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ORGANIZATIONAL CULTURE OF SMALL RETAIL FIRMS

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ABSTRACT

A case study approach was used to examine organizational culture dimensions of small apparel retail firms located in small towns within the trading area of a regional shopping center. A long interview schedule was developed to obtain information from owners and employees. Content analysis of the qualitative responses revealed that 12 culture dimensions identified in previous research could be applied to the small firms. In addition, a dimension not clearly identified in previous research emerged in relation to influence of employees' family relationships on organizational culture. Suggestions for further research and application of the findings to management consultation are provided.

INTRODUCTION

In today's complicated marketplace, having a good product or service and a well planned strategy for marketing to the final consumer is often no longer sufficient for companies to survive and prosper. Tremendous changes in the economic environment and the enormous increase in competition in recent years in the United States have resulted in a major search for new models for effective business management. Understanding and managing organizational culture is proposed by some authors to be crucial for optimizing a firm's performance (Deal & Kennedy, 1982; Kotter & Heskett, 1992). However, management and marketing scholars have concentrated their research efforts on cultures of large companies; as a result, a sizable and important segment of the business population across the U.S. has been notably neglected.

The potential significance of this neglect becomes apparent when trends related to small business and, in particular, small retailers are examined. Robinson and Pearce (1984) reported that small business firms dominate the United States' service, construction, and retailing sectors; approximately 82% of all retailing outlets are sole proprietorships. A small retailer is usually defined as a store having fewer than 100 employees. In the state of Iowa, where the present study was conducted, approximately 90% of all businesses have gross sales of less than $250,000 (Iowa Dept. of Revenue, 1989) and employ an average of less than 12 persons (Stone, 1989). The significance of small business in terms of employment and total state revenues for Iowa is much greater than for the country as a whole.

The current situation of increased competition from giant retailers such as Wal-Mart, outshopping in regional malls, and increased competition from catalog and mail-order retailing makes survival difficult for small apparel firms in any state. There is tremendous pressure on retailers, particularly small retailers, to find pertinent and current strategies to help them develop effective ways to compete in today's marketplace.

Organization Culture Concept

Each human group and organization, regardless of size, whether it is a family, school, church, civic association, or business, has a particular way of functioning--i.e., culture--that distinguishes it from other organizations. According to Spradley (1980), culture is "the acquired knowledge that people use to interpret experience and generate social behavior" (p. 6). This knowledge is reflected in how the cultural group thinks and organizes itself, in what it makes or produces, and in the processes used to produce goods and services (cf. Spradley, 1980). Culture includes physical artifacts and behavioral patterns that provide visible manifestation of and support the beliefs and meanings socially constructed by organization members (Rousseau, 1990).

Any organization has systems or patterns of values, symbols, rituals, myths, and practices that have been developed over time since it was founded (Enz, 1986; Smircich, 1983). An organization's particular way of functioning is the manifestation of underlying values, beliefs, and attitudes concerning what is important to that group and what behavior is expected from its members (Schein, 1989). These underlying elements give meaning to and confer identity on the organization; collectively the elements define the organization's culture.

Culture, as applied to the business organization, has been called "corporate culture". We prefer the term "organizational culture" to emphasize that culture is not solely handed down and imposed by the corporation leadership; it is shaped and constructed by all members of the organization (Hofstede, Neuijen, Ohayv, & Sanders, 1990).

Culture, expressed as "shared values" in the McKinsey framework for management, is central to the business organization and has impact on all functions and activity in the organization (see Peters & Waterman, 1982). Pascale and Athos (1981) suggested that shared values in the framework are superordinate goals that provide the glue holding the other six elements--strategy, structure, systems, style, staff, and skills--together. The central role of organizational culture is to provide consistency of meaning for the primary activity of a business organization. All corporate practices, structures, and behaviors are made sense of and shaped within the context of culture (Deal & Kennedy, 1982). Deal and Kennedy (1982) contended that the rational aspects of organizational functioning, such as structure, strategy, budgeting, and operations, are not as ultimately important to the firm's performance as the shared understandings of employees. However, Hofstede et al. (1990) clarified that it is shared understanding of organizational practices, shaped of course by top executive values, that identifies organizational culture as it is understood by employees.

While critics of corporate culture suggest that the concept of organizational values is too abstract and global and prefer to use more tangible concepts as management tools, Posner, Kouzes, and Schmidt (1985) were convinced that shared values make a significant difference in the lives of employees as well as in the performance of the firm. Kotter and Heskett (1992) presented evidence that in the long run organizational culture can have a significant impact on economic performance of a firm.

According to Schein (1989), "There is no such thing as a culture-free concept of management" (p. 315). Culture is analogous to a script; it is normative in that it sets forth general and specific rules and guidelines, written and unwritten, that guide the firm's members in their daily activities and routines (Schein, 1989). The shared meanings supplied by a culture are typically applied to needs and problems commonly faced by managers and employees as they carry out everyday business activities. Schein further suggested that a firm's culture helps determine 1) the way business strategy is carried out, 2) the nature of interaction with external publics such as customers, suppliers, and financial advisors, 3) the kinds of people hired, how they are trained, and how they are compensated, and 4) the nature of internal interaction between management and employees that influences both atmosphere and climate of the workplace. Culture constrains choices by conveying to employees which behavior and practices are acceptable and unacceptable in the firm; formal and informal manifestations of culture provide rules and norms for behavior in the organization (Davis, 1984; Deshpandé & Webster, 1989; Robbins, 1988).

