

CUSTOMER SATISFACTION What impact does your culture have?

"When companies come up with simple, low-cost ways to trim costs while improving life for customers, they're likely to win in good times and bad," writes Jena McGregor, Management Department Editor of BusinessWeek (2009, March). In a special issue dedicated to customer service, BusinessWeek magazine profiled the top 25 organizations that have managed to still make customers their main priority. With the economy in a downturn, it has rapidly become a consumer's market. It is corporate Darwinism at its best. Companies that effectively manage their financial resources, while at the same time provide the best experience for their customers, are the organizations that will be fit for survival in the long run. But how can organizations accomplish this? Although there are many avenues for improving customer satisfaction or managing customer loyalty, we sought to explore the role that organizational culture can play in satisfying the ever-important customer.



STRATEGIC
ALIGNMENT



MERGER &
ACQUISITION

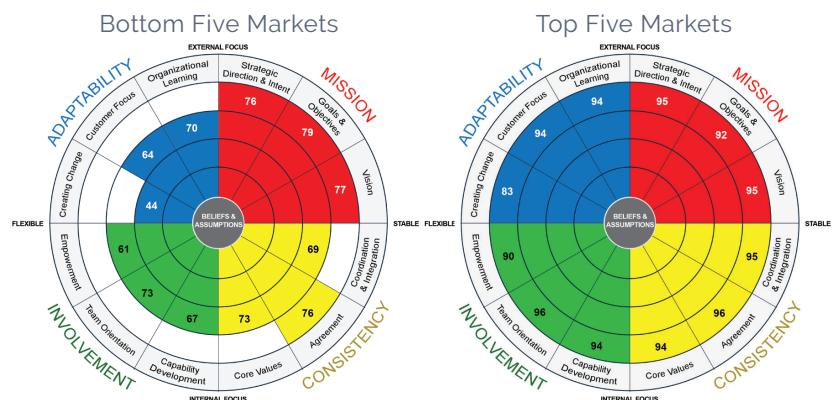


TRANSFORMATION
& TURNAROUND



TALENT
MANAGEMENT

Figure 1: Customer Satisfaction in Home Building Markets



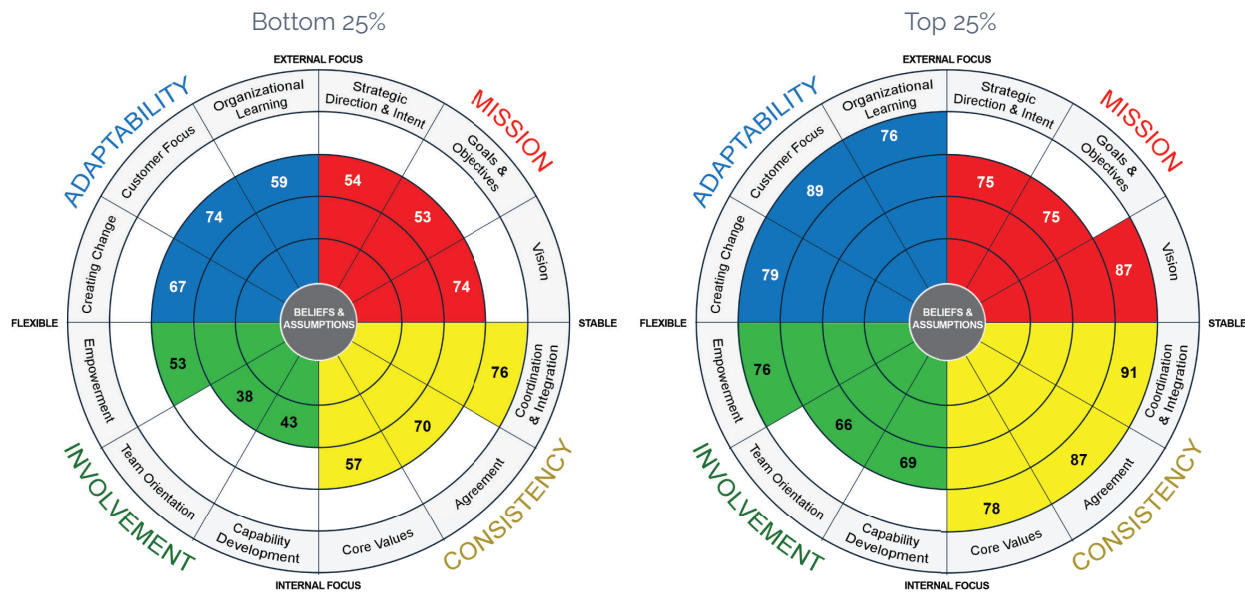
This comparison shows the difference in scores, on the Denison Organization Culture Survey, in the bottom five and top five performing markets in a large Fortune 500 Home Building Company. There were statistically significant correlations between culture and customer satisfaction in all 12 of the Denison indexes.

