Organisational Culture can be a Double-edged Sword for Firm Performance

Hee Song Ng and Daisy Mui Hung Kee
School of Management, Universiti Sains Malaysia, 11800 USM, Pulau Pinang, Malaysia

Corresponding Author: Hee Song Ng, School of Management, Universiti Sains Malaysia, 11800 USM, Pulau Pinang, Malaysia Tel:+604-653 3888 Fax:+604-658 9666

ABSTRACT
Researchers are split on the real functions of organisational culture. There are mainstream and critical perspectives on the concept of organisational culture. The mainstream perspective advocates that organisational culture plays a pivotal role in influencing members for achieving higher firm performance. In fact, evidence is growing that leading organisations whether from Large Scale Enterprises (LSEs) or Small and Medium Sized Enterprises (SMEs) have simultaneously emphasised customers, employees, organisational development and firm performance to sustain continued growth. On other hand, the critical perspective views organisational culture as an impediment to progress or even source of failure for organisation. Indeed organisational culture complicates change management in highly competitive business environment. As such, both established and entrepreneurial organisations need to adopt a suitable organisational culture to move forward while being mindful of the potential pitfalls of organisational culture. Taken together, organisational culture is helpful to firm performance as it can serve as a significant driver for change and high performance in the long run.

Key words: Intangible factors, organisational culture, firm performance, entrepreneurship SMEs

INTRODUCTION
The purpose of this study is to examine the literature on contradictory perspectives of organisational culture and offers a new fresh perspective for managing organisational culture that will shape the future and survival of organisations. It is intriguing to understand the multifaceted concept of organisational culture. It can become a driver that contributes to the success for organisations or it can become a barrier that impedes the dynamic progress of the organisation (Mullins, 2010). However, recent studies reveal that organisational culture is still relevant. Therefore, it is worthwhile for organisations to continue focusing on how organisational culture should be built, enforced and changed overtime to response to a changing complex set of environment factors like globalisation and deregulation, rapid technological changes and intense competition (Luthans and Doh, 2011; Ndubisi and Saleh, 2006). Indeed, organisational culture is an intangible factor which can be harnessed and turned into a core competence for competitive advantage (Barney, 1986; Prahalad and Hamel, 1990; Weick, 1987).

BACKGROUND
Every organisation-big or small, more successful or less successful-has a unique identity, personality called organisation culture. Culture is an intriguing concept with many different
meanings. And a more detailed definition is organisational values, assumptions, collection of traditions, beliefs and attitudes that characterise an organisation in a pervasive manner (Buchanan and Huczynski, 2004). However, the widely accepted definition espoused by Schein (1997) was that organisational culture is the artefacts which the visible organisational structure and processes; the espoused values which are strategies, goals, philosophies and the basic underlying assumptions which unconscious, taken-for-granted beliefs, perceptions, thoughts and feelings.

Parker (2000) and Daft (2009) asserted organisational culture is the final implementation tool available to management, who can directly influence culture through its activities and symbols. Employees whose attitudes and behaviour are fit and compatible with the culture can expect a favourable performance review and a promotion in the organisation.

Organisational culture is increasingly popular with both management academics and practitioners. In fact the concept of cultures in organisations was alluded to as early as the Hawthorne studies in 1920s which described work group culture.

However, organisational culture gained its relevance and momentum in the early 1970s when managers and researchers alike began to search for key to survival and thriving in turbulent competitive times. In the early 1980s, the publications of Deal and Kenny’s corporate culture, Ouchi’s Theory Z and Peters and Waterman’s In Search for Excellence have enriched literature to this field of research on culture (Nelson and Quick, 2007). Peters and Waterman (1982) argued that there are number of common characteristics which are not policies or work practices but rather aspects of the culture. These characteristics are bias for action, stay close to the customer autonomy and entrepreneurship, productivity through people, hands-on management, stick to the knitting, small form, lean staff and simultaneously loosely and tightly organised.

