

# ORGANIZATIONAL CULTURE AND SERVICES MANAGEMENT IN CANADA, MEXICO AND THE UNITED STATES: AN EMPIRICAL STUDY OF COMMERCIAL BANKING

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## ABSTRACT

The service management perspective as described by Gummesson (1994) and Grönroos (1992) is based on the concepts of relationship marketing and service quality. This perspective is a client-centred approach dependent on managerial processes and a service culture which foster the development and maintenance of the firm-client relationship. Commercial banking is a professional services business characterized by the relationship between the account manager and the business client. Although North American commercial banks seek long-term relationships with their business clients, these same clients gave bureaucratic inflexibility (Canada) and poor service (Mexico) as the principal reasons for terminating the relationships with their banks (Paulin et al. 1998). The purposes of the present research were to determine the type of organizational culture present in North American commercial banks and to relate these findings to a services management perspective.

The organizational culture of North American commercial banks was determined using the competing values model of Deshpande, Farley and Webster (1993). This model assesses organizational culture type (Clan, Adhocracy, Market and Hierarchy) on the bases of shared beliefs about dominant organizational attributes, leadership styles, bonding mechanisms and overall strategic emphasis. In the present study, 140 account managers and 41 senior bank officers of seven commercial banks in Montreal (n=3), Mexico City (n=3), and the New York (n=1) were interviewed. Discriminant analysis on the total sample showed no significant differences between the account managers and the senior officers in their assessments of the bank's organizational culture. The bankers judged their organizations to be primarily Market type cultures, followed in order by Hierarchy, Adhocracy and Clan. Analysis of variance with *post hoc* comparisons showed significant differences among the mean scores for each culture type. For three of the four sub-categories of the assessment (dominant organizational attributes, bonding mechanisms and overall strategic emphasis), the banks were seen to be primarily Market type cultures. However, based on the perception of leadership styles, the banks reflected a Hierarchical culture. Deshpandé, Farley and Webster (1993) postulated that a firm's business performance could be best achieved by being a market culture, customer-oriented and innovative. Conversely, a bureaucratic Hierarchical culture would not be conducive to business performance. In this study, the more account managers described the bank's culture as being Hierarchical, the less their matched business clients intended to continue to purchase or to purchase new financial services from the bank ( $r = -.25$ ;  $p < .05$ ).

It appears that more effective service management in commercial banking could be achieved by combining this Market type culture with a more client-oriented approach drawing from the positive aspects of Clan and Adhocracy. This would be quite a challenge for organizations with Hierarchical styles of leadership.