MANAGING BEHIND THE SCENES: A VIEWPOINT ON CORPORATE CULTURE AND ORGANIZATION PERFORMANCE

EDWINAH AMAH, PhD
Department of Management, Faculty of Management Sciences, University of Port Harcourt

MILDRED DAMINABO-WEJE,
Department of Management Sciences, Rivers State College of Arts and Science, Rumuola, Port Harcourt.

ROBERTA DOSUNMU, PhD
Rivers State College of Arts and Science, Rumuola, Port Harcourt

ABSTRACT: Corporate culture has become a tool for organizational effectiveness in the 21st century. Corporate culture is said to have benefited many organizations if managed and nurtured properly. In this era of globalization there is need for corporate culture in order to enable organizations respond quickly to changes in the environment. The paper reviews literature on the effect of corporate culture on organizational performance. The paper concludes that the success of organizations to a very large extent depends on their cultures. The paper recommends that managers should put in place an adaptive culture that encourages the involvement of employees as this could enhance their responsiveness and commitment to the achievement of the organizational goals. The paper also recommends that the managers should share the mission of the organization with employees as it could increase their involvement. Finally the paper recommends that the values of the organization be shared as well to serve as an informal control measure that can be very effective.

KEYWORDS: Corporate culture, Organizational performance, Employee involvement.

INTRODUCTION

Organizations continue to face highly uncertain and chaotic environment caused by capital problems, difficult unions, foreign competition, rapid changes in product and processes, energy, government regulation, increasing importance of skill, quality, productivity and other stresses which call for increased adaptability and flexibility (Hall and Fukami, 1979). Their ability to cope, survive and make progress determines how effective they are. There is an increasing demand for committed employees who need little or no supervision to carry out their jobs efficiently for the good of the organization. Employees, who know what to do and desire to do them without being told, are in high demand. Managers desire an alternative control system that is reliable for the achievement of effectiveness in the organizations.
Organizations need to be productive, profitable and increase their market share even with the challenge of coping with changes in the environment. The need to achieve their goals has made managers seek for cultural means of motivating employees to be productive. Whereas structure is important in defining individual responsibilities within the workflow process, a congruent culture ensures that individuals carry out these responsibilities with minimum resistance. More importantly, strong culture dictates the way things should be done and creates expectations shared by group members, which are not outlined explicitly by formal structure. Corporate culture relates to goals that should be pursued and standard of behaviour that should be maintained by employees as they pursue those goals.

Several researches on how to optimize performance have taken place in the past two decades. It has been argued that strategic group membership and associated collective behaviours are the primary sources of durable differences in firm profitability and organization effectiveness (Caves and Porter, 1977). This implies that the collective behaviour of organization members which culture helps to control is important to its effectiveness. In relation to this argument, Glasister and Buckley (1998) identified corporate culture as one of the factors responsible for organizational effectiveness. A strong corporate culture (that is, one in which everyone understands and believe in the firm’s goal, priorities and practices) that encourages the participation and improvement of all organization’s members has been identified to be one of its most important assets (Denison, 2007). Corporate culture has been cited as an explanation for the differences in productivity among American firms, and differences in productivity between American and Japanese companies (Peters and Waterman, 1982; Denison, 1985). Superior Japanese productivity has been consistently attributed in part, to better organization of work, consensus decision making, and an elusive quality called the effective management of human resources (Denison, 2007).

The hypothesis that strong cultures enhance firm performance is based on the intuitively powerful idea that organizations benefit from highly motivated employees dedicated to common goals (Peters and Waterman, 1982; Deal and Kennedy, 2000; Kotter and Heskett, 2011, Denison 1984; 1990; Denison & Neale 1993; Denison & Mishra 1995; Fisher and Alford 2000; Denison, Haaland & Goeltzer 2004; Denison, Ward & Lief 2004 ). In support of this argument, quantitative analysis has shown that firms with strong culture outperform firms with weak culture (Kotter and Heskett, 2011; Gordon and DiTomaso, 1992, Denison, 2007). Sorensen (2002) showed that the relationship between cultural strength and performance reliability depends on how strong culture firms learn from and respond to their own experiences and changes in their environment. The result shows that in relatively stable environments, strong-culture firms have more reliable performance. However in volatile environments, the reliability benefits disappear. Culture is obviously a complex phenomenon, and its influence within an organization is ubiquitous (Cheah and Garvin, 2004).

effect of corporate culture on performance optimization, organizations can develop stronger adaptive cultures that can enhance their competitive advantage and effectiveness.

