

Enterprise Culture as One of the Enterprise's Key Success Factors (Integral Management Approach): Does the Internal and External Cultural Orientation Matter?

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Abstract: Considering the theories and research observations presented in this paper, we can state that organizational culture, with its values and norms, is essential for ensuring the long term success of an enterprise. The present article shows the research conclusions on the impact of enterprise culture on the success of the enterprises observed.

Keywords: MER Model; integral management; enterprise culture orientation; business success; enterprise key success factors

1 Introduction

Enterprise culture is judged by many now as a major determinant in any company's success in terms of performance, especially through improvements in employee morale [28]. Various researches show that enterprise culture, with its values, is of essential meaning via fostering business ethics in the sense of assuring the enterprise's success (e.g. [4, 9, 6, 5, 21, 49]). Hofstede [23, 24] argues that enterprise culture as the collective programming of the mind that distinguishes participants of one enterprise from another. Such collective programming is possible if enterprise culture is considered as the basic assumptions that people in an enterprise hold and share about that enterprise. Those assumptions are implied in their shared feelings, beliefs and values and is embodied in symbols, processes, forms and some aspects of patterned group behaviour. Further, Hofstede [23, 25] argues that enterprise culture is distinct from both individual personality (one person) and human nature (all humans).

Considering the theories and research observations presented in this paper, we can state that organizational culture, with its values and norms, is essential for ensuring the long term success of an enterprise. An enterprise's culture has been

defined as encompassing the values, rules, beliefs and assumptions in handling and behaviour of an enterprise's (especially internal) stakeholders, which reflects internally as well externally the behaviour of an enterprise. As well as in other relevant scientific literature and research thoughts, as well as in well-known models of enterprise management and governance, enterprise culture is perceived as one of the enterprise's key success factors in the MER Model of Integral Management¹ [7]. Considering the MER Model of Integral Management [7] a given enterprise's key success factors are as follows: compatibility, competitiveness, efficiency, culture, credibility, ethics, ecology, entrepreneurship, synergy, and philosophy.

In accordance with the above stated argumentations, as well as considering the conclusions of various researches on the topic of enterprise culture in relation to enterprise success, our research is aiming to define the differences in enterprises' success considering their culture orientation (customer or employee orientation), meaning whether the observed enterprises are external or internal oriented. The present research is a continuous work considering the research of previously carried-out studies: in their research Belak Jernej [6] argues the importance of holistic ethics planning as a pre-condition for an enterprise's ethical behaviour; Belak, Jernej and Milfelner [9] in their research argue the differences in informal and formal measures of business ethics implementation at different stages of enterprise life cycle; Belak Jernej and Mulej [5] argue that the enterprise climate changes in relation to the enterprise life cycle; the research done by Duh and Belak Jernej [16] reveals the influence of the family on the ethical behaviour of family enterprises; Duh, Belak Jernej and Milfelner [15] carried out research on core values, culture and ethical climate, which explored the differences between family and non-family enterprises. Ethical behaviour, ethical climate and informal and formal measures are important predecessors of enterprise culture, and various lessons for managers can be learned from those studies in how to implement the needed cultural elements. However, less is known about how cultural elements impact enterprise performance in developing industries and whether enterprises with a higher presence of different cultural elements are in fact more successful. The present research is based on the premise that to ensure their success, enterprises must be oriented towards the external environment of its functioning as well as towards the internal environment of its functioning in order to be able to disclose and fulfil the real needs of the environment (market) and to realize and fulfil the needs of the employees (as well as other internal stakeholders) in order to motivate and stimulate their innovative behaviour as much as possible. Only in this way will the long term success of the enterprise be assured.

