CORPORATE CULTURE AND ORGANIZATIONAL EFFECTIVENESS: IS THERE A SIMILAR PATTERN AROUND THE WORLD?

Daniel R. Denison, Stephanie Haaland and Paulo Goelzer

ABSTRACT

This chapter presents two studies that examine the link between corporate culture and effectiveness in a variety of national settings. The first study compares results from 230 organizations from Europe, North America and Asia and reveals a surprising level of similarity in results across these regions. The second study presents the results from targeted samples of 218 supermarkets from Canada, Australia, Brazil, the U.S., Japan, Jamaica, and South Africa. These results show a common pattern in five of the countries, and a divergent pattern of findings in Jamaica and Japan.

The results suggest that it is quite possible to measure and compare the cultural traits of organizations and their impact on business performance across nations, and to find empirical support for a general framework. But how can these findings be reconciled with the vast literature on cross-cultural differences? Discussion of this point reaches an interesting conclusion: Perhaps there is a common set of cultural traits that can be used to understand the effectiveness of organizations, but that are expressed *quite differently in different national settings.*

Advances in Global Leadership
Advances in Global Leadership, Volume 3, 205–227

ISSN: 1535-1203/PII: S1535120302030113

INTRODUCTION

One of the most difficult challenges in the field of international management is the application of theories and models developed in one part of the world in order to understand phenomena that occur in another part of the world. Much of the early concern about this issue concentrated on the relevance of American theories abroad (Hofstede, 1980a). But more recently, the same problem has been faced in Japanese theories of quality control (Imai, 1986) or knowledge creation (Nonaka & Takeuchi, 1995), or by European theories of joint ventures or organizational design (Doz, 1986; Taylor, 1991). The goal of these efforts is to develop a useful general frame of reference, but also allow for the sensitivity to local variation that is required when applied in context.

Some of the biggest challenges for developing theories with cross-cultural relevance occur in the area of organizational studies. Differences in behavior, work values and culture have been studied by researchers in many different countries. Several frameworks have proven useful for understanding cultural differences (Hofstede, 1980b; Trompenaars, 1994, 1998), and have helped to establish some relatively universal dimensions (e.g. individualism) that can be useful in understanding differences across national cultures. But few researchers have attempted to understand the impacts that these behavioral differences have in different national contexts.

The logic of cross-cultural comparison and validation has been discussed at length by several authors (Adler, 1991; Boyacigiller & Adler, 1991). But in most areas of the literature, the biggest challenge is the almost total absence of comparative data. Our literature review found very few studies that offered a comparison of the effectiveness of organizations across several countries that could be linked to differences in organizational culture, work values and behavior. The evidence that global leaders need to understand the impact of the organizational cultures they are creating is usually unavailable.

This chapter takes a bold, but risky approach to these challenges by examining the link between organizational culture and effectiveness with two separate studies. The first study examines this link with data from 230 organizations from Europe, North America and Asia, and reveals a surprising level of similarity in the results across these regions. The second study examines the same topic using data from 218 organizations from seven countries: Canada, Australia, Brazil, the U.S., Japan, Jamaica, and South Africa. This study focuses on samples of supermarkets that were part of an independent cooperative operating in a similar fashion in each country. The results show a high level of similarity in five of the countries, but a divergent pattern of findings from Japan and Jamaica. These two studies constitute a preliminary and exploratory step, rather than a comprehensive study, but they do illustrate that a general theory about organizational culture can be applied in multiple contexts, with results that highlight both similarities and differences across regions.

This chapter begins by describing a model of organizational culture used in this study and discusses some of the research, conducted primarily in the U.S., which has established a link between culture and effectiveness. We then pose several general research questions that guided our study. After that, we describe our samples, the data collection and analysis strategies, and report our results for both of the studies. Our discussion at the end of this chapter summarizes our findings, reflects upon their implications for cross-national research, and then considers some of the approaches that might facilitate future research in this area.

CORPORATE CULTURE AND ORGANIZATIONAL EFFECTIVENESS

A number of scholars have developed integrative frameworks of organizational culture (Allaire & Firsirotu, 1984; Hatch, 1993; Martin, 1992; Ott, 1989; Schein, 1985, 1990), but little consensus exists with regard to a general theory. Since culture is a complex phenomenon ranging from underlying beliefs and assumptions to visible structures and practices, healthy skepticism also exists as to whether organizational culture can actually be "measured" in a comparative sense. Research on the link between organizational culture and effectiveness is also limited by lack of agreement about the appropriate measures of effectiveness. Despite these challenges, better understanding of this topic remains critical to the development of organizational studies.

The current literature has its roots in the early 1980s. Deal and Kennedy (1982) and Peters and Waterman (1982) focused attention on the strategic importance of organizational culture and stimulated interest in the topic. Kotter and Haskett (1992) expanded on this by exploring the importance of adaptability and the "fit" between an organization and its environment. This chapter applies the culture framework developed by Denison and his colleagues (Denison, 1984, 1990, 1996; Denison & Mishra, 1995, 1998; Denison & Neale, 1996; Denison, Cho & Young, 2000; Denison, Haaland & Neale, 2002; Fey & Denison, in press). This stream of research has developed an explicit model of organizational culture and effectiveness and a validated method of measurement. Using data from 764 organizations, Denison and Mishra (1995) showed that the four different cultural traits – mission, consistency, adaptability and involvement – were related to different criteria of effectiveness. This research found that the traits of mission and consistency were the best predictors of profitability, the traits of involvement and adaptability the best predictors of innovation, and the traits of adaptability and mission the best predictors of sales growth. Denison, Haaland and Neale (2002) have linked the elements of the model to differences in customer satisfaction in two industries, and Fey and Denison (in press) have presented an application of this model to foreign-owned firms operating in Russia.

The Denison model is based on four cultural traits of effective organizations that are described below with references to the organizational studies literature. A more complete review of these traits is provided by Denison and Mishra (1995).

