

ORGANISATIONAL CULTURE: AN INDEPENDENT OR MODERATING VARIABLE?

PRIYA CHAUDHARY¹&PROF. R.K SINGH²

¹Research Scholar, Department of Commerce, Delhi School of Economics, University of Delhi, New Delhi, India

²Professor, Department of Commerce, Delhi School of Economics, University of Delhi, New Delhi, India

ABSTRACT

Organizational culture is seen as an organization specific system of widely shared values and assumptions that give rise to typical behavior patterns. Organizations as a living entities created by mankind through their artifacts and assumptions have a culture of their own. Therefore, it becomes imperative to understand the dynamics of organizational culture. The paper aims to review the important articles and theories in the field of organizational culture by studying important researches done by great thinkers and academicians. It reviews the cross cultural differences in organizational practices identified in various studies. It studies role of organisational culture as both independent and moderating variable in an organisation. It is seen that organisational culture has an impact on organisational performance and can prove to be a source of competitive advantage if rare, non imitable and valuable culture is sustained by the organisation. But it is important to note that with the advent of globalization and companies crossing border, culture has become extremely fluid in nature. Therefore, organisations must adapt to this rise in new cultural community emerging in global businesses and accept this cross-verging of culture across the globe.

KEYWORDS:Organisational Culture, GLOBE, OCTAPACE, Cross-Culture, Globalization

INTRODUCTION

Culture is defined as “ the collective programming of mind, which distinguishes members of one category of people from another” (Hofstede, 1994).The concept of culture has "been lent from anthropology, wherever there is no consensus on its meaning." There are around 164 definitions of culture given by Kroeber and Kluckhohn in 1952. The concept has been described as a riddle wrapped in a mystery, wrapped in an enigma (Pettigrew, 1990). Culture is seen as an area of interest, referring to something soft, human, unquantifiable, difficult to account for in rational terms (Holden, 2002).Organizations as a living entities created by mankind through their artifacts and assumptions have culture of their own. It becomes imperative to understand the dynamics of organizational culture.

ORGANISATIONAL CULTURE

Organizational culture is seen as an organization specific system of widely shared values and assumptions that give rise to typical behavior patterns. Informal ways for e.g., Mission statements and informal ways for e.g., Modes of speech these methods of thought and behavior patterns are transmitted to organizational candidates.

Kluckhohn (1952) defines organizational culture as“An entity’s culture is the predominant values and behaviors of its members and such values and behaviors are acquired through a common history and experience”. According to Munter (1993), culture is dominant and continuing values, attitudes and behavior of a group. Peters and Waterman (1982) also

refer organizational culture as a matter of values. But as rightly put forward by Hofstede that literature on organizational culture does not distinguish between the values of the founders or employees of the organization. Founders and leaders create symbols, faiths, rituals which constitute the daily practices of employees of the organization. However, employees adapt their personal values to organizational needs to a limited extent only. It is not easy to change values per se, but organizational practices can be changed, in order to change organizational culture.

Schein (1983), described three levels of cultural phenomena in organizations like overt behaviors, values as ought behavior, and ways to cope with the surroundings. Schein further stressed that the essence of culture is only the third one—deeply rooted assumptions

Different terminologies have often been employed with different methodologies to explain the concept of organizational culture. Eight major schools of thought linking to organizational culture were recognized by Yvan Allaire (1984) like cognitive school of thought, structuralists, mutual equivalence, symbolic, functionalist, structuralist-functionalists, historical-diffusionist and ecological adaptations school of thought, each one with its individual kind of major theorists and study traditions.

According to the cognitive school of thought, culture is a system of knowledge, standards of perceiving, believing and acting. According to them culture is not a material phenomenon. For structuralists, culture comprises shared symbolic systems of the unconscious processes of mind. In the mutual equivalence school of thought, culture is believed to be made of policies and processes decided by people mutually for furtherance of their interests. For symbolic school, the culture is hidden in, “meanings” and “thinking” shared by people working together in an organization.

In the functionalist school of thought, culture is explained as a functional necessity, an instrumental apparatus for the satisfaction of basic human needs. The structuralist-functionalist defines culture as an adaptive mechanism to maintain equilibrium in the social setting for an orderly social life. The ecological-adaptationist school describes culture as “a system of socially transmitted behavior pattern that serve to relate to human communities to their environment”. The historical diffusionist school believes culture to be interactive and superorganic where migration of cultural traits happen from place to place through diffusion. Culture is considered to be adaptive created out of historical circumstances and processes.

