

Corporate social responsibility research paper

[Business](#)



Organizational Culture and Firm Performance: A Reflection of Theory, Research and Practice

Abstract

Organizational culture has been studied widely by researchers over the past three decades and the literature on Organizational Culture is vast and diverse.

This paper intends to find answers to certain questions such as: ‘ how does culture evolve in the organization?’, ‘ Can culture really impact corporate performance?’, ‘ can culture be managed?’. Literature related to organizational culture reinforces the fact that culture is crucial to organizational change initiatives; management of human resources across nations and leadership to effect organizational performance. To a large extent it supports the firm to develop long term corporate sustainability. This paper aims to understand the dynamics of Organizational Culture with contrast to Organizational Performance and the underlying research which has been under taken in this context.

Introduction

The recent journalistic narratives like Culture eats strategy for lunch is quite often seen in the business press generating inquisitiveness on the commercialized term called Corporate Culture among business communities. Almost thirty years of systematic research of organizational culture within the field of organizational behavior has transformed it from a mere concept to theory. Organizational Culture is a term which has been derived from anthropology and has over the years of research, been developed, associated and structured with the other concepts in the field of psychology, <https://assignbuster.com/corporate-social-responsibility-research-paper/>

sociology, and management. It has emerged as one of the key tools in understanding the behavior of people in organizations.

In recent times, organizational culture is one of the most explored phenomena of organizational behavior and an expected variable in explaining the functioning of all kinds of organizations. Culture has been referred as the stable set of values, beliefs and behaviors which are usually held by a society at large and is being consequential to social anthropology as a basis for understanding “ primitive” societies (Kotter and Heskett, 1992). The early works of anthropologists like Malinowski (1931) (as mentioned in the Encyclopedia of social sciences) termed social organizations as a part of culture which comprises of inherited artifacts, goods, technical processes, ideas, habits, and values. Even though the concept of organizational culture was popularized in the early 1980s, and its roots can be traced back to the early human relations view of organizations that originated in the 1940s. Theorists of the Human relations school viewed the informal, non material, interpersonal, and moral bases of cooperation and commitment as perhaps more important than the structured, material, and instrumental controls stressed by the rational system theorists.

The human perspective drew its inspiration from even earlier anthropological and sociological work on culture associated with the groups and societies (Greetz 1973; Mead 1934; Durkheim 1964; Weber 1947, 1958). Attention to organizational culture lost ground as organizational science, and the discipline of social science in general, became progressively more quantitative to the extent that research on organizational culture survived but its focus shifted to its more measurable aspects, particularly towards the <https://assignbuster.com/corporate-social-responsibility-research-paper/>

employee attitudes and perceptions which delves more into understanding of individual participation, the degree of delegation, the extent of social distance as implied by status differences, and the amount of coordination across the units. This research, referred to as organizational climate studies, was prominent during 1960s and 1970s (Denison 1990) which was sometimes a misnomer as referred by researchers as a different connotation to culture.

The renewed interest of organizational culture that emerged during the late 1970s suggested that a deeper, more compound anthropological approach was necessary to understand the crucial but largely invisible aspect of organizational life. This converted interest in organizational culture represented a return to the early organizational literature but it went far beyond this literature in contributing important new insights and ways of thinking about the role, importance, and organizational culture characteristics. Also, the research on the effect of culture on organizational performance and investigations into how organizational cultures are created, preserved, and changed received larger attention from the researchers. The main difference was that organizational culture was now viewed less as a natural, organically evolving phenomenon and more as a manipulable and manageable competitive asset.

1. 1: Theories of Organizational Culture:

Organizational culture as a term was first used in the management literature by Pettigrew (1979) in the “ Administrative Science Quarterly” journal.

Culture has become a sine qua non of modern thought, despite its ambiguities.

In the English language, the term “ Culture” is derived from the original Latin word “ cultura”- the cultivation of soil?. Smircich (1983) mentions that human beings are incessantly triggering the process of culturing, by means of producing and reproducing social truths in the ways that are redemptive, impeding, obscuring, tedious or exciting. (Kroeber and Kluckhohn, 1952); has identified 164 diverse meanings of the term “ culture” that have been broadly used in the research of anthropology and sociology. Hence the study of culture can be very diffusive.