A stream of research, conducted by Denison Consulting and our research partners, explored the relationship between organizational culture and customer satisfaction. Dr. Michael Gillespie and colleagues used customer satisfaction and Denison Organizational Culture Survey data collected from automotive dealerships and regional home building markets. Additionally, Dr. Scott Nier, a psychologist with the United States Government, explored culture and customer satisfaction within a government agency for his doctoral dissertation at Walden University.

Previous theoretical research on organizational effectiveness would suggest that the external side of the Denison Model (Adaptability and Mission) would have the strongest relationship with customer satisfaction. Mission and Adaptability assess the organization's orientation to the external marketplace. Organizations with a strong Mission have

defined a meaningful vision, and a long-term strategy with short-term goals to achieve that vision. Highly Adaptable organizations are aware of the demands of the marketplace, learn from them, and change to meet those demands. Both culture traits have logical and theory-based relationships with the customer.

Emerging research suggests that the lower half (internal side) of the Denison Model, made up of Involvement and Consistency, is also important to customer satisfaction. If Involvement is high in an organization, employees are empowered, they have the right skills to do their job and they work effectively as a team. This allows them to create and deliver good customer experiences. Likewise, organizations high in Consistency are able to provide the same experience on a repeated basis to every customer and can coordinate activities and resources to effectively meet the needs of the customer.



This comparison shows the difference in scores, on the Denison Organization Culture Survey, for dealerships in the bottom 25% of customer satisfaction ratings vs those in the top 25% of customer satisfaction ratings. These included both the sales and service components of the customer satisfaction questions.

Studying Customer Satisfaction

The relationship between organizational culture and customer satisfaction was explored in two studies across three different environments. In the first study, researchers collected customer satisfaction data from: 1) people who had just purchased/leased a new vehicle or had a vehicle serviced from a car dealership, or 2) had recently contracted to have a home built through a home-building company. The relationship between the Customer Satisfaction data and Organizational Culture data was analyzed. In the second study, culture and customer satisfaction data was examined for a large government agency. People who received goods or services from the government agency were asked to rate the quality of the goods or service received and the reliability and efficiency of the government department they interacted with.

Beginning with the first study conducted by Dr. Gillespie and colleagues, customers who recently bought houses from the home-building company completed a customer satisfaction survey that was administered by an independent 3rd party. Customers were asked: "Thinking back to your overall experience with XYZ home-building company, how much of your experience was positive?" Responses were made on an eleven-point response scale ranging from 0% to 100% in increments of 10. (Table 1) Correlations between the Denison traits and indexes and customers' satisfaction with their home-building experience reveal an interesting pattern. At the trait level, the strongest correlation with customer satisfaction was with Adaptability, followed by Mission and then Involvement. Although Consistency, as a trait, was not significantly correlated with customer satisfaction, a deeper-dive at the index level of Consistency reveals that Coordination & Integration is highly correlated with customer satisfaction.

