A Conceptual Examination of Corporate Culture and Organizational Performance

Dada Augustina, R.E.K. Worlu, Ogunnaike Olaleke Oluseye and Ese-Urhie E. Harriet
Department Of Business Management, Covenant University, Ota, Nigeria

Abstract: The topic corporate culture and organization performance have been researched by several researchers for many years. However, a conceptual nexus between the two conceots have not been well articulated. This studyprovides a conceptual framework for understanding the relationship between corporate culture and organization performance using handy type of culture (power, role, task and person). Extant literatures were reviewed and propositions were developed based on previous studies and different lines of thoughts of various researchers. This study provides a new direction for prospective researcher and make some scholar conclusion and suggestions that may be valuable to managers.

Key words: Corporate culture, organizational performance, power, role, task, person

INTRODUCTION

The business environment is highly competitive in recent times and only organizations that are able to adopt their strategies to meet the business environment will have a competitive edge. The adaptation of the micro environment to meet the macro environment is very important and corporate culture is one of such. Employees from different background, culture, perception and attitude come together to work within an organization and that is why corporate culture has been of interest in the last decade (Denison, 1990). Another reason why much emphasis has been laid on corporate culture is that it makes organizations to have a competitive advantage over their competitors, help organizations carryout their work more effectively and efficiently and at the same time increase financial performance (Alvesson, 2002).

A company culture is a reflection of the company's core values and an effective company's culture will carry the company through peaks and valleys of the economy and its particular industry. Corporate culture can also be viewed as language, mission, vision, behaviour and beliefs that that governs an organization operating environment. Corporate culture help to motivate employees to be satisfied with their jobs, solve various problems within the organization and at the same time, improves organizational performance (Kotter, 2012). No doubt corporate culture has played a significant role on organization performance. However, are of the opinion that the impact of the organizational performance using corporate culture practices is still limited because it creates a profitable foundation for more refined corporate culture and organizational performance research. The purpose of this study is to investigate the relationship between corporate culture and organizational performance.

Literature review: In recent times, many researchers have written a lot on corporate culture and organizational performance (Hoftede *et al.*, 1990; Denison, 1990; Schein, 1992; Kotter and Heskett, 1992; Cameron and Quinn, 1999). Although, there is no specific definition of culture, it is better to understand what culture is before moving on to what corporate culture is.

What is Culture? Hofstede (1980), "culture is the collective thinking of minds which create a difference betweenthe members of one group from another". While Kotter and Heskett (1992) define culture as the values, norms, beliefs and behavior that is establish and exist within a society. From the above definition culture can be viewed as values, norms, beliefs and behaviour that distinguish a group from one another. Now bringing culture to an organization will help to understand what corporate culture is all about.

What is corporate culture? Schein (2011) defined corporate culture as the beliefs, ideologies, philosophies, feelings, assumptions, attitude, expectations, norms and values. Corporate culture is important for organizational success. Executive and employees do not just behave the way they like within an organization; they are controlled, directed and governed by the organization's culture (Brown and Dodd, 1998). This action involves workers loyalty to their organizations. According to Deal and Kennedy (1982) an organization culture can also be called "corporate culture" because it symbolizes a "commercialized" denotation of organizational culture; they also viewed corporate culture as the way things are carried out within an organization by distinctive quality of people and their approach to the organization.

Knowing full well that culture and human behaviour is important to an organization, it is necessary to study

---

Corresponding Author: Dada Augustina, Department of Business management, Covenant University, Ota, Nigeria

how employees would commit themselves to their corporate culture in other for organization objectives to be achieved and increase productivity. Is of the opinion that the main reason while organizations exist is to make profit. The best way to enhance organizational performance is to assess the company's corporate culture because the attitude and beliefs of the employees is the strongest element of work culture.