¹ MER Model of Integral Management was developed by MER Institute for Management and Development, Slovenia

2 Enterprise Culture and Hypothesis Development

Enterprise culture has been defined as encompassing the values, rules, beliefs and assumptions in the handling and behaviour of an enterprise's (especially internal) stakeholders, which reflects internally as well externally the behaviour of an enterprise. The development of an enterprise is not possible without a simultaneous change of its culture; the changing of culture (in the head of enterprise's stakeholders!) is usually a very demanding and long-lasting process. The culture of the broader society as well as the culture of an enterprise is very complex. The MER Model of Integral Management [8] bases the success of enterprise upon its culture, which should (in the name of enterprise success) originate from contemporary scientific findings, a universal credible (and also responsible) philosophy, a comprehensive artistic way of expression, the friendly techniques of the enterprise's functioning and the enterprise's credible handling of all stakeholders, as well as the credible behaviour of each stakeholder (in the name of and on account of the enterprise) to other stakeholders. The enterprise culture is therefore considered as one of the enterprise's key success factors, as is shown in Figure 1.

Enterprise culture is a multifaceted construct, and is defined differently by various authors. Goffman [27] focused on the observed behavioural regularities in people's interactions; Homans [27] discussed the norms that evolve in working groups; Ouchi [35] stressed the philosophy that influences organizational policy; and Van Maaren [27] emphasized the rules for good understanding in an organization. More recently, enterprise culture has been defined as encompassing the assumptions, beliefs, goals, knowledge, and values that are shared by the organizational members [44, 45].

It is today believed that enterprise culture basically provides the framework for implementing and operationalizing various business strategies, and managers therefore need to be conscious of the cultures in which they are embedded and implement strategic changes when necessary. However, enterprises as systems are known for their unwillingness to be promptly (and successfully) transformed; a particularly significant aspect of this being associated with the notion of congruency between internalized and observed values, functioning as a direct link between the lack of cultural congruence, employee turnover, job satisfaction, and commitment to the organization.

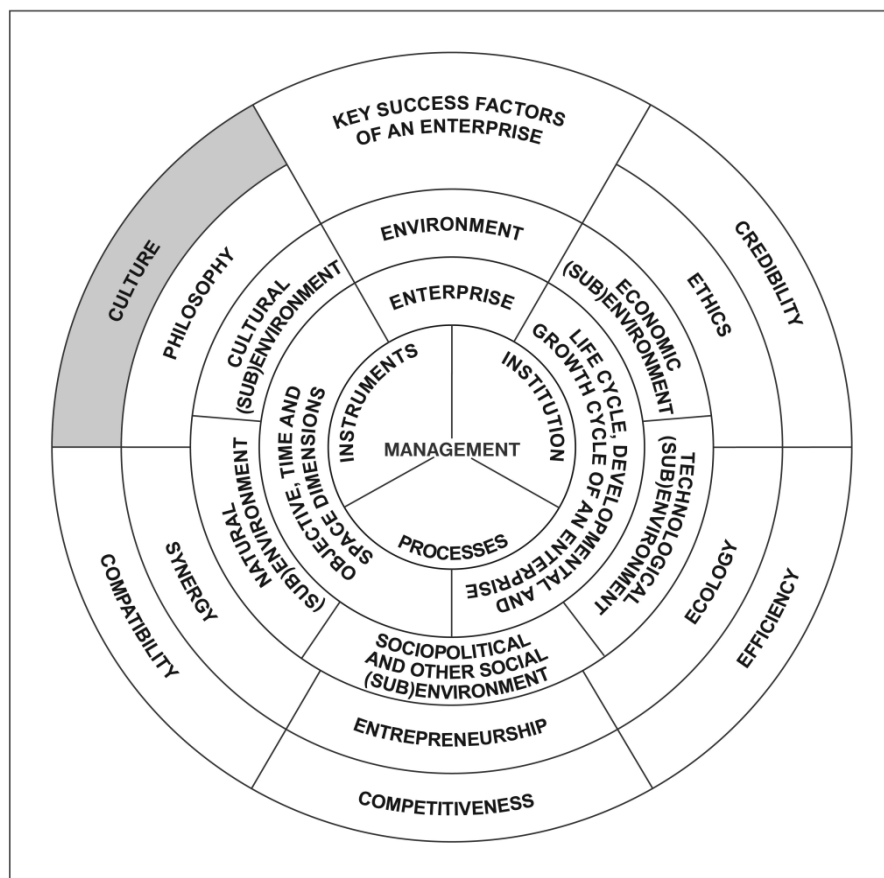


Figure 1

The MER Model of Integral Management (Belak Janko, 2010)

