What characterizes the culture of a relationship-focused organization applying a customer intimacy strategy?
Abstract

This paper aims to answer the question: What characterizes the culture of a relationship-focused firm applying a customer intimacy strategy? The theoretical lens utilized enables us to focus our attention on the inside of firms, thus resources and assets embodied in, for example, the people and culture that underlie any advantages on the product market. Findings from this study show that a successful outcome of the firm’s strategy is attributed to its culture; its commitment to continuous improvement is considered as a point of parity. The strategy’s point of difference is the passion and behaviour of people in the firm toward their customers and each other. The findings show that organizational learning is a key to future organizational success, and the ability to learn is a priority for organizations that wish to compete effectively. Conclusions and implications drawn from the study are that the strategy provides a sense of unity, direction and purpose. Moving from a sales philosophy to a customer intimacy strategy requires an appreciation of the current and changing needs of customers and organizations 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 strategy, working together, and sharing knowledge to help the strategy succeed. This paper contributes to existing knowledge by showing how cultural reasoning can lead to useful insights for practising managers, particularly with regard to strategies for dealing with a firm’s internal and external environments.

Key words: Strategy, Customer intimacy strategy, Sustainable competitive advantage, Organizational culture.

INTRODUCTION

The aim of this paper is not to condemn previous studies on implementation of strategic decisions such as relationship-focused organisation applying customer intimacy strategy, but rather the basic premise for this paper is that, even though endowment with financial and physical resources as the main sources for firms to attain sustainable competitive advantage have received significant attention in extant literature, comparatively fewer attempts have been made to examine the role of socially complex phenomenon or intangible asset such as the prevailing culture in the organisation in creating value for the customers and firms. This is the second paper from a six-year long longitudinal case study at a Swedish company. The overall aim of the total research project is to investigate how to integrate performance enhancement strategic business decision to enhance business efficiency, focusing on customer relationship management and its implementation.

The business environment is undergoing cataclysmic changes – with lifestyles shifting drastically, purchasing power increasing at an increasing rate, and consumer buying behaviour changing rapidly (Wild et al., 2003; Hill, 2003; Hollensen, 2001). The marketplace has also become more challenging, with more and more firms entering the market and competition
getting tighter and keener (Costabile, 2000; Hoffman and Novak, 1996; Osarenkhoe and Bennani, 2007). These changes in the economic, technological, political, legal, sociocultural and competitive environments, have forced marketers to embrace new approaches and philosophies, in order to address the company’s need for leadership, long-term growth and survival. This demands that business managers mount strategic directions to proactively adapt to market conditions influenced by changing activities of both the clients and the competition.

Both business strategy and marketing strategy are founded on the theory of competition. Bryan (2007) explores the question of how corporate leaders can secure competitive advantage and growth in a business environment where abundant capital and good execution no longer guarantee success. A strategy that is highly successful in one competitive context might fail dismally in another (Hunt and Derozier, 2004). Competitive pressures have forced firms to become more market-oriented (Barwise and Meehan, 1995). All functions increasingly see their role as one of contributing to the creation of customer value in a competitive market (Gummesson, 1995, 1997 and 1999; Gulati and Oldroyd, 2005). However, over the past decade, a steady stream of research has developed concerning the market orientation construct. Indeed, companies have been urged to “improve the market orientation of their business” (Jaworski & Kohli 1993, p. 64). However, there is an argument emerging that being market-oriented may not be enough, and that the ability of an organization to learn faster than its competitors may be the sole source of sustainable competitive advantage (Degeus, 1988; Dickson, 1992; Slater & Narver, 1995).

Against this background, there is a keen interest among observers of business to understand the reasons for profitability and market success, for example: marketing strategies and profitability (Williamson, 1985, 1993; Park & Kim, 2003; Bigné, 2004); profit impact of strategy (Buzzell & Gale, 1987; Buzzell & Ortmeier, 1995; Chandra & Kumar, 2000; Chen & Popovich, 2003); relationship management and profitability (Chandra & Kumar, 2000; Stefanou et al., 2003; Gummesson, 1994, 1995, 1997, 1999; Zineldin et al.1997; Zeneldin & Jonsson, 2000); Implementation of customer relationship management strategy (Grönroos, 2000; Osarenkhoe, 2006; Osarenkhoe & Bennani, 2007). This is understandable, since profit is the fundamental motive for business activity. However, observers of business often uncritically leap to the conclusion that the keys to success can be identified by watching and imitating the behaviours of successful firms. See, for example, benchmarking for agility (Sarkis, 2000); strategic benchmarking and competitiveness (Zairi, 1998); benchmarking advantages (Fernandez et al., 2001); best practice benchmarking (Hinton et al., 2000); benchmarking practices and theory reviewed (Yasin, 2002); benchmarking as a tool for continuous improvement (Dattakumar & Jagadeesh, 2003); benchmarking as a management technique (Conley Tyler, 2005); and benchmarking for assessing performance based on critical factors (Ribeiro et al., 2006).

However, the uncritical use of currently successful firms as a standard for action assumes that successful outcomes are associated with identifiable critical success factors, and that, by imitating these factors, other firms can achieve similar successful results (Karlsen et al., 2005; Davenport et al., 2004; Andriopoulos, 2001; Rowley, 1999). In reality, the reasons for success are often unclear, even to the executives of successful firms, and are likely to be complex and, therefore, not obvious to observers (Besanko et al., 2000, p. 4). For example, the internal management systems of a firm may spur innovation particularly well yet not be apparent to individuals who are unfamiliar with how the firm operates. Against this background, the highly competitive and rapidly changing nature of the modern world requires organizations that are flexible, results-oriented, and able to adapt and change rapidly (Burnes, 2000).
way of being flexible is to create a learning culture (Argyris & Schon, 1978, 1990; March and Olson, 1975; Zailani et al., 2006), the core of which is made up of a number of key assumptions. For example, a learning culture must assume that its environmental context is to some degree manageable and that control over the environment is desirable and possible. Humans are active learners and problem-solvers, and solutions to problems can be found anywhere in the organization (Daft, 1998).

According to Hunt & Lambe (2000), modern business strategy can be traced back to the works of Kenneth Andrews and his colleagues at Harvard on administrative policy (Andrews, 1987; and Christensen et al., 1982; Learned et al., 1965), who developed the SWOT (strengths, weaknesses, opportunities and threats) framework, which views business strategy as the match a company makes between its internal resources and skills, and the opportunities and risks created by its external environment. In other words, the chief executive is responsible for the strategy formulating process. Identifying areas of business in which the firm will compete is the main task of corporate-level strategy (Andrews 1971). Since the development of the SWOT framework, the management literature has witnessed a tremendous increase in the production of valuable strategic planning methodologies, for information technology in particular (Li et al., 2006; Kovacevic & Majluf, 1993; Porter & Millar, 1985; Meuter et al., 2000 & 2005; Bittner et al., 2000; Lockamy & McCormack, 2004; Osarenkhoe & Bennani, 2006), and a reinforcement of the notion that firms should have the conviction that the goal of achieving sustainable financial performance can be achieved through sustaining a competitive advantage in the marketplace, in general (Day, 1984; Day & Nedunggadi, 1994; Day & Wensley, 1988; Ghemawat, 1986; Coyne, 1985; Porter, 1985; Reed and DeFillippi, 1990; Lado et al., 1992; Cecil & Goldstein, 1990; Bharadwaj et al., 1993; Barney, 1991; Aaker, 1997). Furthermore, according to Barney, high profitability is attributed to achieving competitive advantage in the form of unique skills and resources that allow a firm to implement business strategies superior to those of their competitors (cited from Hunt & Lambe, 2000, p. 17). Thus, the need to address sustainable competitive advantage is a serious issue, and choosing a path for creating competitive advantage is critical. Marketing strategy overlaps significantly with business strategy (Hunt and Derozier, 2004) because strategic decisions in the fundamental areas of product, promotion, distribution, pricing, and the sales force, though significantly developed in marketing, are frequent topics in business strategy. Historically contrasted with the production and sales orientation, the marketing concept is considered to be a philosophy of doing business that should constitute a major part of a successful firm’s culture (Baker, 1994). Firms that embrace the marketing concept are assumed to have organizational cultures that facilitate the development of strategies that lead to sustainable competitive advantage because such firms better understand and meet customer needs (Kotler & Keller, 2006). A firm’s marketing concept defines a distinct organizational culture that puts the customer in the centre of the firm’s thinking about strategy and operations (Deshpande & Webster, 1989).

