

Empirical research on the impact of customer-oriented organizational culture on management control process

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ABSTRACT

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The purpose of this paper is to investigate the influence of customer orientation on management control. In the research area of marketing, it is clear that customer orientation has an impact on corporate performance through influencing the attitudes and behaviour of employees. Therefore, we thought that it would be possible to build a control mechanism using customer orientation concepts with reference to marketing knowledge. Using data from a questionnaire survey conducted in 2016 on employees of Japanese hotel company, this study tests a multiple regression model that relates to the influence of customer orientation on management control process.

Keywords:

Customer-oriented organization,
organizational culture, management
control, cultural control, hotel company

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1. Introduction

In this paper, we reveal the relationship between management control (MC) and customer-oriented organizational culture (customer orientation). In this paper, customer orientation is one of organizational culture and we originally defined it as "Values, beliefs, code of conduct trying to understand customers to make it possible to continue to create excellent value to target buyers" based on the definition of customer orientation which made by Naver and Slater [1]. MCS is the information based system which influences organization members to execute strategy [1].

In marketing research, it has become clear that customer orientation has a positive influence on the attitudes and behaviour of organization members [2,3]. In addition, some studies have demonstrated that customer orientation improves non-financial performance such as customer satisfaction and financial performance such as ROA and ROE [2-4]. Despite the fact that it is clear that customer orientation has a considerable influence on the attitudes and behaviour of organization members and corporate performance, there is no accumulation of research about customer orientation in management control research.

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Therefore, widening the scope of the review up to research related to organizational culture, which is a meta concept of customer orientation, recently it has been pointed out that organizational culture has an impact on management accounting. Much of that pointing out is made in the theory of management control package (MCP). In this theory, it has been claimed that organizational culture has an influence on MC, or complements its functions [5,6]. However, there is a problem that research accumulation on the relationship between organizational culture and MC is not enough [5,6]. Thus, in this paper, we tested whether customer orientation affects MC by using empirical data, as a part of research about the relationship between organizational culture and MC. In particular, we demonstrated that customer orientation has moderating effect on role coordination in the MC process.

2. Hypothesis

2.1 H1 & H2 & H3a & H3b

In this paper, we define MC as the information based system which influences organization members to execute strategy [1]. Suzuki [7] pointed out that process of MC is consist of three information sharing process: "Plan", "Check" and "Act". Through this information sharing process, subordinates deepen their understanding of their roles [8]. This is because incomplete knowledge about business processes and environmental conditions is supplemented through communication. Then, coordination among members are made, which in turn leads to role understanding consistent with strategy [8]. From these discussion, we set hypothesis 1.

H1: Information sharing through MC has a positive effect on Role understanding

Role understanding is considered to have a positive influence on organizational commitment. Parker and Kyj [8] reveals that reducing role ambiguity enhances organizational commitment. Paradoxically, when employees understand their roles clearly, they feel that fulfilling their roles leads to organizational outcomes and enhances organizational commitment [9]. Therefore, we set hypothesis 2.

H2: Role understanding has a positive effect on organizational commitment

In the previous research, it is theorized that organizational commitment leads to high motivation of employees [9]. In the area of accounting, it is also shown that organizational commitment is in a positive relation with employee's behaviour [8]. In this research, the concept of motivation is distinguished into motivation to achieve budget and motivation to achieve policy. Therefore, we set hypothesis 3a and 3b.

H3a: Organizational commitment has a positive effect on motivation to achieve budget

H3b: Organizational commitment has a positive effect on motivation to achieve policy

2.2 H4a & H4b & H4c

In this section, we set hypothesis about the influence of the customer orientation has on MC. First, customer orientation has the function of providing a base of communication and facilitating coordination [1]. Organization culture plays a role in shaping common way of thinking and behaviour for people working at companies. When the organization culture is established and a way of thinking

and the code of conduct are shared, the pattern of recognition to information and the pattern of information interpretation are approximated among employees. Then, communication is facilitated. As a result, coordination for collaborative behaviour becomes easier and it is considered to have a positive impact on the role understanding of employees [1]. We thought this function of customer orientation as the base of communication intensifies the relation between information sharing through MC and role understanding of employees. Therefore, we set the following hypothesis 4a.