Involvement. Effective organizations empower their people, build their organizations around teams, and develop human capability at all levels (Becker, 1964; Lawler, 1996; Likert, 1961). Executives, managers and employees are committed to their work and feel that they *own* a piece of the organization. People at all levels feel that they have at least some input into decisions that will affect their work and that their work is directly connected to the goals of the organization (Katzenberg, 1993; Spreitzer, 1995).

Consistency. Organizations also tend to be effective because they have "strong" cultures that are highly consistent, well-coordinated, and well-integrated (Davenport, 1993; Saffold, 1988). Behavior is rooted in a set of core values, and leaders and followers are skilled at reaching agreement even when there are diverse points of view (Block, 1991). This type of consistency is a powerful source of stability and internal integration that results from a common mindset and a high degree of conformity (Senge, 1990).

Adaptability. Ironically, organizations that are well-integrated are often the most difficult ones to change (Kanter, 1983). Internal integration and external adaptation can often be at odds. Adaptable organizations are driven by their customers, take risks and learn from their mistakes, and have capability and experience at creating change (Nadler, 1998; Senge, 1990). They are continuously changing the system so that they are improving the organizations' collective abilities to provide value for their customers (Stalk, 1988).

Mission. Successful organizations have a clear sense of purpose and direction that defines organizational goals and strategic objectives, and expresses a vision of how the organization will look in the future (Hamel & Prahalad, 1994; Mintzberg, 1987, 1994; Ohmae, 1982). When an organization's underlying mission changes, changes also occur in other aspects of the organization's culture.

Like many contemporary models of leadership and organizational effectiveness, this model focuses on the contradictions that occur as organizations try to achieve internal integration and external adaptation (Hatch, 1993; Schein, 1990). For example, organizations that are market-focused and opportunistic often have problems with internal integration. On the other hand, organizations that are well-integrated and over-controlled usually have a hard time adapting to their environment. Organizations with a top-down vision often find it difficult to focus on the empowerment and the "bottom-up" dynamics needed to implement that vision. At the same time, organizations with strong participation often have difficulty establishing direction. Effective organizations are those that are able to resolve these contradictions without relying on simple trade-offs.

At the core of this model are underlying beliefs and assumptions. These "deeper" levels of organizational culture are typically quite unique to each firm, and are difficult to measure and harder to generalize about. They are often best understood from a qualitative perspective. Nonetheless, they provide the foundation from which behavior and action spring (Schein, 1985). The four traits of organizational culture presented by Denison and Mishra (1995) have been expanded by Denison and Neale (1996), and Denison, Cho and Young (2000) to include three sub-dimensions for each trait for a total of 12 dimensions. This version of the model is presented in Fig. 1.

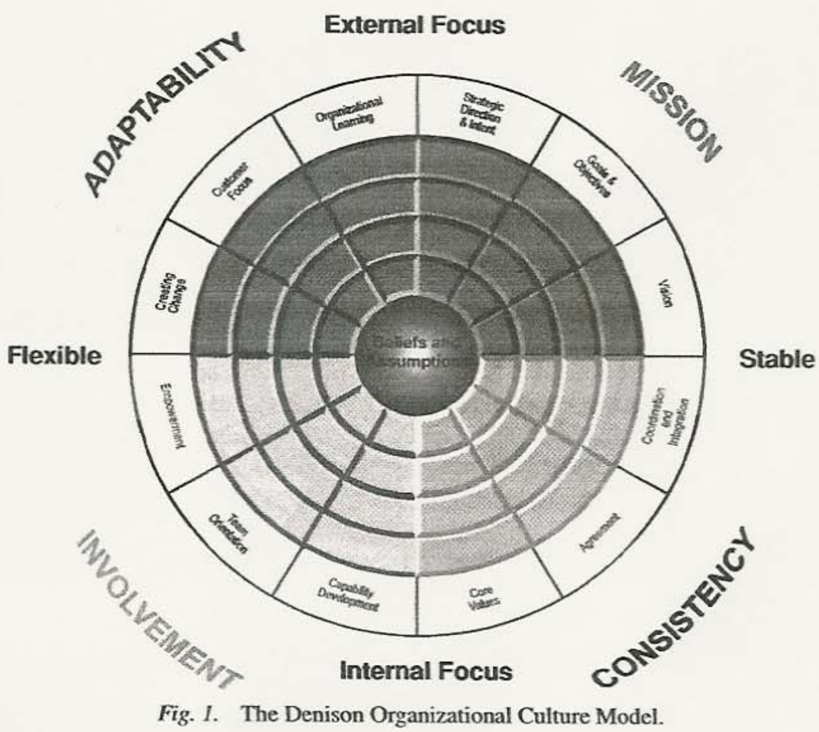

Fig. 1. The Denison Organizational Culture Model.

This model is often used as part of a diagnostic process to profile specific organizations in order to highlight the strengths and weaknesses of their cultures, and to suggest ways in which the organization's culture may influence its effectiveness. The following example helps illustrate the application of the model.

Example of a Manufacturing Company in Decline

This one-hundred-year-old manufacturing company has dominated its industry for many years, but it now faces a new type of competition that seriously undercuts its products on price. After years of success, the business has been declining for the past five years, and this past year was the first time that senior executives did not receive bonuses. The profile for the top management team of this organization is presented in Fig. 2. The data for this profile came from a survey of the top 50 people in the organization (Denison & Neale, 1996). Each index is measured by five survey items, using a five-point Likert scale, which are averaged to produce an index score. The results are presented in terms of percentile scores, indicating the