The preceding discussion shows that in the accelerating dynamics of competition and a move of organizations towards a more dynamic approach to strategy formulation and implementation, creativity becomes of key importance for achieving both product and operational excellence. Hence my research question: What characterizes the culture of a relationship-focused organization applying a customer intimacy strategy. 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 award is based on a survey conducted yearly by Swedish Quality Index (SKI) and analysed by Stockholm School of Economics. This choice was made in order to find out the extent to which the prevailing
business culture in the company does justice to the objective of creating a relationship-focused organization applying customer intimacy strategy. It is assumed that one of the critical factors for a company to successfully implement a customer intimacy strategy is its prevailing culture (Peelen, 2005). Culture, in this regard, consists of the beliefs, norms and values, which are adhered to by the people in an organization and which have repercussions on their behaviour, that determine whether an organization is relationship-oriented or not. In the preface to his classic work, Competitive Strategy, Porter (1985) argued that the field of business strategy lacked an analytical base and contained few generalizable or robust insights. He also noted that economists, whose work on industries and competition might serve as the basis for the development of such insights, were by and large insensitive to the needs of practising managers.

Against this background, this paper contributes to existing knowledge by showing how cultural reasoning can inform and develop useful insights for practising managers, particularly with regard to strategies for dealing with a firm’s internal and external environments. Also reinforced in this paper are: the notion that, unlike financial and physical resources, organizational culture is hard for competitors to imitate, which makes it a powerful source of sustainable competitive advantage; and the emphasis that, in addition to 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 unique bundle of intangible assets and resources that, if utilized in distinctive ways, can create sustainable competitive advantage. The rest of this paper proceeds as follows: First is the theoretical lens, which consists of a review of the literature on conceptual definitions and prominent schools of strategy, recognizing the fact that the contributions to modern strategy have come from a broad range of disciplines. The next section deals with the methodology used, which is followed by a presentation and discussion of the findings, and followed in turn by concluding remarks and a discussion of the implications of the study.

LITERATURE REVIEW

Strategy implementation frameworks in extant literature (Alexander, 1991; Bryton and Bromiley, 1993, Nobel, 1999; Okumus, 2001) consist mainly of the following elements: strategy formulation, environmental uncertainty, organisational structure, culture, operational planning, communication, resource allocation, people, control and outcome. Hence, in the following, efforts are made to group the implementation elements of strategic decision to encompass a number of categories such as: “content”, “context”, “process” and “outcome”. These classifications which are supported with literature form the basis of both the theoretical framework and the empirical study. This chapter ends with a general comment on this chapter.

Definitions of strategy and perspectives in strategy theory

What is strategy? There is no specific answer to this question because the perceptions on strategy vary depending on who is being asked to clarify it. One of the first to use the strategy concept was Alfred Chandler. According to Chandler (1962), strategy is the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. It is pertinent to note that Penrose (1959) did not use the concept of strategy but did address many of the topics associated with strategy, such as growth and problems that emerge when firms grow
irrespective of the life cycle of the firm. Chandler used “strategy” distinctly from “structure”, which was a central theme among organization researchers at the time (Lewin, 1947; Likert, 1961; Argyris, 1962). One of the more general views of strategy sees it as an organization’s long-term direction (Johnson et al., 2006). Johnson et al. give a detailed description of strategy as: “the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations” (2005, p. 9). Thompson & Strickland (2001) also describe strategy in the sense of long-term planning. Although their description resembles that of Johnson et al., their main first part is strategic vision – a vision that directs where you want to be in the future. Here, the strategic vision is detailed, because future markets, resources needed and organizational issues are defined (Thompson & Strickland, 2001). Hart (1992, p. 327) has a slightly different view on vision and is not quite so precise. His view regarding the long-term guide is similar, in the sense that “it should benefit micro decisions”. In this way, the vision works as a control system of shared beliefs stipulated by top management. Hence, the perceptions and values must be shared within the organization. In the same sense, Mintzberg & Waters (1985) describe Umbrella strategies as arising from visionary beliefs shared in the organization. Built on similar reasoning, Bourgeois & Brodwin (1984) emphasize top managers’ part in visionary boundaries, where interpretive strategies can be formulated as shared values (Hart, 1992; Hart & Banbury, 1994). If a visionary strategy is a long-term objective, then how does this affect short-term objectives? One would here expect that if a vision is broad enough to comprise many different micro situations, then it is in line with the perception that such a vision needs to be interpreted by the individual. Thus it is the individual’s personal perception that will depict how it will be used. As people have different views, it is not unlikely that individuals will perceive the vision and strategy differently.

Grant (2005, p.4), writes that: “Strategy is about winning…. Strategy is not a detailed plan or programme of instructions; it is a unifying theme that gives coherence and direction to the actions and decisions to an individual or an organization.” Therefore, in conclusion, the meaning of strategy can be described as follows: At its most general level, strategy is concerned with planning how an organization or an individual will achieve its goals. As soon as we move beyond general notions of strategy to more precise definition, then these definitions depend upon the type of arena within which strategy is being deployed. In warfare, strategy is about achieving military victory over the enemy; in politics, it is about managing power and electoral support to attain and hold on to office; in business, it is about ensuring the survival and prosperity of the firm (Grant, 2005, p.18). Rumelt et al. (1994) provided a brief history of strategic management, stating that strategy deals with “the direction of organizations,” and that strategy theory includes those issues that are vital to senior management or to anyone “seeking reasons for success or failure among organizations.” According to Hedman & Kalling (2002), competition is the crucial theme of strategic theory. Because of competition, organizations have to make a number of choices, some of which are “strategic”. Examples include: the selection of goals, the choice of products and services to offer, the design and configuration policies determining how the firm positions itself to compete, the level of scope and diversity, and the organization structure, administrative systems and policies used to define and coordinate work (Rumelt et al., 1994, cited in Hedman & Kalling, 2002, p. 43).

Mintzberg et al. (2003, p. 103), on the other hand, say that there is no “one best way” to create strategy, nor is there “one best form” of organization. To begin evaluating the competitive implications of a company’s resources and capabilities, leaders must first answer the question
of value: Do a company’s resources and capabilities add value by enabling it to exploit opportunities to work in more creative ways? In his 1994 book, *The Rise and Fall of Strategic Planning*, Mintzberg also points out that people use “strategy” in several different ways, the most common being as: 1) a plan—a “how” or means of getting from here to there; 2) a pattern of actions over time (for example, a company that regularly markets very expensive products using a “high-end” strategy); 3) a position—that is, reflecting decisions to offer particular products or services in particular markets; or 4) a perspective encompassing vision and direction. Mintzberg argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern of decisions and actions depicts what Mintzberg calls “realised” or emergent strategy.

Although the concept of strategy is an elusive one, and defined differently in extant literature, the preceding definitions and those of Andrews (1971), Grant (1991, 2005), Kotler & Keller (2006), Chakravarthy & Doz (1992), Chatterjee (1998), and Porter (1980, 1990, 1991, 1996) have much in common. Phrases such as “long-term goals and “major policies” suggest that strategy has to do with the “big” decisions a business organization faces, the decisions that ultimately determine its success or failure. The emphasis on “patterns of objectives” and “framework of a firm’s business” suggests that, once set, a strategy is not easy to reverse. Finally, the idea that strategic decisions shape the firm’s competitive persona, its collective understanding of that it is going to succeed within its competitive environment. Thus, among other things, a strategy must incorporate a long-term direction that the business is trying to follow; the scope and market the business should compete in; the company’s competitive advantage in relation to the competition; a detailed account of resources required to compete effectively to achieve the set goals and objectives; the values and expectations of stakeholders; and the external factors that affect competition in the industry (Johnson et al., 2006, p.1). In other words, if a strategy encompasses the above, it is said to have “strategic fit”, and when it is properly implemented and the set objective achieved then such a strategy should be termed a successful one. An incorrect analysis can therefore lead to major errors in corporate strategy and, as a consequence, put business survival at risk (Lyles, 1981; Marx, 1991). On the other hand, a well-developed strategy can reap benefits for the organization (Mintzberg et al., 2003, p. 72).

