

## CORPORATE CULTURE

Nowadays everybody seems to admit that a company's well founded culture can contribute to its economic success. Of course, it is not the only cause of its economic success. A good strategy must go along with a sound corporate culture. Companies in crisis ask themselves: how can we make sure that our corporate culture is actually promoting the efficiency of the company? If a change is needed, can corporate culture lead to a change in the company? or, should we impulse changes in structures so that we can change our corporate culture?

There have also been problems on how to measure empirically and effectively intangible aspects like customer and shareholder orientation, employees participation in decision making, employees satisfaction, leadership style ... and how to find out if investments in corporate culture are worth the effort. Research designs are mostly cross-sectional rather than longitudinal, so we miss the link between corporate culture and performance over time. Besides, sometimes research designs do not give insight into the kind of direction of the influence: what goes first, the success of the firm or the corporate culture of the firm? There are some models which have been successfully implemented in many companies. In fact, there are existing questionnaires with established dimensions that allow benchmark comparisons with other firms such as the OASIS questionnaire, the Denison Organization Culture Survey and the Organization Culture Inventory<sup>1</sup>. Other methods focus on the dimensions considered relevant by a specific firm such as the Repertory Grid and the Concept Mapping-Pattern Matching<sup>2</sup>.

OASIS (Organization and Strategy Information Service)<sup>3</sup> collects data on strategy, market environment and organization at the level of strategic business units, and analyses it according to its impact on performance parameters. For example, to analyze the impact of the organizational variables, it uses the deviation from the expected return on investment (ROI), defined as the difference between the ROI forecast by the model and the actual ROI. It is then possible to clear of the effects explained by the corporate strategy and the market environment. The organizational design, the human resources systems, the management characteristics, and the organizational culture (interpersonal relations,

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<sup>1</sup> "Assessment, Evaluation, Improvement. Success through Corporate Culture", *Bertelsmann Stiftung*, 2006.

<sup>2</sup> Kraft, A. 2006. "The Repertory Grid Technique. Assessing the Relevant Cultural Factors for Sustainable Corporate Development" in "Assessment, Evaluation, Improvement. Success through Corporate Culture", *Bertelsmann Stiftung*. Burchell, N. 2006. "Concept Mapping and Pattern Matching. A Technique for Assessing Corporate Culture and its Impact on Performance" in "Assessment, Evaluation, Improvement. Success through Corporate Culture", *Bertelsmann Stiftung*.

<sup>3</sup> Kraft, A. and Roth, S. 2006. "Corporate Culture for Economic Performance" in "Assessment, Evaluation, Improvement. Success through Corporate Culture", *Bertelsmann Stiftung*.

information and communication, performance and result orientation, etc) are all assessed with regard to their impact on profitability. Results show cultural factors have a clear impact on profitability. To implement the changes that seem to be necessary, however, is not so easy. Results have to be deeply interpreted against the background of the specific corporate situation and its strategy.

The Denison Organizational Culture Model<sup>4</sup> is based on four cultural traits the literature<sup>5</sup> in organizational theory and organizational behavior has shown as to have strong influence on organizational performance: involvement<sup>6</sup>, consistency<sup>7</sup>, adaptability<sup>8</sup> and mission<sup>9</sup>. Each of these traits is measured with three component indexes: involvement (empowerment, team orientation, and capability development), consistency (core values, agreement, and coordination and integration), adaptability (creating change, customer focus, and organizational learning) and mission (strategic direction and intent, goals and objectives, and vision). Each of the indexes is measured with five survey items. The model serves to develop a set of measures and apply them as a basis for a diagnostic process.

The Organizational Culture Inventory (OCI) defines corporate culture as "the sum of all moral concepts reflecting direct and indirect behavioral expectations. (...) The central question of the OCI is: How must an employee behave in order to match the company and meet the expectations?"<sup>10</sup> A circumplex divides behavioral expectations in twelve categories describing which are relatively typical for the company in comparison with other organizations: approval, conventional, dependent, avoidance (passive/defensive styles), oppositional, power, competitive, perfectionistic (aggressive/defensive styles), achievement, self-actualizing, humanistic-encouraging, affiliative (constructive styles). It can be used to measure the current culture and to define the desired culture. It can also be used, supported by other tools, to evaluate the management style.