Today, enterprise culture typologies are explained in detail. Various types of enterprise have been identified – related to the dynamic nature of the industry concerned [19] and to the size of the organization [18]. Several classifications have been proposed, the most often cited being those of Deal and Kennedy [14], Hofstede [22], Schein [42, 43, 44], and Cameron and Quinn [13]. Hofstede [22] proposed that enterprise culture could be classified by comparing the degree of individualism versus collectivism, the apparent power-distance metric, the tendency towards uncertainty avoidance, and the bias between masculinity and femininity. Kets De Vries (1986), on the other hand, opted to derive his classification from characteristics of the prevailing mentality: the paranoid culture (a persecutory theme), the avoidance culture (a pervasive sense of futility), the charismatic culture (everything revolves around the leader), the bureaucratic culture (depersonalized and rigid), and the politicized culture (leadership responsibility is abdicated).

More recently, Cameron and Quinn [13] have proposed a classification comprising four forms for a culture audit and for comparison purposes – Clan, Hierarchy, Market and Adhocracy. Subsequent research [28] allows the following expansion on these culture types: clan culture, adhocracy culture, market culture hierarchical culture. According to Cameron and Quinn [13] **market culture** (which is important for the empirical study presented herein) works towards clear and rational goals that are achieved through high productivity and economical operation. It tends to be result-oriented and to concentrate on getting the job done. Its members value competitiveness, diligence, perfectionism, aggressiveness, and personal initiative. Its leaders are inclined to be hard-driving producers, focused on outperforming competitors and remaining at the forefront of their field of endeavour by maintaining stability and control. The term “Market” is not to be confused with the marketing function or with customers in the market place. It represents a focus on transactions with external bodies, such as suppliers and customers.

In a context of enterprise’s culture external (customer) orientation Webster [48] defines market culture (or marketing culture as he states) as the component of enterprise culture that relates to values and beliefs that help management and employees to understand the marketing function. It sets norms of behaviour in the enterprise and the meaning that is vital for performance of marketing activities. As such, market culture relates to the unwritten policies and guidelines which provide employees with behavioural norms, to the importance the enterprise as a whole places on the marketing function, and to the manner in which marketing activities are executed.

Customer oriented enterprise culture and the marketing concept therefore are similar concepts. The marketing concept is a specific enterprise culture that is accepted by the enterprise and is considered as a bundle of beliefs and values focused on the customers of enterprise, customer oriented goals, on strategy and strategy implementation. Homburg and Pflesser [26] above all stress the importance of values and artefacts that lead to customer oriented culture, such as stories, language, rituals and symbolism. Kohli and Jaworski [29] closely relate customer oriented enterprise culture and the marketing concept, claiming that the marketing concept is considered a business philosophy that puts the customer at the centre of overall activities of the enterprise and that the business philosophy can be contrasted with its implementation, reflected in the activities and behaviours of an enterprise.

Since cultural elements cannot be easily measured empirically, recent marketing literature suggests that one can also capture the effects or activities that are implemented as a result of a customer oriented culture being present in the enterprise. Such constructs for the measurement of a market oriented culture are known from literature as market orientation constructs [33, 29, 1]. Therefore in this paper we define market oriented enterprise culture in accordance with Narver and Slater’s [33] definition of market orientation. A customer oriented enterprise

culture is defined as an enterprise's attempt to understand and satisfy customers' needs. It is the kind of culture that stimulates and enables the accumulation of information about customers as well as competitors and in the long term also enables better business performance. As such, it provides psychological and social benefits to employees, leading to a sense of pride in belonging to an enterprise in which all departments and individuals work toward the common goal of satisfying customers and thereby resulting in increased organizational commitment.

