
The Influence of Corporate Culture upon Performance: A Quantitative Research

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Abstract

In a globalized, knowledge-based society with organizations that operate businesses around the globe, the corporate culture has become a key concept for multinational corporations that brings together individuals from different backgrounds, while trying to accomplish common objectives.

The scope of this study is to see if there is a link between the corporate culture found in several multinational companies from Romania and the performance of the companies themselves. This study has been conducted by administering a Likert scale questionnaire to a diverse and representative sample, and then correlating the results using the Pearson coefficient.

The results revealed without any doubt that there is a connection between the corporate culture that is found in the companies and the overall performance that the organizations are achieving.

Keywords: corporate culture, corporate performance,

1. Introduction

The study of the members of an organization inside a certain culture is not a research subject restricted to modern times only. We can go to Ancient Rome, where the well-known orator and philosopher Cicero first used the term of culture in his book *Tusculanae Disputatione*, in which he wrote about “*cultivating the soul or the animi culture*” (Nismes, J., 1812), using a metaphor for human development in time, as the highest ideal that can be achieved by a man, because the culture is considered a vital point in an organization as it influences positive or negative the members of the cultural environment in which it can be found.

Anthropologically speaking, the culture represents “*the human capacity to classify and represent experiences with symbols and to act imaginatively and creatively, but also the distinct way in which people living in different parts of the world have classified and represented their experiences and acted creatively*” (Deji, O.F., 2011), and thus, culture is not attributed to the genetic heritage of any individual, but is a set of system of beliefs, values and learned behavior that have been transmitted to them through external and internal factors.

That being said, the concept of culture is extremely important because at the center of this phenomenon, we can always find the people and their behavior at a certain point in their development, especially since our entire society is based on close collaboration between its members in order to achieve common goals that will benefit all its members and bring progress upon the organization, that they are part of.

For these reasons, the concept of corporate culture is one of high importance for modern organizations and as it impacts their members *modus operandi* to internal and external factors, which in the end will influence the organization's performance and its ability to achieve the goals it has set.

2. Literature review

At this moment, we have people with different genetic material, coming from different geographical backgrounds and with completely opposite values and beliefs, but who have to work together for the good of all members in the context in which society has moved altogether from tangible to intangible resources and that now operates linked together globally, as a whole network of different people that share common goals.

Through this study, we will address a wide range of topics related to the presence of the corporate culture in economic organizations, especially since we can find in the research literature a variety of definitions and approaches. We can find it as a structural or processual component of the organization, oriented towards satisfying the needs of many and often opposite stakeholders and as an important influence upon the performances of the organization it is found in.

Definitions of the corporate culture are numerous and there is still an open debate on many of them or their applicability, but one of the most important is the one given by Edgar Schein of MIT's Sloan School of Management that says that the corporate culture *"is a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems"* (Schein, E.H., 2010). Another, important scholar, Charles Handy states that the corporate culture is *"the way individuals live and follow unwritten rules and standards"* (Handy, C., 1993).

From many of the definitions we have analyzed, we identify a number of features that are common in all of them, and we have summarized them below:

- 1) The corporate culture is a real way of life for the organization itself, becoming evident only when it is compared to those of another organizations, or when cultural changes are done;
- 2) The corporate culture tends to be extremely stable over time because it always involves basic assumptions, values, and beliefs that are sedimented inside the organization and have value to its members.
- 3) The shared meaning for the members is critical;
- 4) The corporate culture is socially constructed and is impacted by environment (internal and external) and the common history;
- 5) That corporate culture has many symbolic and layers, culture is solid and resides at all levels of the organizations.

At the same time, we can say that the corporate culture has according to Nancy J. Adler, “*four main functions inside the organization*”: (Adler. N.J., 1986)

- 1) Integrating members within the company takes place because members can adapt to the internal environment and this happens not only for new members but for all of them, no matter their seniority, because there is a continuous integration within the company;
- 2) Protecting its members from environmental threats to the internal and external environment, because the corporate culture represents here the support base of the internal behaviors, and the preventive reaction to combat negative influence from outside factors;
- 3) Preservation and transmission of organizational traditions regardless of changes in the company’s core management positions, that takes into account the shared values, concepts and organizational behaviors already found inside and that must continue no matter what impacts them;
- 4) A cultural source for competitive and strategic advantages as it allows and creates a favorable framework for the development of all the organizational capabilities, that in the long run can become a competitive advance of the organization in front of its competitors.

The objective of any economic organization is to be performant, as the organization must grow and become better and efficient in its activities through its members efforts. For this reason, the corporate culture can influence the performance of the organization since it is often seen as a link to high performance because it can bring a competitive and strategic advantage in the organization and can unite its members through common believes and values to achieve the goals that were set upon them.

To define performance, a number of different theories were used in practice. The first to study the field of the organizational performance using quantitative measurements were Tannebaum and Schimdt and described it as “*the degree of achievement of objectives, focusing on labor productivity, net profit and the extent to which the organization fulfills its mission and its success is at the same level or increasing*” (Tannenbaum, R., Schmidt, W.H. 2009).

The overall performance of the organization is correlated with that of each member. For this reason, the individual performance of the members and of course, achievement of those individual goals is positively or negatively influencing the performance of the entire organization.

Eliyahu M. Goldratt declared that “*the goal of any organization is to make money and defines three performance measurement indicators that best justify the goal of making money, and that defines what happens in an economic organization*” (Goldratt, M.E. 1990):

- The value added created and delivered, meaning the rate the system generates money from its products;
- Inventories or the money the organization added into production of products that intends to sell;

- Operating expenses, which represents the money spent by the system in order to convert inventories into products;

Margret Wheathly, in a study of organizational theories, has identified three organizational dimensions that are interconnected and lead to maintaining current performances and improving the future ones: “*clarity of purpose, quality of relationships, and flow of information within the organization*” (Wheatly, M., 1999).

