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EFFECT OF UNPREDICTABLE CHALLENGES IN MARKET CULTURE AND ENVIRONMENTAL COMPLEXITY

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Abstract: *Nowadays, management is challenging with various unpredicting economic, political, and technological changes. Management controlling facing unpredictable changes, which require major adaptability. Recently, there have been major changes in the world that have an impact on the overall market culture. This study aimed to investigate market culture orientation in the context of the diversity of product requirements and the diversity of competitor strategies. Cross-sectional research was performed, using an online self-administered questionnaire. This study included 68 adult working-age participants (63.2 % males). The web-based survey included market culture and environmental complexity scope. The main findings of this study showed that there are significant relations between various market culture orientations and environmental complexity. Diversity of product requirements is related to almost all market culture orientations, except manager leadership orientation. The greater the diversity of product requirements, the greater is orientation to competitiveness, goal accomplishment and achievement, leadership, and result-oriented market culture. However, diversity of competitor strategies is related only to market leadership orientation and result-oriented market culture. These findings give insight into the importance of market culture regarding the levels of environmental complexity, which could be crucial in planning effective models of a company's market orientation.*

Keywords: *market culture, environmental complexity, challenges, orientations, management control system*

JEL Classification: *L20*

INTRODUCTION

A large number of organizations have recently experienced various changes in organizational structures and business processes as a result of changes in the business environment. As a response to the changes that have taken place, the ways of managing organizations are also changing. A company's culture is the core of what a company is really like. It influences everything it does. It is like a glue that ensures long-term organizational success. Management is asking themselves, is it possible to build a company culture when everyone is working at home (Howard-Grenville, 2020). Open workplaces filled with people wearing suits as well-known symbols of organizational life have been replaced with zoom calls. This disturbed balance between work and private life. Significant jolts in the environment such as the Covid crisis drives the organization to re-adjust its culture. This also can be an opportunity and big challenge for management controlling to investigate how such a large scale transition unsettles an organization and how can organization adapt to those changes. A lot of question needs to be answered in this sort of crisis. For example, with a wide societal jolt, is organizational culture actually change or remained similar? If it is changed, which components remained kept? What is the difference between an organization which have very well established cultures and those with brittle cultures? The psychologist found that when people are aware of the presence of some diseases, they react more discriminatory, more hierarchical, and more fearful of outsiders (Schaller, 2011). Covid – 19 turned out to be a great revealer (Corak, 2020). Pandemic brings pressure on every aspect of business (Spicer, 2020). In the context of the above, controlling refers to the overall business of the organization, and a large part consists of strategic plans and analyzes. Controlling is one of the important functions in solving problems that organizations continuously face and is responsible for informing management about changes on time. Nowadays, this process works through related factors of clearly defined strategy, long-term sustainability and risk assessment. If these factors work successfully, they will result in growth, development and profit, which are also the most important conditions and business goals of organizations. Preferred management is considered to adopt good strategies and implements them well. The standards used in assessing the effectiveness of good governance are based on the good adoption of strategies along with the good implementation of those strategies. However, implementation is most often considered the weakest link, as the most common reasons are precisely related to errors in the implementation of the strategic management process (Roney, 2004). In such cases, organizations lose significant resources they have previously invested in. It is considered that the key reason why the implementation of these processes fails is that executives, managers and supervisors do not have practical models to aim their actions during implementation. They try to implement strategies simultaneously without appropriate models and without understanding multiple factors (Okumus, 2003).

Successful companies are characterized by at least six crucial conditions (Cameron & Quinn, 2011). The first one is the presence of high barriers to entry in the same business because this means less competition and more revenue for companies. A second condition refers to the companies that have a product or service, which is hard, or impossible to copy, for example, they are the exclusive supplier of some product or service in some country. This automatically means less competition and more revenue. The third condition is a large market share. The biggest companies can generate more

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revenue by selling with discounts, buy smaller competitors etc. The next condition is a low level of bargaining power for buyers. If there is only one source of natural gas, the price is whatever the supplier decides to charge. The fifth condition is when suppliers have a low level of bargaining power. Such companies then can negotiate lower prices and more quality products. The sixth condition is rivalry among competitors because they are not focused on other companies then.