As a business philosophy, a market oriented enterprise culture is an entity of three key elements. According to Narver and Slater [33], the enterprises with strong elements of a customer oriented culture demonstrate high customer and competitor orientation, and have strongly interrelated functions. Customer orientation is the key component of market culture which enables managers and employees to understand customer needs and wants, as well as the customers' present and future product value evaluation. Competitor orientation, on the other side, brings understanding of short term competitor strengths and weaknesses and long term competitor strategies. This component is also important since competitor strategies can strongly influence customer wants and needs and their value perceptions, as well as their behaviour. The third component (interfunctional coordination) relates to customer information interchange throughout the enterprise and to the coordination of efforts oriented towards customers. The third component is the most culture related and is also the most difficult to achieve.

The customer oriented enterprise culture should enhance customer-perceived quality by helping to create and maintain superior customer value. Since enterprises with strong market orientation possess the basis for rapid adaptation to customers' manifest and latent needs, this orientation may translate into superior new product success, market share and profitability [2, 34]. The customer oriented enterprise culture of the enterprise has been proposed as a key differentiating resource and a key predictor of firm performance [1].

By drawing the analogy with customer oriented enterprise culture, one can also define the kind of culture that stimulates the application of marketing, human resource management, and allied theories, techniques, and principles to motivate, mobilize, and manage employees at all levels of the company to continuously improve the way they serve external customers and each other. Although some early authors have referred to internal marketing activities as the one that treats employees of the enterprises as internal customers [3], it is reasonable to argue that the cultural view is more suitable to explain in what way satisfied internal customers (employees) can contribute to higher organizational performance. Such culture or behaviour as a result of this culture is frequently defined as internal marketing or internal market orientation in literature (e.g. [30, 20]). According to Lings [30], activities resulting from employee oriented enterprise culture incorporate cultural and behavioural dimension and are referred to as internal market orientation in the sense of identifying and satisfying the wants and needs of employees as a prerequisite to satisfying the wants and needs of external

customers. Employee oriented enterprise culture as displayed by managers should foster employee identification with the organisation, reduce their dysfunctional behaviours and increase behaviours that are compliant with organisational strategies [31]. This means that an employee oriented enterprise culture emphasises management values that stress that employees are a valuable enterprise resource and consideration of factors that determine employee satisfaction.

Since the employee oriented enterprise culture can build a system of employee and management values that guide the company's behaviour towards the goal of improving customer value, such a culture can also influence the market and financial performance of the enterprise in the sense of being related with higher external customer quality perception, external customer satisfaction, market share and sales volume. All four market performance dimensions can be influenced by employee attitudes and behaviours that reduce dysfunctional behaviours and increases behaviours compliant with organisational strategies [31]. Higher employee satisfaction and identification with enterprise is above all important in high contact service environments where higher customer satisfaction can lead to higher market and financial performance [37, 38].

In the sense of Narver and Slater's [34] and Kohli and Jaworsky's [29] concepts, employee oriented enterprise culture can be operationalized as a company's orientation towards: employees (costumers in internal markets), competitors (in the employee market), and as the interfunctional coordination in the internal market. The measurement of these three dimensions shows the presence of the employee oriented enterprise culture. Each of these elements contain: internal market intelligence generation (e.g., the conditions of external employee market and the identification of value exchange), internal market intelligence dissemination (between employees and management) and internal market responsiveness (e.g., actions for delivering employee value).

In internal markets, managers should also concentrate on satisfying the needs and wants of their employees; such internal orientation is one of the pillars for the development of an external oriented enterprise culture. The increased levels of customer oriented enterprise culture and increase the level of symmetry of both types of market cultures consequently results in better strategic response and performance of companies [37]. Internal and external oriented enterprise cultures could be assumed as being among the key organizational resources in creating sustainable competitive advantage [47].

Hence we propose the following hypothesis:

H1: Internal oriented enterprise culture positively impacts external oriented enterprise culture.

The customer oriented culture of an enterprise should enhance customer-perceived quality by helping to create and maintain superior customer value. Enterprises with strong customer orientation possess the basis for rapid adaptation to

customers' manifest and latent needs, which may translate into superior new product success, market share and profitability [2, 34, 36]. The customer oriented enterprise culture has been proposed as a key differentiating resource and a key predictor of enterprise performance [1, 32].

