The Longitudinal Research on the Effectiveness of Organizational Culture

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Abstract

The effectiveness of the organizational culture for the organization has always been the hot spot of the theory of public organization. The cross-sectional studies of influence of organizational culture on the organizational effectiveness are incisive, but the longitudinal study is an unsubstantial aspect. This paper will summarize the research results of the effectiveness of the organizational culture, and then discuss the longitudinal influence of organizational culture by way of referring to the developing theory of modern organizational culture and competitive value theory.

Key words: Organizational culture; Organizational effectiveness; Competitive value theory

INTRODUCTION

The background of the research to organizational culture rose from the rapid rise of Japanese enterprises during 1960s and 1970s, and became the strong competitors of American enterprises in many areas. After researching the reason why Japanese enterprises achieved the great success, the American researchers found there were different culture modes between American and Japanese enterprises, and then inspired the research interests to organizational culture. According to this background, it can be concluded the research to organizational culture and effectiveness has always been the issue of this area. Whether the organization culture would influence organizational effectiveness, the academia has reached the broad agreement at present: organization culture indeed influence the organizational effectiveness. But the academia has not yet reached the consensus of how the organizational culture influences the organizational effectiveness (Li & Zhang, 2005).

1. RESEARCH STATUS AND SUMMARIZATION

According to the existing literature, most of the research discusses the relationship between organizational culture and financial performance. But organizational culture is not the variant that will directly affect the financial performance. It plays the role by influencing member's value and working attitude, and then affecting their effort, work-style, eventually affecting the financial performance of organization. Therefore, to better research the influence of organizational culture to organizational effectiveness; it is necessary to consider some other factors. For instance, the research result about influence of organizational culture on organizational effectiveness, found by Denison (1990), proposed that, if the evaluation of financial performance can be related to the analysis of stakeholder, it will be a great progress in research. Recently, some literatures have introduced the customer satisfaction and employee satisfaction to the research of organizational culture and organizational effectiveness.

The basic two dimensions of research on organizational culture and effectiveness are internal organization and external organization. The emphasis of research roughly follows the process of transferring from inner to outer. The representative theory achievements include strong culture theory, culture trait theory and adaptability culture theory. Strong culture theory and culture trait theory focus on internal organization, while adaptability culture theory focuses on external organization.

1.1 Strong Culture Theory

This theory was brought up by American scholar in 1980s. It pointed out that the strong culture was almost always the driving factor for the success of American enterprises, the ascendance and conformance of enterprise culture was the essence of outstanding corporations, meanwhile, the strong culture contributed to maintaining the conformance of strategic goal of enterprise, raising the enthusiasm of employees, and providing necessary organization and management mechanism. Thus it is effectively to reduce the bureaucratic mechanism of enterprise, and stimulate vitality and reform of organization. Therefore the strong culture will promote the business performance. Hereafter, the strong culture becomes the main researching content of organizational culture and effectiveness. There are lots of empirical researches on strong culture, some of them support this culture, and others are against to it. For instance, Gordon and DiTomaso, who were from Rutgers University, made an empirical research on eleven insurance companies. The result showed that no matter what kind of cultural connotation the enterprise has, strong culture was related to good business performance within a short period (2~3 years). But the empirical research about 207 American enterprises taken by Kotter and Heskett from Harvard University showed that the intension of organizational culture indeed had a positive correlation with the long-term business performance, however this relationship was very fragile. Similarly, empirical research on three industries including 10 corporations taken by Lee and Yu from University of Singapore indicated that, even though the intension of organizational culture had certain relationship with operating performance, this correlation was not obvious (Li & Zhang, 2005).

Later on, researcher found that strong culture has a conditional positive relationship with organizational effectiveness. Not all the strong culture contributed to the organizational effectiveness. Burt who is from University of Chicago, Gabby who is from Columbia University, Holt and Moran who are from INSEAD made a research on influence of strong culture to performance in different industries. The result indicated that the value of strong culture was totally different in different areas. For example, in U.S manufacturing, the strong culture has an obvious positive relationship with company's performance. Ogbonna and Harris from University of Wales pointed out that the strong culture can only play a role when it matches the external environment. Later on, the researchers divided the business performance into long-term and short-term, and extended this concept of business performance into performance stability. The research result (1990) about influence of organizational culture on organizational effectiveness, found by Dension, proposed that strong organizational culture has a better explanations and prediction to short-term business performance. Srensen from Massachusetts

Institute of Technology made an empirical research about the influence of organizational culture on performance stability. He found that strong culture contributes to reducing the performance volatility. However the impact is associated with the volatility of business industry. In a relative stable environment, the strong culture will bring more outstanding and stable performance. But as industry volatility increase, strong culture plays a weak role in performance stability.