The market culture model (Gallagher, Brown, & Brown, 2008) arose based on scientific literature and successful companies. Through this model, companies may gain in organizing directions for performance and financial prosperity. Since the customer is most important, one part of this model is the creation of superior customer value. This part is crucial because as the market changes, the value proposition must improve. Further, customer insight is also an important fragment and means understanding companies their target customers better than the customers do themselves. Business leaders have to understand the strengths and weaknesses of current and potential competitors, i.e. to have a competitor awareness. The collaborative approach consists of a cross-functional approach and collaborative value networks. The cross-functional approach refers to intelligence gathered in customer insight, which is filtered and shared with all functions in the organization to be able to create superior customer value. Collaborative value networks include individuals and teams inside and outside the business that create networks. Another part makes criteria for decision-making. A company with strong market culture will have a long-term perspective on business decisions. Sometimes that means sacrificing short-term results to maximize long-term profitability. The last part of the model makes CEO leadership. CEO-s have a decisive role in the level of market culture achieved by the organization with their actions, decisions and behaviours, but also need help from employees in the frontline to create superior customer value.

Market culture is the initiator of companies' performance and the core of functioning. Taking into account all aspects of the importance of the culture market and its key role in every part of the business, our goal was to examine different market culture orientations and the complexity of the environment in which they operate.

DATA AND METHODOLOGY

Types of the orientation of market culture and environmental complexity represent factors related to a management control system. The review of existing literature shows that there is a growing interest in exploring market culture due to the clarification of this construct. Therefore, this research examines the effects of market culture and the diversity of product requirements and the diversity of competitor strategies.

The data for this research were collected through a cross-sectional survey method. Data on employee characteristics (gender, age, education, and years of work experience) and their perception of environmental complexity and market culture were examined. Several orientations are included in a variable of market culture – result-oriented, manager leadership, competitiveness, goal accomplishment, goal achievement, and market leadership). The concept of environmental complexity included a diversity of product requirements and a diversity of competitor strategies. Participants gave their estimates regarding market culture orientation and environmental complexity on the

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scale of Likert's type with seven levels of assessment (1 – not at all, 7 – to a great extent). This research also included data about the company size and type.

Participants filled out a questionnaire through Google online data form, on average by about ten minutes. Data analysis were performed using SPSS (Statistical Package for the Social Sciences, version 20.0, IBM).

Table 1 shows the data of the sample structure. A total of 68 participants participated in the study (63.2 % males), aged 21 to 57, with a mean age of 36 (SD=7.96). Most of them have finished graduate study (50 %), and on average have more than 12 years of work experience (M=12.65, SD=9.02).

Table 1. Characteristics of the sample

		n	Percentage
Gender	Male	43	63.2 %
	Female	25	36.8 %
Education	Vocational high school	2	2.9 %
	Four-year high school	11	16.2 %
	Undergraduate study	12	17.7 %
	Graduate study	34	50 %
	Postgraduate study	9	13.2 %
Company size	Up to 10 employees	4	5.8 %
	Between 11 and 50 employees	22	32.4 %
	Between 51 and 250 employees	18	26.5 %
	More than 250 employees	24	35.3 %

Source: Author, 2022

Employees work in small, medium and large companies. The percentage of employees regarding company size structure is presented in Table 1. They work in various departments (purchase, sale, marketing, production, finance, logistic, warehousing).

RESULTS AND DISCUSSION

First, the conditions for calculating parametric statistics were calculated. Indexes of skewness and kurtosis show that the conditions for the parametric procedure are fulfilled. Descriptive data are shown in Table 2.

Table 2. Descriptive parameters of measured variables

Market culture	M	SD	IS	IK
1. Results-oriented	3.87	1.75	-0.15	-0.97
2. Manager leadership	2.97	1.87	0.67	-0.68
3. Competitiveness	4.13	1.59	-0.36	-0.61

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4. Goal accomplishment	4.25	1.68	-0.25	-0.89
5. Goal achievement	4.26	1.71	-0.42	-0.96
6. Market leadership	4.65	1.71	-0.39	-0.87
Environmental complexity				
1. Diversity of product requirements	4.31	1.52	-0.15	-0.59
2. Diversity of competitor strategies	4.24	1.56	-0.18	-0.52

Note: I_S = skewness; I_K = kurtosis

Source: Author, 2022

There is a growing course of research that surveys construct of market orientation. Many researchers have studied the conceptual explanation of this complex construct (Javorski & Kohli, 1993); (Narver & Slater, 1990), measurement issues (Deshpandé & Farley , 1998); (Kohli, Jaworski, & Kumar, MARKOR: a measure of market orientation, 1993), and market orientation's antecedents and conduct results (Slater & Narver, 1994); (Javorski & Kohli, 1993). Two-point of view on market orientation can be notable (Griffiths & Grover, 1998). They include a behavioural and a cultural perspective. While the behavioural stand is talking about market orientation in terms of specific behaviours related to e.g., generation of market intelligence, spreading of market responsiveness to it the cultural perspective is related to more fundamental characteristics of the organization.