Culture is a phrase that is usually used frequently in an office environment. Most times, we are not always conscious of it but we all work within a corporate culture that characterizes how we relate to our colleagues, how our work is carried out and how customer needs are met (Schein, 2011). What is Organizational performance? Organizational performance is the degree of an achievement to which an employee's fulfill the organizational mission at workplace (Cascio, 2005). Performance has been interpreted in a different ways by various researchers but most of the scholars relate performance with measurement of transactional efficiency and effectiveness to wards organizational goals (Stannack, 1996; Barney, 1991). The job of an employee is build up by degree of achievement of a particular target or mission that defines boundaries of performance (Cascio, 2005). Organizational performance tends to decrease if the corporate culture is not compatible with what the stakeholders expect (Ernst, 2001). The role of corporate culture is essential to understand organizational performance.

Increasing evidence over the years shows the relationship between corporate culture and organizational performance. Kotter and Heskett (1992) states that the failure and success of a business depends on it corporate culture and that the long term performance of an organization shows the positive impact of it corporate culture. They also believed that organization with corporate culture do well than those without cultural trait by a huge margin. According to Kandula (2006) strong culture enhances good organizational performance.

MATERIALS AND METHODS

Conceptualization of the relationships and propositions: The model in Fig. 1 conceptualizes the relationship between corporate culture and organizational performance. Handy (1993) structural approach to culture (Power culture, Role culture, Task culture and Persons culture) will be used as our independent variables while organizational performance as our dependent variables.
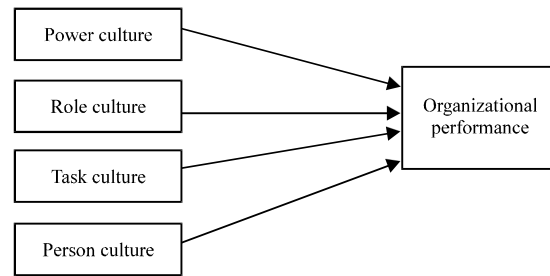

Fig. 1: The conceptual model;Corporate culture

Power culture and organizational performance: Handy (1993) view on culture is that power culture symbolizes a "web" he believes that control at the center of an organization is spread like a web to all other functional aspect of the organization. Harrison and Stokes describe power culture as "organizational culture that is based on inequality of access to resources" while Brown and Dodd (1998) states that "a power culture has a single source of power from which rays of influence spread throughout the organization". In an organization where power culture exist formalization is low and centralization is high (Harrison, 1993). Power is use in a power culture organization to influence behavior and control employees (Handy, 1993). The subordinate of such organization have to follow few rules, use division of labour and respect higher authority (Hamp, 1990).

In power culture organization, the proprietor, founder or executive director is seen as the head and he is surrounded by subordinate who totally depend on him for direction (Harrison, 1993) and since the organization is in form of a web, control is at the center while other departments draws and receive instructions from the center which makes it hierarchical in nature (Brown and Dodd, 1998). Small, medium and large Scale organizations most times make use of the power culture. Power resides in the hands of few leaders who influences and control the subordinate (Brown and Dodd, 1998). Most leaders in large organizations tends to abuse the power they have by using it for their own personal gain to favour their friends and colleagues. This leaders want to be feared by their subordinate who in return" worship" and respect them and those who will not will face their wrath. This implies that absolute power corrupt absolutely. Harrison (1993) also states that information flows from top to bottom in power culture organization. Most decisions taken by the executives are sometimes based on influence rather than normal organization procedures and changes in internal and external factors of the environment can threatens such organization (Hamp, 1990).

Linking power culture to organizational performance also has some benefit which cannot be over emphasize. Brown and Dodd (1998) mentions that organizations using power culture are quick in making decisions, they are able to face challenges depending on the person at the center. Demerits are: Employees do not correct the leader though he might be wrong. No initiatives in work done (Harrison, 1993). Merits are: Team works between the executive and subordinate which will yield good result. Quick decisions are made when face with challenges from internal and external environment. Wisdom, ability and talent of the leader is respected. Conflict and confusion is reduced since there is direction (Harrison, 1993). Based on the above the proposition. There is a significant relationship between power culture and organizational performance (proposition 1).