This emergence of revived interest can be attributed the challenges of (1) General decline in religious belief, (2) Expansion of highly technical work and the growth of service industries, (3) Limitations of a mechanical, ‘Theory X’ approach to managing people, (4) Innovative production methods and (5) ‘Japanese miracle’ (Knights and Willmott, 2006).

Waterman Jr. (1982) stressed the importance of Style/Culture and Shared values factors in the McKinsey 7-S Model for business success. The other five essential elements of a business strategic fit are structure, systems, strategy, skills and staff. Kaplan (2005) suggested the 7-S model can be fitted into a Balanced Score Card (BSC) for effective performance management and control.

Although, there is a debate at a conference that organisational culture is already overworked and thus ought to be set aside for the time being, many scholars still have asserted that there ought to be a future for organisational culture as it has plenty of impetus to the various facets of organisational development and performance (Frost, 1985; Weick, 1985). Other scholar such as Ashkanasy et al. (2000) called for further research in the multidimensional measure of organisational culture to overcome the challenges of validations in conjunction with the qualitative methods to advance the knowledge and understanding of organisations.

LITERATURE REVIEW

Schein (1997) stressed that organisational culture is the key to organisational excellence and therefore, top management play a crucial role in applying organisational culture under the dynamics of organisations and change in today’s business realities. His analysis on corporate cultural organisation and leadership is influenced by cultural anthropology especially espoused by Clifford Geertz. One of his key finding is that leaders are the main architects of culture formation and organisational culture will influence leadership styles.
Hofstede (2003) used a 'onion diagram' to depict culture in four key concepts of culture i.e., symbols, heroes, rituals (these three concepts are 'practices') and values. This is a manifestation of culture at different level of depth. Organisational culture is defined as the collective programming the mind which distinguishes the members of one organisation from another. It is holistic, historically determined, related to things anthropologists study, socially constructed, soft and difficult to changes. Hofstede's work on IBM through quantitative approach using the four specific dimensions of culture i.e., power distance, individualism, uncertainty avoidance and masculinity reinforce the significance and relevance of organisational culture in today's business practices. In his book "Cultures and Organisations: Software of the Mind", Hofstede believes national cultures reside mainly in deeply-rooted values, while organisational cultures are a more superficial phenomenon.

Javidan et al. (2006) explained the reason GLOBE used a different set of cultural values and practices to measure national cultures. The GLOBE project extend and integrate culture attributes and variables of Hofstede and Trompenaars research as they relate to managerial leadership styles and practice. The culture dimensions are (1) Uncertainty avoidance, (2) Power distance, (3) In-group collectivism, (4) Individualism/ collectivism II, (5) Gender differentiation, (6) Assertiveness, (7) Future orientation, (8) Performance orientation and (9) Human orientation.

Kotter and Heskett (1992) pointed out the powerful influence of corporate culture on firm success or failure based on their research on more than 200 firms including Hewlett-Packard, Xerox, ICI, Nissan and First Chicago. There are three theories about the relationship between organisational culture and performance, namely, strong culture perspective, fit perspective and adaptive perspective.

O'Reilly (1989) shared that ideas that strong culture means an organisational culture with a consensus on the values that drive the company and with an intensity that is recognisable even to outsiders. In contrast, a weak culture means that there is little agreement among employees about their organisation's core values. Fit perspective argues that a culture is good only if it fits the industry's or the firm's strategy and is useful in explaining short-term performance and indicates its difficulties in managing culture changes. Finally, Adaptive perspective means an organisational culture that encourages confidence and risk taking among employees, has leadership that produces changes and focuses on the changing needs of customers. Given that high performing cultures are adaptive ones, it is important for managers to develop and change by concentrating actions, behaviour and effectiveness of members for organisational performance (Nelson and Quick, 2007).