Profiling Organizational Culture

A number of attempts have been made to identify and categorize dimensions of organization culture in an effort to develop a system for measurement and evaluation. While organizational cultures vary widely according to factors such as company size, industry, strategy, and financial performance, cultural dimensions that have been identified by various authors as common to all business environments were summarized by Robbins (1988) to include individual initiative, risk tolerance, direction, integration, management support, control, identity, reward system, conflict tolerance, and communication patterns. Reynolds (1986) classified organizational culture dimensions and isolated dimensions similar in overall content to those summarized by Robbins. In addition, Reynolds identified external vs. internal emphasis of organization effort, an important dimension in the study of retail firms with strong customer service missions. Robbins' summary of dimensions as well as Reynolds' contributions served as a point of departure for the present study. We used their dimensions for development of qualitative measures of organizational culture.

PURPOSE

As no research has focused on organizational culture of small businesses in general and on apparel retailing businesses specifically, the present research was exploratory: 1) to identify common cultural dimensions across small apparel retail firms, 2) to develop hypotheses that can be tested further for understanding of small business culture profiles, and 3) to assess the effectiveness of applying existing corporate culture theory to small apparel retail firms. The procedure and findings can be used for for making recommendations about developing or refining a small firm's business strategies.

METHOD

The case study approach was selected to facilitate investigation of a small number of firms on a large number of variables. The long interview (McCracken, 1988) was the primary method of eliciting information related to previously identified dimensions of corporate culture. The open-ended response format allowed for the potential emergence of cultural dimensions unique to small apparel retail firms. The qualitative data were analyzed for thematic content and synthesized to form a cultural composite of each firm investigated. It was expected that each situation of proprietorship might manifest itself in a distinctive organizational culture profile. Similarities and differences across firms were examined.

Rousseau (1990) outlined the benefits of qualitative methods that afford a flexible, interactive approach to exploring the social constructions of business cultures. The case study approach (Yin, 1984) facilitated in-depth study of the multifaceted concept of organizational culture. Lack of previous study of cultures of small apparel retail firms warranted the use of qualitative exploratory techniques. However, the small sample inherent in case study approaches limits generalizeability of the findings. We use the findings to generate hypotheses for testing in further research of small businesses and apparel retail firms.

Case Study Protocol

A multiple case study protocol was prepared according to procedures outlined by Yin (1984). Four sources of data were collected: 1) the long interview, 2) a short personal data questionnaire, 3) non-obtrusive observations of employee/customer interactions, and 4) photographs of the physical aspects of the firms. Only the first two sources of data are reported for this analysis. The observations and photographic evidence facilitated description of the firms and informally confirmed some findings from the interview data.

Robbins' (1988) summary of corporate cultural dimensions provided the initial basis for developing the interview schedules for owners and employees. However, his "control" and "direction" dimensions were highly overlapping and merged as one *Direction* dimension for this study.

While Robbins' dimensions incorporate internal factors that have impact on values and behavior in the business organization, he does not include external dimensions which may be important factors influencing the overall culture of a firm. Retailing, which involves the primary activities of buying goods from suppliers and selling them to the ultimate consumer, implies a strong focus on external publics. Therefore, Reynolds (1986) dimension of external vs. internal emphasis was expanded into two dimensions labelled as *Firm Image* and *Orientation to External Publics.* The final list of twelve organization cultural dimensions (see Table 1) was used as the basis for developing the interview schedules.

Table 1
Summary of Organizational Culture Dimensions Identified in Previous Research

Dimension	Description
Direction	Leadership, supervision; written or implied rules, regulations, or expectations for behavior
Identity	Characteristics of owner personified in firm; employees' identification with organization or specific role within the firm
Individual Initiative	Employees' perceived freedom to act independently
Firm Image	Image and market positioning in terms of product quality, price, and styling; what firm represents through physical structure, location, and services offered
Communication Patterns	Freedom in interpersonal communications
Conflict Tolerance	Tolerance for differences of opinion or human characteristics
Integration	Cooperation and team spirit
Management Support	Assistance, support, concern for employees provided by manager
Orientation to External Publics	Quality and characteristics of interactions with customers, community, suppliers, and others
Reward System	Type and manner of reward allocations as salary, etc.
Risk Tolerance	Innovativeness in behavior and toleration of risk taking

A list of potential questions which might be used to elicit information related to each cultural dimension was prepared. These questions were refined by four scholars of merchandising and organizational communication. Other questions were designed to glean information on a broad scope of management operations of the firm. The organizational culture and management operations questions were integrated into two structured, open-ended interview schedules, one for owner/managers and one for employees. (See Appendix A and

B for interview schedules.) In addition, techniques for developing interviewer/interviewee rapport, objective distance of the interviewer, and probing for depth of thinking were included.

Respondents and Data Collection

Agreeing to participate in the study were the owners of three firms in towns with populations less than 15,000 and situated within the trading area of a regional mall in Iowa. As the three towns were at least 30 miles in distance from each other, the three stores were not close competitors. However, the regional mall was perceived by each owner to offer substantial competition.

The three owners were sole proprietors and managers of their respective firms. Each owner (40 to 55 years old) and all employees (14 to 67 years old) interviewed were women. Business ownership by women, particularly small business, comprises one of the fastest growing segments of the U.S. economy (Aburdene & Naisbitt, 1992; Gaskill et al., 1996; U.S. Small Business Administration, 1993). Study of women-owned businesses is therefore timely and pertinent. Female owners and employees are common among small apparel retailers in particular (Bowen & Hisrich, 1986).