The pattern of correlations was slightly different in the automobile dealerships, but there were also similarities to the

Table 1: Correlations between Denison Organizational Culture Survey and Customer Satisfaction for Home-Building Markets and Automotive Dealerships

Trait/Index	Home-Building Markets (N=32)	Automobile Dealerships (N=148)
Mission	.47**	.23**
Strategic Direction & Intent	.50**	.24**
Goals & Objectives	.36*	.22**
Vision	.50**	.20*
Adaptability	.50**	.24**
Creating Change	.38*	.16*
Customer Focus	.59**	.32**
Organizational Learning	.47**	.21*
Involvement	.42*	.26**
Empowerment	.45*	.26**
Team Orientation	.41*	.23**
Capability Development	.36*	.27**
Consistency	.33^	.30**
Core Values	.15	.26**
Agreement	.35^	.25**
Coordination & Integration	.44*	.34**
^p<.10; * p<.05; **p<.01		

home-building market. For the automobile dealerships, customer satisfaction ratings were obtained using a national customer satisfaction survey administered by an independent research firm. Two different surveys were administered, and we used the overall satisfaction question from each questionnaire. The first survey focused on the sales and delivery experience, and the question read: "Based on your overall purchase/lease and delivery experience, how satisfied are you with XYZ Dealership?" The second item focused on service: "Based on this service visit overall, how satisfied are you with XYZ Dealership?"

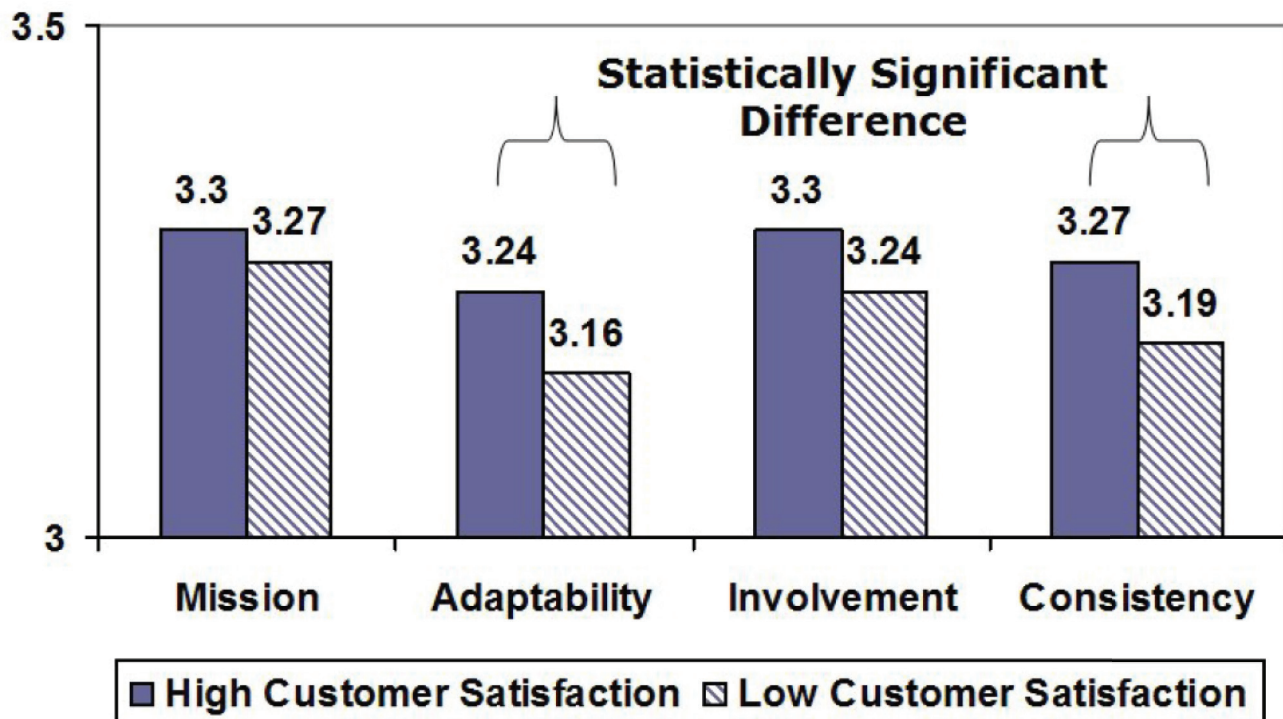
Both questions used a four-point response scale, with options ranging from "Not at all Satisfied" to "Completely Satisfied."