Against this background, a strategy can be described as a long-term plan of action designed to achieve a particular goal, most often “winning”. Strategy is differentiated from tactics or immediate actions using resources at hand by its nature of being extensively premeditated, and often practically rehearsed. Strategy is about planning (Grant, 2005, p.15). Though the literal definition of strategy refers to it as planning or deceiving and eliminating enemies, in business, strategy does not concern itself with the elimination of competitors but rather with how to be far ahead or advantageously positioned and, in most cases, collaborate with the competitors. A strategy is therefore typically an idea that distinguishes a course of action by its hypothesis that a certain future position offers an advantage for acquiring some designated gain. Thus, strategy is a pattern of activities that seeks to achieve the objective of an organization, and adapts its scope, resources and operations to environmental changes in the long term.” To expand, a strategy is adaptable, whereas a plan is not. Where a plan depends on an essential set of environmental factors for its operation, a strategy is designed to account for environmental variables that would otherwise render a plan invalid.
Perspectives in strategy theory

According to Hunt and Lambe (2000, p. 18), contributions to modern business strategy have come from a broad range of disciplines, including economics, strategic management, organizational behaviour and operations management. The three main paradigms of industrial organization, the resource-based view, and the process perspective can be considered complementary (Lewis and Gregory, 1996). Owing to the fact that the industrial organization and resource-based perspectives entail an internal versus external dichotomy, similar to SWOT logic, they occupy one axis (Wernerfelt, 1984; Teece et al., 1997; Barney, 1986, 1991, 1994; Dierickx & Cool, 1989; Conner, 1991; Peteraf, 1993; Black & Boal, 1994; Andrews, 1971, 1980, 1987; and Christensen et al., 1982; Learned et al., 1965; Day, 1984, 1990, 1994; Aaker 1997; Chandler, 1962; Bain, 1968; Mason, 1939; Porter, 1980, 1990, 1991). A central assumption in the resource-based view (which focuses on the inside of firms, to 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 organization views (embodied in, for example, the five forces model (Porter 1980)), is that industries are heterogeneous and that resources are imperfectly mobile (Barney, 1991). Firms also differ from each other, because they have different resource endowments (Hedman & Kalling, 2002, p. 73). The process view, on the other hand, can also be equated with the internal versus external dimension, because strategy can be studied from a process perspective irrespective of whether it originates from industrial organization or the resource-based view (Chakravarthy and Doz, 1992; deWit and Meyer, 1998; Bharadwaj, 2000; Bower, 1970; Burgelman, 1988; Amit & Schoemaker, 1994; McGrath, 1995; Mintzberg, 1978, 1979, 1994; Gluck et al., 1982; Hart 1992; Chakravarthy and Lorange, 1991; Quinn, 1980, 1985; Marx, 1991). On the basis of this, Hedman & Kalling (2002) discuss problems with strategy theory and strategy-related research into IT, and different approaches to the business model concept. This is made apparent in their discussions of how the field of strategy is fragmented and the lack of consensus between the three dominant fields (outlined above). Thus, the dominant fields of strategy as well as different subfields are developing in different directions. This implies that the concept of strategy invariably depicts whatever notion we subjectively attach to it, such as choice of industry, industry position, customer segment, geographical market, product range, structure, culture, position in the value chain, resource bases, knowledge bases, technologies, etc.

The planning school and competitive advantage

The planning school’s characteristics are based on the design school, which viewed strategy formulation as achieving the essential fit between internal strengths and weaknesses and external threats and opportunities – meaning, basically, the SWOT analysis. The senior management does the main “thinking work” by formulating clear and simple strategies through a process of conscious thought. Moreover, they communicate the “findings” to the staff so that everyone can implement the strategies. The planning school grew in parallel with the design school, but predominated by the mid-1970s and, though it faltered in the 1980s, continues to be an important influence today. The planning school could be said to reflect the design school’s assumptions, with the exception of one significant one: that the process is not just intellectual but also formal, dissectible into various steps, processed by checklists, and supported by techniques, especially with regard to objectives, budgets, programs and operating plans. This means that staff planners replaced senior managers de facto, as the key players in the process. Today, according to 1000 Ventures, many companies get little value from their annual strategic-planning process. Instead, they state that, in order to meet new challenges, the planning school should be redesigned to support real-time strategy-making.
since we are operating in a “globalized” world with a “new economy” where everything is happening so fast (Gendron, 1998, p. 3).

**Resource-based perspective and competitive advantage**

The concept of competitive advantages, according to Hedman & Kalling (2002, p. 73), is central in the resource-based view as well, but the resource-based view and Porter’s views on competitive advantage differ. Porter (1985) claims that competitive advantage emerges for a firm when the cost of offering the product is lower than that of the firm’s competitors. Therefore, competitive advantage can only be held by two firms in an industry – the one with the lowest cost and the one with the highest price – and possibly a third competitor without competitive advantage that has the highest profitability. Porter’s book provides an important illustration of how economic reasoning can inform and develop useful insights for practising managers, particularly with regard to strategies for dealing with a firm’s external environment (Besanko, et al., 2000, p. 5). However, various types and magnitudes of competitive advantage can be held simultaneously by multiple firms because competitive advantage, according to Barney (1994b) is a function of or determined by individual resources. Porter’s so-called “generic strategy” for an organization to obtain a sustainable competitive advantage and this framework has also become quite widely used (Chaharbaghi & Lynch, 1999; Parnell, 2006; Bourlakis & Bourlakis, 2006; Dawson et al., 2006). This gives a broad definition on the choice of strategy and can therefore be used independent of branch, organization or size of company. Porter argues that a firm’s strengths ultimately fall under one of two headings: cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, they combine with the “scope” of the firm’s operation (the range of market segments targeted) to produce three generic strategies for achieving above-average performance in an industry: cost leadership (operating more efficiently than competitors in order to sell identical or substitute goods at a lower price), differentiation (offering goods that are distinct from those of competitors in a way that justifies a higher price), and focus (using one of the first two strategies for a targeted market—a niche, in other words).

Resource-based proponents view the firm as a unique bundle of assets and resources that, if utilized in distinctive ways, can create competitive advantage (Barnet, 1991, 1995, 1999; Peteraf, 1993). In their view, a resource with the potential to create competitive advantage must meet a number of prerequisites, such as value, rarity, imitability and organization (Barney, 1991; Conner, 1991). According to McIvor (2006), resources and capabilities are considered valuable if they allow organizations to both exploit opportunities and counter threats in the business environment. The propensity for a valuable resource to be a source of competitive advantage is dependent on the number of competitors that possess that valuable resource (Barney, 1986). The ease with which a valuable resource possessed by a firm can be replicated by current and potential competitors entails the imitability prerequisite. Barney (1991) argues that, in order for a firm to exploit its resources and capabilities, it must be organized. Consequently, the organization prerequisite includes the reporting structure, management control systems, and the firm’s policies for remunerating its employees. The resource-based perspective reinforces the importance of developing superior performance positions in activities relative to competitors. However, demonstrating a superior performance in an activity, according to McIvor (2006), is unlikely to be a source of competitive advantage if it does not represent something of value to customers. Resources that are valuable but not rare can only be a source of competitive parity and not competitive advantage (Barney, 1995). A resource is valuable if it allows the firm to exploit the opportunities or nullify the threats in the external environment.
Against this background, it seems that the resource-based school rests on the concept of economic rent and a view of the company as a collection of capabilities. This view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making. Further, the resource-based school emphasizes the need for fit and consensus between the external environment, which the traditional schools are good at, as well as the internal competitive advantages. 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. Another limitation described, is that the ten major schools take a narrow perspective, choosing one or another type of alignment such as the planning model. This is also supported by Grant who states that, if used correctly, the concept of organizational capabilities can be the factor that gives the firm a competitive edge in the business (Grant, 2005, p. 138). This seems applicable to the modern strategic planning view, seeing it as a process rather than a top-down model. This is supported by theorists like Mintzberg and also by Gendron (1998), who writes that strategic planning is no longer just for senior managers, and emphasizes that the success of strategic planning lies in the view of the process, that empowerment of the organization can contribute to, but won’t replace, strategic expertise. She also states that information resources should function as a reciprocal action; front-line information can offer a great deal of knowledge to the strategists of the firm. In coherence with the contemporary strategy planning process described above, Gendron further holds that middle managers are the ambassadors of the strategy. She has also taken the resource-based theory a step further, positing that, if one operates in a top-down vertical organization, ideas are always welcome to the top since it is often those in the middle segment who are first to recognize when a company loses its fine-tuning in the marketplace (1998, p. 3-5).

