Customers First vs Employees First: Effective Organizational Culture Contributing to Empathy

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Abstract—Currently, companies face various social issues, such as climate change and health issues. Companies are required to achieve both the resolution of these issues and economic growth. Hence, many managers formulate and communicate a corporate purpose internally and externally. However, most existing research on corporate purpose has focused on its content. In other words, there is surprisingly little discussion about the organizational culture that effectively communicates the corporate purpose. Therefore, this study conducted a randomized controlled trial targeting Japanese electronics manufacturers and found that employees empathize more with the corporate purpose when the organizational culture is expressed as "employees first" compared to "customers first." We also confirmed that this effect is more pronounced for employees in research and development departments (R&D) who are located far from customers. Sales and marketing employees who interact with customers regularly have a high level of customer awareness, making it likely for them to empathize with the corporate purpose. Similar trends apply to back-office employees who work at the company's headquarters as well as sales and marketing employees. However, R&D facilities are generally located in the suburbs, far from the headquarters, with few points of contact with customers. In other words, although corporate purpose is necessary for product and service development, it is most unlikely that the engineers responsible for the work will be aware of the corporate purpose. For management companies, understanding this point is essential for instilling corporate purpose within the company.

Keywords—research & development, engineer, product development, randomized controlled trial

I. INTRODUCTION

Corporate purposes have many similar terms, including philosophy, mission, vision, purpose, credo, and company way [1-3]. These terms have relatively consistent meanings, meaning "espoused values of the organization's owner or chief executive and management board" [1]. Historically, there was a negative view of corporate purposes. Since the corporate purpose is abstract, it is difficult to motivate employees to work toward a common purpose [2]. Even in practice, corporate purposes have long been overlooked as manageable entities [4-5].

Nevertheless, this situation has undergone a significant transformation recently, especially with the escalating seriousness of social and environmental issues. Defining a company's purpose beyond profit maximization has become one of the fundamental tasks of 21st-century management and

leadership [6]. It is challenging to ascertain whether a leader is fulfilling their role if they cannot motivate employees to understand the organization's purpose [7]. Consequently, many corporate managers are redefining corporate purposes in alignment with recommendations from academic research [8-9].

Most existing research on corporate purpose has focused on its content and its effects. In simpler terms, there has been surprisingly little discourse on how organizational culture effectively conveys corporate purpose. Therefore, this study focused on Japanese electronics manufacturers to elucidate the disparities in the impact of "customers first" and "employees first" cultures on corporate purpose empathy. We also accounted for trend variations within each company department, including the back office, sales & marketing, and R&D. This study broadened academic understanding by adding the perspective of organizational culture into the existing literature, which had been biased toward the content of corporate purpose. In the future, discussions on corporate purpose will become more dynamic, encompassing content and culture.

II. EXISTING LITERATURE AND HYPOTHESIS DEVELOPMENT

A. Effect of corporate purpose

Capitalism faces various problems, including catastrophic climate change and health problems like the obesity epidemic. Therefore, companies must balance these issues with economic growth [10]. In developed Western countries, all companies are reforming to fulfill the social or environmental objectives defined in their purpose [11].

This corporate purpose has three main effects. The first is to improve employee engagement. It has been shown that companies that define their purpose of existence based on values and pursue strategies that align with that purpose have improved employee engagement [12]. In addition, companies with strong corporate purposes tend to retain employees [13]. The second is promoting employee behavior. A corporate purpose related to sustainability can promote actions consistent with that policy [14]. The third is the improved performance. Companies with employees who strongly believe in the organization's purpose experience better stock market performance [15]. Furthermore, because customers feel attached to the purpose of a product or

service [16], the corporate purpose that is the source of the concept is also important for creating customer value.

B. Organizational culture that enhances the effectiveness of corporate purpose

Corporate purposes are an important tool for internal strategic direction and employee motivation rather than building an external image [17]. However, many corporate purposes can easily be interpreted as external messages. Therefore, in addition to corporate purposes, we focus on organizational culture. Even under the condition of an outward-oriented corporate purpose, we hypothesized that if the organizational culture is employee-oriented, it will be easier for employees to gain empathy.

H1: By clearly demonstrating employees' first culture rather than customers' first culture, employees are more likely to empathize with corporate purposes.