Role culture and organizational performance: Role culture refers to a very distinct controlled organization in which subordinates have specific authorities delegated to them and they are offered security. Handy (1993) describes the formation of this kind of organization as a 'Greektemple' because this culture is carried out by reason and sagacity. Organizations where role culture exists put all their strength on their functional department which is known as the pillar of the organization. This pillars comprises the human resource department, finance department, marketing and sales department and the production department, procedures and rules governs the communication between this department (Handy, 1993). Harrison and Stokes describe role culture as "substituting a system of structures and procedures for the naked power of the leader". The focus of this culture is on job specialization and description. There is high centralization and high formalization in their mode of operation (Harrison, 1993).

According to Handy (1993), these type of organizations form hierarchical bureaucracies and power is derived not according to one's capability and professionalism but from an individual's position. Also, organizations where a role culture existsare not quick to recognize change and if they do, they don't implement it on time. Linking role culture to organization performance, Brown and Dodd (1998) states that role culture offers employees the privilege to climb up their hierarchical pillars where they would have acquire new skills and talent without risk. Thus, organizational needs are met. Demerits are:

- Employees are treated as mobile machine rather than human beings
- Employees are not permitted to exceed stated authority

Merits are:

- An organization with a well designed system and structure give space for efficient operation and job learning time is reduced
- Disagreement, indecision and misunderstanding is reduced because the is delegation of authority and responsibility
- Employees in an organization know and understand the rules and guidelines so abuse of power and exploitation is reduced
- No "reinventing the wheel" where good system and procedures exist
- There is job security which will in turn increase productivity (Harrison, 1993)

From the above the second proposition is given as. There is a significant relationship between role culture and organizational performance (proposition 2).

Task culture and organizational performance: Handy (1993) refers task culture to job oriented culture where members of an organization work as a team. Organization is seen as "net" while influence and power lies at the 'interstices' of the net. The main emphasis of the task culture is to get the job done, hence resources are correctly assembled and the most suitable employee for the job gets it done (Handy 1993). Brown and Dodd (1998) states that "a task culture is one in which power is somewhat diffuse, being based on expertise rather that position or charisma". Task culture is also known as achievement culture. Harrison and Stokes describe achievement culture as "the aligned culture which lines people up behind a common vision or purpose". There is high formalization and low concentration in the mode of operation of task culture organization. Describe task culture as "the degree to which work activities are organized around teams rather than the individuals". Team work is the major aim of the task culture, member work together to achieve set goals and objectives of the organization (Brown and Dodd, 1998). The major weakness of task culture is that it does not recognize individual effort (Harrison, 1993). Demerits are:

- The members of the group become isolated from reality and other group since they only talk to themselves
- The group only cooperates internally which others see as arrogant and competitive

Merits of task culture include:

- Talent of individuals are well utilized as a team
- Individuals opinion are appreciated and members are motivated to do more
- Unity of purpose
- Members easily adapt to changes
- High respect for organizational members (Harrison, 1993)

Based on information above the third proposition is given there is a significant relationship between task culture and organizational performance (proposition 3).

Person culture and organizational performance: Handy (1993) refers to this type of culture as rare because individuals come together to determine the objectives and goals of the organization. Harrison and Stokes describe person culture as an "organizational climate that is based on mutual trust between the individual and the organization". Organization that depicts this culture exist only to have the needs of their members met hence they reject formal hierarchy (Handy, 1993). Brown and Dodd (1998) states that person culture organization "exists solely for the individuals who compromise it and may be represented diagrammatically as a cluster in which no individual dominates". Describe person culture as "the degree which management decisions take into consideration the effect of outcomes on people". Person culture organization exists to support individuals specialist and allow them to practice their profession, found in this profession are doctors, dentists, solicitors and lawyers (Handy, 1993). The existence of this organization solely depend on meet the needs of individual. Demerits are:

- People neglect their work and focus on relationship
- Covert conflict exist

Merits:

- Effective communication among member
- Caring environment to work
- Need of members are met
- Individuals are committed to their decision

Based on the above the fourth proposition is given there is a significant relationship between person culture and organizational performance (proposition 4). Handy (1993) states that each culture discussed above is fine but organizations executive should take note that employees are rigid as regard to culture, they believes that

a culture that works well one organization can also succeed in another which is not always the case. So, it important for the executive of an organization to handle all four cultures and choose the one that is most appropriate for them and their organizational goals and objectives will be met.

RESULTS AND DISCUSSION

Theoretical framework: Pettigrew (1979) first use organization culture in the "Administrative Science Quarterly" journal as a term and since them culture has been consistently used. Wilkins and Ouchi (1983) states that the challenges currently facing culture is to narrow it to a theoretical powerful concept. Peters and Waterman (1982) believes that corporate cultural variables help to increase an organization financial performance and every organization must have a certain cultural trait of excellence for it to be successful as this as a result of their land mark study of organizational excellence. Denison (1990) also mentions four type of culture traits whish are adaptability, consistency, mission and Involvement. Hofstede (1980, 2001) describes the four dimensions of cultural values which he highlighted as power distance, individualism versuscollectivism, uncertainty versus avoidance and masculinity versusfeminity. While in 1990 the added the fifth one long term versus short term orientation.

Powerdistance: This refers to the inequality distribution of power within a society. It shows the unbalanced distribution of power between the rich and the poor. If the result is high then there is a large amount of power difference if otherwise power should be distributed equally among it citizens.

Individualism versus collectivism: This national framework stress on the need for people to accept responsibility or they may decide to depend on the member of a group to care for them. Uncertainty versus avoidance: this shows how far a society accepts risk and uncertainty. There is this threat of the unknown and people try to avoid them.

Masculinity versus feminity: This national culture talks about the male and female values. It is the extent to which a culture values such manners as achievement, assertiveness, caring for others and acquisition of wealth, quality of life and social support.

Long term versus short term orientation: This national culture describes the importance a society attached to the future versus the past and present. The society that is

future oriented values thrift and perseverance the more while past and present society, respect tradition and values favour and reciprocation of gifts more.

Ouchi (1993, 1982) came up with the Theory Z after examining high performance companies to see if there are things they have in common. McGregor (1960)'s came up with the Theory x and y concepts and Theory Z is the extension of the theory. Theory x and y tends to show the difference between individual supervisors leadership styles while Theory Z focuses on "culture of the organization". Theory Z is concerned with how an organization is being managed through it corporate culture it also involves the internal control system with an explicit measure of performance, long term employment, consensual decision making, individual responsibility, specialized career paths, extensive commitment to all aspect of employees life, slow evaluation and promotion.

Develop a corporate culture structure built on a theoretical representation Known as the "Competing Values Framework". This framework refers to whether an organization strives for stability and control, individuality and flexibility or it is dominated by internal and external factor. They mentioned four type of culture which is adhocracy, market, clan and hierarchy).

CONCLUSION

This study presents a model that shows the relationship between corporate culture and organizational performance using (Handy, 1993) type of culture. The model provides conceptual arguments that corporate culture plays a significant role on organizational performance. Executives of an organization must choose the type of culture that best fit their organization a culture that will make their main goal and objectives to be achieved effectively and efficiently within a short period of time. Executives or leader must communicate the corporate culture of the organization to their subordinate. When the subordinate understands the culture and organizational history, they tend to walk in line with the mode of operation. Commitment to organization philosophy and values are foster by corporate culture. hence, performance is enhanced when employees shared values (task culture). And in conclusion, corporate culture helps to separate desired attitude from undesired attitude within an organization.