THEORETICAL BACKGROUND

The origin of culture as an independent variable affecting an employee’s attitudes and behaviour can be traced back more than 50 years ago to the notion of institutionalization (Hammonds, 2000, Judge, 2000). Institutionalization operates to produce common understanding among members about what is appropriate and fundamentally meaningful behaviour (Hall, 1987). Organizations as institutions tend to have acceptable modes of behaviour that are largely self-evident. Culture is an important force determining managerial attitudes and practices, and does influence the practice of management (Ukaegbu, 2001). Cultural differences may often affect management expectations and styles. Coping with other cultures and trying to understand why and how culture influences behaviour is one of the most crucial issues facing management. The impact of culture in organizations is becoming increasingly important. Effect can be positive, as evidenced in the cases of Wal-Mart, UPS, and South-West Airlines. Employees of South West airlines for example, actually accept lower wages than their industry counterparts in order to be part of the ‘fun’ working environment created by South West’s people Department Motto: Hire for Attitude, Train for Skills. Cultures of obscurity and distrust, however, can have a negative effect on organization performance such as recently observed at Enron and WorldCom.

Although organizational culture had been the subject of social science research for some time (Pettigrew, 1979), the publication of In Search of Excellence (Peters and Waterman, 1982) called forth the intense concern of industrial leaders and managers. Subsequently, much research has indicated that organizations within an industry share distinct cultural values (Spender, 1989) and that culture performance relationship is far from universal (Denison, 1990, 2007; Denison and Mishra, 1995; Gordon and DiTomaso, 1992; Kotter and Heskett, 2011). In order to achieve their goals, organizations are driven by their own kind of culture known as ‘corporate culture’, which has significant influence on member’s attitudes and behaviours. Bateman and Snell (1999) observed that a company’s culture provides a framework that organizes and directs people’s behaviour on the job. Corporate culture impact individual behaviour on what it takes to be in good standing and directs the appropriate behaviour for each circumstance. Culture is an essential quality of excellent organizations (Peters and Waterman, 1982; Amah, 2006). Culture is viewed as the organization’s DNA (Deoxyribonucleic Acid) – invisible to the naked eye yet powerful template that shapes what happens in the workplace (Davenport 1998). Corporate culture has been defined as “the way things get done around here” (Deal and Kennedy, 2000). This implies that the culture of one organization can differ from another even in the same industry. Schein (1985) defined corporate culture as:

“The pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and integration that have worked well enough to be considered valid, and therefore to be taught to new members as the correct way to perceive, think and feel in relation to those problems”.
Based on this definition culture tends to serve two critical functions in organizations; (1) to integrate members so that they know how to relate to one another and (2) to help the organization adapt to the external environment. Internal integration refers to the collective identity members develop that enable them work together effectively. External adaptation refers to how the organization meets its goals and deals with outsiders. Culture helps guide daily activities of workers to meet certain goals. It enables organizations respond rapidly to customers’ need or the moves of a competitor. Nickels et al (2011) further defined corporate culture as widely shared values within an organization that provide coherence and cooperation to achieve goals. This means that corporate culture glues employees together and also enable them cooperate towards the achievement of organizational goals. Corporate culture has also been defined as the set of values, guiding beliefs, understandings, and ways of thinking that is shared by members of an organization and is taught to new members as correct” (Duncan, 1989). This implies that culture is learned and not genetically inherited. The learning process tends to go on unconsciously making culture pass from one generation to another unnoticed (McShane and Von-Glinow, 2006). It suggests that culture can be changed if the dynamics of learning process are known. The underlying values may include ethical behaviour, commitment to employees, efficiency or customer service. Hills and Jones (2003) defined corporate culture as the “specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization”.