Deal and Kennedy (1983) categorised corporate culture according to two determining factors in the marketplace i.e., (1) Degree of risk associated with the organisation's activities and (2) Speed at which organisations and their employees receive feedback on the success of decisions or strategies. And these factors give rise to four generic types of culture: tough-guy, macho culture; work-hard/ play-hard culture, the bet-your-company culture and the process culture. And the elements of strong corporate cultures consists of (1) A widely shared philosophy, (2) A concern for individuals; (3) A recognition of heroes, (4) A belief in ritual and ceremony, (5) A well-understood sense of the informal rules and expectations and (6) A belief what employees do is important to others.

Trompenaars (1996) believed culture is the way in which people resolve dilemmas emerging from universal problems. Indeed the cultural aspects of managing internationally are likely to gain in importance as the full force of globalisation affects industries and individuals. The 7 cultural dimensions are (1) Universalism vs. particularism, (2) Individualism vs. communitarianism, (3) Neural vs. emotional, (4) Specific vs. diffuse, (5) Achievement vs. ascription, (6) Attitude toward time and (7) Attitude toward the environment.
Ashkanasy et al. (2000) and Taras (2008) provided extensive literatures on the quantitative measurement of organisational culture using questionnaire methods. One of the methods is the multidimensional profiling measures of culture called Organisational Culture Profile (OCP). Migliore and Martin (1994) proposed the corporate culture index in their study on 24 organisations, which considered the 20 cultural factors.

Organisational culture can serve as an independent variable. Kyriakidou and Gore (2005) revealed that best-performing small and medium-sized Enterprises (SMEs) share certain elements of culture including: supporting values such as building reinforcing and changing culture in the future together, cooperative setting of missions and strategies, development of teamwork and organisational learning. Lee and Yu (2004) argued that there is a relationships between corporate culture and organisational performance. Corporate culture was also found to impact a variety of organisational processes and organisational performance (Abu-Jarad et al., 2010).

Rashid et al. (2003) stated that there is a significant correlation between corporate culture and organisational commitment which eventually affect financial performance. Lim (1995) examined the relationship between organisational culture and performance and stresses the most important contribution of organisational culture towards the understanding of organisations appears to be as a descriptive and explanatory tool, rather than a predictive one.

Organisational culture can also serve as a moderating variable. Chadwick (1998) assessed the relationship between Entrepreneurial Orientation (EO) and firm performance under the influence of Organisational Culture (OC). The results reveal that organisational culture types were found to significantly influence the degree of Entrepreneurial orientation but organisational culture types did not moderate the effects of EO on firm financial performance.

Chen (2004) reported three findings that (1) Leadership is positively related to organisational commitment in an innovative organisational culture, (2) Relationship between transformational leadership behaviours and job satisfaction is not influenced by the organisational culture and (3) Organisational commitment mediates the relationship between transformational leadership behaviours and job performance in supportive and bureaucratic culture.

Seong (2011) revealed that high performance work systems and entrepreneurship are significantly related to performance. Also an interaction effect of organisational culture and entrepreneurship on performance is found. For small and medium enterprises organisations, an entrepreneurial culture which promotes risk taking and tolerance of failure will play a crucial role in building teamwork and competitiveness (Karmel and Justin, 2002). Lee and Ahmad (2009) highlighted that organisational culture can moderate the relationships between leadership behaviour and organisational commitment and between organisational commitment and job satisfaction and performance.

Garnett et al. (2008) highlighted that organisational culture the relationship between direct and indirect communications and performance, thus adding a perspective on the culture-performance relationship. Wilderom et al. (2000) argued that based on large-scale empirical studies assessing organisational culture and organisational performance or effectiveness through operationalisations, research studies have not conclusively provided evidence that organisational culture predicts organisational performance.