The challenge in recent years has been to cut down the culture concept to size into a narrowed and theoretically more powerful concept (Geertz, 1973). The economic success of the Japanese firms over their American counterparts was a resultant of organizational culture which helped them in motivating their workers and improved their commitment towards creating a common set of beliefs, assumptions and core values (Denison, 1984).

Organizational culture has been described by many authors as something to do with people and the distinctive quality and approach of the organization and the way things are executed in the organizations (Deal ; Kennedy, 1982). Occasionally, organization culture is also termed as “ corporate culture”. “ Corporate Culture” is used to symbolize the more “ commercialized” denotation of organizational culture (Deal ; Kennedy, 1982).

The major interest for management researchers to study organizational culture is the assumption that certain organizational cultures lead to an increase in the firm? s financial performance (Peters and Waterman, 1982); <https://assignbuster.com/corporate-social-responsibility-research-paper/>

in their landmark study during the 1980s showed how successful organizations possess certain cultural traits of excellence.

(Ouchi, 1985) showcased the positive relationship between organizational culture and operating efficiency.

1. 2: Cross-Cultural Studies:

In the study of cultural dynamics across globally distributed work-force from multi-national companies, Hampden-Turner ; Trompenaars (1987) defined seven cultural dimensions which they referred to as “ seven dimensions of culture” model which was studied through an extensive database of 30, 000 survey results collected during the course of multiple studies involving questionnaires sent to thousands of managers across 28 countries.

The seven value dimensions identified were universalism versus particularism, communitarians versus individualism, neutral versus emotional, defuse versus specific cultures, achievement versus provenance, human-time relationship and humannature relationship. The study primarily focused on understanding the different challenges of managing local and global cultures faced by international organizations. Organizational culture has been defined as the shared programming of the mind that distinguishes the members of one organization from the other (Hofstede 1980). The important aspects like shared beliefs, values and practices were distinctive in nature from one organization to another. Hofstede proposed a four dimensional model of culture which highlights the cultural values like power distance, individualism – collectivism, uncertainty – avoidance and masculinity – femininity.

1. 3: The linkages between Organizational culture and Organizational Performance:

In today's economy, firms are challenged to continuously offer a portfolio of innovative products and services. In spite of the key role of portfolio innovativeness for corporate performance, firms vary in their focus on building innovation capabilities and generating innovation outcomes, (Hambrick, 2007; Hambrick and Mason, 1984). Research of the link between organizational culture and organizational performance had increased substantially during the past two decades (Lim, 1995). In the 1980s, there were obsessions by researchers to focus on strong theory; a search for strong shared values in organizations which were supposed to result in performance for the organizations. Peters and Waterman (1982) claimed that high performance firms could be distinguished from low performance firms because they possessed certain cultural traits and „ strong culture?. Deal and Kennedy (1982) suggested that organizational performance can be enhanced by strong shared values.

However, their recommendations were criticized by Carroll (1982), Reynolds (1986) , and Saffold (1988) who commented that „ a simple model? relating organizational culture to performance no longer fits and a more sophisticated understanding of the tie between culture and performance must be developed. In the 1990s, the “ obsession” in testing the theory of adaptability (Denison 1990), Gordon and DiTomaso (1992), Denison (1990) and Kotter ; Heskett (1992), however, found inconsistent results on the link between culture strengths and organizational performance. Most of the researchers in organizational culture study have found a constructive association between organizational culture and performance. Stewart (2007)

mentioned that profitability is any organizational goal and cultural norms in an organization strongly affect all who are involved in the organization.

Besides the market competition, both innovation and a cohesive culture determine the appropriateness of a firm's activities that can contribute to its performance. Inherently, organizational culture is not only an important factor of an organization; it is also the central force which drives superior business performance (Gallagher and Brown, 2008). Gallagher and Brown mentioned that the culture of an organization influences all the activities which an organization performs.

It is the core of what the company is in actual, how it functions, what it focuses on, and how it handles its customers, employees and other stakeholders. They also stated that between the period of 1990 and 2007, more than 60 research studies covering 7, 619 companies and small business units across 26 countries have found that market culture and business performance are strongly related. This positive correlation is recognized by more than 35 performance measures, including return on investment, growth of revenue, and retention of customer, market share, new product sales, and performance of employees. In line with Porter (1985) and Gallagher and Brown (2008), Kotter et al., (1992) reported that firms with performance enhancing cultures in any company will have an impact on its own performance. Barlow (1999) mentioned that the organizational structure and culture has an impact on the construction firms' response to innovative ideas and its ability to transform these ideas into possibly successful products. He also mentioned that a series of structural and

cultural barriers to the adoption of many new process innovations in the UK still remain.