Evidently, customers are the primary focus of an external oriented enterprise culture. Such enterprises not only discover customer needs, but also anticipate the future needs as well, and even more importantly, they involve individual departments across the company in acting to meet those needs. Also, external oriented enterprise culture includes behaviours for delivering superior value to customers. Therefore, external oriented enterprise culture is positively related to superior customer value. Kohli and Jaworsky [29] have already proved this proposition. According to Slater and Narver [33], such orientation can also play an important role in growing and fragmented markets since it enhances market share and sales volume, even when buying power is low.

Accordingly, we hypothesize:

H2: External oriented enterprise culture positively impacts customer loyalty.

H3: External oriented enterprise culture positively impacts market share and sales volume.

According to Reichheld [39], when a company is consistently able to offer better value and achieve customer loyalty, market share and sales volume increase, while costs for attracting and serving customers decrease. Superior judgmental performance (e.g., corporate and brand image and reputation, customer satisfaction, and customer loyalty) is a prerequisite for superior objective performance (e.g., market share, sales volume, and profitability). To maximize its long-run performance, the business must build and maintain a long-term mutually beneficial relationship with its buyers [33].

Thus:

H4: Customer loyalty positively impacts market share and sales volume.

Since the cost of obtaining a new customer is very high and the profitability of a loyal customer grows with the relationship's duration, loyalty is one of the keys to long-term profitability [39]. Companies with large groups of loyal customers have large market shares, and market share is positively associated with higher rates of return on investment [40]. Market share leads to profitability due to economies of scale and experience effects. Profit impact of market strategy (PIMS) studies [12] identified product/service quality and market share as the most important factors that influence the percentage of return on sales. Others have also shown market performance to have positive effects on financial performance (e.g., [41]).

Therefore, we propose:

H5: Customer loyalty positively impacts financial performance.

3 Methodology

The measurement instrument for the empirical model verification was developed in three phases. In the first phase, some of the relevant items for the questionnaire were taken from the relevant literature. For the measurement of internal oriented enterprise culture we used some of the items from Gounaris [20] and Lings [30]. External oriented enterprise culture was measured using fourteen items from Narver and Slater's [33] 7-pt. Likert rating scale. Since previous studies indicated that there were some problems with construct validity considering [33] scale, some additional items were added in order to ensure higher consistency of the measure. In the second phase, in-depth interviews were conducted with senior marketing executives in 17 organizations in Slovenia. In the third phase, the questionnaire was examined by 5 expert judges (4 in the field of marketing and marketing resources and 1 in the field of finance) in terms of content validity and in order to avoid redundancy in the questions. In the final study, the items for internal oriented enterprise culture and external oriented enterprise culture were measured on the 7 point Likert scale (from 1 "strongly disagree" to 7 "strongly agree"). 12 items were used for measurement of internal oriented enterprise culture, and the scale for external oriented enterprise culture consisted of 17 items. An additional 7 items were generated for the measurement of market and financial performance. The respondents were asked to evaluate their market and financial performance on a 7 point scale from "much worse" to "much better" in comparison with their key competitors in the period of the past 3 years.

In every company, we identified a single respondent in the position of CEO or member of the management board responsible for marketing, or the marketing director. Key respondents were used, as senior managers have been shown to be generally reliable in their evaluations of company activities and performance (e.g., [46]). The questionnaire was mailed to the 2500 randomly selected companies selected from the population of 3475 companies in Slovenia. In total, 372 usable questionnaires were received, representing a response rate of 13.8%. The responding companies came from a variety of industries (manufacturing 40.8%, construction 13.2%, wholesale and retail 11.0%, real estate 10.0%, transportation 5.1%, the catering industry 4.9%, and other industries 14.7%).