H4a : Customer orientation intensifies the relation between information sharing through MC and role understanding

Secondly, customer orientation reduces the role ambiguity [3] by encouraging interfunctional coordination among employees [4]. So, as mentioned above, customer orientation is thought to directly promote role understanding. Based on this argument, we set hypothesis 4b. Also, in the previous research, it has been demonstrated that customer orientation has a positive influence on organizational commitment. The reason is that, in a highly customer-oriented organization, employees have a pride that they are members of the organization which contribute to customers. And this pride increases organizational commitment [2]. Based on this argument, we set hypothesis 4c.

H4b : Customer-oriented organization culture has a positive influence on role understanding

H4c : Customer-oriented organization culture has a positive influence on organizational commitment

3. Research Site and Data

To analyze these hypothesis, we choose Company A for research site. Company A operates Luxury hotels. The reason we choose Company A is, it positions customers as the most important stakeholders in the management philosophy. In addition, Company A continuously conducts a large-scale customer satisfaction survey every year since the 1990s, and is working to increase the number of high-loyal customers to the company.

Samples for this research were collected through a structured questionnaire with the Likertscale to employees in the hotel company A in December, 2016. 7,306 employees were involved in the questionnaire investigation. We used 5,515 data limited to full-time employees.

4. Methodology (Factor Analysis and Descriptive Statistics)

First, we extract variables by exploratory factor analysis. Next, we analyze the hypothesis by doing a multiple regression analysis.

Then we conducted factor analysis with the major factor method and promax rotation. As a result, six factors of the hypotheses were extracted. For all factors, it can be said that internal consistency is enough with a high coefficient of Cronbach's α ($\geq .80$) (Table1). The descriptive statistics of the variable is shown in table 1.

Table1
Result of Factor analysis

Information sharing through MC ($\alpha=921$)						
Do you decide what to do according to the policy?	0.945	-0.043	-0.025	0.037	0.051	-0.067
Do you have opportunities to discuss the target figures?	0.916	0.016	0.003	-0.034	-0.084	0.031
Does your boss explain yearly business policy in plain?	0.905	-0.015	-0.003	0.041	0.044	-0.075
Does your boss explain target figures easily?	0.823	0.082	0.038	-0.013	-0.122	0.02
Do you decide what to do according to the policy?	0.785	-0.008	0.022	-0.009	0.079	0.04
Do you have opportunities to discuss the results?	0.724	-0.031	0.017	-0.026	0.058	0.097
Customer orientation ($\alpha=880$)						
Are you trying to understand the customer in order to know the needs of customers?	0.013	0.898	-0.006	-0.044	0.02	0.014
Do you feel satisfied to respond promptly to customer's request?	0.02	0.88	-0.02	0.055	-0.037	-0.03
Do you think that satisfying customers (internal customers) is more important than anything else?	-0.098	0.732	0.094	0.051	-0.025	-0.033
Are you actively making efforts to know the individual personality of each customer?	0.086	0.721	-0.058	-0.054	0.081	0.058
Role understanding ($\alpha=879$)						
Is the role sharing properly done?	0.053	-0.027	0.866	-0.009	-0.008	-0.028
Do you know who is doing what job in your department?	-0.034	0.049	0.82	-0.053	0.002	0.049
Do you know what to do with each other?	0.092	0.001	0.721	0.071	0.028	-0.016
Organizational commitment ($\alpha=879$)						
Do you feel like getting into work forgetting to pass over time?	-0.034	-0.001	-0.039	0.865	0.025	0.044
Do you feel motivated and fulfilling in your current work?	0.051	0.024	0.037	0.836	-0.022	-0.014
Motivation to achieve policy ($\alpha=973$)						
Are you striving to achieve headquarters policies?	0.012	0.017	0.006	-0.003	0.937	0.027
Do you act with consciousness of headquarters policies?	0.028	0.023	0.009	0.01	0.933	-0.018
Motivation to achieve budget ($\alpha=945$)						
Are you striving to achieve target figures?	0.001	0.007	0.012	0.018	0.014	0.911
Do you act with consciousness of target figures?	0.038	0.018	-0.003	0.017	-0.007	0.895
Factor Correlation Matrix						
	1	2	3	4	5	6
1	1					
2	0.5	1				
3	0.65	0.481	1			
4	0.539	0.474	0.563	1		
5	0.65	0.587	0.534	0.522	1	
6	0.603	0.613	0.48	0.56	0.649	1

5. Result and Discussion

The result of multiple regression analysis shows that all hypothesis is supported (See table 2). First of all, H1, H2, H3a, and H3b, which were developed to clarify the basic mechanism of MC process were all supported ($p < .001$). This indicates that the MC process is functioning normally in the Hotel A company.