Stagnation is not a desirable feature of companies nowadays. Unexpected and sudden changes make it difficult to prepare companies for the planning for the future. When external threats occur, it is difficult to maintain continuity and competitiveness. One of the key issues for failure is the neglect of the significance of the culture in organizations. Characteristic of very successful companies, which distinguishes them from others, is a set of beliefs, respectively recognisability of organizational culture. Organisational culture has a powerful impact on the success and efficiency of companies. Various changes were happening throughout history, like the emergence of new jobs that did not exist earlier, environmental disasters, digitalization and computerization in all business areas, and technological change in general. Hence, we are unable to predict what kind of changes may occur in the future (Cameron K. S., 2003). Therefore, it is crucial to determine how to make changes to organisations survive and sustain themselves in the business world. Type of companies market culture may have a significant impact on market functioning.

Analysing descriptive results of measured variables it is clear that our respondents perceived companies in which they work as market leadership (M=4.65, SD=1.71), goal achievement (M=4.26, SD=1.71), and goal accomplishment oriented (M=4.25, SD=1.68). Market orientation is considered the most effective organisational culture, which results in the greatest value (Narver & Slater, 1990). Many authors support this thesis and state that experts need to be adept in order to implement market leadership. Our results confirm that a market orientation prevails in our companies. Result-oriented organisations are specific in their competitiveness – they are oriented on achieving goals, demanding, and success (Tukey, 1993). Employees in this study

perceive their companies to a lesser extent as result-oriented. They perceive their companies the least as manager leadership-oriented (M=2.97, SD=1.87).

The possibility for innovation and adaptability are crucial in today's business domain. Great emphasis is placed on employees' behaviour when planning strategies to achieve successful results. The obtained results have also shown that companies in which employees work have moderate diversity of product requirements (M=4.31, SD=1.52) and diversity of competitor strategies (M=4.24, SD=1.56). Those companies contain moderate heterogeneity of environmental factors, including economy, suppliers, customers, and products. Actions for reducing uncertainty may lead to imbalances in the market (Black & Farias, 2000).

In order to examine market culture orientation and environmental complexity in more detail, an analysis of variance and post-hoc tests were performed (Table 3). Differences in market culture orientation were examined with regard to company size. In analysis are included employees which work in companies with more than 11 employees, because did not participate enough employees in the group of small companies – to ten employees.

Table 3. Descriptive parameters and results of analysis of variance for market culture orientation regarding company size

Market culture	Company size	n	M	SD	F	df	Brown-Forsythe test
1. Results-oriented	Between 11 and 50 employees	22	4.18	1.65			
	Between 51 and 250 employees	18	4.11	1.71	1.61	2, 61	0.20
	More than 250 employees	24	3.33	1.90			
2. Manager leadership	Between 11 and 50 employees	22	3.32	2.01			
	Between 51 and 250 employees	18	2.83	1.94	0.99	2, 61	0.38
	More than 250 employees	24	2.54	1.69			
3. Competitiveness	Between 11 and 50 employees	22	4.32	1.64			
	Between 51 and 250 employees	18	4.39	1.29	1.02	2, 61	0.35
	More than 250 employees	24	3.75	1.84			
4. Goal accomplishment	Between 11 and 50 employees	22	4.82	1.56			
	Between 51 and 250 employees	18	4.50	1.54	3.40*	2, 61	0.03*
	More than 250 employees	24	3.58	1.84			
5. Goal achievement	Between 11 and 50 employees	22	4.86	1.39			
	Between 51 and 250 employees	18	4.61	1.57	4.40*	2, 61	0.01**
	More than 250 employees	24	3.50	1.91			

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6.Market leadership	Between 11 and 50 employees	22	4.95	1.64			
	Between 51 and 250 employees	18	5.06	1.30	2.25	2, 61	0.10
	More than 250 employees	24	4.08	1.93			