4 Assessment of Construct Reliability and Validity

In the first phase, the dimensionality of the single constructs (external oriented enterprise culture, internal oriented enterprise culture, customer loyalty, market share/sales volume, and financial performance) was assessed. Confirmatory factor analyses (CFA) were performed for each of the scales in order to compare one-factor model and multi-factor model for single constructs. In the first case, the constructs were conceptualized as uni-dimensional and in the second case as

multi-dimensional constructs. Statistics in Table 1 show that internal oriented enterprise culture and external oriented enterprise culture constructs were indeed multi-dimensional constructs, since in both cases multi-dimensional models outperformed the one-factor models. To assess the convergent and discriminant validity and the reliability of the customer loyalty, market share/sales volume and financial performance, which consisted of only two (three) indicators, an additional CFA was implemented combining those three constructs.

Table 1

Summary statistics of CFA for internal oriented enterprise culture, external oriented enterprise culture, market, and financial performance

	Internal oriented enterprise culture	External oriented enterprise culture	Market and financial performance CFA
One-factor model	1 factor $\chi^2/df = 283.83 / 20$ $p < .05$ RMSEA = .160 NFI = .828 NNFI = .782 GFI = .795	1 factor $\chi^2/df = 373.05 / 44$ $p < .05$ RMSEA = .142 NFI = .737 NNFI = .695 GFI = .806	3 factors $\chi^2/df = 23.75 / 11$ $p = .013$ RMSEA = .055 NFI = .982 NNFI = .977 GFI = .976
Multi-factor model	3 factors* $\chi^2/df = 19.99 / 17$ $p = .274$ RMSEA = .002 NFI = .985 NNFI = .989 GFI = .981	3 factors** $\chi^2/df = 32.76 / 24$ $p = .109$ RMSEA = .031 NFI = .966 NNFI = .978 GFI = .977	

* *Internal oriented enterprise culture – employees orientation, competitors (on the employee market) orientation, and interfunctional coordination*

** *External oriented enterprise culture - customer orientation, competitor orientation, and interfunctional coordination*

Reliabilities for internal oriented enterprise culture (3 constructs), external oriented enterprise culture (3 constructs), customer satisfaction, market share/sales volume and financial performance were assessed with composite reliability measures. The reliability coefficient exceeded the value of .6, as suggested by Fornell and Larcker [17]. Next, in order to show the degree to which a measure represents the construct it is supposed to represent, construct validity of single scales was assessed by examining convergent and discriminant validity. Evidence of *convergent validity* was determined by inspection of the variance extracted for each factor as shown and was established, since all the variance extracted value exceeded .50 for a factor. Additionally, all items of the single measures loaded significantly on their underlying factors (all loadings were higher than .50 with significant t values) and that indeed itself is a test of the convergent validity of the scale (see Table 2).

Table 2
Measurement model (items, standardized loadings, CR and AVE)

		Loadings (λ coefficients)	CR	AVE
External oriented enterprise culture*	Customer orientation	.716	.74	.48
	Interfunctional coordination	.666		
	Competitor orientation	.699		
Internal oriented enterprise culture*	Employee orientation	.821	.79	.56
	Competitor orientation (on the employee market)	.608		
	Interfunctional coordination	.800		
Financial performance	Overall profit levels achieved compared to competitors (EBIT)	.883	.91	.77
	Return on investment compared to competitors (ROI)	.897		
	Profit margins compared to competitors	.854		
Market share/sales volume	Market share compared to competitors.	.947	.86	.76
	Sales volume achieved compared to competitors.	.786		
Customer loyalty	Levels of customer loyalty compared to competitors	.884	.88	.79
	Levels of customer satisfaction compared to competitors	.892		

$$\chi^2 = 116.68 / df = 55; RMSEA = .055; NFI = .948; NNFI = .954; GFI = .945$$

* Items for measurement of external and internal oriented enterprise culture are presented in the appendix 1.