At the time of this investigation, each firm had been under its current management in its current location between three and seven years. None of the stores was in the initial start-up phase of the retail lifecycle. In addition, each owner alleged that her business was a profitable operation at the time. Previous net earnings reported by two of the owners were $450,000 and $275,000 in 1989. The three firms all employed five to nine full and part-time workers. One store stocked men's, women's, and children's apparel; the two other stores carried only women's apparel.

Initial data collection took place over a 12-week period during which time the owners and four to five employees from each of the three firms were interviewed, each at the place of business but one at a time and in a private room. All interviews were carried out by one of the researchers who has had considerable retailing experience. Each interviewee completed the personal data form first; then the interviews, ranging from thirty minutes to three hours, were recorded on audiotape with permission of the respondents. All staff respondents knew that their employers had approved participation in the study.

Analysis of Data

Approximately 20 hours of audiotaped interviews were transcribed verbatim onto a computer software word filing system (File Maker Plus) for managing qualitative data. The twelve dimensions of organization culture identified in Table 1 were developed as coding themes for content analysis of the interview data. Two researchers, with diverse backgrounds in business practice and communication theory, coded all transcripts and negotiated all differences in category assignments. Throughout the negotiation process, understanding of the categories evolved, and the corporate culture dimensions were refined to arrive at the final version of the coding guide and assignment of data to themes. This process of continued code refinement and negotiation by coders borrows procedures from the constant comparative technique of qualitative data analysis (Strauss & Corbin, 1990). A miscellaneous category was included to contain responses not fitting previously identified corporate culture dimensions. New dimensions were formulated from some of the miscellaneous information.

Before negotiation, reliability between coders was measured using a calculation of percent agreement recommended by Holsti (1969). Ten pages of transcripts were randomly selected for three checks--at the beginning of coding, at the middle half, and at the end of all coding. Percent agreements for content assignment were 60%, 74.4%, and 76.6% respectively.

A descriptive overview of each individual firm was shaped from the data. Findings were also compared across firms, resulting in identification of characteristics of the cultures common and varied across the three firms. The comparisons across firms are focused upon in this analysis.

RESULTS AND DISCUSSION

General Description of Stores

Firm A. Firm A was a family business in a small city, population 6,009 (Bureau of the Census, 1990). The firm was recently taken over by the retiring founder's daughter who had some college education and nearly 30 years of sporadic experience with the firm. The store was the largest in physical size of the three studied but, from all evidence, generated the lowest volume of sales of the three firms investigated. The owner declined specific report of earnings, but indicated that the business had both declining sales and declining profits.

Firm A carried apparel for women, men, and children in budget to moderate price lines. Basics rather than current fashion trends were emphasized. Inventory on the tables and racks was in many instances several years old. Services such as home delivery, free gift wrapping, liberal return policy, and store charge accounts were offered.

Observation and photographs yielded a general description of the physical environment of the store as haphazard in organization and cluttered with merchandise. Several employees expressed frustration with the clutter. Old tables, racks, and other fixtures gave a dated appearance to the store; the fixtures did not appear to have been strategically managed to give a decorative theme of "old fashioned" or trendy antique restoration. All employees dressed casually in pants, jeans, shorts, and t-shirts or sweatshirts.

In 1995 Firm A went out of business after 46 years in operation. The owner claimed that she could no longer afford to keep the business open. Close-out business advertisements heralded the final opportunity to experience "a most unique old-fashioned department store".

Firm B. Firm B had been purchased from the retiring founder by the current owner who was a former employee of the firm. The current owner had a university degree in business and 25 years of experience in retailing, 18 of those in apparel.

Firm B was the smallest in physical size but the largest in sales staff (9 employees) and the largest in sales volume, generating approximately $450,000 in 1989. The owner indicated that her business was growing and profitable. By 1996 the store had expanded its operation by purchasing a nearby, locally owned shoe store. The small city where the store was located had a population of 12,392 (Bureau of the Census, 1990).

The specialty store for women carried moderate- to better-priced apparel with an emphasis on better quality and conservative but updated styling. While the bulk of the merchandise was career and better apparel and accessories, some floor space was allocated to casual wear for high school and college, junior sized, younger women. Services such as wardrobe consultation, customer profiles for gift advice, free gift wrapping, liberal returns, and on-approval take home of merchadise were offered.

Firm B was the only store of the three studied that employed a part-time staff member responsible for visual merchandising and display. Merchandise in the windows and on the interior walls was well displayed. Floor displays were neat and organized. All employees wore dresses, skirts, or suits similar in style to the merchandise carried in the store.

Firm B had the highest paid retail employees in the community. Its employees had more formal education and apparel retail experience prior to working for Firm B than did employees in the other two firms.

<u>**Firm C**</u>. The owner of Store C was a civic minded individual who purchased the store in the late 1980s to prevent the loss of a business in her small town. The owner had no previous business experience, but had extensive experience in charitable and civic volunteer work. Although the small town had a population of less than 1300 (Bureau of the Census, 1990), the firm generated approximately $275,000 in sales in 1989. The owner indicated that the business was growing and profitable. By 1995 the store relocated in a larger town (population 25,178 in 1990) within 30 miles from its original location to expand the retail operation.

The firm targeted its moderate- to better-priced apparel to women over 35 years old. This was the only store of the three that did not currently employ any sales person under 34. Only a limited amount of merchandise that tended to attract younger women was offered. Services offered included garments in a wide array of sizes, free gift wrapping, liberal returns policy, and store charge.