The role of marketing in business strategy (The Strategic Content and Strategic Direction).

The past decades have witnessed the inception of a major directional change in both marketing theory and practice. Considered by Webster (1992) to represent a “fundamental reshaping of the field” and by others to be a genuine paradigm shift (Kotler & Keller, 2006; Parvatiyar & Sheth, 2000), the turn is toward relationship marketing, a concept that encompasses relational contracting (Macneil, 1980), relational marketing (Dwyer, Schurr & Oh, 1987), working partnerships (Anderson & Narus, 1990), symbiotic marketing (Varadarajan & Rejerta, 1986), strategic alliances and interface of marketing and strategy (Day et al., 1990), and internal marketing (Berry & Parasuraman, 1991 & 1993). Relationship marketing is part of the developing “network paradigm” which recognizes that global competition occurs increasingly between networks of firms (Thorelli, 1986; Johanson & Vahlne, 2003; Forsgren, 2002) and strategic market relationships (Donaldson & O’Toole, 2007). Besides being responsible for the content, process and implementation of marketing strategy at the product-market level, the marketing function in organizations plays an important role in the strategy formulation process and the determination of strategy content at the business and corporate levels (deWit and Meyer, 1998; Varadarajan, 1999). Beside a special business proposal, a company’s competitive advantage involves socially complex phenomena, e.g. social relations or a culture, which make a customary imitable idea imperfectly imitable. Organizational culture is described as one of the socially complex resources that enable an organization to conceive, choose and implement strategies in
accordance with the values, beliefs, symbols and interpersonal relationships possessed by individuals or groups in a firm (Barney, 1992).

Competitive advantage results either from the creation of distinctive value that the customer perceives as such and is willing to pay for, or from superior execution of a standard industry practice in creating customer value (Barney, 1991; Bharadwaj et al., 1993). With the accelerating dynamics of competition, the key to competitiveness no longer lies in employing strategies that have been successful in the past or in emulating strategies of successful competitors. Real competitive advantage results from developing strategies that will differentiate the organization from its competitors in the eyes of the customers (Feurer & Chaharbaghi, 1994). Such differentiation can only be realized if these strategies encompass both product and operational excellence. There is now a general cognizance that creativity is the key to successful strategy formulation and implementation (Sveiby, 1992; Perlitz, 1993). Very few people in organizations dispute the importance of creativity but, in the past, little has been done by industry to actively foster it (Ahmed, 1998, cited in Osarenkhoe et al., 2007). The significance of creativity is increasing as organizations move towards a more dynamic concept. (Majaro, 1992). Successful companies achieve and sustain their dominant position by delivering “extraordinary levels of distinctive value” to carefully selected customer groups every day (Treacy & Wiersema, 1995). This implies that to distinguish themselves from the competitors, organizations must have a precise understanding of the products or services they deliver and a clear definition of the target customer. The service- and customer-based approach should drive the budget process and investment decisions of the organization, not to mention the day-to-day interactions with customers and suppliers. The resulting clarity and focus can help organizations set themselves apart.

As is generally agreed in the literature on strategic management (Mintzberg et al., 2003; Grant, 2005; Kotler & Keller, 2006; Porter 1985, 1996), an organization distinguishes itself in a competitive marketplace by differentiating its offerings in some way – by acting to distinguish its product and services from those of its competitors. A cost/price leadership strategy involves the organization aiming to be the lowest cost producer within their industry. The organization aims to drive costs down through every element of product production, from sourcing to labour costs. The cost leader usually aims at a broad market, so sufficient sales cover costs (Grant 2005, p.241). To be different, is what most firms strive for. Having a competitive advantage that allows the company and its products ranges to stand out is crucial for their success. With a differentiation strategy, the organization aims to focus its effort on particular segments and charge for the added (differentiated) value. New concepts that enable differentiation can be patented; however, patents have a certain lifespan and there is always the danger that the idea that gives an organization its competitive advantage will be copied in one form or another (Grant 2005, p. 241). In niche strategies, the organization focuses efforts on one particular segment and becomes known for providing products/services within that segment. It forms a competitive advantage for this niche market and either succeeds by being a low-cost producer or differentiator in that particular segment (Mintzberg et al., 2003, p.119).

**Market orientation strategy and relationship marketing strategy**

The conceptualization and implementation of market orientation is still largely based on the frameworks of market orientation developed by Kohli & Jaworski (1990), Jaworski and Kohli (1993), Narver & Slater (1990, 1991), and Narver et al. (1998). According to Kohli & Jaworski (1990), 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, are fundamental considerations during implementation of the market orientation construct (Aggarwal et al., 2004). Consequently, the need for organizations to develop a business system whereby information becomes strategic is reinforced in order to promote business efficiency or performance (fostering turnover, profitability, market share, etc.). Narver and Slater (1990, p. 24) describe market orientation as “the culture that most efficiently creates the necessary behaviours within an organization conducive for the implementation and integration of a market orientation construct throughout the organization and which delivers superior value for the buyers” This attitudinal perspective implies, according to Martin and Martin (2005), that organizations 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 organizational culture. The culture developed permeates the organization’s marketing strategies and activities in the market to create superior value in the industry, which invariably creates competitive advantages for the organization.

There are two prominent schools of marketing strategy – market orientation and relationship marketing. Applying a market orientation strategy enables the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of this intelligence across departments, and organization-wide responsiveness to it (Jaworski & Kohli, 1993; Chakravarthy & Lorange, 1991). 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 (Hunt, 1995). Market-oriented organizational 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 (Hunt, 1995; Hunt and Derozier, 2004). 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 (Sheth & Parvatiyar, 1995). For that reason, to achieve competitive advantage and superior financial performance, firms should identify, develop and nurture a relationship portfolio (Gummesson, 1999). Firms should develop a relationship portfolio or “mix” that complements existing competences and enables it to occupy positions of competitive advantage (Hunt and Derozier, 2004).

Grönroos (1994) 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 organization (cited from Osarenkhoe & Bennani, 2007). Gummesson (1994, 1999), on the other hand, postulates a macro view of potential relationship categories. According to Donaldsson & O’Toole (2002), however, Gummesson’s “30Rs” of relationship marketing appear to go beyond the planning needs of an individual firm and show the potential domain of relationship strategy application. Nevertheless, for relationship marketing and market orientation concepts, focus on increasing the lifetime value of customer relationships becomes vital in today’s marketing strategies. Building customer retention and loyalty, cross-selling related goods and services, and broadening offerings to fulfill more of customers’ needs applies to add to overall customer equity (Keller, 2003; Aaker, 1997)). For firms to continue
to be successful over time, their focus should be directed towards maximizing customer 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.

From a strategic point of view, a product-centric company tries to find as many uses as it can for its products. In contrast, a customer-centric firm tries to find as many products as possible for its customers, and it has to integrate those products. There are similar contrasts regarding processes, performance measures, human resources policies, and management mindsets (Pepper & Rogers, 1993, 2001; Treacy & Wiersema, 1995; Galbraith, 2005). Relationship management can be seen as both an outgrowth of, and reaction to, the technological advances of the computer age (Geddie & DeFranco, 2005). Massive databases of consumer buying behaviour, sophisticated printing and communications software, and the Internet, allow for sophisticated tailoring of marketing content to individual customers (Bulger, 1999, cited in Geddie & DeFranco, 2005, pp. 614). According to Stern (1997), investment in technology and data is considered worthwhile to overcome the customer alienation engendered by decades of mass production and industrialisation, globalization, and ever-larger corporations. Traditionally, it has been hypothesized that market-oriented organizations tend to enjoy a higher level of business performance (Jaworski & Kohli, 1993), which may contribute to producing superior quality, improving productivity and stronger customer loyalty (Zeithaml, Parasuraman & Berry, 1996, Parasuraman et al., 2005). Thus, there is still some equivocality and thereby a lack of consensus regarding the relationship between market orientation and performance. A common denominator is, however, that an understanding of customers and potential customers is fundamental.