Most authors also agree that corporate culture refers to the set of values, beliefs and behaviour patterns that form the core identity of an organization. Based on the definitions above, one can safely say that corporate culture refers to predominant system of beliefs, values and norms, held by members of an organization, which is passed on to new comers. Culture seems to determine things like loyalty and commitment, how employees work and how far they are prepared to take risks. It is also the organizationally induced collective ‘mental programming which all members of the organization share (Ahiauzu, 1999). McShane and Von Glinow (2006) described corporate culture as an automatic pilot that directs employees in ways that are consistent with organizational expectations. It can be regarded as a deeply embedded form of social control that guides employee’s decisions and behaviour so that they are consistent with the organization’s success. This means that organizations with a strong culture that is directed to the market place may not need policy manuals organizational charts, detailed procedures and rules to succeed. In such organizations, people way down the line know what they are supposed to do in most situations because the handful of guiding values is crystal clear (Peters and Waterman, 1982). Employee’s actions are rooted in their company’s culture. Corporate culture tends to provide a less expensive alternative to the old command-and-control system of direct supervision that is incompatible with today’s more independently minded workforce. Corporate culture therefore tends to enhance management in coordinating and integrating people with diverse personal and cultural value systems in the workplace.

Employees are motivated to internalize the organization’s dominant culture because it fulfils their need for social identity. It tends to enable organizations to attract new staff and retain top performers. Corporate culture tends to help employees understand organizational events. It makes them get on with their tasks rather than spend time trying to figure out what is expected of
them. It enables employees communicate freely and efficiently and reach higher level of cooperation with one another because they share common mental models of reality (Mcshane and Von Glinow, 2006). The stable nature of culture makes it possible for one to distinguish one culture from the other. Culture tends to carry with it a momentum, which guides and patterns change.

SOURCES OF CORPORATE CULTURE

An organization’s current customs, traditions and general way of doing things are largely due to what has been done before and the degree of success it has had (Robins, 2003). The ideas that become part of culture may come from anywhere within the organization (Daft, 2003). This includes a combination of founders, past leadership, current leadership, crisis, events, history and size. There may also be an extant internal culture within the workforce. Task culture may also be imported. For example computer technicians may have an expertise language and behaviors gained independently of the organization, but their presence can influence the culture of the organization as a whole. The ideas and values that lead to success tend to be institutionalized leading to the emergence of organizational culture that reflects the vision and strategy of the founder or leader. Examples includes, Herb Kelleher at Southwest Airlines, Chungtu Yung at Hyundai, Bill Gates at Microsoft, Ingvar Kamprad at IKEA, Fred Smith at Federal Express, and Mary Kay at Mary Kay Cosmetics. Founders tend to develop the systems and structures that support their personal values. They are the visionaries whose energetic style provides a powerful role model for others to follow (McShane and vonGlinow, 2006).

CULTURE’S FUNCTIONS OF ORGANIZATIONS

Culture performs a number of functions within an organization. First, it has a boundary-defining role; that is, it differentiates one organization from the other (McShane and Von Glinow, 2006). It creates distinction between one organization and others. Second, it conveys a sense of identity for organization members (Timmerman, 1996). Individuals have a sense of belonging to the organization. Third, culture facilitates the generation of commitment to something larger than one’s individual self-interest (Weiner, 1988). Culture generates agreement among individuals about the organization’s core values. Fourth, it enhances the stability of the social system (Robbins, 2003). It defines the rules of the game (Deal and Kennedy, 2000).