Firm C had high ceilings and a bright, open space. Wall displays and merchandise were neatly arranged. Employees were dressed in skirts, dresses, or suits in conservative yet contemporary styling.

Analysis of Organizational Culture Dimensions

<u>**Support of A Priori Dimensions**</u>. All the organizational culture dimensions previously identified in large firms applied to the small apparel retail firms studied. Table 2 reports incidence of dimensions across the three firms. Frequencies merely illustrate incidence and

cannot be interpreted to indicate relative importance of the dimensions. Loquacity and individual interests of respondents affects frequencies of themes. In addition, some dimensions may be important, but the nature of questions asked and the lack of tendency for some dimensions to be verbalized extensively influences occurrence. Frequently occurring themes as well as minor or infrequent themes were deemed important for understanding apparel retail culture.

Table 2

Frequency of Organizational Cuture Dimensions Across Stores

Dimension	Store A[a]	Store B[b]	Store C[c]	All Stores
Direction	37	38	21	96
Identity	43	60	38	141
Individual Initiative	27	22	24	73
Firm Image	66	84	72	222
Communication Patterns	25	33	21	79
Conflict Tolerance	9	4	5	18
Integration	32	50	26	108
Management Support	21	31	21	73
Orientation to External Publics	79	102	86	267
Reward System	6	21	11	38
Risk Tolerance	10	4	3	17
Miscellaneous	11	20	16	47

[a] Summed across owner and 4 employees
[b] Summed across owner and 5 employees
[c] Summed across owner and 5 employees

Three cultural dimensions--*Direction*, *Identity*, and *Individual Initiative*--reflected the personal characteristics, knowledge, beliefs, and values of owners of these firms. These dimensions related respectively to clarity of leadership, attitude of employees toward owner-managers, and degree of independence accorded to employees by the manager. Findings related to these three dimensions were considerably diverse across firms. This diversity was directly associated with differences in owners' personal management styles; in knowledge, experience, and beliefs that each brought to their businesses; and in owners' personal aspirations and visions for their firms.

An interesting finding related to vision and values was that these owner/managers were not necessarily in business to maximize profit.

> I don't require big money.... I don't allow myself to put in all my time to earn money for which I have no time left to spend it on to enjoy my life. (Owner, Store A)

As described previously, Firm C was purchased by a civic-minded individual who had no previous business education or experience. She purchased the small town retail firm in an explicit attempt to prevent the loss of another of her community's businesses. She stated a further advantage in achieving autonomy:

> . . . one of the reasons I went into business, I guess, is that I never thought anybody'd pay me what I thought I was worth. . . If you are your own boss, you make your own destiny. What I really would like to do now is go around as a consultant to some of these people who would like to do what I've done . . .

These findings of personal growth through ownership and community altruism suggest that traditional economic theory which emphasizes profitability of the firm may not be completely adequate for explaining firm behavior or for measuring firm success in small businesses in small towns. Intangible rewards were just as or more important than monetary rewards of the firm. Humphreys and McClung (1981) found low emphasis on business growth and more emphasis on feeling of personal achievement and responsibility among female entrepreneurs. The female retailers in this study were consistent with that trend, but owners of Firms B and C were clearly committed to making a reasonable profit in addition to less tangible benefits.

The owners of Firms A and C had similar directional styles. They had no written rules and regulations for employee performance or for procedures. Little or no formal training was given when a new person began employment. The owner of Firm A would show new employees each department and train them on running the cash register and reading merchandise tickets. "Then the most important thing I say is to move out and straighten so you learn where stuff is." The owner of Firm C gave no formal training.

> You don't have to train 'em cause they're all customers. I do not hire anybody that's never shopped here. I don't hire them if they don't know what this store is all about. . .

By contrast, Firm B was the only firm with a store manual which outlined expectations for behavior on the floor, dress rules, and procedures for customer transactions and running the cash register. The owner spent an average of four hours each day on the sales floor where she felt she was always involved in training. On-going training occurred regularly at Saturday morning store meetings for all employees. Training might include hands-on practice in selling techniques or practice at coordinating clothing and accessories for the season. Despite the structure, employees felt the rules were flexible. One employee stated, ". . . if we find a better way to go about it, we usually change it."

Employees at all three stores felt that the owners were flexible in considering changes when suggested. Potential for taking initiative to make substantial organizational changes or learn advanced skills such as buying was limited, however, a factor that disappointed a few employees. At all three stores, employee activities were focused primarily on selling merchandise or specific clerical tasks.

Positive feelings expressed by employees reflected a strong identification with the owners. Employees described their boss's with phrases such as "easy going", "friendly and outgoing", "personable", and "fun to work for". Unique identity traits of the owners also were clearly reflected. The owner of Firm A was consistently described as disorganized and limited in business management skills. She described herself as not energetic enough to put in extra time to get organized or to upgrade her business knowledge. Nevertheless, employees liked her and accepted her idiosyncrasies. "She's crazy, but she knows it. It's a good crazy."

The owner of Firm B was perceived as well-organized, a skilled businessperson, energetic, and committed to her business. While highly motivating and demanding of good work from all employees, she was seen as considerate and fair. Some employees thought of her as a mentor. Firm C's owner was also considered skilled at building a stable business. However, she was frequently absent from the store in pursuit of new goals and accomplishments for herself, leaving some employees wishing for more of her presence and guidance.