Kilmann (1985) stated that organizational culture has been categorized by various researchers as something to do with persons and the exclusive quality and style of the association, and the technique through which things are done in the organizations. Pettigrew (1979) started the official writing in an organizational culture. He introduced anthropological concepts like “myths, symbolism” and “rituals” that could be used in organizational analysis. Though there isn't any agreement with the description of organizational culture, but mostly all writers settled that organizational culture mentioned to somewhat that is all-inclusive, historically determined, connected to things anthropologists study (like rituals and symbols), socially constructed (shaped and conserved by the group of persons who form the organization together) and hard to change.

The concept of organizational culture and climate are overlapping in nature. Both have been used interchangeably for a long time now. But there is a slight distinction between the two. Traditionally organizational culture studies were qualitative while organizational climate studies were quantitative in nature. Climate can be seen as a subset of culture. The climate is linked to individual motivation and behavior, whereas culture is related to entire organizations. Climate

relates to the evaluation of the current state of affairs while culture relates to registration of actual work behavior (Denison, 1996). For eg: Culture is related to values, beliefs, norms and rituals of the organization. But climate could be rewarding, adaptive or authoritative. However, these differences have almost disappeared in recent studies.

The paper aims to review the important articles and theories in the field of organizational culture by studying important researches done by great thinkers and academicians in the past. The main objective of this paper is to understand whether the organizational culture plays an independent role in the organization or act as a mediator in influencing other dimensions of the organization.

DEVELOPMENT OF ORGANISATIONAL CULTURE

In the initial phase, the founder of the organization defines its culture. Founders are the origin of values and the behaviors that characterize an organization (Wilderom, 2004). Schneider (1995) explains the phase of maintenance of organizational culture using ASA (attraction, selection, attrition) model. This means that certain types of applicants are attracted to a specific organization; at the same time, the organization is inclined to select applicants who seem to fit into the organization; and employees who do not fit will choose to leave. In this way organizational cultures reinforce themselves (Schneider, 1995)

DIMENSIONS OF ORGANISATIONAL CULTURE

Though numerous dimensions of organizational culture were identified, Hofstede's (1980) dimensions are widely recognized. These dimensions are a valuable method of comparing the elementary properties of organizational culture in general. Hofstede (1980) initially drafted four "dimensions" of culture values namely.:

- Power distance - The degree to which the less powerful members of an organization accept that power is distributed unevenly.
- Uncertainty avoidance - The degree to which people feel scared by vague circumstances and have created beliefs and institutions that they try to avoid.
- Individualism/collectivism- This reveals an ethnic position of the culture in which People are thought to care for themselves and their families, or a situation in which people belong to groups which are thought to take care of them in exchange of loyalty.
- Masculinity/feminity- A situation in which the leading values are achievable, money as opposed to the situation in which the dominant values are concerned for others and the quality of life.

There are various other dimensions of organizational culture that can be used to describe organizational practices, devised by various thinkers like House et al., Denison and Mishra, O'reilly et al, Gordon and DiTamaso and Van Muijen et al. These dimensions are:

- Goal orientation, Support orientation, rules orientation and innovation orientation by (Van Muijen, 1999)
- Results oriented, people oriented, team oriented, aggressive vs easy going, detail oriented and stability oriented by (O'Reilly, 1991)

- Action oriented, fairness of rewards, integration, accountability, systematic decision making, innovation, clarity of strategies by (Gordon, 1992)