The role of culture influencing employees behaviour seem to be increasingly important in the work-place today as pointed out by Case (1996). The shared meaning provided by a strong corporate culture tend to ensure that employees are pointed in the right direction in organizations which have wide span of control, flattened structures, introduced teams, reduced formalization, and empowered employees. Organizations use strong culture, supported by formal rules and regulations to ensure that employees act in a relatively uniform and predictable way (Robbins, 2003). Culture enhances organizational commitment and increases the consistency of employee’s behaviour. It reduces ambiguity for employees. It tells employees how things are done and what’s important. Corporate culture is expressed in behaviours, for example, cleanliness, helpfulness and friendliness at Disneyland; quality, service, cleanliness and value at McDonalds.
(Nickels et al., 2011). These behaviours lead to successful operations. The very best organizations have cultures that emphasize service to others, especially customers (Bateman and Snell, 1999). Such companies stress high moral and ethical values such as honesty, reliability, fairness, environmental protection and social involvement (Nickels et al., 2011). The atmosphere is one of friendly, concerned, caring people who enjoy working together to provide a good product at a reasonable price. Organizations that have such cultures have less need for close supervision of employees, not to mention policy manuals, organization charts, and formal rules, procedures and controls. (Nickels et al., 2011). This implies that good organizational leaders create a culture that emphasizes cooperation and joy in serving customers, and that culture results in self-motivated employees who need minimal supervision. Nickels et al. (2011) argue that with in such atmosphere self-managed teams can develop and flourish.

CORPORATE CULTURE AND PERFORMANCE

In the early 1980s, a number of authors suggested extensive and causal relationships between corporate culture and performance (Ouchi, 1981; Peters and Waterman, 1982). However, the studies that gave rise to what Denison (1984) characterize as the ‘strong culture hypothesis’ have come under criticism for their measurement, sample inadequacies and/or lack of comparison with less successful companies (Siehl and Martin, 1990). Subsequent studies have attempted to overcome one or more of these shortcomings by including a wider variance in performance, testing the same characteristic across all companies, and/or increasing sample size (Reynolds, 1986). Others have related specific cultural practices to corporate performances. For example, Denison (1984) drawing on survey and performance data for 34 companies, showed that organizations that have participative corporate cultures and well organized work places have better performance records than those that do not. The results, presented in terms of return on investment and other financial indicators, indicated that companies with a participative culture reap a return on investment (ROI) that averages nearly twice as high as those in firms with less efficient cultures. The data presented provided hard evidence that the cultural and behavioural aspects of organizations are intimately linked to both short-term performance and long-term survival.

Denison (1990) drawing on data from the survey of organizations (Taylor and Bowers, 1972) found significant performance correlations with both consistency and performance for the organization of work, Emphasis on Human Resources and Decision making practices dimensions. Using the same instrument Hansen and Wernerfelt (1989) found similar relationships for Emphasis on Human Resources and Emphasis on Goal Attainment. In a separate study, Denison and Mishra (1995) reported significant correlations of Adaptability, involvement, consistency, and Mission with sales growth and return on assets. Based on surveys of management practices, Gordon (1985) reported that higher performing utilities scored higher than their less successful counterparts on Top Management Involvement, conflict resolution and Human Resource Development, while higher performing financial institution scored higher on Action Orientation, Venturesome, and Encouragement of initiative. Gordon and DiTomaso (1992) found that among a sample of life insurance companies, Adaptability both as value and culture strength (i.e. the extent of agreement concerning practices), were related to subsequent
growth in premiums and assets. Kotter and Heskett (2011) also reported that when compared to lesser performing firms, higher performing firms were characterized as plac
Being part of an organization entails being part of its culture. Stoner et al (2001) stated that “how we do things around here” has a profound impact on the performance of an organization. They argue that today’s organizations face the challenge of adopting an organizational culture that is not only flexible, but also sensitive to the many cultural differences that organization members face both within and between societies. Culture is linked to performance through the adoption of specific and consistent modes of behaviour throughout an organization. Organizational effectiveness can be defined as the ability of an organization to fulfill its mission by achieving its objectives through a combination of sound management, strong governance and a continuous rededication to assessing and achieving results. Kotter and Heskett (2011) reported that culture has a strong – and increasing – impact on the performance of organizations. Their study has four main conclusions; first, that corporate culture can have a significant impact on a firm’s long-term economic performance. Second, corporate culture will probably be an even more important factor in determining the success or failure of firms in the next decade. Third, those corporate cultures that inhibit strong long-term financial performance are not rare; they develop easily, even in firms that are full of reasonable and intelligent people. Fourth, that although tough to change corporate cultures can be made more performance enhancing. From their findings, it is obvious that corporate culture has strong influence on organizational effectiveness. The influence could be positive or negative. The study also shows that corporate culture can also be used to enhance performance.