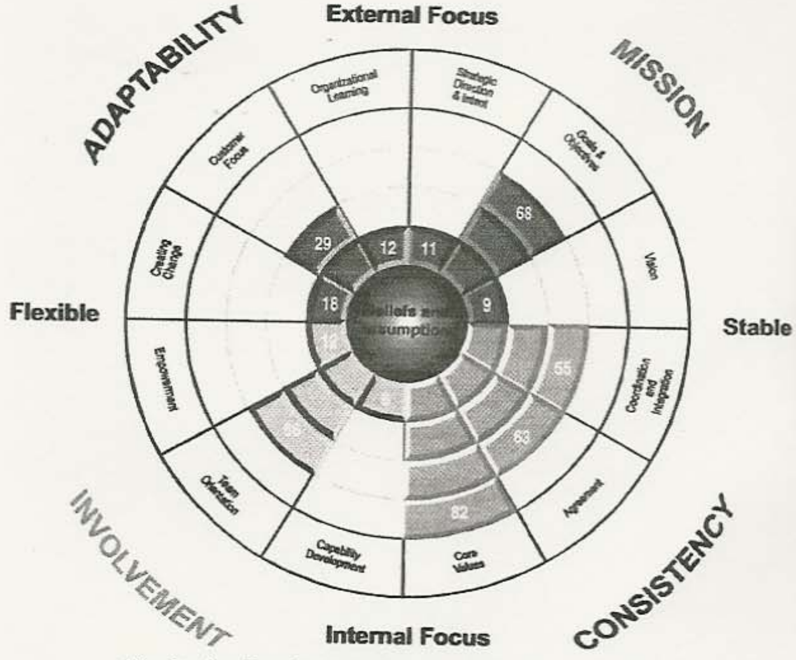

Fig. 2. Profile of a Manufacturing Company in Decline.

percentage of organizations in the benchmark database of over 700 organizations (Haaland, 2002) that scored lower than the organization profiled.

Examination of the culture profile of the management team reveals some key organizational problems: all of the measures of adaptability are poor; learning and creating change fall in the first quartile; and customer focus falls in the second quartile. The only strength in the area of mission is the operational focus on goals and objectives, indicating that there is little long-term vision or strategy. Involvement is also low, showing strengths only in the area of team orientation. The only real strength that appears in this profile is in the area of consistency, with a top quartile score in core values.

When the top management team looked at this profile, there was a long silence. "What does this profile tell you about your organization?" the consultant asked. After a long silence, one of them replied, "Yeah, we're a team alright – but we're *going down together*." "Yeah, that's us," said another. The core values that held the group together were wellsuited to the organization's past, but not necessarily to their future. The management team also quickly linked other aspects of the profile to their situation – the emphasis on operational issues in the mission area reflected the President's "mail room to board room" career path and the relative neglect of longer-term strategic issues. They had created many "teams" in the organization, but these teams had little impact on the way that work was actually done.

Looking at this culture profile brought together a number of different symptoms of the organization's decline and linked them to the behavior of the top management team. Their tendency to ignore the customer and the competitive environment and reason from the "inside-out" – taking the internal logic of their organization as a given and wondering why no one brought their products anymore – also came through strongly in this analysis. Since prior research has shown that internally-focused companies have lower growth rates (Denison & Mishra, 1995; Denison, Haaland & Neale, 2002), the analysis also made them more aware that they were unlikely to solve some of their most basic problems without a change in the behaviors and skills of their leaders.

This survey has been translated into 14 languages and used in over 30 countries. A number of studies have examined the empirical link between culture and effectiveness in North America, but very few have attempted to examine this link across cultures.

RESEARCH QUESTIONS

This study explores one basic research question: *Are there cross-cultural differences in the relationship between organizational culture and effectiveness?* This general research question has many facets, but in this chapter, we focus on whether the pattern identified in the original research in North America is similar to the patterns in other parts of the world, and whether there are distinctive patterns that are unique to specific countries. This question also requires us to see if the culture data itself varies significantly across different regions of the world. A final question concerns the explanation for the pattern of findings – Which factors account for the observed differences or similarities? These are the general research questions that guided the research presented in this chapter.

METHODS

The sample for the first study reported in this chapter was drawn from the archive of organizations that have completed the *Denison Organizational Culture Survey* over the past five years. The sample included 36,820 individuals from 230 organizations drawn from different industries, and including organizations of all sizes and stages of growth. In order to be included in this study, firms had to have at least 25 respondents from a representative population of employees in the firm. On average, the response rate for each of these organizations was around 60%, with internal samples that varied from management teams to a complete census of the organization. The majority of companies in this sample were based in North America ($n = 188$). Eight of the companies are based in Asia and 34 are from Europe-Middle East-Africa (EMEA). Global companies headquartered in all regions typically have many respondents from outside of the region.

Of the companies in this sample, 48% were listed in the Forbes Global 1,000 List for 2001. Approximately 20% are from the consumer cyclical industry including automotive sales and dealerships, home building companies, publishing, and retail. Another 13% of the companies in this sample come from the consumer staples industry including restaurants, beverage manufacturers, personal care products, food, and tobacco sectors. Companies in the technology sector account for 13% of the companies in this sample, and the health care sector, basic materials sector, and financials sector each account for 11% of the sample. Seven percent of the companies come from the capital goods sector, 3% each from the utilities sector and the communications sector, and 1% from the transportation sector. The remaining 7% come from public or non-profit organizations such as schools and government agencies.

The sample for the second study reported in this chapter included 2,162 employees of independently-owned local grocery stores within seven countries. The number of participants and stores per country are as follows: 749 respondents from 92 stores in Australia, 326 respondents from 17 stores in Brazil, 197 respondents from 13 stores in Canada, 306 respondents from 18 stores in Jamaica, 96 respondents from 20 stores in Japan, 185 respondents from 20 stores in South Africa, and 255 respondents from 38 stores in the United States. All respondents were full-time employees with positions ranging from non-management to management to store owner.

In total, 6,736 surveys were mailed out worldwide. Total response rate was 42%, but 658 of these surveys could not be used because they didn't complete enough questions, or could not be linked back to the appropriate store. This resulted in a usable response rate of 32%.