MAINSTREAM PERSPECTIVES

Organisational culture has four major functions: (1) Giving members a sense of identity and increasing their commitment, (2) Serving as a sense-making device for members, (3) Reinforcing
organisational values and (4) Serving as a control mechanism for shaping behaviour (Nelson and Quick, 2007). Besides organisational culture can provide conflict resolution, coordination and control, reduction of uncertainty, motivation, performance, a competitive advantage and a source high reliability (Barney, 1986; DTI, 2001; Senior and Fleming, 2006; Weick, 1987). Nevertheless, organisations should strive to overcome four limitations of managing culture i.e., structure and technology, employee resistance, management resistance and social and sector context (Baker, 1988; Buchanan and Huczynski, 2004). Organisational culture provides a way for organisational members to meet and get along and newcomers are required to learn the accepted behaviours, socialise and integrate into organisations (Brown and Harvey, 2006; Denison, 1990). If financial success is the bottom lines, then all employees are required to work long hour with minimum tolerance for mistakes. On the other hand, if work-life balance is emphasised, then balancing work and non-work is encouraged.

Flamholtz and Kannan-Narasimhan (2005) proposed the pyramid of organisational development framework which calls for the development of the organisation culture together with other five critical success factors, namely (1) Markets, (2) Products and services, (3) Resource management, (4) Operations systems and (5) Management systems for long term success of organisations.

Collins and Porras (1995) argued that the key factor for sustained performance is a cult-like culture, citing 18 exceptional and long-lasting companies like General Electric, 3M, Merck, Wal-Mart, Hewlett-Packard, Walt Disney and Philip Morris which outperform their rivals in the general stock market by a factor of fifteen, besides factors like charismatic leaders, innovative concepts, products or market insights.

Cameron and Quinn (2006) pointed out the powerful effects of organisational culture on performance and long-term effectiveness of organisations. The cultural dimensions are (1) Adhocracy, (2) Hierarchy, (3) Clan and (4) Market. Indeed, the sustained success of highly successful firms like Southwest Airlines, Wal-Mart, Tyson Foods, Circuit City, Plenum Publishing, Coca-Cola, Disney, General Electric, Intel, McDonald’s, Microsoft, Rubbermaid, Sony and Toyota, has had less to do with market forces than with company values, less to do with competitive positioning than with personal belief and less to do with resources advantages than with vision.

Argyris (2010) argued that productive culture for effective performance are characterised by six features which (1) Seek and accept feedback that may not be favourable to ourselves, (2) Commit to continued culture change and learning, (3) Encourage flexibility in the development and implementation of policies, (4) Reward risk-taking, (5) Encourage taking chances on people assignment and (6) Focus on strengthening of trust and cooperation.

CRITICAL PERSPECTIVE

Organisational culture can be a liability, resulting in the erection of barriers to change, diversity and acquisitions and mergers (Amarchand and Jayaraj, 1992; Christensen and Shu, 2006). Nevertheless, organisations remain sceptical of its dysfunctional roles in handling change. For example, General Motor which has strong culture faces enormous difficulty in its attempts to change its ways in a dynamic and highly competitive environment (Schemerhorn et al., 1994). Robbins and Judge (2010) concurred that cultural change is inevitably and necessary under these conditions of a dramatic crisis, turnover in leadership, young and small organisations and weak culture. In fact, if element of culture becomes dysfunctional, it is the leader’s responsibility to do something to speed up culture change (Schein, 1997).
Smircich (1983) highlighted the concept of culture can be analysed from anthropology and organisation theory. The intersection of culture theory and organisation theory is evident in five current research themes: comparative management, corporate culture, organisational cognition, organisational symbolism and unconscious processes and organisation with different assumptions. From managerial perspective, every organisation has a culture and culture is an independent variable; integrating and stabilizing; managed from top and symbolic leadership. In critical perspective, every organisation is a culture; a metaphor; differentiation and fragmentation; tolerated and management control (Buchanan and Huczynski, 2010).