Note: ** p < 0.01; * p < 0.05

Source: Author, 2022

Statistically significant differences were obtained for two market culture orientations – goal accomplishment (F (2, 61) = 3.40, $p < 0.05$) and goal achievement ($F_{(2, 61)}$ = 4.40, $p < 0.05$). Companies that have more than 250 employees are statistically significant more oriented to goal accomplishment and goal achievement than those companies that employ from 11 to 50 employees. No other significant differences were found in culture market orientation regarding company size. Guidelines for future managing emphasize not just goal accomplishment or achievement, but a variety of methods for improvement (Cameron & Quinn, 2011). Given the obtained results, it may be assumed that smaller companies are more oriented to success in terms of orientation and care for customers, and large companies to profit as the main goal.

Further, the relationship between culture market orientation and environmental complexity was examined (Table 4).

Table 4. Correlation coefficients between culture market orientation and environmental complexity

	2	3	4	5	6	7	8
1.Results-oriented	.16	.56**	.52**	.51**	.49**	.33**	.27**
2. Manager leadership	-	.14	.04	.11	.15	.05	.19
3. Competitiveness		-	.68**	.58**	.56**	.43**	.23
4. Goal accomplishment			-	.83**	.75**	.39**	.22
5. Goal achievement				-	.75**	.35**	.10
6. Market leadership					-	.39**	.34**
7. Diversity of product requirements						-	.49**
8. Diversity of competitor strategies							-

Note: ** p < 0.01

Source: Author, 2022

The environment of the market is liable to numerous rapid changes, and traditional methods become inefficient (Leitner, 2015). The greater the environmental complexity is, the planning and predicting opportunities are diminished. Results of this research show that there are significant correlations between market culture orientations and environmental complexity. It is important to emphasize that diversity of product requirements is in a significant correlation with almost all market culture orientations. Diversity of product requirements is greater when the companies are result-oriented ($r = 0.33$, $p < 0.01$), oriented to competitiveness ($r = 0.43$, $p < 0.01$), goal accomplish-

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ment ($r = 0.39$, $p < 0.01$) and achievement ($r = 0.35$, $p < 0.01$), and market leadership ($r = 0.39$, $p < 0.01$). That indicates that entrepreneurial behaviours are directed to planning their businesses toward market needs to achieve success. Some previous findings show that orientation to the product is negatively related to product innovation, which is risky, and non-consistent (Mavondo & Farrell, 2003).

However, diversity of competitor strategies is statistically related only with result-oriented ($r = 0.27$, $p < 0.01$) and market leadership orientation of culture market ($r = 0.34$, $p < 0.01$). The more results-oriented and market leadership a company is, the greater diversity of competitor strategies is. All obtained significant correlations show that the relationship between various market culture orientations and environmental complexity is low or moderate. The diversity of competitor strategies depends on the environment in which companies need to adjust their business.

CONCLUSIONS

Market culture is one of the related important factors for the management control system, wherein acquire of prompted and relevant information is needed, to coordinate the planning and making decisions. Since the control system has various levels, there is a need to obtain as much as possible information to effectively and efficiently achieve the companies purpose (Chenhall, 2003). This research addresses the gap by examining how management control system in companies pursue different orientations of market culture in the context of environmental complexity. The results show that companies in which our respondent's work are mostly oriented to market leadership, and equally to goal achievement and accomplishment. Companies with more than 250 employees are significantly oriented to goal achievement and accomplishment than companies with fewer employees, up to 50. Regarding environmental complexity, diversity of product requirements is positively related to almost all culture market orientations. However, the diversity of competitor strategies is related only to result-oriented and market leadership orientation. Hence, data show a complexity between these constructs in the context of a broader framework of the management control system. Practical implications refer to estimating the orientation of the company profile. Companies can benefit from determining the profile of companies. They could identify and adapt culture attributes to get a more complete picture and identify the attributes that are not obvious. Companies may measure market culture continuously to determine advantages and weaknesses between various layers of culture. One of the shortcomings of this research is the examination of employees' attitudes. Therefore, our recommendation for future research is the exploring the implementations of elements in market culture and business environment. In addition, examination of the relation of companies' performance and market culture, and their long-term outcomes would give better insight into the complexity of marketing in the context of the culture. The limitation is also the fewer companies included in this study. It would be useful to extend other research on more companies in the public and private sectors.

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