Kotter and Heskett (2011) also discovered that some corporate cultures are adaptive while others are not. They argue that firm’s culture must be adaptive to prevent the inhibition of long-term financial performance, which may occur even in the presence of reasonable and intellectual people. Johnson (1993) reported how a customer – oriented, personable culture at Family Dollar contributed to the company’s $1.2 billion in sales for 1992. He argued that strong culture could help build the financial success of a firm. In the same way, the financial success at the Limited Incorporated is attributed to its culture that emphasizes relationship – between the company, employees, and customers (Wexner, 1992). Kotter and Heskett (2011) reported several cases where cultural changes have led to periods of renewed financial performance. They pointed out that many of the companies involved were in the middle of cultural changes. They claimed that a critical element in successful culture change is leadership from the top. The founders / leaders tend to take charge of the culture.

A culture that encourages the training of employees together yearly at Family Dollar is attributed with the keeping of employees connected to one another and increased productivity (Stoner et al, 2001). Culture is reinforced constantly through the creation of stories, heroes, rites, slogans and ceremonies (Robbins, 2003; Daft, 2003; Stoner et al, 2001). The founder of Body shop Anita Roddick is reported to have used a strong corporate culture built on social activism to establish a successful organization (Stoner et al, 2001). Although some large organizations embrace some of the new rules, in general it is easier for small, new businesses to develop this type of culture from the start than for large, established organizations to change an existing culture (Stoner et al,
CULTURE AS A LIABILITY

In as much as culture is beneficial to organizations, if not properly managed it could be a liability to change, diversity, mergers and acquisitions. It is now widely acknowledged that one of the major obstacles to managing change is corporate culture (Stephen and George, 2005). De Silva (2005) also argued that there could be tension between strong organizational culture and the need to adapt to changed circumstances and to be flexible, particularly in highly competitive and rapidly changing environment in which employers have to operate. Culture is a liability when the shared values are not in agreement with those that will further the organization’s effectiveness. This occurs most likely when an organization’s environment is dynamic. When an environment is undergoing rapid change, an organization’s entrenched culture may no longer be appropriate (Robbins, 2003).

Cultural compatibility has recently become the primary concern in making acquisition or merger decisions, whereas before, the key factors that managers consider were related to financial advantages or product synergy (Veiga et al, 2000; Krell, 2001). A favourable financial statement or product line may be the initial attraction for the acquisition or merger, but how well the two organizations’ cultures match may eventually determine if the merger or acquisition will work. One survey, recently reported that over half of executives in major U.S companies identified integrating organizational cultures as the top challenge in a merger (Marron, 2001). For mergers and acquisitions to be successful the people and culture must be involved. Stewart (2001) identified corporate culture as part of the cause of the failure of 3-Com and U.S Robotics merger. The two firms seem to have significantly different cultures. A number of acquisitions consummated in the 1990s have already failed and the primary cause is conflicting organizational culture (Arndt, 2000). Examples include AT & T’s 1991 acquisition of NCR, Daimler-Benz and Chrysler Corp merger in 1998. Human organizations are influenced by human behaviour and therefore cannot be simply added together. A bicultural audit diagnosing cultural relations between two merging companies is necessary to minimize the cultural collisions that occur in mergers.