#### 4.1. Cross-cultural perspective

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<sup>4</sup> Denison, D. 2006. "Linking Organizational Culture and Business Performance: A Brief Overview" in "Assessment, Evaluation, Improvement. Success through Corporate Culture", *Bertelsmann Stiftung*.

<sup>5</sup> Denison, D. and Mishra, A. 1995. "Toward a theory of organizational culture and effectiveness", *Organizational Science* 6 (2). 204-223. Denison, D. 2000. "Organizational Culture: Can it be a key lever for driving organizational change?" in Cartwright, S. and Cooper, C. (Eds.), *The Handbook of Organizational Culture*.

<sup>6</sup> Block, P. 1991. *The empowered manager: Positive political skills at work*. San Francisco, CA. Katzenbach, J. and Smith, D. 1993. *The wisdom of teams: Creating the high performance organization*. Boston, MA.

<sup>7</sup> Gordon, G & DiTomaso, N 1992. "Predicting corporate performance from organizational culture", *Journal of Management Studies* 29 (6), 783-798.

<sup>8</sup> Senge, P. 1990. *The fifth discipline: The art and practice of the learning organization*, New York. Kotter, J. 1996. *Leading Change*. Boston, MA.

<sup>9</sup> Hamel, G. and Prahalad, C. K. 1994. *Competing for the future*. Boston, MA.

<sup>10</sup> Shuster, C. 2006. "Organizational Culture Inventory. Taking Advantage of Culture as Driving Force behind Successful Change" in "Assessment, Evaluation, Improvement. Success through Corporate Culture", *Bertelsmann Stiftung*.

Summing up, corporate culture is today a priority in management research. We think a thorough cross-cultural research in corporate culture is needed. But it is not easy. Cross-cultural research requires knowledge of all the cultures being studied. It requires going out of the stereotypic knowledge of foreign cultures. There are things which are unique to one culture and there are things that are universal to all cultures. Cross-cultural comparisons are only meaningful when they are dealing with common or universal constructs. For example, typical concepts of corporate culture, like team orientation, empowerment, or organizational commitment, should perform equivalent functions in cultures we are comparing if we want to attain functional equivalence as a construct. Identifying functionally equivalent constructs across cultures is not an easy task. Simply translating and back-translating a questionnaire designed and pre-tested in a unique country, like the United States or Germany, and then administering it to other countries, is not enough. In fact, it could be judged as an act of ethnocentrism despite all good intentions<sup>11</sup>.

We are interested in all the data collected in different organizations, sectors, and countries by all the cultural models above mentioned. But we think each of the issues involved in the models should be thoroughly comprehended from the point of view of the different cultures we want to compare. How can we distinguish the unique from the common and establish a functional equivalence of the constructs? We think the best way to achieve this is to build cross-cultural research alliances. Researchers from the different cultures under study will together have a deep and comprehensive understanding of those cultures. Together they will identify meaningful research topics and create questionnaires and surveys especially designed for each culture. This is essential for a successful cross-cultural research in corporate culture issues.

In conclusion, we would like to contribute in further research from a cross-cultural perspective, so as to be able to answer this kind of questions: how can we define corporate culture issues and concepts valid in all the cultures under study? How can we effectively design and modify questionnaires and surveys to be administered in organizations of different cultures? What kind of combinations of the dimensions studied in corporate culture models do successful enterprises of different cultures have? To what extent is the cultural explanation the main factor for the success in using those dimensions?

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<sup>11</sup> Graen, G., Hui, C., Wakabayashi, M. and Wang, Z M. "Cross-Cultural Research Alliances in Organizational Research. Cross-Cultural Partnership-Making in Action", chapter 7, in Earley, P. C., and Erez, M. (Eds) 1997. *New Perspectives on International Industrial/Organizational Psychology*, The New Lexington Press.