Greenley (1995a & 1995b) suggests that researchers may benefit by viewing market orientation as a configurational concept and then ascertaining how the differences in forms of market orientation affect performance. Citing Greenley (1995b), Gray et al. (1998) conclude that there may be different modes of market orientation, whereby different combinations of customers and competitors’ orientation, interfunctional coordination, responsiveness and profit emphasis levels, may produce similar benefits. Thus, customer relationship management (CRM) is not something that organizations can buy. IT solutions development does not proceed in an organizational vacuum, but in an organization whose characteristics belong to the characterization of the project itself. It is a fusion between business processes and technologies that leads to appreciation and management of the company’s customers from various perspectives in order to achieve competitive advantages (Osarenkhoe & Bennani, 2007; Osarenkhoe, 2006). Aligning organizational capabilities in order to better deliver what customers may perceive as heightened value (Day & Van den Bulte, 2002), in order to facilitate the immediacy of information availability both inside and outside of the organization, is vital for successful implementation of the enablers of customer-centric strategy.

Marketing Strategy and Organizational culture (Endogenous or organisational context and organisational process).

The advantage of having a strong organizational culture can provide the necessary leadership to ensure that staffs attain high levels of performance (Lee, 2004; Deshpande and Webster, 1989). According to Jones (2004), organizations 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 organizational values and norms. Firms with sustained superior financial
performance are typically characterized by a strong set of core managerial values that define the ways they conduct business (Barney, 1986; Osarenkhoe, 2006). This is determined by a firm’s key intangible resource: the culture of the organization. This strategically important resource relates to the organization’s values, traditions, and social norms, which are potentially very valuable (Grant, 2005). 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.

The strategy of offering customers integrated solutions, for example, requires employees to be good at establishing and maintaining long-term customer relationships (see, for example, Grönroos, 1997, 2000; Gummesson, 1994, 1997, 1999; Romano & Fjermestad, 2002; Egan, 2001; Sahay, 2003; Berry and Parasuraman, 1991; Jap, 2000; Geddie et al., 2005; Osarenkhoe, 2006; Osarenkhoe and Bennani, 2007). An organization cannot possibly assign a meaningful financial value to an intangible asset such as a motivated and prepared workforce in a vacuum, because value can be derived only in the context of the strategy. If the company has a sound strategy and if its culture is aligned with that strategy, then the culture will create value for the organization (Croteau and Li, 2003). The value of such an intangible asset as organizational culture is far greater than the company’s tangible assets (Gebert et al., 2003). Unlike financial and physical assets, organizational culture is difficult for competitors to imitate, which makes it a powerful source of sustainable competitive advantage (Barney, 1991). The degree to which the current organizational culture does contribute to the performance of the critical internal processes determines its strategic significance and thus value to the organization. When all employees have a commonality of purpose, a shared vision, and an understanding of how their personal roles support the overall strategy, the organizational culture serves to create alignment in the company (Osarenkhoe, 2006; Osarenkhoe and Bennani, 2007).

A culture in an organization is a set of shared values and norms that control the organizational members’ interaction with each other and with people outside the organization (Jones, 2004). Values are the general criteria, standards or guiding principles that people use to determine which types of behaviours, events, situations and outcomes are desirable or undesirable. Norms are standards or styles of behaviour that are considered acceptable or typical for a group of people (Donaldson and O’Toole, 2007). Thus, to establish an effective organizational culture, it is necessary that members of the organization learn the organizational values. The learning takes place through the organization’s formal socialization practices and from the stories, ceremonies and organizational language that evolve informally as an organization’s culture matures (Lee, 2004; Burns, 2003). The organizational culture develops from the interaction of four factors: a property rights system, characteristics of people within the organization, organizational structure, and organizational ethics. The interaction of these factors produces different cultures in different organizations and causes changes in culture over time (Jones, 2004).

Property Rights: These are the rights that an organization extends to its members to receive and use organizational resources. Property rights define the rights and responsibilities of each internal stakeholder. At the managerial level, this can entail stock options, large salaries and decision making, while workforce rights can include pensions and benefits, long-term employment and participation in decision making. The rights given out in an organization affect the employee’s behaviour and motivate organizational members (Jones, 2004); Characteristics of people within the organization: The ultimate source of organizational
culture is the people who make up the organization. Organizational culture differs between organizations because they attract people with different values, personalities and ethics. Over time, people in the organization tend to become more and more similar. The founder of an organization has an influence on the organizations’ initial culture because of his or her values and beliefs. It is important to remember that a homogeneous culture is not always an advantage. As changes in the environment occur, an organization may have to adapt to these changes and a strong homogeneous culture may counteract the ability to do so; **Organizational structure**: This is the formal system of task and authority relationship that the organization establishes to control its activities. There are two types of structures: *mechanic structure*, which is tall, standardized and highly centralized; and *organic structure*, which is flat and decentralized. In centralized organizations, people have relatively little personal independence and behaviours like employees obeying the superior authority are desirable. In a decentralized culture, innovation and flexibility often rises among employees and they have more freedom and more control over their own activities (Jones, 2004). As part of the overall configuration of the firm, structure, according to Day, plays a powerful role in creating a market-driven organization. The wrong structure can doom all other market-driven initiatives in the organization to failure. Day (1999) describes some of the ways in which information technology can enable firms to achieve greater market effectiveness without losing economic efficiency and analyses the trade-offs between different organizational structures, as well as highlighting the ways in which many firms are adopting hybrid structures based around horizontal business processes backed up with deep functional strengths. According to Day (1999), in today’s context, this hybrid form involves fast decentralized decision making that uses widely dispersed and shared information; **Organizational ethics**: These are the moral values, beliefs and rules that establish the appropriate way for organizational stakeholders to interact with one another and with the organization’s environment. Organizational ethics are nurtured to control members’ behaviours. In order to do so, the top management must make choices about the right or appropriate thing to do.

**Organizational learning (Strategic Outcome)**

There is consensus in the knowledge management literature (for example, Yahya & Goh, 2002; Offsey, 1997; Bhatt, 2001) that, for many businesses, knowledge has become the main competitive tool (Rowley, 1999). That is, for organizations “learning is an issue of sustaining the interconnected communities of practice through which an organization knows what it knows and thus becomes effective and valuable as an organization” (Wenger, 1998, p. 8). In Wenger’s view, learning is central to human identity. Thus, a primary focus of Wenger’s work is on learning as social participation – the individual as an active participant in the practices of social communities, and constructing his/her identity through these communities. From this understanding arises the concept of the community of practice: a group of individuals participating in common activities, and experiencing/continuously creating their shared identity through engaging in and contributing to the practices of their communities (Wenger, 1998). For Wenger, organizational learning of the deep conceptual type is best facilitated if the realities of communities of practice are recognized when the change process is designed.

In organizational development, learning is a characteristic of an *adaptive* organization, i.e. an organization that is able to sense changes in signals from its environment (both internal and external) and adapt accordingly (Zailani et al., 2006). Several models have been proposed that facilitate understanding of organizational learning: Argyris & Schon (1978) distinguish
between single-loop and double-loop learning. In single-loop learning, individuals, groups or organizations modify their actions according to the difference between expected and obtained outcomes. In double-loop learning, the entities (individuals, groups or organization) question the values, assumptions and policies that led to the actions in the first place. If they are able to view and modify these, then second-order or double-loop learning has taken place. Double-loop learning is the learning about single-loop learning. March & Olson (1975) attempt to link up individual and organizational learning. In their model, individual beliefs lead to individual action, which may lead to an organizational action and a response from the environment, which in turn may induce improved individual beliefs, and the cycle then repeats over and over. In other words, learning occurs as better beliefs produce better actions. Kim (1993), as well, in an article titled “The link between individual and organizational learning,” integrates Argyris (1990), March and Olson into a single comprehensive model. Kim also analyzes all the possible breakdowns in the information flows in the model leading to failures in organizational learning, for instance, what happens if an individual action is rejected by the organization for political or other reasons and therefore no organizational action takes place?