The researchers reported results using a combined score that averaged the responses of both survey items. The results showed the two indexes from the Denison Model that had the strongest correlation to customers' satisfaction regarding car purchase or service experience. Those indexes were Coordination & Integration, an index within Consistency, and Customer Focus, an index within Adaptability. (Table 1)

Moving to the government sample, a customer satisfaction survey was sent to all people who had received goods or services from the government agency. The survey included 13 questions that asked about the timeliness of receiving services or goods, resolution of their

problem, the availability of products, and the quality of interaction with government agency personnel. Responses were made on a 5-point scale, from "Strongly Disagree" to "Strongly Agree." The 13 items were averaged together to create an overall customer satisfaction score. In this study, Dr. Scott Nier, the researcher, conducted a T-test on the Denison Culture Traits between the divisions, with the most satisfied customers and the least satisfied customers. A T-test is a way to determine if the difference between two numbers is statistically significant, and therefore, meaningful. T-test results indicated that the divisions with highly satisfied customers had higher culture scores across all traits but were significantly higher in Consistency and Adaptability (Figure 3).

Figure 3: Customer Satisfaction in Government Agency Divisions



Using T-tests, we were able to examine the relationship between customer satisfaction and Denison Organizational Culture Survey results at a government agency. The research found that, at the trait level, higher culture scores corresponded with higher customer satisfaction in each trait, but most significantly in Consistency and Adaptability.

Making Culture Work for Your Customers

So, what does this research mean for you and your organization? First, and logically, creating a strong Customer Focus is important for being able to increase customer satisfaction. The best way to ensure that your employees provide the best experience for your customer is to make sure that they understand the needs of the customer, consider the interest of the customer when making decisions, and interact directly with customers on a regular basis.

Further, this research also suggests that Coordination & Integration is important for providing customers with a satisfying experience. Providing customer service is rarely only the responsibility of the customer-facing employee, but rather requires a team effort from employees throughout an organization. Coordination & Integration, captured within the Consistency trait of the Denison Model, has to do with whether employees share a common perspective and how well they work across organizational boundaries. What makes for a great dining experience at your favorite restaurant, for example, isn't just that your server was friendly. It might also require that you were seated in a reasonable amount of time, the restaurant was clean and presentable, and that your food was prepared to order and met your overall expectations. It is important that all employees of an organization understand their role in providing the best customer experience and what they can do to support their fellow employees in meeting the customers' needs. Coordinated and integrated effort among employees will ensure that no customer falls

through the cracks and that each component of the customer experience meets or exceeds expectations.

Lastly, although the traits of Adaptability and Consistency with emphasis on Customer Focus and Coordination & Integration were strongly correlated with customer satisfaction in these studies, significant relationships were also found between customer satisfaction and other indexes of the Denison Organizational Culture Model. For example, clearly communicating the Vision of the organization and fostering Empowerment among employees are also important for providing the best customer experience. It might be tempting to focus your customer satisfaction efforts solely on Customer Focus or Coordination & Integration; however, previous research suggests that a strong, balanced culture is important for achieving optimal customer service as well as performance across a number of other important business metrics.

Related Resources

Gillespie, M. A., Denison, D. R., Haaland, S., Smerek, R., & Neale, W. S. (2008). *Linking organizational culture and customer satisfaction: Results from two companies in different industries*. *European Journal of Work and Organizational Psychology*, 17, 112-132.

Nier, S. L. (2008). *The relationship between organizational culture and organizational performance in a large federal government agency*. Unpublished doctoral dissertation, Walden University.

McGregor, J., McConnon, A., & Kiley, D. (2009, March). *When Service Means Survival*. *Business Week*, 4121, 26.

FOR MORE INFORMATION

United States

121 W. Washington Street
Suite 201
Ann Arbor, MI, 48104
Phone: +1 (734) 302 4002

Europe

Freiestrasse 7
CH-8570 Weinfelden
Switzerland
Phone: +41 71 552 0571

United Kingdom

36 Coquet Terrace
Newcastle upon Tyne
Heaton, NE65LE England, UK
Phone: +44 7961 974 568