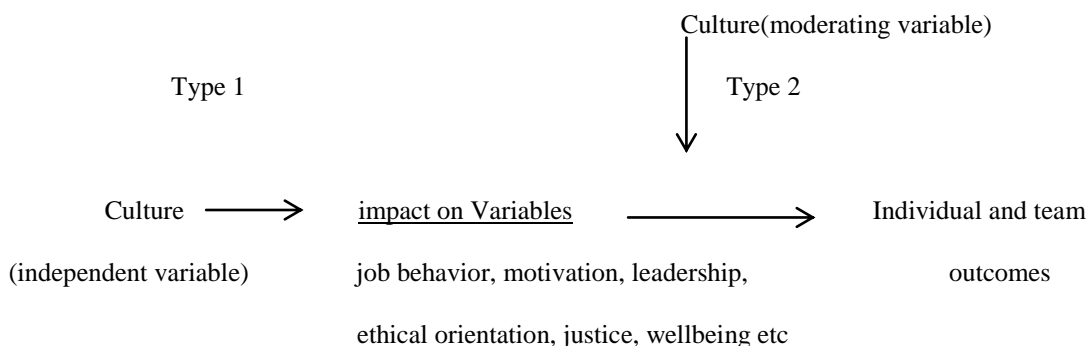
It can be seen that most of the dimensions of culture devised by thinkers are overlapping in nature and differ only in nomenclature. Moreover after studying these dimensions, it can be inferred a trend of trait theory of organizational culture is being developed. Any organisation performing well on these dimensions or having aforementioned traits will be characterized as having strong organizational culture as compared to the one which performs low on these dimensions.

CROSS CULTURAL DIFFERENCES IN ORGANISATIONAL PRACTICES

The following section review of various cross cultural studies undertaken by various researchers and their impact on individual as well as group attributes. The first part contains review of studies where role of culture is taken as an independent variable. The second part contains articles where role of culture is taken as a moderating variable. The independent and moderating variable can be explained by following equation:

$$Y = a + bx$$

In the above equation b is the independent variable which causes an impact on dependent variable Y.



PART I- ROLE OF CULTURE AS INDEPENDENT VARIABLE

Dou et al (1997) : The authors compared job behavior of participants of three countries i.e. The US, Japan and China on their preference of success feedback vs failure feedback on the basis of individualism vs collectivism values promoted in their country. Individualists are more motivated to seek feedback about performance successes, whereas collectivists are more motivated to seek feedback about failures (Dou, 1997). It was found out that US respondents, who were MBA students expected success-feedback, whereas Japanese and Chinese respondents, who were employees of four types of organisations varying from trading company to language school, preferred failure feedback.

Husted, Dozier, McMahon, and Kattan (1996) tested the hypotheses that an MBA education can be an ethics carrier and may bring convergence organizational practices. The authors tested the hypotheses on MBA students of US, Mexico and Spain. It was found out that there was substantial agreement on objectionable business practices in all the three countries. Objectionable business practices included list of forty nine practices such as poor work ethics, unfair pay, unsafe working conditions, favoritism etc. But the respondents differed from each other on moral reasoning aspect. The US was found to be most divergent. This study concluded that moral reasoning cannot be as easily molded as attitudes in different cultures (Bryan W. Husted, 1996).

Michele J. Gelfand (2001) conducted a study on US and Japanese students in which they were asked to write a description of conflict they have had in recent past. The author wanted to bring to notice the culture specific representations of conflict. Different methods such as free recall, scenarios were applied. As predicted, Japanese perceived conflict to be more “compromise” focused as compared to Americans who construed conflicts through a “win” frame. Therefore, it was proven that conflict is perceived differently in different cultures.

Chikudate (1997) also studied respondents from US and Japanese banks to study life in their organisations. He interviewed both supervisors and subordinates and they were asked to list words which defined life in their banks. The critical words from the sample were combined. Participants were asked to rank the two words using multi dimensional scaling analysis. The s-stress score given by Kruskal was used. The results varied significantly. The Japanese viewed authority and power differently. A Japanese superior was considered to play the role of parent or big brother. Japanese tend to attach a lot of authority to their hierarchical position as compared to Americans. But both American and Japanese related harmony and happiness in their organisational setting.

Hofstede V. D. (2002) studied the importance of twenty one business goals like growth of business, personal wealth, power, patriotism, family values etc for business leaders in their country and for students themselves. A total of 1814 responses were obtained from MBA students belonging to different countries. The respondents ranked these business goals for leaders and self. It was noted that rating of several business goals were co-related to Hofstede’s four dimensions. The authors clustered the countries into various categories like “the executive” which included USA, “The manager” which included UK, “The family manager” which included India, Jamaica, Bahamas, “the founder” for Germany, Netherlands among others. This shows that a country’s cultural values have a bearing on motivational goals.