In addition, for humans to empathize, it is important that the person has the same experience as the target person [18-19] or that the person has a similar psychological situation or personality [20-22]. In other words, in the context of corporate purposes, we believe that the closer the position is to the customer, the easier it is to empathize with them. Conversely, the farther away you are from the customer, the more difficult it is for you to empathize with corporate purposes. Therefore, the effect of clearly demonstrating an employee-first culture in evoking empathy is thought to be more pronounced among employees who belong to departments that are further away from customers. Three typical departments are located close to customers in the following hierarchy: sales & marketing, back office, and R&D. Accordingly, we propose the following hypothesis:

H2: Compared with sales, marketing, and back office employees, the H1 effect is more pronounced for R&D employees.

III. METHODOLOGY

A randomized controlled trial targeting Japanese home appliance manufacturers was conducted in an online survey environment from July 12th to 16th, 2023. The respondents were 900 people in their 20s to 60s; a breakdown of their attributes is presented in Table I. Table II shows respondents were randomly assigned to four groups: purpose (Sony and Panasonic) × organizational culture (customer-first and employee-first). We then presented the stimuli, as shown in Fig. 1. The purpose for each company was obtained from its official website [23-24]. Empathy for corporate purposes was measured on a 5-point Likert scale (1= Do not empathize with the purpose at all; 5= Empathize with the purpose very much).

For verification, a chi-square test was applied to the matrix of organizational culture (customer-first and employee-first) ×

empathy (yes or no). Of the five levels of empathy, respondents with a positive score of 4-5 were defined as those who felt empathy, and the data were converted into binary values. All data were used to verify H1, and data from each department were used to verify H2. A significance level of 5% was considered significant. The null hypothesis is that there is no difference in the empathy rate in either organizational culture.

IV. RESULTS AND IMPLICATIONS

A. Results

As shown in Fig. 2, 39.2% of customers and 46.9% of employees empathized with the corporate purpose (empathy rate). As a result of the chi-square test (p-value = 0.024), a significant difference was detected and H1 was supported. As shown in Table III, the odds ratio was 1.369.

TABLE I. RESPONDENT ATTRIBUTES

Item	Content	Number of Respondents	Ratio
Gender	Male	476	52.9%
	Female	424	47.1%
Age	20s	200	22.2%
	30s	189	21.0%
	40s	194	21.6%
	50s	176	19.6%
	60s	141	15.7%
Department	Back Office	348	38.7%
	Sales & Marketing	266	29.6%
	Research & Development	286	31.8%

TABLE II. GROUP COMPOSITION OF RANDOMIZED CONTROLLED TRIAL

Group	Corporate Purpose	Organizational Culture	Number of Respondents
Group 1	Sony	Employees first	225
Group 2	Sony	Customer first	222
Group 3	Panasonic	Employees first	229
Group 4	Panasonic	Customer first	224

Group 1: Employees First & Sony

Purpose

Fill the world with emotion, through the power of creativity and technology.

Organizational Culture

We place "employees first" as our top priority

and create an environment where employees can work comfortably.

Group 2: Customer First & Sony

Purpose

Fill the world with emotion, through the power of creativity and technology.

Organizational Culture

We place "customers first" as our top priority

and create value that pleases our customers.

Group 3: Employees First & Panasonic

Purpose

Our mission as industrialists is to overcome poverty and bring wealth to society.

Only for this purpose will companies be allowed to prosper.

Organizational Culture

We place "employees first" as our top priority

and create an environment where employees can work comfortably.

Group 4: Customer First & Panasonic

Purpose

Our mission as industrialists is to overcome poverty and bring wealth to society.

Only for this purpose will companies be allowed to prosper.
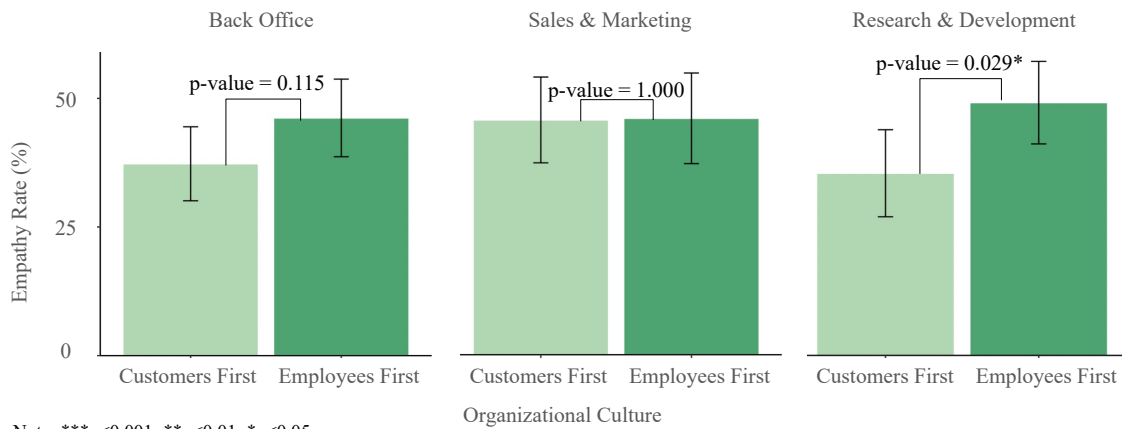
Organizational Culture

We place "customers first" as our top priority

and create value that pleases our customers.