Hence, Organizational performance has been one of the central issues for every organization. It has been crucial for managers to know which factors influence an organization's performance in order for them to take appropriate actions to initiate them. Nevertheless, defining, conceptualizing, and measuring performance have been a difficult task. Researchers have different opinions and definitions of performance, which remains to be a debatable matter among organizational researchers (Barney, 1991).

However, the central issue concerns with the appropriateness of various approaches to the concept utilization and measurement of organizational performance (Venkatraman ; Ramanujam, 1986). Earlier research on organizational culture has concentrated on single, distinct foundations of culture, while discounting the multidimensional nature of culture, i. e.; a construct which is composed out of several closely interconnected variables (Schein 1984).

2. Does culture really influence performance in Organizations?

Much of its prosperity is originated on the disagreement that culture is linked to organizational performance. Although there are some theorists that questioned the culture-performance linkage, adequate evidence exists to suggest that organizational culture is associated with organizational performance (Ogbonna ; Harris, 2000). The earliest of the quantitative studies on the cultureperformance linkages was conducted by Denison (1984) who used data from 34 U. S firms over a period of five years duration.

He observed the characteristics of organizational culture in these firms and followed their performance over a period of time. In order to measure the performance, data on returns on investment and sales were used.

For capturing the organizational performance responses, a one-time survey concerning the insights of work group and participation in the decision making process was collected. While, the author found that organizational culture is linked with financial performance, some of his measurement pointers varied in the strength of the association between culture and performance. The most vital criticisms refer to the use of employee discernments which proposed that the study has acquired a measure of organizational climate rather than a measurement of organizational culture (Lim 1995). Rousseau, (1991) in his study, tried to overcome certain limitations in determining organizational culture. He gathered data from 32 voluntary service organizations and used them as a performance metric towards the sum of money being raised from a recently completed fund-raising campaign.

Cooke and Lafferty (1989) developed an organizational culture inventory for measuring organizational culture. However, the outcomes of this study showed no major positive correlations between performance and culture. One of the most widespread studies on the cultureperformance link was conducted by (Kotter and Heskett, 1992). They used data collected from 207 firms spread across continents over a five years period.

They used several measures of culture and long term financial performance data. Their preliminary goal of the study was to find the connection between

strong cultures and long term performance in the sample organizations.

While they found only a negligible correlation between strong culture and long term performance, subsequent inquiries showed that firms with cultures fit to their market environment have healthier performance than those that are lightly fixed to their environment. Marcoulides and Heck (1993) studied the connection between organizational culture and performance by using data collected from 26 organizations.

They estimated a model in which organizational culture was measured using various latent variables like organizational structure, , task organization, climate, organizational values , top management leadership and employees? values and beliefs. Organizational performance was measured by using capital, market and financial indicators. Of late, Ogbonna and Harris studied the linkage between organizational culture and performance by adding leadership style as a third variable in the model. They used a sample of 1000 units of registered British companies. For measuring performance, they used variables such as: customer satisfaction, competitive advantage, growth in sales, market share, and volume of sales. In order to measure organizational culture the authors used parameters like: bureaucratic culture, competitive culture, innovative culture and community culture. The results highlighted that all four measures of organizational culture were linked in some way with the corporate performance of the organizations being studied. Briefly, the innovative and competitive cultures had a direct impact on the performance and accounted for almost 25 percent of the variance in organizational performance.