Mansour Javidan and Dale E. Carl (2004) research was based on assessing whether culture has an impact on leadership attributes in a country. The study was based on comparison of Canada and Iran which are diametrically opposite in their cultures. The upper and senior level managers were surveyed in both the countries and it was found out that both Canada and Iran described charismatic leadership in terms of vision, tenacity, self sacrifice, eloquence and intellectual challenge. But at the same time, it was seen that ranking of Iranian managers was low as compared to American managers on most of the parameters. For this the author explains that the differences could be attributed to cultures and similarities may be due to intrinsic human desire for autonomy, achievement and morality.

Parboteeah, Hoegl and Cullen (2004) tried to study unethical business behaviour from a cross cultural perspective. They conducted a study of twenty eight countries and 3450 managers using institutional anomie theory relating to cultural variables i.e. individualism, achievement, universalism and pecuniary materialism; and social institutions like economy, polity, family and education to justify ethical behavior. The institutional anomie theory was given by Durkheim according to which institutional and cultural changes associated with modernisation, encourage a decline of social norms, which lead to anomie i.e. weakening of norms; leading to increase in deviance rates. They found that individualism and achievement orientation are inversely related to managers willingness to justify unethical behaviour. High level managers do not have pressure to use illegitimate or unethical means to achieve ends. On the other hand, universalism and pecuniary materialism are positively related to managers willingness to justify unethical behaviour and leads to egoistic ethical reasoning. Also, social institutional factors like economy, industrialisation, family breakdown have a high chance of managers willingness to justify unethical behavior. Industrialisation and low family values promote win-at-all cost behavior. Whereas society with

comprehensive educational system promotes a post materialist benevolent ethical behaviour from managers.

Abramson, Robert J. Keating and Henry W. Lane (1996) compared the decision making styles of Americans, Canadians and Japanese. The Myers-Briggs type indicator was used to survey MBA students of the aforementioned countries. The study converted MBTI data into four scales: extrovert-introvert, judging-perceiving, sensing-intuiting, thinking-feeling. It was found out that Canadians were more abstract, imaginative, intuitive, future oriented while Americans were more realistic, scored high on sensing and judging as compared to Canadians. Similarly, Canadians were more analytical, impersonal when it came to decision making as compared to Japanese who valued human aspects of problems and were more concerned with harmony and affiliation. Americans proved to be the fastest in decision making, in complete contrast with Japanese who are less willing to accept early closure and focus on detailed analysis with complete information.

Jane K. Giacobbe-Miller (1998) carried out a simulation experiment on Russian and American students. The study was conducted through role play and scenario analysis method to study the American and Russian system of reward allocation or the extent to which justice is affected by cultural variables. Both the countries emphasised on equity in pay allocation as compared to co-worker relation. The result was surprising for Russia which has collectivist tendencies and was expected to give more importance to co-worker relation and productivity. The US managers in contrast to Russian managers did not emphasise on the need based criterion for reward allocation. The American culture rewards individual performance as compared to income redistribution on the basis of individual need in the form of subsidies. According to the author, the Russians were affected by the need criteria more because of the situational factors than cultural factors because the time this study was conducted, the employers provided employees the basic amenities like housing, healthcare and education.

PART 2: ROLE OF CULTURE AS A MODERATING VARIABLE

The second part contains studies where culture has acted as a moderating variable. Alan Dubinsky, Kotabe and Chelmin (1997) studied the relationship between personal values and job performance of US and Japanese salespersons in electronics industry. Most of the aforementioned studies concluded that there is a significant difference in cultural values of US and Japan, which has a bearing on organizational practice. But to our surprise this study concluded that in spite of difference in cultural values, job performance of salespersons in both countries had similar relationship with personal values such as enjoyment, security, achievement, self-direction etc.

Hartog, House, Hanges and Quintanilla et al (1999) tried to establish relationship between culture and leadership. There is much evidence to prove that the type of leadership and attributes of a leader varies nation wise. But in this study, contrary to popular belief, it is proved that attributes of charismatic or transformational leader are same across the globe i.e. universally endorsed. The authors studied sixty two nations and fifteen thousand middle managers approx to analyse the leadership attribute ranging from team oriented, humane, participative etc. desired in a country. Also certain attributes like non cooperative, ruthless, irritable, dictatorial etc were considered as universally negative.