Firm Image was a complex dimension which was descriptive of the physical surroundings, services, and more tangible aspects of the business procedures of the apparel retail firm. Organizational culture shapes selection of business procedures, service climate, and atmosphere projected by employees and physical features of the firm. Of particular interest were the findings related to marketing communications and promotions management. The two owners of Firms B and C recognized that, because of the small sizes of their towns, local customers alone could not sustain their businesses. These two owners did not focus their promotion and advertising efforts solely on local customers but used a variety of marketing techniques, such as fashion shows in surrounding communities and creative in-store promotions, to draw customers from a large area outside their own towns. Firm B mailed promotional information to about 2300 customers within a 75 mile radius of the store. The firm now advertises to the regional market via television. Firm C sent a newsletter to about 2000 customers in a 60-mile radius. A continuous effort to reach out to and expand the base of customers was characteristic of Firms B and C. The owner of Firm A, in contrast, complained that her advertising efforts placed solely in the local newspaper never seemed to generate much business.

The owners of Firms B and C and their employees had clear knowledge of their target markets and commitment to customer service beyond what the mass merchandisers and mall stores offered. As Deshpandé, Farley, and Webster (1993) pointed out, customer orientation is a fundamental component of organization culture. For these small apparel firms off the beaten path from major trade centers, customer service may be the orientation that keeps customers coming to them. Firm A, in contrast, did not clearly differentiate its merchandise from nearby mass merchandisers and could not offer items at competitive prices. The owner had a broad and imprecise definition of its clientele. Firm A's most loyal customers were elderly individuals who frequented the store for items difficult to find elsewhere, such as house dresses and nursing gowns. The store offered services such as home delivery that were attractive to the elder clientele.

Five of the cultural dimensions--*Communication Patterns, Conflict Tolerance, Integration, Management Support,* and *Orientation to External Publics*--were similar across the three stores and may be related to the small size of the firms and their location in small towns. In all three firms interpersonal communication patterns were unrestricted by hierarchical barriers. There were strong efforts on the part of all employees and owners to readily resolve minor conflicts and tolerate differences of opinion or personal characteristics, and quirks of individual workers. An overall spirit of cooperation and integration prevailed. Management was unanimously perceived as highly supportive in all three firms. A personal and personable orientation to customers and community on the part of owners and employees helped to anchor these firms as establishments integral to their towns. In addition, personal relationships with local and repeat customers seemed to be an enjoyable component of the work role and an intangible benefit of employment in a local apparel retail firm.

These five dimensions common across the three firms are similar to characteristics of healthy, nurturing families identified by Lewis and Beavers (1976), Stinnett, Chesser and DeFrain (1979), and Curran (1983). The fact that most of the owners and employees of these firms had known each other or their families all of their lives suggests a sense of community and shared history which carried over into and could not be separated from the organizational culture. Employee comments such as,

> We get along great. Everybody just helps everybody. We all basically do everything... if things need to be done, you just kind of pitch in and get it done.
>
> and
>
> We've all known each other for a long time, and we all seem to get along really well, and we all work with each other one day or another... we're like family around here.

were common across all three firms. Without exception, owners and employees talked of confiding in each other frequently, sharing family and personal information, as well as openly discussing the general financial, merchandising, and customer aspects of the business. Firm B used its weekly meetings of all employees for sharing reports of problems and of successful sales techniques as well as for report from the owner of current sales and inventory status.

In general, all three firms were found to have owners who were very supportive of their employees. All owners were perceived as open and easy to talk with when there was a personal or family matter that required time off or juggling of schedules. In return, employees of all three firms gave back substantial support to management. This support from employees did not go unnoticed. One owner, referring to her employees, said, ". . . they'll look out for me and the business."

Overall, each owner/manager, regardless of earnings of the firm, exhibited characteristics of managers in what Kotter and Heskett (1992) called "adaptive" (vs. "unadaptive") corporate cultures. Adaptive managers care deeply about customers and employees. They pay close attention to employees and customers and readily initiate changes to serve these constituencies. Unadaptive managers remain somewhat insular from their employees and are more comfortable with order and risk-reducing policies.

Reward System related to methods of compensation for work performed. Because of the small size and owner management of these firms, there were few opportunities for promotion and limited resources for salary differential. In Firm B, the benefits accrued from use of a commission pay system were tempered by the interpersonal conflicts created by it. An employee of that firm commented that,

> If I had a choice, I would rather just be paid by the hour. Sometimes the competition [for sales] is obvious. . . it's kind of tense on the floor.

Strong management support, integration, and identity could be incentive enough for strong employee performance. The conflict resulting from employee competitiveness may ultimately be unproductive or unnecessary in small firms in small towns. Dubinsky and Levy (1989) proposed that salary rather than commission pay may attenuate retail salespersons concerns about job security and fairness of organizational policy and supervisors; commission pay may increase quality of performance in larger firms, however.

The data related to the theme of *Risk Tolerance* were not substantial in number. Risk taking may not be a relevant engrossment on the part of employees primarily involved in sales work. Only in one instance did an employee of Firm A describe problems that arose when a young protegé of the manager was allowed to make line decisions for children's wear and purchased stock too highly priced for the store's clientele. Owners were the risk takers when making financial and buying decisions, and indeed did most of the decision making for their small firms. However, they did not describe their business ventures as risky. This may be related to previous findings of avoidance of innovation in products and services on the part of female entrepreneurs (Bowen & Hisrich, 1986). Fincham and Minshall (1995) also found a fairly low level of risk taking on the part small town independent apparel retailers in Kansas. Further development of measures of risk taking and comparisons between large and small retail establishments would be required before any clear interpretations of the data can be made.

Substantial financial risk was involved in the eventual business expansion and movement of Firms B and C (after this data collection). These two owners may have become more comfortable with financial risk-taking after their businesses had been successful for a number of years, a trend found by Fincham and Minshall (1995).