Discriminant validity was also assessed for the scales with more than 1 construct (external oriented enterprise culture and internal oriented enterprise culture). Several CFA's were run for each possible pair of constructs, first allowing for correlation between the two various constructs and then fixing the correlation between the constructs at 1. In every case, the chi square differences between the fixed and free solutions were significant at $p < .05$ or higher. Additionally discriminant validity was assessed by Fornell and Larcker [17] in which the pair-wise squared correlations between factors were compared with the variance extracted estimates for the dimensions making up each possible pair. In every case the Fornell-Larcker criteria was met, which means that the variance extracted estimates exceeded the square of the correlation between the factors making up each pair.

In the second stage of the research, the proposed conceptual model was tested with structural equation modelling. To obtain a more favourable number of parameters to be estimated, we conducted an additional simplification of our nine-factor model to a final five-factor model. For each of the first order factor models, with

more than two underlying factors (internal oriented enterprise culture and external oriented enterprise culture), second order factor models were computed. This was achieved by averaging the corresponding indicators leading to a single composite indicator. The final results of this stage are external oriented enterprise culture and internal oriented enterprise culture latent variables with three indicators. Other constructs constituting market and financial performance were unchanged. Reliability and validity were once assessed for both simplified constructs. The composite reliabilities computed for newly generated latent variable external oriented enterprise culture was .74 (AVE = .48) and .79 (AVE = .56) for internal oriented enterprise culture. All loadings had reached the value of .66 or higher. For all the constructs, a discriminant analysis was performed. Pairs of constructs involving all possible combinations were assessed in a series of two-factor CFA. Each model was run twice, once constraining the phi (φ) coefficient to unity and once freeing this parameter. A chi-square difference test was then performed on the nested models to assess if the χ^2 values were significantly lower for the unconstrained models [50]. The critical value (at $p < .05$) was exceeded in every case.

5 Results

With respect to the overall model fit, the chi-square statistic indicates some discrepancies between the data and the proposed model ($\chi^2 = 121.39 / df = 59; p < .05$). A significant chi-square indicates a non-perfect fit of the model to the data. Although the analysis of a covariance structure has traditionally relied on a chi-square likelihood ratio test to assess how well a model fits, it is very sensitive to the sample size, number of items and number of factors in the model [10]. Another possible explanation for the discrepancy can be the use of composite indicators, which typically worsens model fit [26]. However, other global fit statistics suggest an adequate fit of the model. The RMSEA index of the model was .053, which is in fact close to the range for a good fit, but still suggests a reasonable fit. Also the majority of other incremental and stand-alone fit indices (Table 3) suggest that the global model fit is acceptable.

Table 3 provides the regression coefficients of estimated effects within the causal model, regarding the selected hypotheses. Hypotheses H1 predicted positive relationship between internal and external oriented enterprise culture. Concerning the strength of relationship ($\gamma_1 = .731; p < .01$) it can be fully confirmed. The relationships between external oriented enterprise culture and customer loyalty and external oriented enterprise culture and market share / sales volume are both positive and significant ($\gamma_2 = .266; p < .01$ and $\gamma_3 = .298; p < .01$). Therefore, we can confirm the second and third hypotheses. Also the relationships between market and financial performance are positive. According to H4 and H5, customer loyalty not only influences financial performance ($\beta_1 = .467; p < .01$) directly, but also

indirectly through market share / sales volume ($\gamma_4=.533$; $p<.01$). Finally we can confirm H6 as market share/sales volume also impacts financial performance ($\beta_2=.349$; $p<.01$).

Table 3
Estimated effects within the structural model

Relationships	Standardized regression coefficient	t-values	Significance
H1: Internal oriented enterprise culture – External oriented enterprise culture	$\gamma_1=.731$	9.041	$p<.01$
H2: External oriented enterprise culture – Customer loyalty	$\gamma_2=.266$	4.347	$p<.01$
H3: External oriented enterprise culture – Market share/sales volume	$\gamma_3=.298$	5.709	$p<.01$
H4: Customer loyalty - Market share/sales volume	$\gamma_4=.533$	7.529	$p<.01$
H5: Customer loyalty – Financial performance	$\beta_1=.467$	6.101	$p<.01$
H6: Market share/sales volume - Financial performance	$\beta_2=.349$	4.730	$p<.01$

$\chi^2 = 121.39 / df = 59$; RMSEA=.053; NFI = .947; NNFI = .958; GFI = .943

Discussion and Conclusions

In the management literature there is limited empirical evidence as to how internal and external oriented enterprise culture impacts market (customer satisfaction, customer loyalty, market share and sales volume) and financial performance. The present research gives clear empirical insight into the importance of both cultures as prerequisites of market and financial performance.