Nonaka and Takeuchi (1995) developed a four stage spiral model of organizational learning. They start by differentiating Polanyi’s (1967) 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 the organization can be made explicit, codified in manuals, and incorporated into new products and processes. They call this process “externalization”. The reverse process (from explicit to implicit) they call “internalization” because it involves employees internalizing an organization’s formal rules, procedures, and other forms of explicit knowledge. They also use the term “socialization”, 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 organizational learning take the path of socialization, externalization, combination, internalization, socialization, externalization, combination … etc. in an infinite spiral. Bontis et al. (2002) empirically test a model of organizational learning that encompasses both stocks and flows of knowledge across three levels of analysis: individual, team and organization. Their results show a negative and statistically significant relationship between the misalignment of stocks and flows and organizational performance. Aligning organizational capabilities in order to better deliver what customers may perceive as heightened value (Day & Van den Bulte, 2002), thus fostering the immediacy of information availability both inside and outside of the organization, is vital for successful implementation of the enablers of a customer-centric strategy.

Further Comments

The review of literature presented above, on conceptual definitions and prominent schools of strategy, recognizes the fact that the contributions to modern strategy have come from a broad range of disciplines. Strategy is discussed in the context of its sustainability, competitiveness, marketing strategy, customer-centricity and organizational culture. A common denominator in the contributions reviewed is their embeddedness in the resource-based school of thought, which is characterized by: value (fosters a firm to both exploit 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 organization (the way a firm is organized in order to better exploit its unique resources such as its organizational culture and human resources). Two conclusions emerge from the above
Firstly, that being market-oriented is a source of competitive advantage, and, as such, organizations should seek to become market-oriented. This is echoed by Day (1994, p. 50) who argues for broad-scale research into change programs that may enhance a firm’s market orientation. Indeed, Sinkula et al. (1997, p. 315) note that there is little work on organizational change within a marketing context. Similarly, Narver et al. (1998, p. 242) state that “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.” The second conclusion that can be drawn is that “creating a market orientation is only a start” (Slater & Narver 1995, p. 63). Despite the benefits of market orientation outlined earlier, there are some limitations. For example, Slater & Narver (1995) argue that market-oriented organizations may not take enough risks, concentrating on what Hamel & Prahalad (1994) call the “tyranny of the served market” (p. 83), thus ignoring emerging markets and/or competitors (Argyris, 1994; Slater & Narver, 1995). It has also been argued (Hayes & Weelwright, 1984; Hamel & Prahalad, 1994) that a market orientation may result in adaptive learning only, with its focus on the expressed needs, as opposed to latent needs of customers (Slater & Narver, 1995, p. 68). Moreover, market-oriented organizations may underestimate the potential contributions of other learning sources that possess knowledge useful to the organization (Achrol, 1991; Dickson, 1992; Kanter, 1989; Webster, 1992). Finally, market-oriented organizations may overlook the possibility of threats from non-traditional competitors (Slater & Narver, 1995), for example, the emerging threats to banking institutions from the telecommunications industry in the form of stored value cards. In short, “a narrow construction of market orientation could lead to learning only within traditional boundaries” (Slater & Narver 1995, p. 68).

A common denominator for all the frameworks is that there must be a “fit” among the elements if the implementation process is to be successful. Previous researchers, according to Okumus (2001, p. 327) have grouped implementation elements into a number of categories such as “content”, “context”, “process” and “outcome”. The yardsticks adopted in this study to classify implementation elements of strategy are mainly from Pettigrew’s works on managing strategic change (Pettigrew, 1985; Pettigrew et al., 1992). Strategic content is viewed as the overall strategic direction of the company and the need to design new initiatives. 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, thus the variables in this grouping are the enablers of the implementation process. According to Bryson and Bromiley (1993), they are less controllable than the process variables (cf. Okumus, 2001, p. 328). The operational process variables 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 the major difference between the context and process variables is that the later are primarily used and employed in implementing decisions, while context variables are not primarily used but they are taken account of due to obstacles and problems in the implementation process (p. 328). The end product or the expected results of the initiated strategic initiative are regarded as the outcome variables.

METHODOLOGY

The findings reported in the next section constitute the second paper from a six-year long (2001-2007) longitudinal case study carried out at Länsförsäkringar. The company 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 Swedish Quality Index (SKI) and analysed by
Stockholm School of Economics. SKI operates under the jurisdiction of 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. Länsförsäkringar, offers a broad range of policies and financial services for companies and private individuals.

The adoption of any research approach and use of all methods of collecting and analysing data necessarily involve a trade-off (Patton, 1987). A qualitative research strategy was followed and an in-depth case study approach was adopted for this study. This was because only qualitative research methods believed to be the most appropriate and sensitive enough to allow the detailed analysis of complex change cases (Cassel and Symon, 1994; Okumus, 2001; Yin, 2002). The adoption of a qualitative approach and selection of the researcher as the “instrument” for data collection and analysis enabled the researcher to get “close” to participants and develop trusting relationships (Denzin, 1978). This allowed the researcher to penetrate their realities and uncover issues of relevance in understanding the substantive research question: what characterizes the culture of a relationship-focused organization applying a customer intimacy strategy? A number of researchers (Narayandas & Rangan, 2004; Jap & Ganesan, 2000; Lambe, Wittmann & Spekman, 2001; Gebert et al., 2003) call for more field-based research that involves longitudinal case studies or action research that “draw on material from the multiple exchange episodes that constitute relationships and offer insights into the processes of relationship initiation and maintenance” (Narayandas & Rangan, 2004, p. 63).

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. It aims to contribute to extant literature on how to integrate IT to support the successful implementation of a CRM solution and addresses the question: What are the key factors that influence the integration of IT to enhance business efficiency, focusing on CRM and its implementation? The current paper is the second paper from same longitudinal study and aims to answer the question: What characterizes the culture of a relationship-focused firm applying a customer intimacy strategy? A detailed description of the research methodology is available in the first paper mentioned above, but, briefly, a multiple data collection methods (Denzin, 1978) used in this longitudinal study to answer the above-stated question (What characterizes the culture of a relationship-focused firm applying a customer intimacy strategy?) consists of face-to-face interviews with key informants (Kumar et al., 1993), participant observation (Marshall & Rossman, 1995), and workshops (Kovacevic & Majluf, 1993). The key informants (Kumar et al., 1993) encompass ten employees from strategic, operative/middle management and frontline or customer facing levels in the company respectively. The thirty interviews were conducted on a one-to-one basis. Each interview lasted for four hours and was conducted at different times and dates. Data was also collected during the six lectures delivered by the Managing Director of Länsförsäkringar in my autumn customer relationship management courses, 2001-2006. Each lecture was two hours long including time for questions and discussion of the main theme: the culture of a relationship-focused organization. A final interview with the managing director of Länsförsäkringar AB, was held in April 2007. The interviews were recorded in a tape recorder as well. For confidentiality purposes the actual name of the respondents is disguised and hereafter they will be referred to as key informants.

The themes addressed during the interviews and analyses of data collected encompass issues pertaining to implementation of strategic decision or key elements of strategy implementation
framework. These 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 organisational structure, formal and informal structures/organisational culture, values, organisational learning (organisational or strategic process); strategic outcome (tangible and intangible outcome of the implemented strategic initiative (relationship-focused organisation applying customer intimacy strategy). I am aware of the fact that qualitative field research such as in-depth interviews and case studies (Yin, 2002) play an essential part in refining the conceptual definitions and elaborating the content domains of each concept or construct.