The stores participating in this study are part of the International Grocers Alliance (IGA). IGA, headquartered in Chicago, IL, was founded in 1926 and today is a global alliance of more than 4,000 licensed stores, with aggregate annual sales of $21 billion. IGA currently has operations in 40 countries, commonwealths and territories. Retailers who choose to join IGA, a voluntary non-profit supermarket network, acquire the size and strength to compete in the marketplace while maintaining their flexibility and autonomy as small business operators. IGA is owned by a set of wholesalers and retailers. The system is made up of supermarkets affiliated with IGA wholesalers and distributors in each country. There are two types of affiliation that supermarkets may have with IGA: (1) as a corporate store, where the wholesaler is the owner of the store; or (2) through a "sponsorship," where the owner-operator joins the IGA system as a licensed store.

Countries selected to participate in this study contained a minimum of 15 IGA affiliated stores. All stores in Brazil and Jamaica were surveyed because a smaller number of total stores exist in these two countries. In Canada, Australia and South Africa supermarkets were randomly selected to participate in the study. In the United States and Japan surveys were sent directly to a sample of high- and low-performing stores. The U.S. sample was chosen from a balanced sample of stores with high and low ratings on an annual store assessment processed by an independent third party inspector. In Japan, an independent "retail counselor" identified high and low performing stores. Stores in Japan were surveyed in Japanese, and stores in Brazil were surveyed in Portuguese. All other stores were surveyed in English.

The survey items for this study were taken from The *Denison Organizational Culture Survey* (Denison & Neale, 1996). This survey measures twelve indices of organizational culture using five questions each for a total of 60 questions. All items used a five-point Likert scale with response categories ranging from strongly disagree to strongly agree. These twelve indices are used to measure the four main cultural traits defined by the model – involvement, consistency, adaptability, and mission. The survey also assesses employees' perceptions of store performance on variables including sales growth, profitability, quality of products and services, employee satisfaction, and overall organizational performance. All measures were aggregated to the organizational level for this analysis. A complete listing of all items used in this study is included in the Appendix.

RESULTS

The results from both studies are reported in the same way. First, we report the simple correlations between the twelve indexes of organizational culture and the subjective ratings of overall effectiveness. Next, we report a series of one-way ANOVAs to understand the significant differences in scores from each of the countries and regions.

Study One

The correlations between the twelve culture indices and overall subjective performance for the three regions, North America, Asia, and Europe-Mid-East-Africa (EMEA), are presented in Table 1. All correlations between overall performance and culture indices were significant for North America (mean $r = 0.60$) and EMEA (mean $r = 0.64$). None of the correlations were significant for the Asian companies, although the size of the correlations are almost identical (mean $r = 0.62$). Similar results were also found for four other subjective indicators of performance; sales growth, profitability, quality, and employee satisfaction. These results are not presented here, but are readily available upon request.

Table 1. Correlation between Culture and Overall Effectiveness by Region.

	North America	Asia	EMEA
Empowerment	0.65*	0.57	0.60*
Team Orientation	0.61*	0.71	0.53*
Capability Development	0.70*	0.48	0.50*
Core Values	0.61*	0.65	0.69*
Agreement	0.58*	0.62	0.73*
Coordination & Integration	0.69*	0.62	0.74*
Creating Change	0.48*	0.87	0.68*
Customer Focus	0.36*	0.19	0.62*
Organizational Learning	0.50*	0.82	0.52*
Strategic Direction & Intent	0.55*	0.66	0.79*
Goals & Objectives	0.60*	0.54	0.62*
Vision	0.53*	0.71	0.67*
Number of Organizations	169	7	34

Table 2. ANOVA of Differences in Culture Scores Across Countries.

	North America	Asia	EMEA
ANOVA of Differences in Adaptability			
North America	**		
Asia	−0.003	**	
EMEA	−0.001	0.002	**
ANOVA of Differences in Mission			
North America	**		
Asia	−0.008	**	
EMEA	−0.003	0.005	**
ANOVA of Differences in Involvement			
North America	**		
Asia	0.001	**	
EMEA	−0.003	0.002	**
ANOVA of Differences in Consistency			
North America	**		
Asia	0.007	**	
EMEA	0.002	−0.005	**

The one-way ANOVAs assessing the significance of mean differences on the culture scores between the three regions, North America, Asia and Europe-Mid-East-Africa, are presented in Table 2. Interestingly enough, the three regions did not differ significantly from each other in any of the four organizational culture traits measured in this study. Mean differences of less than 0.08 were noted for the involvement, consistency, adaptability, and mission traits across all three geographic regions. The largest differences were noted between EMEA and Asia in all four traits. Asian companies gave slightly lower ratings than did EMEA companies on the traits of involvement and consistency, but EMEA organizations gave slightly lower ratings than Asian organizations on adaptability and mission. Overall, however, these differences are very small.

Study Two

The correlations between the twelve cultural indices and the subjective overall performance ratings for each country are presented in Table 3. All twelve culture indices were significantly correlated with overall performance ratings in Australia (mean $r = 0.33$), the United States (mean $r = 0.60$), and Brazil (mean $r = 0.79$). All indices except organizational learning were significantly correlated with overall performance ratings in South Africa. In Canada, however, only strategic

Table 3. Correlation between Overall Performance and the 12 Indices by Country.