Fig. 1. Stimulus related to corporate purpose used in the survey.
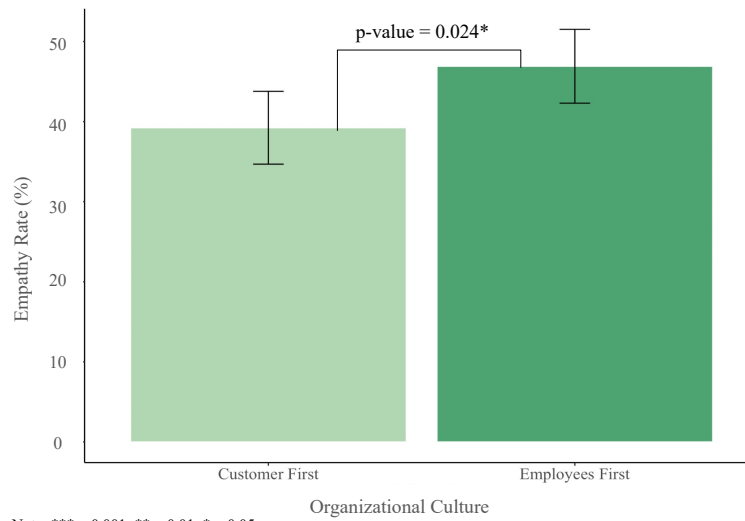
Note: ***p<0.001; **p<0.01; *p<0.05.

Fig. 2. Difference in empathy rate between customer first and employees first.

Note: ***p<0.001; **p<0.01; *p<0.05.

Fig. 3. Comparison of empathy rates per department.

TABLE III. CHI-SQUARE TEST RESULTS

Department		Empathy		Total	Empathy Rate	p-value	Odds Ratio	95% Confidence Interval		
		No	Yes							
Total	Customers first	271	175	446	39.2%	0.024*	1.369	1.050	−	1.784
	Employees first	241	213	454	46.9%					
Back Office	Customers first	111	66	177	37.3%	0.115	1.444	0.941	−	2.216
	Employees first	92	79	171	46.2%					
Sales & Marketing	Customers first	76	64	140	45.7%	1.000	1.013	0.625	−	1.642
	Employees first	68	58	126	46.0%					
Research & Development	Customers first	84	45	129	34.9%	0.029*	1.751	1.085	−	2.827
	Employees first	81	76	157	48.4%					

Note: ***p<0.001; **p<0.01; *p<0.05.

Next, we confirmed the effects per department. As shown in Fig. 3, there was almost no difference in the empathy rate between customers and employees for sales and marketing (p = 1.000). Although the empathy rate initially improved for employees in the back office, no significant differences were detected (p = 0.115). The empathy rate of employees in R&D first improved by 13.5% compared to that of customers, and a significant difference was detected (p = 0.029). Therefore, H2 is supported.

B. Practical implications

The practical implications of this study are as follows: First, when designing a corporate purpose, practitioners should pay attention to its content and to organizational culture. The results of this study show that even if the corporate purpose is the same, employee empathy changes depending on culture. Therefore, when communicating corporate purposes internally, it is important to clearly state the employees' positions. Second, managers must recognize that the farther a department is from customers, the more important it is to declare employees first. Sales and marketing employees who interact with customers regularly have a high level of customer awareness, so they are likely to empathize with the corporate purpose for customers. Similar trends apply to back-office employees who work at the company's headquarters, as well as sales and marketing employees. However, R&D facilities are generally located in the suburbs, far from the headquarters, and there are few points of contact with customers. Although corporate purposes are necessary for product and service development, it is difficult for engineers responsible for the work to be aware of these purposes. Understanding this point is necessary for communicating for corporate purposes.

C. Limitations and future work

This study had several limitations. First, the results are limited to Japanese companies, necessitating future expansion to include other countries. Second, the corporate purpose was limited to the content of two specific companies, highlighting the need to consider content of other companies should also be considered. These serve as potential areas for future research aimed at generalizing the conclusions of this study.

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