The results of the study reveal strong the positive impact of internal oriented enterprise culture on external oriented enterprise culture. This is the case despite the fact that the majority of the companies in our sample were from B2B markets, and from industries other than services. This insight shows the importance of internally oriented enterprise culture, also in contexts where employees do not have a direct contact with customers. The relationships between external oriented enterprise culture and customer loyalty and external oriented enterprise culture and market share / sales volume are also positive. This also holds true for the relationship between market and financial performance.

The research presented in this study show that for an enterprise's long term success, the owners and managers of the enterprises must consider enterprise culture (one of the important constitutional elements of business ethics) as one of the enterprise's key success factors (as thought and perceived by MER Model of Integral Management). To achieve enterprise success, the owners with their managers must assure such conditions (internally as well as externally) which

would foster the enterprise growth and development, its effectiveness and efficiency. On the other hand, the conditions fostering enterprise's effectiveness and efficiency should consider the enterprise's success based on the principles of enterprise culture.

This study is subject to several limitations, however our observations confirm the theoretical argument that an enterprise's long term success can be ensured only by practicing the external (effectiveness) as well as internal (efficiency) oriented culture of the enterprise. Therefore, further research should be done to explore in-depth the impact of both orientations (external and internal) on the enterprises' performance. In addition, research should also explore the impact of the socially responsible behaviour (in relation to external and internal oriented culture) of the enterprises on their performance. Also, additional control variables such as buyer and supplier power, seller concentration, ease of entry, market growth, technological change, differentiation of companies according to type of customers (B2B, B2C), and differentiation according to type of product (physical, services) should be considered in further research. Additionally, we propose that in future studies more objective data from multiple respondent sources should be obtained.

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Appendix 1

External and internal oriented enterprise culture sub-constructs items and their standardized loadings, CR and AVE

Sub-construct	Items	Loadings	CR	AVE
Customer orientation	We monitor our level of commitment and orientation to serving customers' needs.	.827	.77	.53
Interfunctional coordination	We give close attention to after-sales service.	.560		
	Our business strategies are driven by our beliefs about how we can create greater value for customers.	.765		
Customer orientation	Our salespeople share information within our business concerning competitors' strategies.	.843	0.78	.55
Interfunctional coordination	All of our business functions are integrated in development of business strategies.	.751		
	We communicate information about customer experiences across all business functions.	.608		
Customer orientation	We respond to competitive actions.	.742	.79	.56
	The top management team regularly discusses competitors' strengths and strategies.	.778		
	We regularly monitor competitor activities.	.721		
$\chi^2/df = 40.88/23$; $p = .0172$; $RMSEA = .039$; $NFI = .966$; $NNFI = .973$; $CFI = .982$; $RMR = .031$; $GFI = .956$				
Employee orientation	We frequently monitor employee satisfaction.	.888	.90	.74
Competitor orientation (on the employee market)	All employees are highly respected.	.799		
	We give close attention to loyalty of employees.	.894		
Employee orientation	We are analyzing the working conditions of employees working in competition.	.707	.81	.59
Competitor orientation (on the employee market)	We are aware of employment rates in our industry.	.820		
	We are informed about the runaway possibilities of our employees.	.764		
Employee orientation	We appreciate collaboration between employees from different business function (e.g. marketing, R&D, etc.)	.884	.89	.80
	We communicate information about employees across all business functions.	.904		
$\chi^2/df = 17.45/17$; $p = .4247$; $RMSEA = .008$; $NFI = .988$; $NNFI = 0.993$; $CFI = .996$; $RMR = .023$; $GFI = .986$				