	South Africa	Canada	Jamaica	Australia	United States	Brazil	Japan
Empowerment	0.60*	0.38	0.08	0.27*	0.68*	0.84*	0.08
Team Orientation	0.61*	0.43	−0.06	0.32*	0.60*	0.86*	0.11
Capability Development	0.70*	−0.06	0.26	0.23*	0.56*	0.81*	0.14
Core Values	0.54*	0.34	0.34	0.39*	0.63*	0.83*	0.47*
Agreement	0.63*	0.37	0.20	0.34*	0.54*	0.78*	0.28
Coordination & Integration	0.54*	0.45	0.18	0.37*	0.56*	0.88*	0.23
Creating Change	0.82*	0.34	0.00	0.35*	0.63*	0.75*	0.23
Customer Focus	0.45*	0.06	0.25	0.24*	0.45*	0.62*	0.24
Organizational Learning	0.12	0.13	0.11	0.33*	0.67*	0.76*	−0.10
Strategic Direction & Intent	0.69*	0.77*	0.44	0.38*	0.57*	0.79*	0.55*
Goals & Objectives	0.76*	0.58*	0.22	0.42*	0.68*	0.81*	0.25
Vision	0.45*	0.43	0.26	0.36*	0.61*	0.79*	0.29
Number of Stores	20	13	18	92	38	17	20

direction and intent ($r = 0.77$) and goals and objectives ($r = 0.58$) were significantly correlated with overall performance ratings. For Japanese stores, only core values ($r = 0.47$) and strategic direction and intent ($r = 0.55$) were significantly correlated with overall performance. Finally, no significant correlations between culture indices and overall performance ratings emerged for Jamaica (mean $r = 0.19$).

Next, one-way ANOVAs were performed to assess mean differences in organizational culture ratings across countries. Table 4 shows the results for the involvement trait. South Africa significantly differed only from the United States. On average, stores in the United States rated involvement indices 0.293 points lower than did their South African counterparts. Canadian stores significantly differed from stores in the United States and Japan. Canadians rated involvement indices 0.35 to 0.40 scale points higher than Japan and the U.S. Jamaican stores also significantly differed from stores in the U.S. and Japan. Jamaicans rated the involvement indices 0.44 to 0.50 scale points higher than did stores in the U.S. and Japan. Australian

Table 4. ANOVA of Differences in Involvement Scores Across Countries.

	South Africa	Canada	Jamaica	Australia	United States	Brazil	Japan
South Africa	**						
Canada	−0.102	**					
Jamaica	−0.187	−0.008	**				
Australia	−0.206	−0.104	−0.002	**			
United States	0.293*	0.400*	0.480*	0.500*	**		
Brazil	0.010	0.198	0.282	0.301*	−0.198	**	
Japan	0.250	0.352*	0.437*	0.456*	−0.004	0.155	**

Table 5. ANOVA of Differences in Consistency Scores Across Countries.

	South Africa	Canada	Jamaica	Australia	United States	Brazil	Japan
South Africa	**						
Canada	−0.007	**					
Jamaica	−0.130	−0.006	**				
Australia	−0.176	−0.103	−0.005	**			
United States	0.009	0.160	0.218*	0.263*	**		
Brazil	0.003	0.101	0.158	0.204*	0.006	**	
Japan	0.347*	0.419*	0.477*	0.523*	0.259*	0.319*	**

stores significantly differed from stores in the U.S., Brazil and Japan, with mean differences resulting in Australians rating involvement indices 0.50, 0.30 and 0.46 points higher than U.S., Brazilian and Japanese stores, respectively. As previously noted the U.S. stores rated involvement indices significantly lower than South African, Canadian, Jamaican and Australian stores. Japanese stores rated involvement indices significantly lower than Canadian, Jamaican and Australian stores. Brazilian stores only differed significantly from Australian scores.

Japanese stores rated the consistency trait significantly lower than did all other stores. These results are presented in Table 5. South African and Canadian stores were not significantly different than any other country besides Japan. Jamaica gave significantly higher mean ratings to consistency than did the U.S. and Japanese stores. Australian stores rated consistency significantly higher than did U.S., Brazilian and Japanese stores. As previously noted, the U.S. rated consistency significantly lower than did Australian and Jamaican stores, but rated consistency significantly higher than did Japanese stores.

ANOVAs for Adaptability are shown in Table 6. For the adaptability trait, there were no significant differences in mean ratings noted between Canadian stores and any other country. Japanese stores gave significantly lower adaptability ratings than did any other country with the exception of the U.S. and Canada. South African,

Table 6. ANOVA of Differences in Adaptability Scores Across Countries.

	South Africa	Canada	Jamaica	Australia	United States	Brazil	Japan
South Africa	**						
Canada	0.008	**					
Jamaica	−0.008	−0.157	**				
Australia	−0.003	−0.107	0.005	**			
United States	0.201*	0.124	0.281*	0.231*	**		
Brazil	−0.002	−0.010	0.006	0.001	0.219*	**	
Japan	0.314*	0.236	0.393*	0.343*	0.113	0.332*	**

Table 7. ANOVA of Differences in Mission Scores Across Countries.

	South Africa	Canada	Jamaica	Australia	United States	Brazil	Japan
South Africa	**						
Canada	−0.001	**					
Jamaica	−0.226	−0.214	**				
Australia	−0.006	−0.005	0.166	**			
United States	0.187	0.199	0.413*	0.247*	**		
Brazil	−0.007	−0.006	0.154	−0.001	−0.259*	**	
Japan	0.361*	0.373*	0.587*	0.421*	0.174	0.433*	**

Jamaican, Australian and Brazilian stores rated adaptability significantly higher than did U.S. and Japanese stores, but did not differ from each other.

The final culture trait, mission, again showed Japanese stores giving significantly lower ratings than all other countries except the U.S. These results are presented in Table 7. South African and Canadian stores did not differ significantly from any other countries besides Japan. Jamaican, Australian, and Brazilian stores again gave significantly higher ratings to mission than did the U.S. and Japanese stores.

Overall, the correlations presented here show a strong and consistent pattern in Brazil, South Africa and the U.S. Australia and Canada show a similar, but somewhat weaker pattern. Canada's small sample may have contributed to these results. In Japan and Jamaica, however, the pattern is quite different. In Jamaica, the correlations between culture and effectiveness measures are generally very low. In Japan, a few correlations are quite strong, but the pattern is mixed.