Sanjeev Agarwal, Carlo and Vyas (1999) examined impact of leadership behaviour on organisational commitment. To conduct this study, the authors surveyed 682 American salesperson and 181 Indian salespersons and examined their response on leadership behaviour based on variables like initiation of structure, consideration, organisational commitment,

role stress, role ambiguity etc.. The results showed that consideration was extremely important and negatively related to role ambiguity and role stress for both the countries, despite of cultural differences.

Huang and Vliert (2003) studied moderating role of culture in relationship between job characteristics and job satisfaction by conducting a survey in forty nine nations and one lakh seven thousand respondents. Results showed that extrinsic job characteristics such as pay, working conditions, job security are same in all countries irrespective of the level of power distance, individualism or national wealth. Not only this intrinsic characteristics such as recognition, challenge, autonomy, quality of work tend to motivate employees of countries with good governmental social welfare programs, irrespective of level of power distance.

Grazer and Beehr (2005) studied if there was any relationship between role stressors ie role ambiguity, conflict and overload, and employee's intention to leave the organization and culture. To conduct the study authors surveyed 1396 nurses in four countries which were UK, US, Hungary and Italy. It was found out that stress was a culture-general phenomenon applicable universally and does not vary between countries. Although other country specific factors such as government regulation and labour laws may show different results for the same.

CONCLUSIONS

The aforementioned studies have helped immensely to unwind the field of organizational culture. Understanding business practices followed in different cultures have become easier, owing to phenomenal work done in this area of research. This term paper has dealt with various facets of organisational culture. The paper starts with conceptual framework of organisational culture. It shows that there is no single definition of culture. It is seen that culture can be both moderating and independent variable in cross cultural analysis of organisations. There are studies which have shown that organisational culture has an impact on variables like job behavior, leadership, justice, reward allocation, conflict management, well being etc. At the same time there are studies which show that culture may act as moderating variable and may not directly impact these variables. These variables could differ or remain same in different cultures because of the role of factors other than cultures such as government regulations, labour laws etc.

It is seen that organisational culture has an impact on organisational performance and can prove to be a source of competitive advantage if rare, non imitable and valuable culture is sustained by the organisation. It can also lead to better financial performance in the long run. But it is important to note that with the advent of globalization and companies crossing border, culture has become extremely fluid in nature. The concept of culture is cross-verging. No longer an organisation can be rigid about its organizational culture and practices to be followed. Specific and adamant managerial values have no meaning in today's world. There can be significant difference in organizational culture within the same country itself. "Organisations are becoming global neighbours and the blurring of culture across the lines shows a great space to accept differences and practice it in business" (Kanungo, 2006).

Thus it is important that organisations adapt to this rise in new cultural community emerging in global businesses.

REFERENCES

1. Abramson, K. a. (1996). Cross-National Cognitive Process Differences: A Comparison of Canadian, American and Japanese Managers. *Management International Review*, 36(2), 123-147.

2. Alchian, A. (1950). Uncertainty, evolution, and economic theory. *Journal of Political Economy*, 58(3), 211-221.
3. Barney, B. (1986). Organizational Culture: Can It Be a Source of Sustained Competitive Advantage? *The Academy of Management Review*, 11(3), 656-665.
4. Beehr, S. G. (2005). Consistency of implications of three role. *Journal of Organizational Behavior*, 26(5), 467–487.
5. Blake, T. H. (1991). Managing Cultural Diversity: Implications for Organizational Competitiveness. *The Executive*, 5(3), 45-56.
6. Bryan W. Husted, J. B. (1996). the impact of Cross-National Carriers of Business Ethics on Attitudes about Questionable Practices and Form of Moral Reasoning. *Journal of International Business Studies*, 27(2), 391-411.
7. Carl, M. J. (2004). East Meets West: A Cross-Cultural Comparison of Charismatic Leadership Among Canadian and Iranian executives. *Journal of Management Studies*, 41(4), 666-691.
8. Chikudate, N. (1997). Exploring the Life-world of Organizations by Linguistic Oriented Phenomenology in Sub-cultural analysis of Organizations: A Comparison between Japanese and U.S. Banks. *Management International Review*, 37(2), 169-183.
9. Cullen, P. (2004). Cross-National Differences in Managers' Willingness to Justify Ethically Suspect Behaviors: A Test of Institutional Anomie Theory. *The Academy of Management Journal*, 47(3), 411-421.
10. Denison, D. (1996). What is the difference between organizational culture and organisational climate? *Academy of Management Review*, 21(3), 619-654.
11. Dou, J. R.-G. (1997). Conceptions of self and performance related feedback in the US, Japan and China, *Journal of International Business Studies*, 28(3) (3rd Qtr., 1997), pp. 605-625.
12. Gordon, G. &. (1992). Predicting corporate performance from organizational culture. *Journal of Management Studies*, 29, 783-798.
13. Hofstede, G. (1994). The business of international business is culture. *International business review*, 3, 1-14.
14. Hofstede, V. D. (2002). what Goals Do Business Leaders Pursue? A Study in Fifteen Countries. *Journal of International Business Studies*, 33(4), 785-803.
15. Holden, A. M. (2002). Rethinking cross cultural management in globalizing business world. *international journal of cross cultural management*, 2(1), 103-121.
16. House, et.al. (2004). Culture, Leadership, and Organizations. The Globe Study of 62 Societies., London: Sage
17. Miller, J. K (1998). A comparison of Russian and US pay allocation decisions, distributive justice judgements, and productivity under different payment conditions, *Personnel Psychology*, 51(1), 137-162.
18. Kanungo, R. P. (2006). Cross culture and business practice: are they coterminous or crossverging? *Cross Cultural Management: An International Journal*, 13(1), 23 - 31.
19. Kilmann, R. (1985). Gaining Control of the Corporate Culture, San Francisco: Jossey-Bass Inc pub