Argyris (2010) asserted that culture can be counterproductive for inhibiting change when (1) Organisations are rigid and bureaucratic, they contain organisational defensive routines that inhibit learning and change, (2) Fear of getting into trouble by taking initiatives that organisational norms define as unpopular, (3) Lack of appropriate organisational rewards, (4) Human beings to resist accepting their share of the responsibility for the problem by blaming others or the system, (5) People develop a victim mentality that is encouraged by the organisation defensive routines, (6) Lack of genuine and enthusiastic commitment by the top, (7) Most top executives do not have the time that is required to be persistent champions for persistent change and (8) Surprisingly many executives are concerned about harming their reputation if they take 'people' initiative that are too risky.

Sims and Brinkmann (2003) examined the Enron Corporation debacle, collapse and eventual bankruptcy through a systematic analysis of the organisational culture. Their findings demonstrate the company’s culture have profound effects on the ethics of its employees. This case confirms a critique on the mainstream view that there is no ‘one best way’ to manage culture and therefore, strong organisational culture may not be desirable.

CONTRADICTIONS AND AMBIGUITIES

It is true that the mainstream perspective supports that organisational culture bring benefits to organisation. On the other hand, the critical perspective sceptically questions the contradictory roles and contributions of organisational culture (Knights and Willmott, 2006; Smircich, 1983).

There are contradictory views on the level of importance of characteristics of organisational culture. While Robbins and Judge (2010) listed six characteristics namely (1) Innovation and risk taking (2) Attention to detail, (3) Outcome orientation, (4) People orientation, (5) Team orientation, (6) Aggressiveness and (7) Stability. On the other hand, Brown and Harvey (2003); listed down another six characteristics namely (1) Member identity, (2) Team emphasis, (3) People focus, (4) Autonomy, (5) Control and (6) Risk tolerance.

Parker (2000) argued that organisational culture should be seen as ‘fragmented unities’ in which members identify themselves as collective at some time and divided at others. Thinking about organisational culture therefore involves recognizing the inseparability of binaries-together and apart, general and unique, structure and agents, organisations and identities-in sum organisational culture both as a constraint and as an everyday accomplishment.

ENTREPRENEURSHIP

With strong entrepreneurial leadership, organisational culture can stimulate a good climate for entrepreneurship with an environment where organisation operates on frontiers of technology; new ideas are encouraged; trials and error is encouraged; failures are allowed; no opportunity parameters are imposed; resources are made available and accessible; multidiscipline teamwork
approach is deployed; long time horizon is emphasised; volunteer program is institutionalised; appropriate reward system is put in place; sponsors and champions are available and finally support of top management is strong (Hisrich et al., 2007).

In the same context of building internal environment, three factors are important for founding entrepreneur to build a positive culture within the organisation from the very start to create a better working environment for long term benefits (Aman Shah and Mohd Ali, 2010). The other two factors are organisational structure and resources management (Dollinger, 2003).

Stevenson and Gumpert (1985) believed that in today’s fast-changing world, organisations should not stay with the familiar but explore the unknown of dangers. An injection of entrepreneurship is important to the long term financial health of organisations. It is important to encourage creative people to strike out and come up with new products or services by adapting entrepreneurial culture rather than administrative culture for business growth.

Duobiene and Fundziene (2007) stated that roots of entrepreneurship are in small business. But growing organisations become more professionally controlled and loose advantages provided by entrepreneurship. Organisational growth is an inevitable process in market globalisation. Global managers need to focus on culture diversity in terms of (1) Centralised vs. decentralised decision making, (2) Safety vs. risk, (3) Individual vs. group rewards, (4) Informal vs. formal procedure, (5) High vs. low organisational loyalty, (6) Cooperation vs. competition, (7) Short-term vs. long-term horizon and (8) Stability vs. innovation (Luthans and Doh, 2011).