1.2 Culture Trait Theory

Culture trait theory refers to the specific value, belief and common behavioral pattern. According to this theory, some culture trait will promote the organization performance. According to the culture trait theory, the reason why organizational culture influence organization performance is ascribed to the value, belief and behavioral pattern of members.

From Dension's view, organizational effectiveness is a function of value and belief held by organization staff, a function of policy and practice, a function of implementing the policy and practice with the core value and faith consistently, and a function of interrelation between core value and faith, policy and practice, as well as organizational business environment. According to the above cognition, Denison summarized four kinds of characteristics of organization culture from relative literature: concentration, conformance, adaptability and mission, and regarded these four traits as researching assumptions. Concentration refers to level of participation, the organizational culture with high level of participation is considered to be effective culture. Conformance is the same as strong culture theory. According to this theory, the widely shared faith, value helped the members to reach the common cognition, take the consistent activity, and finally influence the organizational effectiveness. Adaptability emphasizes that the organization culture will influence organization to perceive and respond the external environment, to respond to internal customer, to adjust the organizational structure basing on external environment and internal customer, to institutionalize the adaptive activity and flow, and finally influence organizational effectiveness. Mission is cognition about the functionality and objective of organization and its members, it plays a role in organization effectiveness in two aspects: firstly, the sense of mission provides the goal and meaning, as well as noneconomic significance of work. Secondly, it indicates the direction and goal, defines the correct activity of organization and members (Li & Zhang, 2005).

1.3 Adaptability Culture Theory

Strong culture theory focuses on the culture strength or the conformance of the value held by organization members. As research continues, scholars bring up the environmental issue. Culture trait theory lays emphasis on culture's

connotation. From Denison's view, adaptability was the most significant dimension among the four culture traits. Besides, he also emphasized that organization's adaptability includes the ability to respond to external environment and self-respond (Cai & Yu, n.d.). Adaptability culture theory mainly studies the relationship between organizational culture and external environment. It considered that only the organizational culture which is able to flexibly respond to the external environment is effective.

After comparing the organizational cultures in different industries, Gordon came to the conclusion that organization in a turbulent industry environment will pay more attention to adaptability. While in the stable industry environment, organizational culture tended to stability. This phenomenon also indicates that culture should adapt to external environment. The adaptability of organizational culture on the environment is embodied in two aspects: firstly, organizational culture must match the external environment; Secondly, organizational culture should adjust according to the change of external environment timely. According to the view of Kotter and Heskett, only the culture that conforms to the above to condition was considered to be effective organizational culture. The theoretical hypothesis of adaptive enterprise culture considered that only the organizational culture that helps to foresee and adapt to the change of business environmental is relative to the excellent long-term business performance. Kotter and Heskett discovered that enterprises with adaptive culture contain the following characteristics: when it is necessary to take the reform, all managers are capable to satisfy the benefit of stockholder, customer and employees. Summary speaking, Kotter and Heskett considered that that only the organizational culture that helps to foresee and adapt to the change of business environment is effective, meanwhile, to make the enterprise culture to be adaptive, the company must value the stockholder, customer, employees as well as the leadership of managers, only in this way the enterprise can achieve the strategic reform.

According to the above review of representative theory, we can conclude that the research on effectiveness of organizational culture tend to the connotation of organizational culture and relationship between organizational culture and environment. The scholar follow the way of inside-out to do the research, it is a cross-sectional study.