REFERENCES

Alvesson, M., 2002. Understanding Organizational Culture. SAGE Publications Ltd., London, ISBN: 9780761970057, Pages: 214.

Barney, J.B., 1991. Firm resources and sustained competitive advantage. J. Manage., 17: 99-120.

Brown, F.W. and N.G. Dodd, 1998. Utilizing organizational culture gap analysis to determine human resource development needs. Leadersh. Organ. Dev. J., 19: 374-385.

Cameron, K.S. and R.E. Quinn, 1999. Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework. John Wesley and Sons, San Francisco, CA., ISBN-10: 0201338718, Pages: 256.

Cascio, W.F., 2005. Managing Human Resources: Productivity Quality of Work Life Profits. 7th Edn., McGraw Hill Inc., New York, ISBN-13: 978-0072987324, pp: 736.

Deal, T.E. and A.A. Kennedy, 1982. Corporate Cultures: The Rites and Rituals of Corporate Life. Addison-Wesley, Reading, Massachusetts, ISBN-13: 9780201102871, pp: 232.

Denison, D.R., 1990. Corporate Culture and Organizational Effectiveness. 1st Edn., John Wiley and Sons, New York, USA.

Ernst, H., 2001. Corporate culture and innovative performance of the firm. Proceeding of the International Conference on Management of Engineering and Technology, 2001 PICMET'01 Portland, July 29-August 2, 2001, IEEE, Vallendar, Germany, ISBN:1-890843-06-7, pp: 532-535.

Hamp, D.T.C., 1990. Creating Corporate Culture: From Discord to Harmony. Addison-Wesley Publishing Company, Massachusetts, USA.,.

Handy, C., 1993. Understanding Organizations. 4th Edn., Penguin Books Ltd, London, England, Pages: 184.

Harrison, R., 1993. Diagnosing Organisational Culture: Trainer's Manual. Pfeiffer and Company, New York, USA.,.

Hofstede, G., 1980. Cultures Consequencess: International Differences in Work-Related Values. Sage Publication, USA.

Hofstede, G., B. Neuijen, D.D. Ohayv and G. Sanders, 1990. Measuring organizational cultures: A qualitative and quantitative study across twenty cases. Administrative Sci. Q., 35: 286-316.

Hofstede, G.H., 2001. Cultures Consequences. 2nd Edn., Sage Publications, Thousand Oaks: CA, ISBN 0803973233, pages: 596.

Kandula, S.R., 2006. Performance Management. Prentice Hall, New Delhi, India,.

Kotter, J., 2012. Corporate Culture and Performance. Free Press, New York.

Kotter, J.P. and J.L. Heskett, 1992. Corporate Culture and Performance. 1st Edn., The Free Press, New York.

McGregor, D., 1960. The Human Side of Enterprise. 1st Edn., McGraw-Hill, New York.

Ouchi, W., 1982. Theory Z and the schools. Sch. Administrator, 39: 12-19.

Ouchi, W., 1993. Theory Z Reading. Addison-Wesley, Boston, Massachusetts,.

Peters, T.J. and R.H. Waterman, 1982. In Search of Excellence: Lessons from America's Best-Run Companies. Harper Collins Publishers, London, UK.

Pettigrew, A., 1979. On Studying Organizational Cultures. In: Qualitative Methodology, Maanen, J.B. (Ed.). Sage Publications, Beverly Hills, California, pp: 570-581.

Schein, E.H., 1992. Organizational Culture and Leadership. 2nd Edn., John Wiley and Sons, New York, USA., ISBN-13: 978-1555424879, Pages: 418.

Schein, E.H., 2011. Leadership and Organizational Culture. Wiley, New York.

Stannack, P., 1996. Perspectives on employee performance. Manage. Res. News, 19: 38-40.

Wilkins, A.L. and W.G. Ouchi, 1983. Efficient cultures: Exploring the relationship between culture and organizational performance. Admin. Sci., Q., 28: 468-481.