In this study, the operational definition of customer intimacy strategy not only encompasses increasing customer satisfaction, because the first step toward a customer intimacy strategy, according to Uncles (2000), is moving beyond the standard goal of satisfying customers. 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 (2005) and Gulati & Oldroyd (2005) is that customer- and relationship-focused companies consistently embrace three concepts. First, they know they can become customer-focused 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. Second, they know that this picture is useless if employees can’t or won’t share what they learn about customers, either because it is inconvenient or because it does not serve their interests. And, finally, company executives use this insight to guide not only their product and service decisions but their basic strategy and organizational structure as well.

FINDINGS

The findings below are based in part on observations made during the entire span of the study (2001-2007) and in part on an in-depth interview with key informants encompassing ten employees from strategic, operative/middle management and frontline or customer facing levels in the company respectively. Thus gaining insight on how a relationship-oriented organization applies customer intimacy strategy.

A relationship–focused organisation applying customer intimacy strategy (The Strategic Content and Strategic Direction).

What distinguishes Länsförsäkringar (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 proclaim 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 touch point. According to a key informant, in a customer intimacy strategy, 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: Being an insurance company, the core concept of the customer intimacy strategy at LF is the level of trust in our relationship with the customers. The “customer is always right” philosophy prevails in the company until proven otherwise. They also see their customers as clients rather than accounts, and therefore create 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 the customers. Its local presence enables the development of good knowledge of its customers in their natural surroundings. According to one of the key informants, one of the prerequisites to be satisfied in order to reap the benefits associated with being customer-focused is that the strategy is aligned with the culture of the company. An advantage of a strong relationship with the customers is low administrative costs and loyal customers. One of the key informants speaks about their unique position as a local company, and that they work for the customers best interest and that they do not sell products, they sell security. This key informant places a lot of emphasis on reliability, and believes that the most important reasons for being recognized as insurance company of the year and the company with the most satisfied customers many years in a row are trust, compassion and consideration. LF is one of Sweden’s top-rated brands and it stands for trust.

All the respondents believe that LF does not differentiate between customers, i.e. 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. 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”.

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 strategy is easily noticeable through feedback from the 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 that 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.

**Organizational 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 did 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 it 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 organization like LF is typified by: 1) People daring to show their true self. They make it clear that they like people and 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 can not 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 organization 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. On the other hand, a key informant believes there is an unspoken one. His impression is that this code is quite consistent throughout the organization and reflects fairly well on the customer that LF employees meet. They have discussed whether the need for a dress code exists, but feel that there is no need at the moment. 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 strategy. Moreover, according to key informant, “all our employees are aware that our strategy, a customer intimacy strategy, 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 strategy consistently embrace the following concepts: they know they can become customer-focused only if they learn 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. 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 customers-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 organizational structure: LF has created a flat organization structure with decentralized decision making, where the local offices in the district have more authority. This allows for fewer stages in the decision making. 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 organization. The staffs 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 customer relationship management standpoint. The culture must be to serve customers and to return their calls if that is what the customers want. 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 secure 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 (1998, p. 346), the field of management is undergoing a fundamental shift worldwide – a transition from a modern to a post-modern organization paradigm. The views expressed by Daft are in line with the prevailing climate at LF. LF has transformed – away from traditional hierarchical management toward full participation by every employee. The shift is also reflected in LF’s new organizational forms. According to one key informant, “in our previous centralized organization, head office (or a few senior managers) retained the major responsibilities and authority. Conversely, LF’s current decentralized organization 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/head quarters. LF also implemented vertical and horizontal decentralization. “Vertical” means that the power to make certain decisions is handed down the hierarchy of the organization.” Vertical decentralization increases the input (Hill, 2003; Daft, 1998). Horizontal decentralization enables LF to spread responsibility across the organization. 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 decentralized structure for LF include the following: Senior managers have time to concentrate on the most important decisions (as the other decisions can be undertaken by other people further down the organization structure. Decision making is a form of empowerment. Empowerment can increase motivation and therefore means that staff output increases. People lower down the chain have a greater understanding of the environment they work in and the people (customers and colleagues) that they interact with. These knowledge, skills 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. Organizations have to adapt faster and be able to do things well. The second trend is a fundamental change in organizational technologies. Traditional organizations were designed to manage machine-based technologies, with a primary need for stable and efficient use of physical resources, such as in mass production. However, LF’s current organization is knowledge-based, which means that they are 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 (Senge, 1993; Senge, 1990). In this new world order, the responsibility of management is to create organizational learning (Senge, 1993). 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 organization.” 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. Hence, LF’s problem-solving ability and an organisation that has successfully internalised its strategic intent into its organisational culture, thereby attaining a comprehensive approach for creating, maintaining and expanding relationships with internal (employees in the company) and external customers.

DISCUSSION

A customer intimacy strategy (Strategic intent or content): LF wants to build relationships with their customers in order to retain loyal customers and maintain low administrative costs. This is in agreement with extant literature (Egan, 2001; Galbraith, 2005; Zineldin & Jonsson, 2000; Chandra & Kumar, 2000) that suggests 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 to attract new customers (Donaldson & O’Toole, 2007). 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 (Kwon & Suh, 2005; Sahay, 2003) 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. Without this trust, one of the cornerstones for building a relationship is gone.

A company can adopt any of three customer value building approaches as a specific marketing tool to develop stronger customer bonding and satisfaction (Hunt and Lambe, 2000; Kotler and Keller, 2006). The first relies primarily on adding financial benefits to the customer relationship. The second approach is to add social benefits as well as financial benefits. Here, company personnel work to increase their social bonds with the customer by learning what individual customers want and need, and then individualizing and personalizing their products and services. The third approach to building strong customer relationships is to add structural ties as well as financial and social benefits. Both the customer and the supplier invest a lot of money and time in building the relationship. The customer would find it costly and risky to switch to another supplier and the seller would find that losing this customer would be a considerable loss. Thus, each seeks to develop a solid long-term working relationship with the other. It is with such customers that relationship marketing leads to the greatest pay-off. Thus relationship marketing may not be the best approach in all situations. For it to be worthwhile, relationship revenues need to exceed relationship costs (Kotler and Keller, 2006, p. 411).

Three solutions were highlighted with regard to the question raised by Bryan (2007) and mentioned in the beginning of this paper, i.e.: How can corporate leaders secure competitive advantage and growth in a business environment where abundant capital and good execution no longer guarantee success? Firstly, executives today have a golden opportunity to design a strategy around an organizational model that nurtures knowledge and talent. Secondly, they might also take a closer look at another scarce intangible: trust. A study conducted by McKinsey & Company (2007) reveals an alarming trust gap between consumers and corporations. And thirdly, executives ought to complement the traditional focus on execution with more attention to where a company is and should be competing. Strategy is becoming a commodity in many industries – something that any rival can duplicate (Besanko et al., 2000). What matters more than the strategy is the ability to execute it well (Croteau & Li, 2003; Osarenkhoe, 2006; Osarenkhoe & Bennani, 2007; Osarenkhoe et al., 2006). This is obvious in the findings reported in the previous section because a customer intimacy strategy adopted at LF has created an organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and an organization-wide responsiveness to it (Gebert et al., 2003; Jaworski & Kohli, 1993; Chakravarthy & Lorange, 1991; Chandra & Kumar, 2000).

Organizational 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 relationship-focused firm applying customer intimacy strategy) a reality in the long run (Hamel & Prahalad, 1989, 1994), LF began seeking ways to adapt its culture to new conditions prevailing in its environment. This approach supports the ones posited by Zailani et al. (2006) and Kotler and Keller (2006). The findings show that LF’s efforts were directed at making disciplined strategic choices, a structure that supports the strategy, systems that enable large organizations to work and execute together, a winning culture (Besanko et al., 2000; Donaldson & O’Toole, 2007). Organizational culture is defined earlier in this paper, as the set of shared values and norms that control organizational
members’ interactions with each other and with suppliers, customers, and other people outside the organization (Deshpande and Webster, 1989). Just as an organization’s structure can be used to achieve competitive advantage and promote stakeholder interests, an organization’s culture can be used to increase organizational effectiveness (Zailani et al., 2006). This is because organizational culture controls the way members make decisions, the way they interpret and manage the organization’s environment, what they do with this information, and how they behave. Culture thus affects an organization’s competitive position (Jones, 2004; Lee, 2004). It is pertinent to say that it is not always easy to get the employees of a company to accept the fundamental norms and values of the organization. In addition, there may be cases where there is more than one group culture in an organization. The norms and values of a factory’s managers, for example, differ from those of the factory employees; the two have many areas that overlap, but there will be others that conflict with one another (Argyris, 1990; Jones, 2004; Nonaka & Takeuchi, 1995). Finally, measuring concrete performance with regard to relationship orientation is worthwhile so that no ambiguity arises with respect to the improvements to be made. It is important to be aware that the executive’s symbolic power and the significance executives represent are dependent on the organizations members’ interpretation. Therefore, successful leadership demands an adjustment to the symbolic interpretation schemes present in the organization’s culture.