2. QUESTION PROPOSING AND RESEARCH SIGNIFICANCE

The researching literature on organizational culture and organizational effectiveness is scare. In Taiwan, Prof. Tianming Cai from National Cheng Kung University researched the organizational culture of 96 high-tech enterprises. The result indicated that high-tech enterprises

with different culture have significant difference in organizational career management and human resource performance. Enterprises possess innovative culture lay emphasis on organizational career management. Therefore effectively promote human resource performance (Cai & Yu, n.d.). Prof. Guangguo Huang from Taiwan University (1999) researches the impact of Chinese traditional culture on culture of family corporate and potential relationship between Chinese traditional culture and enterprise productivity. Besides, it is easy to find out many papers about organizational culture and organizational effectiveness basing on opposing values model, but most of them are limited to education area. In the mainland area, Prof. Li He and Wenquan Ling from Jinan University propose a viewpoint of establishing effective organizational culture by way of cultivating positive values, strengthening people-oriented management, creating learning organization, as well as positively seeking to reform (He & Ling, 2003). Jie Zhang from Nanjing University also discussed the method to develop organizational culture basing on evaluation, communication, development, leadership, as well as organization structure. Prof. Yufan Shang and Youmin Xi from Xi'an Jiaotong University pointed out that organizational culture can play a management role by way of internally accepting the exterior action basing on the external regulation, meanwhile, the operating performance of corporation can be reflected by observing the matching degree of the nested relationship of the three hierarchy contained by enterprise. The matching degree concept is mainly the same as internal consistency referred by organizational culture presented previously (Shang & Xi, 2001). Besides, there is no literature about organizational culture and organizational effectiveness can be found in mainland area.

At present, the longitudinal research about how organizational culture plays the role in organizational development in different stages is still scare, what is more, relationship between organizational culture and organizational effectiveness is hardly grasp in time dimension. For this shortage, this article, by means of analyzing enterprise culture of corporations in different stage of development, is going to discuss the connection between organizational effectiveness and stage of enterprise development. This longitudinal research can not only make up for the existing loophole of organizational culture, but also extend the researching area of this field.

3. RESEARCHING THOUGHTS AND CONCEPT ANALYSIS

This article will take Haier Group for example, and refer to the development theory of modern organizational culture and competitive value theory to discuss the different influence results from the organizational culture on organizational effectiveness.

At present, there are two concepts of organizational culture in academia: the culture is some kind of particularity possessed by organization; the concept of culture and organization is exactly the same. Based on the first concept, "culture" contains the spirit and characteristic of a group. This understanding comes from functionalism. However, organizational culture is regarded as a high-level exclusive usage of basic faith and assumption shared by organizational members, this assumption and faith is a learned response to external survival problems and internal integration problems. In fact, the concept of organizational culture should be the assumption and faith firmly insisted by organization, this assumption and faith is shared by organizational members, even though it may be unconscious for them. In addition, this assumption and faith is deep-rooted in organizational members, and is expressed by employees when organization facing external survival problem and internal integration. Only when the faith and assumption can explain the organizational difficulties effectively and reasonably, it could be accepted by all members. This assumption and faith is regarded as the core of organizational culture, while the man-made symbol is superficial thing.

From E. H. Schein's view, organizational culture was formed through the course of adapting to the external environment and the course of organization internal integration. During these courses, the organizational members will discover and learn the cultural factors that are significant to survive and development of organization. Gradually, these factors are treated as convention and accepted by organizational members. This is the course of forming the organizational culture.

The competing value model divides the indicator of enterprise culture into two dimensions of internal-external orientation and control authorization, then forms the basic four value models which are regarded as competitive value theory. This theory divides the organizational culture into four orientations: objective, project, support and creativity based on dimensions of inner-outer and control-flexibility, and then employs these four orientations to analyze the influence of enterprise competitiveness brought by each kind of culture (Jin, 2010, pp. 223-224).

At present the scholars research the functionality of organizational culture based on different dimensions, their standpoints are not exactly the same. Wlikins and ouchi considered that organizational culture could reconcile the model and the objective. From Smicrihc's view, organizational culture could be used as the tool to realize the significance of organization, besides it was effective to mold the employee's attitude and action expected by organization, furthermore, it helped to make the employees keep the promise to the value and management philosophy of organization. In Scheni's view, the functionality of culture was to settle two problems: the first one was viability in external environment and adaptability to it; the second one was the capability of internal integration that guaranteed the long-term viability and adaptability of organization. According to Dnesion's view, organizational ideology and normative integration function could enhance the predictability of organization. Kotter and Heskett thought organizational culture could provide the necessary structure and control to replace the bureaucratic organization, thereby to avoid losing the creativity and renovation (Li, 2009).

As mentioned above, organizational culture impacts the employees and internal management of organization, as well as the interaction between organization and external environment.