Although, it is an intangible characteristic, a company’s culture has a powerful influence on everyone the company touches, especially its employees and on the tangible outcomes of financial performance of the company (Zimmerer and Scarborough, 2008). It is equally important to focus on intangible factors such as leadership and organisational culture to face the challenges of Moon Shots in management (Argyris, 2010; Hamel, 2009). Therefore, it makes sense for organisations to pay more attention to the measurement and development of the intangible factors such organisational culture for competitive advantages for organisational performance and long-term sustainability of business (Ashkanasy et al., 2000; Neely et al., 2001; Ng and Kee, 2011; Ng et al., 2011).

DISCUSSION

Similarly, the confusion and ambiguity surrounding the effect of organisational culture remain unsettled. There is a raging debate as to whether it promises to offer a panacea for coping with organisational performance or it is just a management fad or sense-making tool (Hofstede, 1997).

Burt (1999) argued that the effect of the organisational culture and performance remain ambiguous as it all depend on type of industry. In some industry or sectors, organisational culture has, indeed, no bearing on performance; but in others it can represent a powerful advantage over competitors. Based on this contingent theory, organisations can make sound decision on investing resources to develop unique organisation culture to reap the benefits.

Therefore, there is a need to distinguish healthy culture that promote economic performance and do away unhealthy culture characterised by arrogance, inward focus and bureaucracy, thus undermining an organisation’s ability to adapt to change. Therefore, it is necessary to gain better understanding organisational culture, unique insights into the ‘personality’ and values of modern corporations in facilitating or inhibiting organisational improvement efforts. A well-developed organisational culture, which can smoothly balance the interests of all "stakeholders", is an
important factor in organisational success (Anonymous, 1992). Indeed organisational culture should be developed into dominant cultures or subcultures for the long term benefit of organisations.

Cultural analysis illuminates subculture dynamics within organisations; helps analyse the effect of technologies on organisations, helps management understand demand for both power and expertise and the cultural diversity and helps management manage resistance to changes-structure, process and personnel (Hofstede, 1997; Schein, 1997). Broadbent (2007) stressed the oft-promoted wisdom that says "if you cannot measure it, you cannot manage it" especially in managing ex ante and ex post performance. Slavitt (2011) stressed the need for small and medium enterprises to have the ability to interpret Key Performance Indicator (KPIs) for decision making, while combining experience and management skills to solve organisational issues.

In today’s red ocean environments, organisations have little to look back on with pride but move forward in unison with employees for a challenging future. Managers should avoid adopting a ‘tunnel vision’-focusing only on the ‘best way’ they have done things in the past and then trying to repeat them. Instead, managers should shape the dynamics of organisations and change with vision, innovation and farsightedness and manage the paradox and contradiction between stability, learning and changes for effectiveness.

CONCLUSION

Managing culture is a complex but vital part of the organisation development. It is concerned with getting a diverse group of people to work together in a coherent, consistent and purposeful way. It is a challenge to solve the old puzzles about organisations and organizing through divergent thinking in a new illuminating way. It is highly desirable to keep organisational culture vibrant and evolving in an innovative and engaging way with all stakeholders to gain foresight to keep organisation growing and thriving while being mindful of its potential pitfalls of organisational culture. It is more so in the wake of globalisation that business terrain is heading into steeper and more challenging environments.

Therefore, it is logical to have a perspective of adaptation. As organisation grows, organisational culture can also be forged over a long period of time by a constant alignment of business strategy. Successful firm shall facilitate the adoption of strategies and practices that continuously respond to changing markets and new competitive environments. Besides, top executives shall establish visions, align and motivate managers to provide effective leadership to serve customers, employees and stockholders and thus create more externally focused and responsive cultures. For organisational renewal and success, top management team not only need to inject entrepreneurial spirit, rejuvenate organisational life, reengineer forward-thinking mindset and but also shake things up through an adaptive organisational culture.

In conclusion, organisational culture does play positive role in performance management. Organisational culture is helpful to firm performance as it can serve as a significant driver of change management and high performance in the long run in the today's global business environment. As such, top management should help establish common values, beliefs and norms to build strong organizations that can propel their organization to even greater heights and levels of success.

REFERENCES