The difference of means tests also highlighted several interesting patterns. First, the results show that Jamaica has a much weaker pattern of correlations between the culture and effectiveness measures, but that the overall level of culture scores is very similar to Canada, South Africa, Australia, and Brazil. Second, the differences in means tests consistently show significantly lower scores for both the U.S. and Japan. Before considering a substantive explanation for these differences, however, it is important to point out the difference in sampling procedures used within these two countries. As noted earlier, both Japan and the U.S. used sampling procedures designed to contrast high and low performing stores. This sampling procedure may have resulted in lower performing stores, which presumably also had lower culture scores, being over-represented.

DISCUSSION

The two studies reported in this chapter make a modest empirical contribution to understanding one of the fundamental challenges of leadership in a global environment. The first study presents a summary of a large empirical database on organizational culture and effectiveness. Despite everything that we know about the importance of cross-cultural differences, these results show a very similar pattern across these major regions of the world. The link between company culture and effectiveness, at least as it is measured in this study, appears to be both strong and consistent. In addition, the mean scores for the culture measures are essentially the same for the samples of organizations in each of these three regions.

How can this be? Almost every article and discussion on the topic focuses on the importance of cultural *differences*. Yet, in one of the few comparative examinations of the issue, we see almost no difference. After scratching our heads for a while, we offer several explanations for this unexpected outcome.

First, the purpose of the model used for in study was to help understand the impact that organizational culture has on organizational effectiveness. Thus, the purpose of the concepts is to build an organizational-level model that elaborates the cultural factors that help distinguish effective and ineffective organizations. This content is designed to be general enough to apply to a wide range of organizations and to predict one narrow, but important outcome. The intent of the model is quite different from those that are specifically designed to describe the differences that exist between national cultures.

Another factor that should be considered in explaining these "no difference" results may be the fact that respondents tend to "self-norm," by comparing their own situation to other organizations in their same country or region. This "self-norming" process reminds us that survey data are always the result of making judgments relative to expectations. When expectations are rooted in a particular national context, that may indeed limit the differences that appear across cultures.

Even though these results provide good support for the usefulness of these organizational traits and measures for predicting the effectiveness of firms in different national contexts, we would *not* argue that this means that these traits are expressed in the same way in each of these contexts, or that the same meaning would be attached to the same behaviors in different national contexts. On the contrary, we would take these results to mean that a concept like empowerment is important around the world, but we would not argue that this means that the same behaviors would necessarily constitute empowerment in different national contexts. Thus, the model probably says much more about the presence of a desirable set of traits than it does about how those traits are expressed.

Examples help to illustrate this dilemma for all of the concepts in the model. But some of the most vivid examples concern the expression of involvement and empowerment in high power distance countries. One career ex-patriot Citibank executive told this story about taking a new job in Riyadh to help revitalize a Saudi-Pakistani joint venture bank:

> Each day, when I went in, everyone that was working in the area outside my office would stand up and salute. The first day I was honored, but it soon became annoying. One day, I left something in my car and had to go back out to get it, and then come back in. Each time they stood up and saluted! Up, down, up, down – how were we supposed to get anything done?
>
> When I told them not to stand up and salute when I came in, they obeyed, but I had hurt their feelings. They saw this as conveying respect, not subservience, and were a bit insulted that their attempt to honor me had been rebuffed. It took me some time to recover. My admonition that we were "all working together as a team" was confusing to them – I was moving too far too fast. Only then did I understand the true challenge that I faced.

Expressing regard for cultural diversity itself can also vary across cultures. A Dutchman who ran HP Tech Support call centers in Amsterdam that operated in 38 languages contributed this story about visiting corporate headquarters:

> When I first went to work in California, I would describe the way that we worked in Amsterdam, by saying things like, "well the Italians did it this way and the Germans did it that way and the French did it their own way – what a mess," and then we would laugh and sort things out. But before long, one of the American managers pulled me aside and said, "Stop saying that – it is offensive to all of us." I was really confused until I realized that Europeans naturally explain everything in terms of nationality, whereas Americans rarely speak directly about national differences at work.

There are several limitations in both of these studies that should also be considered. In the first study, there is a very limited sample from Asia. The small sample that is available shows the same pattern of results as the larger sample, but statistical significance is very low, and thus our confidence in these findings is compromised. As this database continues to grow, we will be able to redo this analysis to confirm that this preliminary summary is not misleading. The first study also relied on large regional categories that could mask distinct variations within each of these regions. In a separate analysis, we did compare results from several EU countries that had samples of 15 to 20 firms, and saw similar results to those reported in this study. Once again, as this database grows, it will be possible to make these comparisons in greater detail. One final limitation of this first study concerns the wide range of organizations and sampling schemes employed within the organizations. Clearly, the results would be more representative if they were controlled for size, industry, level of respondents, and size of the internal sample. Other research on this database has shown that these differences are relatively small compared to the large differences that exist between organizations, but these findings would still be strengthened with a study design that allowed for these factors to be controlled.

There are also a number of limitations to the second study. Our original intent in the second study was to examine a similar set of organizations across different national contexts, so that the type of organization could be held constant. This feature of having multiple units of the same (or similar) organizations available for comparison offers a number of advantages. Although the benchmark research by Hofstede (1980b) is often criticized because of its reliance on one organization, IBM, as the sole source of data, we would argue that this is also a key strength of the study. To a degree, it allows for an "apples to apples" comparison across nations. While this may be a poor choice of metaphor to use in a study of supermarkets (!), comparing similar organizations is at some point essential to identifying differences and similarities across nations. Reliance on one MNC of one nationality may "attenuate" the influence of national culture, but it also offers a relatively constant point of reference.

The biggest limitation of the second study is that the country specific samples were influenced by choices made in each country. This has resulted in "high/low" samples of organizations in two of the countries, Japan and the U.S., with random samples or a complete census in the other five countries. Adding in a specific sample of low-performing organizations appears to have had a strong influence on the difference of means tests, and somewhat less of an influence on the correlational analysis.