The function of organization culture can be illustrated from interior and exterior aspect:

A. Internal function. Influence of organizational culture on intra-organization is displayed in the following aspects:

a. Self-identity Function. Organizational culture is the embodiment of organization's core value, which is equal to the consciousness system of organization. In order to adapt to the organizational environment, the members will gradually accept the consciousness system of organization, and internalized it into their own value. Frankly speaking, the organizational culture provides a sense of identity to members of organization, and increases their organizational identification.

b. Guidance and Interpretation. Organizational culture can generate a certain mind-set, which will lead the organizational employees to the goal. When the organizational culture is strong, it has more obvious influence on employees. What is more, organizational culture is a helpful tool to help the employees to understand the activity of enterprise.

c. Cohesion and Strengthen Function. American scholar Katz thought the foundation of social system is combined with attitude, sensitivity, faith, motivation and habit. The organizational culture worked as adhesive to aggregate the whole organization by providing normative standards of behavior for organizational employees, thus it was helpful to enhance the stability of social system. The culture intensified the value of organization. Infected by the strong organizational culture, the employees have consistent object and action which highly increased the efficiency of organizational activity

d. Building Up the Control Mechanism of Activity for Employee. Worked as the mechanism of forming and controlling significance, Organizational culture can lead the employee's attitude and activity. The organizational culture contains the cored assumption, faith and connotative rule that standardize the employee's activities, only those who follow the rules will be accepted by corporation.

B. External Function.

The external function of organizational culture is displayed in two aspects: Firstly, Using the employees to influence the interaction between organization and environment; secondly, organizational culture directly

influences the way and result that organization interacts with the environment.

a. Identification Function. Organizational culture always contains its own characteristic that is different with other corporations. Meanwhile this characteristic helps to establish enterprise's image in public, obtain more social recognition for corporation, thus reinforce enterprise's capability to handle social affairs (such as increasing brand visibility), and finally get a better development.

b. Adaptive Function. According to system theory, organization located in an open system, and the organization interacted with external environment. The organizational culture may either promote or impeded the corporation to adapt to the environment. The researching result indicated that in order to make the organizational culture better adapt to the environment, the organization should pay attention to benefit of employees, customer and stockholder. Besides, organization should pay close attention to external environment, and make reform timely to adapt to the change of external environment (Li, 2009).

In conclusion, it takes some time before the organizational culture fully mixes up with the organization. In the early time, the organizational culture is not mature, thus it plays a weak role in organizational effectiveness. When the culture develops into stable and mature stage, the cultural system and its connotation becomes more and more perfect, consequently the influence on employee becomes more and more profound.

Next we will take the organizational culture of Haier for example to illustrate the influence of organizational culture on organizational effectiveness in different developing stage of enterprise. And then prove the author's idea.

4. ARGUMENT AND ANALYSIS

Haier Group is regarded as the number one brand of white household appliance and the most valuable brand in China. It has established 29 manufacturing bases, 8 comprehensive research and development centers, 19 overseas trading companies all over the world. Besides, it has developed into a multinational enterprise group with more than 60 thousands employees. Haier Group has experienced brand-name strategy, diversification strategy and internationalization strategy. The organizational culture of Haier Group is creative value that is widely accepted by all staff and leaders.

The core value of Haier culture is creativity. The culture of Haier contains innovative idea, strategy, organizational form, and technique as well as target market. As Haier Group develops, the culture of Haier consistently progress too. The employees always consider that participating initiatively is the big feature of Haier culture. At present, the goal of Haier is to create the world famous band in China. This goal has perfectly combined

the employee's value with enterprise's development. Each staff will realize his own value during the course of achieving enterprise's further object.

The competitive value theory considers that the growth cycle of enterprise includes four stages: birth stage, collectivity stage, formalization stage and mature stage. The stage of birth emphasizes the reform, creativity and resource mobilization. Since the characteristic of collectivity stage is informal resource communication and active structure, the organizational employees form the collective consciousness. The characteristics of formalization stage include stability, effective operation, rule and procedure. The feature of mature stage is managing the external environment so as to promote the growth and refreshment of organization.