Emergent Organizational Culture Dimension

A dimension of culture that was not emphasized in previous research of larger firms emerged from the data in relation to the significance of family relationships and the firm's proximity to home. Emphasis placed on family considerations affected not only an employee's decision to work, but often the conditions under which she would work. As long as many of these female employees could work part-time in a business located near home and had flexible schedules and an accommodating owner, they found little difficulty managing work and family demands and were able to experience personal enrichment derived from working outside their homes. One employee suggested that she could work other places for greater pay but ". . . this is handy for me because I live just up the street." Another employee said,

> It's just a job and it's in town. My family time. . . that's why I choose to work in town. Like I said, my kids are here, my husband is here. . . I'm in town, you know.

Apparel retail owners operating in small towns must recognize that their likely labor pool is female and that female employees in small towns often have strong family demands that must be flexibly accommodated in maintaining a productive and loyal work force. These accommodations substitute, to some extent, for larger salaries. The *Family Orientation* dimension might be categorized by other researchers with the *Orientation to External Publics, Management Support,* or possibly *Reward Systems* dimensions. We prefer to conceptualize this organizational cultural component as related to, but distinct from, other dimensions. The family is not an external public for the respective employee nor an entity that management accommodates merely as a reward to employees. The family was intricately involved in these small town apparel retail organizations as a source of personal identity for the employees and a primary motivation for the employees in choosing to work for the particular firm. As described for the *Integration* dimension, discussions of family matters and inter-employee knowing of family members is an interpersonal glue that helps to bind the firm together. In a sense, the work staff becomes an extension of the family for employees and management. Perhaps with increasing demands in the U. S. for employer-assisted child care, family health plans, and parental leaves, the family relations dimensions will become a more apparent component of larger corporations' cultures (Hanks & Sussman, 1990).

Contribution of Gender

As becomes apparent in the discussion of the *Family Orientation* dimension, gender of the owners and employees must be considered as a potential determinant of the direction of findings. Fischer, Reuber, and Dyke (1993) make use of social feminist theory to propose that women have been socialized differently than men and therefore approach business development differently in some ways. The owners of the stores in this study were all female, which may have contributed to the nurturing personal climate of the small organizations. The nurturing approach to management may reflect traditional female socialization patterns (Hood & Koberg, 1994; Shively, Rudolph, & De Cecco, 1978; Spence, Deaux, & Helmreich, 1985) or may be a characteristic present in all successful small town small businesses. Bowen and Hisrich (1986) review conflicting evidence that female managers emphasize feminine values of cooperation, support, and concern in leadership style. The impact of gender versus community size requires further research. Comparative study of small apparel firms headed by male owners could facilitate understanding of underlying reasons for the organizational cultures of stores run by women.

Regardless of causation, the focus on collaborative and constructive social relations among employees and with customers may be a highly functional strategy for small town service businesses such as apparel firms. The service orientation fits with the more *Gemeinshaft* orientation of small communities and rural areas in which familiarity and family orientation are emphasized and expected (see Redfield, 1930). Emphasis on personal service also helps to differentiate the store from larger retail competitors and bring in customers that value excellence in service.

In addition, the female employees, socialized to develop many traditional female role norm attitudes and orientations, may also prefer adaptive organizational cultures in which interpersonal relationships are of primary importance. It is highly likely that the emergence of the *Family Orientation* dimension and findings related to *Integration*, *Communication Patterns*, and *Conflict Tolerance* occurred due to the prevalence of female employees and owners of the firms.

SUMMARY AND IMPLICATIONS

In summary, the interpersonal communication patterns unrestricted by rigid hierarchical divisions, high degree of conflict minimization through open communication, highly supportive management, a high degree of work team integration, low recognition of risk as a problem, and the committment to personal orientation to customers that characterized these small apparel retail firms probably facilitated the strong employee *Identity*, which resulted in loyalty and support given back to management and the firm. Despite very low wages, every one of the interviewed employees said they definitely liked their jobs. Recognition of and support for the importance of family relationships and employee cooperation and friendships with staff and customers appeared to be significant factors in employee satisfaction with the reward system in these small businesses. Emergence of the dimension of *Family Orientation* adds significantly to understanding of the culture of small retail firms, which have not been previously studied using an organizational culture framework. The dimensional themes common across the firms help in understanding and building a model of corporate culture in small apparel retail firms.

Hypothesis Generation

This investigation generated a considerable amount of meaningful data related to cultural dimensions of small apparel retail firms located in small towns. The sample of firms and employees was small, however, and prevents generalization beyond the three firms. Nevertheless, the exploratory nature of this research provides a foundation for further research of a much larger scope. Several pertinent research questions have emerged. A series of hypotheses can be generated from the findings for testing in further inferential research of apparel stores and other types of retailers. Hypotheses are formulated for tests of "success" of small firms. The operational definition of success we tentatively adopt refers to ability to remain in business for a number of years and to earn a reasonable profit. Future researchers of these hypotheses would need to clarify the number of years distinguishing viability and what constitutes a "reasonable profit". We propose hypotheses for the study of small retailers in small towns (SRST), but also propose that the hypotheses are applicable to the study of any small retailers, not only apparel firms.

A significant portion of the findings pointed to the specialized character that may be required of the owner/managers of small town retailers.

> H_1: Managers of more successful SRST's are higher on adaptive rather than unadaptive characteristics of managers than are managers of less successful retailers.

