ variables when using only information from one side of the relationship (John & Reve, 1982). Dyadic studies require a careful methodological set up and we also show how future studies may wish to further develop such a set up to improve our understanding of the underlying drivers of the success of buyer–seller relationships. Secondly, we show that differences in organizational culture do not significantly affect the perceived success of inter-firm cooperation. This finding provides a renewed impetus to relationship marketing theory by suggesting a need for a more careful modelling of organizational cultural differences in social exchange theory.

Our paper is structured in the following way. We first define organizational culture and subsequently theorize on the role of organizational cultural differences in explaining relationship performance against the background of the broader social exchange theory. We test our hypothesis on the negative effect of organizational cultural differences in a sample of 124 dyads while controlling for trust, commitment and communication. Finally, we summarize our findings, discuss the implications for theory, and provide ideas for future research. Given the exploratory nature of our research and the dyadic set up of our study, our managerial suggestions are speculative and also briefer than our suggestions for future research.

2. Conceptual background

2.1. Defining organizational culture

Before theorizing on the relationship between organizational cultural differences and the way these differences may affect the perceived success of buyer–seller relationships, we need to define organizational culture. Organizational culture can be broadly defined as shared rules and norms that suggest preferred solutions to common problems and situations encountered by members of an organization (Denison, 1990, p. 32). Depending on the perspective of the author, organizational culture has been taken to refer to values and beliefs shared by organization members (Schein, 1985), symbols and artifacts (Rafaeli & Worline, 2000), or perceptions of organizational processes typical of a given organization (Hofstede, Neuijen, Ohayv, & Sanders, 1990). While we are aware of the divergent perspectives on the field, we choose to refer to organizational culture in a broad sense (for an overview of the debates around organizational culture, see Ashkanasy, Wilderom, & Peterson, 2000; Deshpandé & Webster, 1989).

Organizational culture, in its different manifestations, relates to the behavior of organizational members. In our view, this will be driven by ‘the norms prescribing and sanctioning these behaviors and the values in which the norms are embedded’ (Katz & Kahn, 1978, p. 43). This corresponds with the operationalisation of organizational culture by Deshpandé and Webster (1989, p. 4) who define organizational culture as “the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior”. In our methodological approach we lean most on approaches from organization studies, which are closely related to what Deshpandé and Webster (1989) label a contingency management approach. Embedded in functionalist sociology, this contingency management perspective of organizational culture is in line with traditional contingency frameworks, in which culture is (at least partly) seen as a tool for managers to (re-)direct the course of the organization more effectively. In organization studies, a number of culture studies have applied multidimensional notions of organizational culture and related these to aspects of firm performance. Whereas an organizational culture focused on customer orientation is assumed to be beneficial for relationship management in general (Beugelsdijk, Koen, & Noorderhaven, 2006; Deshpandé, Farley & Webster, 1993; Lindgreen, Palmer, Vanhamme, & Wouters, 2006), differences in organizational culture have been suggested to negatively affect inter-firm cooperation. We explore the theoretical arguments relating organizational cultural differences and relationship satisfaction in the next section.

2.2. Relationship performance and organizational cultural differences

An impressive body of theoretical and empirical work exists on relationship marketing. This is not to say that within this broad field of relationship marketing, one uniform approach exists. Lindgreen et al. (2006) distinguish between Transaction marketing, the IMP group, the Nordic school, and the Anglo-Australian approach. In a similar vein, Kingshott (2006) has described some key differences between transaction costs approaches and social exchange theory. Acknowledging that these differences are important in themselves, we consider it beyond the scope of this paper to extensively discuss these schools of thought. Given its focus on the relational aspects and its sociological grounding (Kingshott, 2006), we position our discussion of the role of organizational culture in social exchange theory.

A key variable of interest in relationship marketing concerns the relationship performance or satisfaction (Geyskens, Steenkamp, & Kumar, 1999). Multiple interpretations have been given to this concept (Kingshott, 2006), but in general relationship performance can be defined as “an affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm” (Anderson & Narus, 1984). Clearly this definition leaves room for a multidimensional notion of relationship satisfaction, and includes the role of perceptions based on prior expectations and rewards received. Based on a review of the literature, Kingshott (2006) distinguishes two key aspects of relationship satisfaction; economic satisfaction relating to direct performance aspects like turnover and profit, and social or non-economic satisfaction relating to indirect performance aspects. In explaining these differences in relationship performance, scholars have addressed a range of factors, most prominently trust, communication and commitment.

Commitment is an expression of the intention to maintain a relationship, even if that implies short run sacrifices (Dwyer et al., 1987; Mohr, Fisher, & Nevin, 1996). Commitment reflects the expectation regarding the continuity of a relationship (Ganesan, 1994; Noordewier et al., 1990), and is likely to influence relationship performance, as partners are more prepared to make sacrifices to make the relationship successful. Trust has been found to have a positive effect on inter-firm cooperative performance as well, and by now a substantial body of literature exists on trust (e.g. Mohr & Spekman, 1994; Zaheer, McEvily, & Perrone, 1998; Nooteboom, 2002; see Seppänen et al., 2007 for an overview). Finally, a related body of literature has shown that cooperative information sharing approaches increase the success of the relationship (Gaski & Nevin, 1985; LaBahn & Harich, 1997). Hence, the quality of the communication between the cooperating partners has to be taken into consideration. From a social exchange perspective, relationships of power and dependence between transacting partners also have to be taken into account (Caniëls & Gelderman, 2007; Emerson, 1962). Marketing channels studies adopting this perspective have included power and dependence stemming from the relative importance of exchange partners to each other (El-Ansari & Stern, 1972; Gaski, 1984; Gaski & Nevin, 1985; see also a special issue in this journal 2005, volume 34).

As already alluded to in the introduction, differences in organizational culture – next to trust, commitment and communication – may hamper the development of effective inter-firm cooperation and the creation of a group identity (Deutsch, 1949, 1973; Tjosvold, 1988a,b). As argued by Chen, Chen and Meindl (1998), perceived goal interdependence leads to positive interaction behaviors and the creation of group identity, subsequently influencing inter-firm cooperation and perceived satisfaction in a positive way (see also Jarillo, 1988). Similarity between cooperative partner firms results in an affinity that Doz (1988) refers to as ‘convergence’. This facilitates mutual understanding and mitigates competitive tendencies, strategic conflict, and