Culture is mainly results from three factors: adapting to the external environment and maintaining the internal integration, custom of social and ethnic culture, entrepreneur's faith and value. (Jin, 2010, p.115)

During the early stage, Haier Group proposes the brand-name strategy, but there is no detailed requirement for working principle and activity standard. In addition, the employees are not familiar with the organizational environment, even though they know enterprise's goal and strategy. Thus the organizational culture in this period has no influence on employee's value and working attitude.

During the collectivity stage, which is called multiplication strategy phases, the staff has adapted to the working environment, moreover, the whole corporation has adapted to the external environment too. During this procedure, all members gradually reach the common tradition, habit, faith and value. During that stage, Haier brings out the catchword of "dedicating to the work, serving the country, pursuing the excellence, fast response, immediate action". In 1995, Haier Group started to focus on the international market. Marked by the completion of Haier industrial park, Haier declared its strategy to create world famous brand which is regarded as starting up a second business. During this period, Haier has formed a profound organizational value, "fast response, immediate action" helps Haier to create comparative advantage and to challenge the world famous brand. Though facing the difficulties of funds, technique and human resource, Haier has never changed their goal of being world famous brand. During this period, faith and value that deeply impact the staff's work attitude are added into organizational culture.

During the stage of international strategy, Haier had realized standardization. In order to achieve the goal of establishing the top brand all over the world, Haier required the staff to possess global vision, consequently shape its brand-new organizational culture, which is "creating resource, reputed by the world".

The leader should focus on maintaining the stability of organization. During this period, the atmosphere of organization tends to be stable and conservative. In such

a situation, creating the social and ethic culture is the only way to establish the systematic organizational culture. The social culture and organizational culture locates in different dimension and they have different connotation and extension, what is more, the organization is relative independent unit. Therefore there may be macro culture that is different from the organizational culture. Since the organizational culture is the subsystem of the macro culture, it will be definitely influenced by the macro culture. (Jin, 2010, p.115)

At the mature stage, the organization should focus on creativity and innovation to exploit new space for development. Besides, the leader should take the lead to change the faith and value. The mature organizational culture contains organizational object, principle of action, working spirit, faith and value. All these cored values have adapted to the organizational environment and humanities after a long time of interaction with each other.

To conclude, in the first stage, the organizational culture only plays the roles in identifying the objectives and condensing the will of employees. In the second stage, the organizational culture can further enhance the organizational coherence. In the third stage, personal awareness and faith is added into organizational culture when organizational culture is fully mixed with employees. It is effective to guide and normalize the working principle of employees. In the mature stage, organizational culture has adapted to all other factors of organization, neither of them can exit without the other.

5. THE WAY OF IMPROVING THE ORGANIZATIONAL EFFECTIVENESS BY ORGANIZATIONAL CULTURE

The managers of organization take the way of improving the organizational effectiveness seriously. Many scholars make research on this field. In this paper, we discuss how to improve the effectiveness by the way of organizational culture. According to the above statement and existing literatures, the author comes to the result that the organizational culture which will highly improve the effectiveness should include the following characteristics.

5.1 Fast Response

Fast response indicates the response to problems and opportunity faced by organization. In the rapidly developing information society, the external environment of organization consistently changes, and the organization will face its internal problem during the operation. In such a situation, the organization should consistently reform to adapt to the change of environment, and settle down the problem rapidly. Meanwhile, in order to rapidly adapt to the change of environment, organization should possess the capability of active learning (Zhang, 2001).

5.2 Emphasizing Members

The president of BIM Sheng Hua said that excellent organization should pay attention to the functionality of staff, fully authorized to employees and made them involved in the management of organization (Collins & Porras, 2002, p.165). Besides, the enterprise should take the development of employees seriously, and help the employees to consistently improve their capability. Last but not least, organization should focus on team construction, encouraging the collaboration among employees.

5.3 Identifying Objective

The organization should have strong purpose, clear short-term goal, be able to make forecast for the future, determine the organization's strategic direction and intension; develop milestone, and make the organization develop healthily and orderly. At the same time, identify the emphasis; highlight the main goal, and settle down the key issue.

5.4 Identifying the Core Value

Effective organization tends to have clear core values, every member of the organization makes great effort to achieve it, thus make the organization to be a coherent whole. Organization has a clear standard of activity; this standard is the basis of organizational core value. The leaders and subordinates are capable to coordinate their different views, and make the views conform to organizational values. Consistency is not only the source of organizational stability, but also the origin to synthesize the different internal ideas of organization (Li, 2009).

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