When the findings from the two studies are compared, the low results for the U.S. in Study Two are clearly not reflected in Study One. The correlations, however, are much more comparable between the two studies. Indeed, since most of the firms in the Asia sample in Study One are from Japan (five of eight), it also seems like the difference of means tests in Study Two may be influenced by the sampling procedure. In this case, however, the correlations in Study One and Study Two for Japan and Asia are still contradictory.

Considering the results from these two studies helps to identify future targets for research. A focus on industries such as retail or hospitality that have comparable operating units in many locations, and have comparable measures of their performance, would offer several advantages. This would offer a point of reference for understanding differences between countries and would offer a way to move beyond the subjective measures of effectiveness used in the studies reported in this chapter. Choosing several MNCs with different national origins, but a common presence in different national contexts, would also provide an important point of comparison.

For global leaders, these studies provide an interesting point of reference for the choices they make about building their organizations and cultures. The findings suggest that a common perspective on organizational culture may indeed be possible in multinational corporations. Furthermore, these characteristics can be measured and tracked and appear to have a somewhat predictable impact on effectiveness. Nonetheless, the discussion of these results also emphasizes that the *way in which* these traits are expressed varies greatly across national cultures. This additional complexity paints a clear, yet challenging picture of the challenges that face a global leader: Attempting to create a common set of organizational traits that are expressed in different ways in different national contexts.

ACKNOWLEDGMENTS

The authors would like to thank the International Institute for Management Development for their support of this research. In addition, we are grateful for the involvement of all the managers and executives who participated in this study, as well as the helpful comments of the editors.

REFERENCES

Adler, N. J. (1991). *International dimensions of organizational behavior* (2nd ed.). Boston, MA: Kent Publishing.

Allaire, Y., & Firsirotu, M. (1984). Theories of organizational culture. *Organization Studies*, *5*, 193–226.

Becker, G. (1964). *Human capital: A theoretical and empirical analysis with special reference to education*. New York, NY: Columbia University Press.

Block, P. (1991). *The empowered manager: Positive political skills at work*. San Francisco, CA: Jossey-Bass.

Boyacigiller, N., & Adler, N. (1991). The parochial dinosaur: Organizational science in a global context. *Academy of Management Review*, *16*(2), 262–291.

Davenport, T. (1993). *Process innovation: Re-engineering work through information technology*. Boston, MA: Harvard Business School Press.

Deal, T. E., & Kennedy, A. A. (1982). *Corporate cultures: The rites and rituals of corporate life*. Reading, MA: Addison-Wesley Publishing Co.

Denison, D. R. (1984). Bringing corporate culture to the bottom line. *Organizational Dynamics*, *13*(2), 4–22.

Denison, D. R. (1990). *Corporate culture and organizational effectiveness*. New York, NY: Wiley.

Denison, D. R. (1996). What IS the difference between organizational culture and organizational climate? A native's point of view on a decade of paradigm wars. *Academy of Management Review*, *21*(3), 619–654.

Denison, D. R., Cho, H. J., & Young, J. (2000). Diagnosing organizational culture: Validating a model and method. Working Paper, International Institute for Management Development, Lausanne, Switzerland.

Denison, D. R., & Mishra, A. K. (1995). Toward a theory of organizational culture and effectiveness. *Organization Science*, *6*(2), 204–223.

Denison, D. R., & Mishra, A. K. (1998). Does organizational culture have an impact on quality? A study of culture and quality in ninety-two manufacturing organizations. Presentation to the Academy of Management Convention, San Diego, CA., August 1998.

Denison, D. R., & Neale, W. S. (1996). *Denison organizational culture survey*. Ann Arbor, MI: Aviat.

Denison, D. R., Haaland, S., & Neale, W. S. (2002). Linking corporate culture and customer satisfaction: Two empirical studies. Presented at the 17th Annual Society of Industrial/Organizational Psychologists Conference: Toronto, ON.

Doz, Y. (1986). *Strategic management in multinational companies*. New York, NY: Butterworth-Heinemann.

Fey, C., & Denison, D. (in press). Organizational culture and effectiveness: Can an American theory be applied in Russia? Working Paper, International Institute for Management Development, Lausanne, Switzerland.

Haaland, S. (2002). *Denison organizational culture survey: Description of norms*. Ann Arbor, MI: Denison Consulting.

Hamel, G., & Prahalad, C. K. (1994). *Competing for the future*. Boston, MA: Harvard Business School Press.

Hatch, M. J. (1993). The dynamics of organizational culture. *Academy of Management Review*, *18*(4), 657–693.

Hofstede, G. (1980a). Motivation, leadership, and organization: Do American theories apply abroad? *Organizational Dynamics*, *9*(1), 42–58.

Hofstede, G. (1980b). *Culture's consequences*. Newbury Park, CA: Sage.

Imai, M. (1986). *Kaizen: The key to Japan's competitive success*. New York, NY: McGraw-Hill.

Kanter, R. (1983). *The change masters: Innovation for productivity in the American corporation*. New York, NY: Simon and Schuster.

Kotter, J. P., & Haskett, J. L. (1992). *Corporate culture and performance*. New York, NY: Free Press.

Lawler, E. E., III. (1996). *From the ground up: Six principles for building the new logic corporation*. San Francisco, CA: Jossey-Bass.

Likert, R. (1961). *New patterns of management*. New York, NY: McGraw-Hill.

Martin, J. (1992). *Cultures in organizations: Three perspectives*. New York, NY: Oxford University Press.

Mintzberg, H. (1987). Crafting strategy. *Harvard Business Review*, *65*, 66–75.

Mintzberg, H. (1994). *The rise and fall of strategic planning: Reconciling for planning, plans, planners*. New York, NY: Free Press.

Nadler, D. (1998). *Champions of change: How CEOs and their companies are mastering the skills of radical change*. San Francisco, CA: Jossey-Bass.

Nonaka, I., & Takeuchi, H. (1995). *The knowledge creating company*. London, UK: Oxford Press.