From the above, we can say, without a doubt, that we cannot analyze the performance of an organization using only one criteria, because this will not properly analyze the multitude of aspects that constitute a complex concept that performance is.

3. Case study

The case study was conducted using a quantitative investigation through a questionnaire that was addressed to Romanian employees of multiple multinational corporations that operate in Romania, because the corporate culture is commonly found only in large organizations, and we are aiming to determine the impact of the corporate culture on the performance.

3.1. The research instruments

The questionnaire in question analyzes the opinions of a diverse and randomly selected sample of 71 respondents from 6 organizations, with different cultural beliefs and backgrounds, managerial positions, and education levels.

The questions are developed based on OCAI instrument. This method is one of the most used instruments in the world to evaluate the corporate culture and was developed by Robert Quinn and Kim Cameron at University of Michigan, and it is based on the *Competing Values Framework*, both instruments being already validated through extensive research (Denison & Mishra, 1995, Howard, 1998; Ralston et. al., 2006).

The wording used in the questionnaire is simple and concise because we wanted to leave no room to multiple interpretations in order for the query methods to lead to representative and valid results. The questions themselves are using the Likert scale with five possible grades (from total disagreement to total agreement), that follow the intensity of the response, and it is an ordinary attitude scale mostly used in opinion polls.

The questionnaire is structured in two main parts:

1) Analyzing the six components of the corporate culture found in the organizations, with a total of 24 items.

- Dominant characteristics, items 1 to 4;
- Leadership, items 5 to 8;
- Employee relationships, items 9 to 12;
- Corporate values, items 13 to 16;
- Corporate strategies, items 17 to 20;

- Success criteria, items 20 to 24.

The analysis was done using the six components because we needed to comprehend the full aspects of the corporate culture found inside the studied companies and the extent its influences the corporate performances.

2) The evaluation of the encountered corporate performance using three components, with a total of 8 items.

- Stakeholder satisfaction, items 1 to 3;
- Members dedications, items 4 to 6;
- Financial performance, items 7 and 8.

The current research tells us that when determining the corporate performance, the quality of the indicators is highly important, and we must follow multidimensional ones due to the nature of the performance itself. For this reason, in this case study we are using a number of financial and non-financial indicators.

Table 1 – Question example and calculation

	1 - Strongly disagree	2- Disagree	3 - Neutral	4 - Agree	5- Strongly agree
1. The organization is a personal environment for you.	1	13	23	30	4

Source: Authors' own contribution

Calculation method: $(1*1+2*13+3*23+4*30+5*4)/71=3,32$

The completion of the questionnaire by the respondents was done in February 2021 using Google Sheets online tool, and the statistical analysis was done with IBM SPSS 26 (Statistical Package for Social Sciences) and Microsoft Excel 2019.

3.2. Quantitative Research

The statistical analysis is conducted by calculating the Person correlation coefficient (r) (Benesty, et. al, 2009), one of the most used statistic test in world, that was used extensively in the socio-economic research around the world and that it measures the intensity and meaning of two variables connections. This way, we can demonstrate the dependence of the corporate performance with that of the corporate culture.

$$r = \frac{\Sigma(x - m_x)(y - m_y)}{\sqrt{\Sigma(x - m_x)^2 \Sigma(y - m_y)^2}}$$

The values of the correlation can be in the range of (-1, +1), that shows us the type of the and intensity of it:

- -1 is a negative, indirect, and perfect correlation;

- +1 is a positive, direct, and perfect correlation;
- 0 shows that there is no correlation between the variables.

At the same time, by using this type of correlation, we always have to take into consideration that both variables are dependent and are influencing themselves, while we cannot determine their causality, and we know that they vary and the direction in which they vary. For this reason, we will also calculate the determination coefficient (the square of the Pearson correlation coefficient) because it is recommended to interpret it as well, as it gives an interpretation of the covariance, and to identify the strength of the calculation.

Table 2 – Correlation of corporate culture upon performances

	<i>Corporate culture</i>	<i>Performance</i>
<i>Corporate culture</i>	1	
<i>Performance</i>	0.7595	1

Source: Authors' own contribution

In our case, the Pearson correlation coefficient of 0.7595 can be interpreted as being a very strong correlation since the result is between the range of (0.7;0.9).

Table 3 - Determination coefficient

	<i>Corporate culture</i>	<i>Performance</i>
<i>Corporate culture</i>	1	
<i>Performance</i>	0.5767	1

Source: Authors' own contribution

Following the statistical analysis of the relationship between the corporate culture and performance of the organization's studies, we have obtained a very strong correlation of $r=+0.7595$, and determination coefficient of $r^2=0.5767$, where we can say that 57% of the variation of the two variables is common, while 43% being due to other influences.

4. Conclusions

The importance of the corporate culture is reflected that is "*a method of interaction of employees in the organization and has the ability to integrate activities to achieve the objectives set, to adapt to the external and internal environment*" (Daft, R.L., 2001) and that its influence upon performances is imperative because "*organisations that have focused on tangible resources have not been as successful as organisations that have focused on establishing a strong corporate culture and identifying a set of goals and values*" (Zeyada, 2018).

We can say that the influence of the corporate culture upon performance is important and that organisations that concentrated on establishing a strong, positive culture with shared values that were recognised by its members led, in the end, to increased corporate performance.

Our study demonstrated that the influence of the corporate culture upon performances through the Person's correlation coefficient of $(r)=0.7594$ shows a high intensity dependent connection between the two variables which we have tracked.

For this reason, and because we have a strong causality connection between them, we can say that in order to achieve high performances, the companies need to have a corporate culture that makes possible achieving it.

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