In case of the competitive and the innovative cultures, they were outwardly oriented in line with the assumption that organizational culture must be adjustable to external environment for a sustainable competitive advantage. The bureaucratic and community cultures are internally focused and were not directly linked to performance. This study was further extended in 2002 when the authors examined the link between market orientation, organizational performance, organizational culture and strategic human resource management. They also used the same parameters as in the previous research for organizational culture and performance. As highlighted in the earlier study, competitive and innovative cultures were found to have a significant impact on performance while community and bureaucratic cultures were distinct to performance. Hampden-Turner ; Trompenaars (1987) defined seven cultural dimensions which they referred to as “ seven dimensions of culture” model which was studied through an extensive database of 30, 000 survey results collected during the course of multiple studies involving questionnaires sent to thousands of managers across 28 countries. The seven value dimensions identified were universalism versus particularism, communitarians versus individualism, neutral versus emotional, defuse versus specific cultures, achievement versus ascription, human-time relationship and human-nature relationship. The study primarily focused on understanding the different challenges of managing local and global cultures faced by international organizations.

Drawing from the research patterns in organizational culture research, Martin (1992) put forward three theoretical traditions can be used to describe most of the research as Integration, Differentiation and

Fragmentation perspectives. Further review of these multiple-perspective studies that surpass the difficulties associated with single-perspective studies has been analyzed in another research conducted by Martin (2002). In the milestone research conducted by Morgan (1986), Organizational culture has been distinguished into eight metaphors like; organizations as machine, an organism, brain, culture, political system, psychic prison, flux and transformation, and as the instrument of domination.

3.

Organizational Culture in India:

In the Indian context, Prasad and Jain (2011) studied organizational culture with the variable of employees commitment related to the perception and value systems embedded in the organization. The study measured variables like organization philosophy, team work, group norms, work organization, management support, reward systems, decision making and conflict management. However, the key measure of economic performance related to these measures for organizational culture hasn't been studied at much length in this research. Rao, (2009); suggested that organizational culture is a constant negotiation of „ sources of behavior? and the „ manifestations of behavior? in the organizational and environmental context. Punia and Luxmi, (2005); studied few of the banking and insurance public sector enterprises using the OCTAPACE model (developed by Rao, Pareek and Pentonjee, 1981). The OCTAPACE model suggests that organizations having a strong/open culture excel better than those having a weak/close culture. The evidence of this model represented the geographical and sectoral diversity of Indian enterprises.

Although, it is widely quoted in local publications, there are not many research studies to make valid inference of these citations in terms of control group experiments or systematic investigations to explore culture's relationship with related constructs in non-OCTAPACE organizations.

4. Concluding remarks:

The wide array of research being conducted in understanding the relationship between organizational culture and performance highlights the fact that determining the parameters of this constructs has been problematic. It has been observed that the literature on organizational culture values the necessary ideas, however the theory and proficiency to exploit it in improving organizations still remains imprecise (Mackenzie 1986). Trice and Beyer (1984) argues that the earlier research on organizational culture proposes to concentrate on single, distinct foundations of culture, while overlooking the multidimensional nature of culture which is a concept composed of numerous intimately interrelated variables (Schein 1990).

Scaffold (1984) contends that researchers could not determine that if the association between organizational culture and business performance imitates a "cause-effect" type of relationship. In fact, the studies revealed that researchers have not really identified which specific variables encompass an effective organizational culture, nor have they provided substantial empirical evidence to suggest if leaders in organizations improved the amount of time and quality of energy dedicated to developing a particular type of organizational culture, then an organization would exhibit higher level of efficiency (Barney 1986). Currently there is very less

agreement about what the idea of organizational culture means or how it should be perceived and measured in the organizations (Schein 1990).

Due to this dearth of agreement regarding theoretical formulations about organizational culture, its clarification, and its possible association to performance outcomes, no substantial body of empirical research exists. Inadvertently researchers have mainly focused on defining and unfolding the variables of organizational culture and carefully suggested a possible relationship between organizational culture and outcomes (Owens 1987). Research studies conducted in Indian context quite resemble the study of organization climate factors, than organizational culture per se. Several OD practitioners in India may have more strongly related to artifacts, socio-facts and menti-facts in organizations (Broom and Selznick, 1955) taking on more the archetype of contemporary anthropologists in unearthing linkages between tacit and explicit forms of cultural evidence in approximations of ethnographic narratives (Ananthanrayan R, 2011, IAOD). There is a need to create a holistic model of organizational culture that is more comprehensive and considers the interdisciplinary approach to cultural dynamics in organizations by looking at the broader view of the organization and its cause of existence rather than a mere resource creating entity. It must help the organization to transform into a broader social enterprise with more commitment towards sustainable development of the society at large.