> H_2: Managers of more successful SRST's are more attentive to family needs and other issues of concern to employees than are managers of less successful SRST's.

> H_3: Managers of more successful SRST's are more involved in community organizations and activities than are managers of less successful SRST's.

> H_4: Managers of more successful SRST's are less interested in maximizing profit than are managers of retailers in larger communities.

Adaptive characteristics are discussed previously in this paper and outlined by Kotter and Heskett (1992). In summary, adaptive managers care deeply about customers and employees (i.e., are high on management support dimension), readily initiate changes and flexible policies to serve these constituencies, and are not high on risk-avoidance while implementing these changes. Furthermore, managers of SRST's may need to hold intrinsic goals beyond maximizing profit to feel satisfied as a business person in a small town community. Intrinsic rewards from involvement in the community and closeness to extended families of employees may shape ultimate success of the small retail firm.

Among the three organizations in this case study, Firm A did not focus promotional efforts toward surrounding counties whereas Firms B and C promoted beyond their local towns. We have only intangible evidence that the locally focused firm (unwilling to report earnings) was not as profitable as the other two firms; ultimately, the locally focused store closed in 1995. We tentatively propose the following directional hypothesis:

> H_5: More successful SRST's target promotional efforts to reach beyond the customer base of their local towns; less successful SRST's have a narrower local customer base.

A number of findings defined the communication climate and hierarchical structure of the small firms. These cultural dimensions may be crucial to small retail firms, in that:

H_6: Employees and managers of more successful SRST's are higher on conflict tolerance than are employees and managers of less successful SRST's.

H_7: A high level of integration permeates staff of more successful SRST's.
H_8: Hierarchical boundaries do not impede flow of communications in more successful SRST's; more rigid communication boundaries contribute to lesser success of SRST's.

H_9: Employees of more successful SRST's report higher degree of intangible reward from interaction with customers.

Further research could clarify other questions arising from the findings. An investigation of the effects of a commission pay system on other dimensions of corporate culture is needed to determine if commission is necessary or effective in a small town small firm. Is strong management support, integration, and identity in such firms self-motivating and perhaps degraded by emphasis on inter-employee competitiveness? Or does the competitive environment increase prestige of and motivation to work in a profitable retail organization, regardless of size?

Other research questions generated through the findings suggest the need for further studies that 1) increase the scope of this research to develop a model of organizational culture for existing versus new apparel retail firms and for firms of varying sizes and 2) examine differences, if any, between firms owned by men versus those owned by women.

Consulting Potential

Of specific interest for small business consultants is the usefulness of the data collection instruments developed to profile small apparel retail firms. An analysis of a firm's culture profile can be used as a basis for making recommendations for refining the firm's management systems. Understanding a small store's culture may provide a basis for management action to reinforce those dimensions identified as productive and to change those dimensions identified as counterproductive to the overall objectives of the firm.

Recommendations such as modifying personal communication style between a manager and employees; adding or improving employee training programs related to selling, product knowledge, or customer service; providing merchandising suggestions for improving the firm's image; focusing buying strategies for a defined target customer; and suggesting effective promotion management strategies to external publics are just some examples of possibilities for diagnostic profiling.

While this investigation involved only three retail firms, the findings were somewhat consistent across firms. Replication of this study on a larger and more representative number of firms and in other geographic locations is necessary before generalizations of results and implications for managers of small apparel retail firms as a whole can be confidently undertaken. Nevertheless, the findings of this research provided insight into the culture and operation of small apparel retail businesses and, possibly, other types of retail businesses.

Organizational culture is not the only determinant of successful performance of a small apparel retailer. We suspect that lack of financial planning and inventory control (i.e., excessive inventory accumulation) along with focus on local rather than regional customer base (the *External Publics* dimension) were strong factors forcing Firm A to eventually fail and close. Lack of strategic planning has been identified as characteristic of small businesses that fail (Gaskill, Van Auken, & Manning, 1993). However, a positive and adaptive organizational culture can help a well planned business to thrive and do better in the long run (Kotter & Heskett, 1992). Based on our data, we specifically propose that small retailers attentive to employee concerns and scheduling needs will develop a loyal and supportive workforce. Owner and employee commitment to customer service and identification of target customer tastes and needs will develop a loyal customer base. Recognition that a regional rather than local target market must be attracted can expand the customer base and increase sales and resultant longevity of the small firm.

In summary, this approach to studying a business organization has both scholarly and practical implications as a point of departure for further research and in providing a means to qualitatively profile organizational culture for consultation purposes. Analysis of a firm's cultural profile can be used to make recommendations for refinement or change in management systems and to help owner/managers better achieve the overall objectives they have set for their small businesses.

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Appendix A

(Probe cues or prompts to ask for information not initially covered by respondent are Italicized in parentheses)

<u>Interview Schedule For Owner/Managers</u>

1. I'd like to begin by having you tell me about your typical day/week....What kinds of things are you likely to be doing? *(time with customers, with employees, in business activity, in travel, at market)*
2. Tell me about your background...What kind of experience, jobs, education or training do you have?
3. How did you get involved with this firm?
4. What do you like most about being in the apparel business? *(special apparel expertise or interest?)*
5. Apparel retailing is a little different in that fashions change radically and often rapidly....How do you deal with this aspect of the business? *(sources of fashion information used)*
6. What do you think are your personal strengths in terms of running this business?...Any areas you might like to improve on?
7. What have been some of your greatest satisfactions/achievement/triumphs from having this business?
8. What are your greatest challenges/problems/frustrations in running this business today?