While corporate culture can be a strong force for financial performance, the strength of the concept of culture is also its potential weakness. Culture is difficult to change, especially at the level of underlying assumptions and values (Stoner et al, 2001). In today’s world many of the assumptions and values that operate tend to be different from those of a generation ago. Outmoded beliefs, assumptions, practices, policies, systems and strategies inhibit change. Outmoded corporate culture stifled innovation and change (Daft, 2003). Organizations are not static, they continuously adapt to shifts in the external environment. Employees must learn how
A recent study by Amah (2012) also showed that corporate culture positively influences performance in the Nigerian banking industry. Nonetheless, research does propose that if an organization’s culture is to improve its overall performance and effectiveness, its culture must be strong and provide a strategic competitive advantage and its beliefs and values must be widely shared and firmly upheld (SHRM, 2011). Many studies have shown a correlation between particular cultural characteristics and economic measures of success such as growth, profitability and stock value. This relationship is also moderated by a host of other non-cultural factors making causality a challenge. While strong cultures are often associated with high performance, the wrong type of strong culture can lead to the opposite effect.

CONCLUSION, IMPLICATION AND RECOMMENDATIONS

From the foregoing, the importance of a healthy culture that drives organizational members towards the achievement of organizational goals cannot be overemphasized. Such culture will increase the productivity of employees and also serve as a means of control thereby reducing the work of the chief executive. Corporate culture enhances cooperation and team spirit which are needed for organizations to succeed.

The implication is that managers can create a culture that will help them with control and also motivate employees towards achieving organizational goals. The paper also implies that one of the most important contributions a manager or executive can make is the culture they create. People act because of internalized values, not because of external control. This frees the managers from some of the demands of constant oversight and administrative control of their organizations. This freedom enables the manager to concentrate on the most important leadership task of all: “planning what happens next”. Managing culture requires a significant portfolio of skills in the four concepts of the model – adaptability, mission, involvement and consistency. Organizations with strong adaptive cultures where employees share a larger vision for their company are more likely to have united, cooperative workforce which promote profitability, productivity and increased market share. Organizations with “intelligence” system that is not only open to new ideas but also actively seeks out sources of competitive advantage and quickly and successfully incorporates them into their own repertoire maintain competitive advantage than others. Success is more likely when individuals and organizations are goal directed. Having strong mission changes behaviour by forcing people to monitor their current
behaviour against a preferred future state. Shared mission increases employees’ commitment towards the achievement of organization’s goals. Employee involvement creates a sense of ownership and responsibility towards the organization. Employees are more committed to a decision or course when they are involved in the decision-making process. Involved and committed employees work hard to ensure the achievement of organizational goals (i.e. increased profitability, productivity and market share). Shared values (consistency) provide the central source of integration, coordination and control. Consistent organizations have highly committed employees and are more profitable, productive and have large share of the market.

It is therefore recommended that management of organizations establish corporate cultures that are adaptive. The mission, vision and values of the organizations should be shared to enhance maximum cooperation amongst employees. Employees should be involved in decision-making that affect them as this will make them ensure the implementation of such decisions. The training and retraining of employees should be encouraged as it enhances their ability to adapt to changes in the environment in favour of the achievement of the organizational goals. Management should have a good means of gathering and using information to achieve the goals of the organization. Management should make employees know the importance and relevance of their jobs to the goals of the organization.

REFERENCES
Chatman, J. A (1998) Being different yet feeling similar: the influence of Demographic Composition and organizational culture on work processes and outcomes Administrative Science Quarterly (Dec.).
Siehl, C and Martin, J (1990) “Organizational Culture: A Key to Financial Performance”inB.Schneider, Ed; Organizational Climate and Culture (SanFrancisco; Jossey-Bass)
Society of Human Resource Management (2011) Does a company’s culture affect organizational performance and effectiveness?
Dr Mrs Edwinah Amah is a member of the Faculty of Management Sciences in The University of Port Harcourt, Rivers State, Nigeria
Mrs Mildred Daminabo –Weje is a member of the School of Management Sciences in The Rivers State College of Arts and Science, Port Harcourt, Rivers State, Nigeria
Dr Mrs Roberta Dosunmu is the Deputy Rector of The Rivers State College of Arts and Science, Port Harcourt, Rivers State, Nigeria