Next, for the following reasons, it can be said that customer orientation is affecting the MC process. Firstly, H4a and H4c which were developed to test whether customer orientation affects employee's attitude and behaviour, are supported ($p < .001$). Secondly, with the support of the results of H4b ($p < .001$), it was found that customer orientation has a coordination effect on the relationship between information sharing by MC and role understanding of employees. Based on the above finding, it is inferred that customer orientation facilitates role coordination through communication among employees by providing a basis for communication. We summarized the results of multiple regression analysis in Figure 1.

Table 2
Result of multiple regression analysis

	Role understanding		Organizational commitment		Motivation to achieve budget		Motivation to achieve policy	
	β	t-ratio	β	t-ratio	β	t-ratio	β	t-ratio
Information sharing through MC	0.584	***	47.954					
Customer orientation	0.237	***	17.718	0.268	***	20.514		
Customer orientation *		***						
Information sharing through MC	0.042		3.654					
Role understanding				0.49	***	37.524		
Organizational commitment						0.618	***	46.233
R2	0.53			0.451		0.323		0.382
adjusted R2	0.53			0.451		0.323		0.382

*** $p < .001$, ** $p < .01$, * $p < .05$

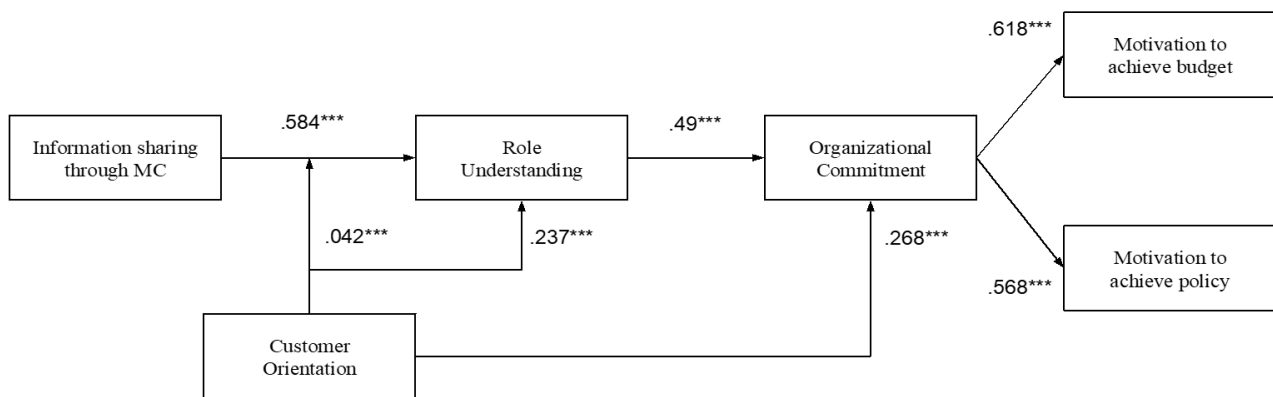


Fig. 1. Results of multiple regression analysis

6. Conclusion

In this paper, we empirically demonstrate that customer orientation as organization culture affects management control by using data collected from hotel company A in Japan. The evidence suggests that customer orientation has a significant positive impact on attitudes (i.e., role understanding, organizational commitment) and behavior (i.e., motivation to achieve budget and policy) of employees. Also, we found that customer orientation has a moderating effect on the relation between information sharing through MC and role understanding. This result suggested that customer orientation facilitates role coordination by promoting communication between employees. Here we extended the effectiveness of incorporating customer orientation concept into management control research.

We mention limitations that suggests future research. First, the impact of customer orientation on financial and non-financial performance is unclear. Therefore, it is necessary to analyze the relation between customer orientation and customer satisfaction or financial performance of corporation. Second, the research site is only one company. Third, data has common bias. Future researches which solve those limitations are required.

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