Target Market/ Community Relations:

9. Does your store have a typical/usual customer?.....Can you describe her/him for me? *(Does your target customer differ from the typical customer? Do you have regular/repeat customers? From what distance do your customers come?)*
10. Why do you think your customers come here to shop?
11. What kind of strategies do you use to attract your customers?
12. Can you tell me about your customer service policies? *(returns, charge/checks/credit, alterations, personal calls)*
13. What do you think of the statement: " The customer is always right"?
14. Do you think the people in this community support your business?
15. Are you involved in any community activities, organizations, etc?
16. Are you a member of any professional/trade organizations?
17. Do you network with/know other apparel retailers in small towns or cities in this area?....Is this helpful for you in running this business?

Buying Practices:

18. How do you do your buying?.....Do you go to market or do vendors come to you?
19. What kind of relationships do you have with your vendors?

Staff Relations:

20. How many employees do you have?....What are their responsibilities? *(turnover, who handles merchandising, bookkeeping, displays)*
21. What type of pay system do you use?....hourly, salary, other? *(commissions, quotas, bonuses, discounts, other benefits or incentives)*
22. Do you talk to your employees about your business operations? *(sales volume achieved, financial, merchandise ordered)*
23. Do your employees help with information about customer requests, new merchandise, suggestions to improve sales, markdowns, best sellers, etc?
24. Do your employees receive training for their job?....What kind of training do they get? *(new or ongoing, who trains?)*
25. What kind of things do your employees do well/are they good at?....What, if any, would you like to see them improve?
26. Do any of your employees ever ask to take on new responsibilities?........How do you feel about that?
27. Do you have any rules and regulations, written or unwritten, for employee behavior at work? *(dress code, lateness, cash handling, food on sales floor, personal phone calls)*
28. Do you ever have problems with any of these things?....How do you deal with these employee problems?
29. What kind of relationships do you have with your employees? *(personal confidences, social interaction)*
30. I'd like you to try to imagine how your employees might describe you as "the boss".....How do you think they would describe you?
31. How well do you think your employee get along with each other?....Do they support/help each other?....the business?

Personal Vision:

32. I'd like you to tell me, if you can, about your vision for where you see your business going from here?
33. In thinking back over the topics we have touched today, is there anything you might like to add or comment on?

Appendix B

Interview Schedule for Employees

1. I'd like to begin by having you tell me about your typical day/week....What kinds of things are you likely to be doing? *(time with customers/selling, owner/manager, handling merchandise/display, paper work or bookkeeping, house-keeping)*
2. Tell me about your background..What kinds of experience, jobs, education or training have you had? *(special apparel expertise or interest)*
3. How did you get involved with this firm? *(personal connections, newspaper ad, help wanted sign)*
4. How do you feel about working here?....Do you like it or do you not like it? *(why? problems/frustrations, good aspects, personal goals, other demands on your time)*
5. How do you think your family/friends feel about your working here?

Customer Relations:

6. Does your store have a typical/usual customer?.....Can you describe her/him for me? *(Do you have regular/repeatcustomers? From what distance do your customers come?)*
7. Why do you think your customers come here to shop? Do you do anything special to attract/bring these customers here?
8. Can you tell me about your store's customer service policies? *(returns, charge/ checks/credit, alterations, personal calls)*
9. What kinds of problems, if any, do you generally have with customers?
10. What do you think of the statement: " The customer is always right"?
11. Do you think the people in this community support this business?
12. How do you think your family/friends feel about this firm?....Do they shop here?

Vendors:

13. Do suppliers/vendorsever come into the store?....Whatdo you think of them? *(How do they treat you? How do you get along with them?)*

Reward System and Relationship with Owner:

14. How do you get paid?....hourly, salary?....How do you feel about this? *(commissions, sales quotas, discounts, bonuses, other system you would prefer?)*
15. Does your owner/managertalk to you about the business? *(how it is doing, sales volume goals and achievements, financial health, new merchandise on order)*
16. Does the owner/manager ever ask for suggestions for or your opinion about business operations? *(customer requests, best sellers, merchandise directions, promotion ideas, display ideas)*
17. Did you receive or are you receiving any kind of training for this job?....What kind of training did/do you do? *(new or ongoing, who trains?)*
18. What kind of things do you do well/are you good at?....What, if any, would you like to learn more about or improve on?

19. Does the owner/manager encourage you or complement you when you do something well/do a good gob?
20. Have you ever been asked to take on new responsibilities?....How do you feel about that?
21. Have you ever asked the owner/manager if you could learn about some new business procedures or to take on new responsibilities?
22. Do you or some employees have more management or supervisory responsibility than others?....What are they?
23. Are there any rules and regulations, written or unwritten, for employee behavior at work? *(dress code, lateness, cash handling, food on sales floor, personal phone calls, cash handling)*
24. Have you or another employee ever had problems with any of these rules?....How did the owner/manager deal with these problems?
25. What kind of relationships do you have with the owner?....the manager (if different)? *(personal confidences, social interaction, business only relationship)*
26. How would you describe the owner as "boss"?....the manager (if different)? *(personality, likes/dislikes, business management abilities)*

Employee Relations:

27. How do you get along with the other employees?....How do you think they feel about you? *(support each other, work as a team, conflicts)*
28. How do think the other employees get along with each other?
29. How do you think the other employees get along with or think about the owner?

Future Plans:

30. I'd like you to tell me, if you can, about your plans for the future or where you see yourself going from here?....Do you plan to stay with this firm?
31. In thinking back over the topics we have touched today, is there anything you might like to add or comment on?