A critical point in LF’s customer intimacy strategy winning the endorsement it needed was involvement of the different levels of employees as much as possible (Croteau & Li, 2003; Osarenkhoe, 2006). This was important because the outcome depended more on the engagement and commitment of people than on the design and implementation of the initiatives. The transformation has been the cumulative effect of a series of interlocking changes. In particular, a company’s culture, far from being a hindrance, has been an asset leveraged in the transformation (Hunt, 1995; Hunt & Lambe, 2000). 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 (Hunt, 1995; Peteraf, 1993; Besanko et al., 2000; Mintzberg, 1978, 1979), which emphasizes those resources internal to a firm as the principal driver of the firm’s profitability and strategic advantage. LF came to the insight that continuous improvement of business processes would play a vital role in business sustainability, and that the main factor affecting the outcome of that process in the long term would be the way people are able to develop how they work, e.g. being given the authority to determine ways to improve productivity, and becoming fully accountable for financial results (Jones, 2004; Lee, 2004; Burnes, 2003). The company developed a business model based on constant reengineering. 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 (Chen and Popovich, 2003; Davenport et al., 2004). Creating a new culture was important for the success of LF’s customer intimacy strategy. This intangible asset (Barney, 1986, 1991, 1999) has formed a unique competitive advantage for its business.

The learning organization (strategic outcome): A learning organization, according to Daft (1998, p. 362), is an organization in which everyone is engaged in identifying and solving problems, enabling the organization to continuously experiment, improve, and increase its capabilities. Thus, the essential value of the learning organization is problem solving, in contrast to the traditional organization that was designed for efficiency. In the learning organization (Slater and Narver, 1995; Horner, 1997; Osarenkhoe, 2006), employees engage in problem identification, which means understanding customer needs. Employees also solve problems, which mean putting things together in unique ways to meet customer needs. The
characteristics of learning organizations are similar to the ones 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 organizational values (Burnes, 2003; Jones, 2004). 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 decentralized organization, and thus a more customer-focused organization, because a good relationship with the customer demands flexibility and opportunities for the employees to make their own decisions (March & Olson, 1975). 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 is allowed to make mistakes, as long as it works out in the end for the customer.

CONCLUSIONS AND IMPLICATIONS

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, organizational culture are 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 utilized in distinctive ways, can create 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 (Chakravarthy and Doz, 1992; deWit & Meyer, 1998; Keegan, 1983; Bower, 1970; Burgelman, 1983; Amit & Schoemaker, 1994; McGrath, 1996; Mintzberg, 1978, 1979, 1994; Sanchez & Heene, 1997; Gluck et al., 1982; Hart, 1992; Chakravarthy & Lorange, 1991; Lorange, 1980a, 1980b; Quinn, 1978; Abegglen & Stalk, 1985; Marx, 1991). The following six critical dimensions must therefore be included in any unified definition of the concept of strategy: i) a coherent, unifying and integrative pattern of decisions; ii) a means of establishing an organization’s purpose in terms of its long-term objectives; iii) a definition of a firm’s competitive domain; iv) a response to external opportunities and threats and to internal strengths and weaknesses as a means of achieving competitive advantage; v) a logical system for differing managerial tasks at corporate, business, and functional levels; vi) a definition of the economic and non-economic contribution the firm intends to make to its stakeholders (deWit & Meyer, 1998). The six critical activities outlined above show that the concept of strategy embraces the overall purpose of an organization. It is not surprising, therefore, that defining it properly means examining the many facets that make up the whole. By combining them, we arrive at a more comprehensive definition of strategy. From this unifying perspective, strategy becomes a fundamental framework through which an organization can assert its vital continuity, while at the same time purposefully managing its adaptation to the changing environment to gain
competitive advantage. Strategy therefore includes the formal recognition that the recipients of the results of a firm’s actions are the wide constituency of its stakeholders. Therefore, the ultimate objective of strategy is to address stakeholders’ benefits – to provide a basis for establishing the host of transactions and social contracts that link a firm to its stakeholders (Osarenkhoe, 2005 & 2006).

2. Lukas et al. (1996, p. 233) argue that “organizational learning is considered by many scholars as a key to future organizational success.” This perspective differs from the neoclassical theory that argues that land, labour and capital are the key ingredients of productivity. In contrast, the resource-based theory of the firm (Hunt & Morgan, 1995) argues that information and knowledge are the key ingredients for success (Bell, 1973). In a nutshell, the ability to learn is a priority for organizations that wish to compete effectively.

3. Companies must focus on customer equity, which is the sum of the lifetime values of all customers, across all the firm’s brands (Keller, 2003). Moving from a product and sales philosophy to a customer intimacy strategy 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 product engineering (Kotler & Keller, 2006, 139). 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 for which marketers and market researchers claim a particular expertise (Uncles, 2000). According to Strebel & Ohlsson (2006), 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 organization. Customer intimacy requires a culture of listening and networking with resources directed at building relationships with customers (Strebel & Ohlsson, 2006).

4. No company can succeed today by trying to be all things to all people. A company must instead find the unique value (Barney, 1991, 1999) 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 (Treacy & Wiersema, 1995). This is in agreement with the findings reported above and views expressed in extant literature on resource-based theory, which emphasizes resources internal to the firm as the principal driver of a firm’s profitability and strategic advantage (Barney, 1991; Conner, 1991).

5. The empirical findings show that organizations must continuously fine-tune compatibility of the strategy and 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 (Peters & Waterman, 1982). This observation is also conveyed in extant literature on knowledge management discussed in the context of: competitive advantage (Danskin et al., 2005); quasi-explicit or formative knowledge as the aftermath of information society (Takahashi & Vandenbrink, 2004); critical success factors for implementation of
implies that knowledge management programs are typically tied to organizational 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 organizational processes that seek a synergistic combination of data and the information processing capacity of information technologies that can be enhanced through creative strategies. It is important to communicate clearly and precisely about corporate culture. The spirit of the company is thus a function of its collective commitment to success. Every person in the company should know how to individually contribute to its future (Romano & Fjermestad, 2002; Ryals & Payne, 2001; Jap & Ganesan, 2000; Osarenkhoe et al., 2006). Culture may be strong or weak. Strong cultures are difficult to change without great effort, time, and substantial disruption. Companies with strong cultures are wise to adopt strategies consistent with their cultures. Their cultures will naturally support implementation of strategies. Doing otherwise creates implementation problems. Companies that find themselves in competitively dead-end positions may have to adopt strategies that are at odds with their existing cultures, or go under. The strategic options before them will require a difficult set of cultural changes.

6. Finally, in today’s competitive marketplace, consumers and businesses have many choices available to them to solve personal or business problems. Organizations can increase their chances of success if they develop a deep understanding of markets and the customers within those markets. A strategy should connect with insight, purpose, and likely future trends. According to Mintzberg et al. (2003), it is important for managers to analyze their business strategy and map out the future directions that need to be taken against the resources possessed by the organization. Strategic analysis is the examination of the organization’s objectives, its relationship with the environment, and 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 and its activities; 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.

To manage customer relationship properly requires that a company be willing to do whatever is necessary to maintain its customer relationships. The company’s attitude should be that customers must be retained. Advances in technology and customer information make segmentation easier. Computerization and modular manufacturing are making it progressively cheaper to customize goods and services. Individualized communication networks like the Internet, combined with computerized data analysis, enable companies to micro target their messages (Keller, 2003). In many cases, if customers are big enough, companies will go beyond segments and assign managers to specific customers.

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