20. Kluckhohn, K. A.(1952). Culture: A Critical Review of Concepts and Definitions. *Peabody Museum of American Archaeology and Ethnology*,47(1),223-234
21. McSweeney, B. (2002). Hofstede's model of national cultural differences and their consequences: a triumph of faith-a failure of analysis. *Human Relations, The Tavistock Institute*, 55(1), 89-118.
22. Michele J. Gelfand, L. H. (2001). Cultural Influences on Cognitive Representations of Conflict: Interpretations of Conflict Episodes in the United States and Japan. *Journal of Applied Psychology*, 86(6), 1059-1074.
23. O'Reilly, C. C. (1991). People and organizational culture: A profile comparison approach to assessing person-organization fit. *Academy of Management Journal*,, 34, 487-516.
24. Smith P., M. F. (2002). Cultural values, sources of guidance, and their relevance to managerial behaviour, *Journal of cross cultural psychology*,33(2),188-208.
25. Peters, T. J. (1982). In search of excellence. New York: *Harper and Row*.
26. Pettigrew, A. (1979). On Studying Organizational Cultures. *Administrative Science Quarterly*, 24(4), 571-581.
27. Sanjeev Agarwal, T. E. (1999). Leadership Behavior and Organizational Commitment: A Comparative Study of American and Indian Salespersons. *Journal of International Business Studies*, 30(4), 727-743.
28. Sathe, V. (1983). Implications of Corporate culture- A managers guide to action. *organisational dynamics*. 12(2), 5-23.
29. Schein, E. (1983). The role of the founder in creating organizational culture. *Organizational Dynamics*, 12(1), 13-28.
30. Schneider, B. G. (1995). The ASA framework: An update. *Personnel Psychology*, 48,747-774.
31. Sukumaran, S. B. (2007). National culture, business culture and management practices: consequential relationships? *Cross Cultural Management: An International Journal*, 14(1), 54-67.
32. Trompenaars, F. (1996). Resolving International Conflict: Culture and business strategy. *London Business School*, 7(3), 51-68.
33. Van Muijen, J. K. (1999). Organisational culture: The Focus Questionnaire. *European Journal of Work and Organizational Psychology*, 8, 551-568.
34. Vliert, X. H. (2003). Where Intrinsic Job Satisfaction Fails to Work: National Moderators of Intrinsic Motivation. *Journal of Organizational Behavior*, 24(2),159-179.
35. Wilderom, P. T. (2004). Defining, Measuring, and Comparing organisational cultures. *Applied psychology: An international review*, 53(4), 570-582.
36. Williamson, D. (2002). Forward from a critique of Hofstede's model of national culture. *Human Relations*, 55(11),1373-1395.
37. Yvan Allaire, M. E. (1984). Theories of Organizational Culture. *organisation studies*, 5(3), 193-226.

