

Impact of organisational culture on sales performance

Organisational Culture

This study examined the relationship between store culture and sales performance in the retail industry. Using the Human Synergetics Organisational Culture Inventory (OCI) and measuring various performance outcomes, this independent researcher devised a particularly robust model. The significant result was the relationship between culture and performance improvement. Whilst culture was not related to sales volume, it was related to sales growth. Culture was also found to be related to several important attitude factors, including propensity to work hard, teamwork, satisfaction and internal assessment of customer service.

Inquiry

Is there a relationship between culture at the store level and sales performance? Does culture make a difference in sales performance in a retail setting?

Research Opportunity

Martin I Klein's Ph.D. dissertation, "Corporate Culture and Store Performance: Differences Among High Performance and Low Performance Stores" for Temple University Philadelphia, is considered an excellent study linking together culture and financial performance data.

Retail offers an excellent environment for research of this nature. Since a business such as this offers several stores that can be compared to each other, many variables that would otherwise produce confusing results can be held constant. For instance, all stores experience the same 'Head Office' requirements, so all are operating under the same conditions in this respect. All offer the same range of clothes, so the results are not confounded by the products involved. Stores can be 'matched' to ensure that 'like store' is being compared to 'like store' - in terms of location, store size and customer demographics.

Most of the time such research cannot be undertaken, as even when the statistics support the research hypothesis, more often than not, differences in organisational strategy, size, location, equipment, company policies and many other variables make the results invalid or at least suspect.

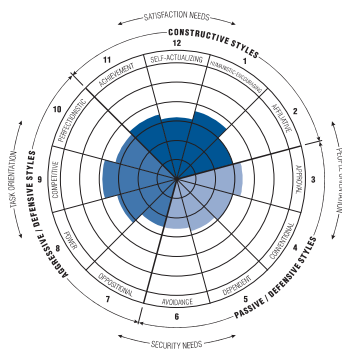
Methodology

Klein studied 44 men's clothing stores, measuring culture and store sales over a 12 month period. The Human Synergetics Organisational Culture Inventory was used to measure culture and a supplemental survey used to measure such factors as:

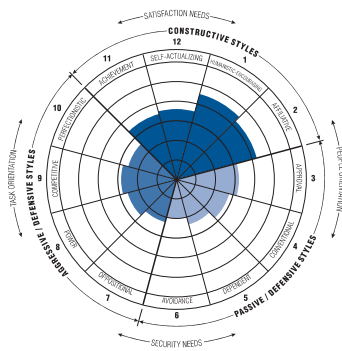
- Quality of service (as rated by store staff)
- Clarity of performance expectations
- Propensity to work hard
- Role clarity
- Empowerment
- Teamwork
- Feedback
- Satisfaction
- Management support
- Consistency of message

The higher growth stores have cultures that reinforce more constructive behaviours

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Lower growth rate stores



Higher growth rate stores

Klein also surveyed staff on the job design factors as described by Hackman & Oldham (1980), in an effort to determine if these have any relevance for culture or store performance.

Klein sorted all stores within this business into low, moderate and high volume stores and low, moderate and high growth stores, based on sales figures supplied by the company. Leaving out those in the middle, his categories then included low versus high volume stores and low versus high growth stores.

Managers and staff in the stores then completed the survey questionnaires.

The research model asked two questions:

- Is culture at the store level associated with differences in sales volume?
- Is culture at the store level associated with differences in sales growth?

Results

The results showed that whilst there was no relationship between sales volume and store culture, there was a strong relationship between sales growth and store culture. In essence, the higher growth stores had cultures that reinforced more constructive behaviours (Achievement, Self-Actualising, Humanistic, Affiliative) than the lower growth scores as seen in the profiles. The higher growth stores also had cultures that emphasised significantly less defensive behaviours in the areas of Conventional, Avoidance and Competitive styles.

Similar results emerged in the supplemental survey, where factors such as quality of service, propensity to work hard, empowerment, feedback, clarity of expectations, message consistency, management support, role clarity, teamwork and satisfaction all correlated significantly with sales growth and the more constructive cultures shown above. Of the job design factors measured, skill variety correlated significantly with the more constructive cultures/higher sales growth stores.

Implications

This study shows that culture at the store level is a reasonable predictor of store performance, particularly in terms of store sales growth. Such factors as sales volume may have more to do with location and size, but sales growth is one variable that allows valid comparison across stores.

The results, Klein states, have implications for management of such businesses in terms of management styles (managing people in a way that reflects these constructive behaviours), recruitment (hiring employees who will thrive in such an environment), staff turnover (it's difficult to maintain a consistent culture if people are exiting and entering the organisation constantly) and job design (creating skill variety through goal setting and participation/involvement).



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