Ohmae, K. (1982). *The mind of the strategist: The art of Japanese business*. New York, NY: McGraw-Hill.

Ott, J. S. (1989). *The organizational culture perspective*. Chicago, IL: Dorsey Press.

Peters, T. J., & Waterman, R. H. (1982). *In search of excellence lessons from America's best-run companies*. New York, NY: Harper & Row.

Saffold, G. (1988). Culture traits, strength, and organizational performance: Moving beyond "strong" culture. *Academy of Management Review*, *13*(4), 546–558.

Schein, E. (1985). *Organizational culture and leadership*. San Francisco, CA: Jossey-Bass.

Schein, E. (1990). Organizational culture. *American Psychologist*, *45*, 109–119.

Senge, P. (1990). *The fifth discipline: The art and practice of the learning organization*. New York, NY: Doubleday/Currency.

Spreitzer, G. (1995). Psychological empowerment in the workplace: Dimensions, measurement, and validation. *Academy of Management Journal*, *38*, 1442–1465.

Stalk, G. (1988). *Competing against time: How time-based competition is reshaping global markets.* New York, NY: Free Press.
Taylor, W. (1991). The logic of global business: An interview with ABB's Percy Barnevik. *Harvard Business Review, 69*(2), 90–106.
Trompenaars, F. (1994). *Riding the waves of culture: Understanding diversity in global business.* New York, NY: Irwin.
Trompenaars, F. (1998). *Riding the waves of culture: Understanding cultural diversity in global business* (2nd ed.). New York, NY: Irwin.

APPENDIX A
ITEMS AND INDEXES FOR EACH TRAIT

Index	Scale	Item
Involvement	Empowerment	1. Most employees are highly involved in their work. 2. Decisions are usually made at the level where the best information is available. 3. Information is widely shared so that everyone can get the information he or she needs when it's needed. 4. Everyone believes that he or she can have a positive impact. 5. Business planning is ongoing and involves everyone in the process to some degree.
	Team Orientation	6. Cooperation across different parts of the organization is actively encouraged. 7. People work like they are part of a team. 8. Teamwork is used to get work done, rather than hierarchy. 9. Teams are our primary building blocks. 10. Work is organized so that each person can see the relationship between his or her job and the goals of the organization.
	Capability Development	11. Authority is delegated so that people can act on their own. 12. The "bench strength" (capability of people) is constantly improving. 13. There is continuous investment in the skills of employees. 14. The capabilities of people are viewed as an important source of competitive advantage. 15. *Problems often arise because we do not have the skills necessary to do the job.*[a]
Consistency	Core Values	16. The leaders and managers "practice what they preach." 17. There is a characteristic management style and a distinct set of management practices.

Appendix A. (*Continued*)

Index	Scale	Item
		18. There is a clear and consistent set of values that governs the way we do business.
		19. Ignoring core values will get you in trouble.
		20. There is an ethical code that guides our behavior and tells us right from wrong.
	Agreement	21. When disagreements occur, we work hard to achieve "win-win" solutions.
		22. There is a "strong" culture.
		23. It is easy to reach consensus, even on difficult issues.
		24. *We often have trouble reaching agreement on key issues.*[*]
		25. There is a clear agreement about the right way and the wrong way to do things.
	Coordination and Integration	26. Our approach to doing business is very consistent and predictable.
		27. People from different parts of the organization share a common perspective.
		28. It is easy to coordinate projects across different parts of the organization.
		29. *Working with someone from another part of this organization is like working with someone from a different organization.*[*]
		30. There is good alignment of goals across levels.
Adaptability	Creating Change	31. The way things are done is very flexible and easy to change.
		32. We respond well to competitors and other changes in the business environment.
		33. New and improved ways to do work are continually adopted.
		34. *Attempts to create change usually meet with resistance.*[*]
		35. Different parts of the organization often cooperate to create change.
	Customer Focus	36. Customer comments and recommendations often lead to changes.
		37. Customer input directly influences our decisions.
		38. All members have a deep understanding of customer wants and needs.
		39. *The interests of the customer often get ignored in our decisions.*[*]
		40. We encourage direct contact with customers by our people.
	Organizational Learning	41. We view failure as an opportunity for learning and improvement.

Appendix A. (*Continued*)

Index	Scale	Item
		42. Innovation and risk-taking are encouraged and rewarded.
		43. *Lots of things "fall between the cracks."**
		44. Learning is an important objective in our day-to-day work.
		45. We make certain that the "right hand knows what the left hand is doing."
Mission	Strategic Direction & Intent	46. There is a long-term purpose and direction.
		47. Our strategy leads other organizations to change the way they compete in the industry.
		48. There is a clear mission that gives meaning and direction to our work.
		49. There is a clear strategy for the future.
		50. *Our strategic direction is unclear to me.**
	Goals & Objectives	51. There is widespread agreement about goals.
		52. Leaders set goals that are ambitious, but realistic.
		53. The leadership has "gone on record" about the objectives we are trying to meet.
		54. We continuously track our progress against our stated goals.
		55. People understand what needs to be done for us to succeed in the long run.
	Vision	56. We have a shared vision of what the organization will be like in the future.
		57. Leaders have a long-term viewpoint.
		58. *Short-term thinking often compromises our long-term vision.**
		59. Our vision creates excitement and motivation for our employees.
		60. We are able to meet short-term demands without compromising our long-term vision.

*Items in italics are worded negatively in the survey. Responses are reversed for analytic purposes.

APPENDIX B
EFFECTIVENESS QUESTIONS

Comparing the performance of your organization with others in the industry, how would you assess your company performance in the following areas? Please mark one response per item.

	Don't Know 0	Low Performer 1	2	Average 3	4	High Performer 5
Sales Growth	0	1	2	3	4	5
Profitability/ROI	0	1	2	3	4	5
Quality of Products and Services	0	1	2	3	4	5
Employee Satisfaction	0	1	2	3	4	5
Overall Organizational Performance	0	1	2	3	4	5