Organizational culture and effectiveness: A study of values, attitudes, and organizational outcomes

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ABSTRACT

That organizational culture influences firm effectiveness is an assumption implicitly held by many managers and management researchers, although few empirical studies have provided detailed insight into the relationship. This manuscript addresses this dearth of research by examining employee attitudes as a potential mediator of the relationship between organizational culture, as operationalized by the competing values framework [Quinn, R.E., Beyond Rational Management. San Francisco: Josey-Bass; 1988.], and diverse measures of organizational effectiveness. Results of this study, which was conducted in 99 healthcare facilities across the US, provide evidence that suggests that employee attitudes mediate the culture–effectiveness relationship.

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Organizational culture is defined as a set of beliefs, values, and assumptions that are shared by members of an organization (Schein, 1985). These underlying values have an influence on the behavior of organizational members, as people rely on these values to guide their decisions and behaviors (Schein, 1985). Extrapolating from the influence culture has on the behavior of organizational members, much has been written about the impact of culture on an organization's effectiveness (e.g., Schein, 1985, Quinn, 1988).

While the extant research is promising, more empirical evidence of the manner in which organizational culture impacts effectiveness is warranted. Previous research has explored the direct relationships between specific culture domains and specific effectiveness measures (e.g., Quinn and Spreitzer, 1991; Cameron and Freeman, 1991; Denison and Mishra, 1995; Denison, 1990). The purpose of this research is to delve deeper into the relationship between organizational culture and organizational effectiveness by exploring both direct and indirect effects. Siehl and Martin (1990) suggested that culture influences employee attitudes and that those attitudes, in turn, impact organizational effectiveness. We offer an empirical examination of this assertion by testing the mediating effect of employee satisfaction on the culture–effectiveness relationship. Frazier et al. (2004) describe mediating variables as constructs that "establish 'how' or 'why' one variable predicts or causes and outcome variable" (p. 116). Although the relationship between culture and effectiveness is relatively well established in the literature, "how" and "why" this

relationship exists has not been adequately addressed. This manuscript attempts to begin to fill that void by exploring employee attitudes as one possible explanatory mechanism through which an organization's culture comes to impact its performance.

1. Theoretical framework

1.1. The competing values framework and culture

While multiple conceptualizations of organizational culture can be found in the literature, we have adopted the competing values framework as it is perhaps the most popular approach to assessing culture where the interest is on relating culture to organizational performance. In an attempt to better understand the dimensionality of organizational effectiveness, Quinn and Rohrbaugh (1983) performed a spatial analysis of the relative similarity of several popular effectiveness measures. The resulting competing values framework (CVF) was later adopted by Quinn and colleagues (e.g., Quinn and Spreitzer, 1991; Cameron and Freeman, 1991) as a multidimensional framework to assess culture and organizational effectiveness across common dimensions. The CVF conceptualizes the differences between organizational cultures along two dimensions: structure and focus. The structure dimension ranges from flexibility at one extreme to control at the opposite extreme. This dimension captures the difference between organizations that strive for consistent patterns of behaviors and those organizations that attempt to allow their employees to dictate their own behaviors (Quinn and Rohrbaugh, 1983). The focus dimension ranges from an external focus to an internal focus. An internal focus emphasizes factors internal to the organization, such as employee satisfaction, while an external focus

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emphasizes the organization's ability to function well in its environment (Quinn and Rohrbaugh, 1983). Below each CVF culture domain is defined as described by Denison and Spreitzer (1991).

1.1.1. Group culture

The group culture corresponds to the quadrant identified with high flexibility and an internal focus. Group dynamics are very important, as belonging to the group becomes a value that is tightly held. Group cultures also value cohesiveness, participatory decision-making, and considerate support among co-workers. Managers support and leverage these values through empowerment, mentoring, and support of teamwork.

1.1.2. Developmental culture

An externally-focused emphasis on flexibility defines the developmental quadrant. This cultural orientation is one of change and adaptation in hopes of growing the organization. Leadership supports entrepreneurial ventures and inspires creativity in employees in hopes of acquiring new resources for the organization.

1.1.3. Rational culture

The rational quadrant emphasizes externally-focused control. Goal attainment is an important value in this type of culture as goals represent a form of controlling employee actions while directing behavior towards the external environment. These cultures tend to value productivity, achievement, and competition towards well-established criteria.

1.1.4. Hierarchical culture

An emphasis on internally-focused control defines the hierarchical quadrant. This culture is one of uniformity and coordination with an emphasis on internal efficiency. Strict guidelines tend to regulate behaviors, and employees value job security in this somewhat rigid environment.

1.1.5. Balanced culture

A balanced culture is one in which the values associated with each of the CVF culture domains are strongly held. Quinn (1988) introduced the concept of cultural balance within the CVF and suggested that organizations with balanced cultures have a distinct advantage in managing environmental shifts.

1.2. Culture domains and effectiveness

Empirical evidence suggests that culture as conceptualized by the CVF influences an organization's effectiveness (cf. Denison, 1984; Cameron and Freeman, 1991; Quinn and Spreitzer, 1991). While evidence exists to suggest that each culture domain may be related to effectiveness (e.g., Cameron and Freeman, 1991; Denison and Mishra, 1995; Quinn and Spreitzer, 1991), the group domain appears to be a more consistent predictor of effectiveness than the other three domains. There is also a smaller amount of research that examines the relationship between balanced cultures and organizational effectiveness. Therefore, the impact of the group domain and cultural balance on organizational effectiveness will be the focus of this inquiry.

In one of the earliest investigations of the relationship between culture and effectiveness utilizing a portion of the CVF, Denison (1984, 1990) used organization of work and decision-making practices as measures of group culture and found that organizations high on both (above the sample mean) had higher average return on investment than those organizations lower on both. This relationship was true for both current and future returns on investment. Cameron and Freeman (1991) examined the cultures of a large sample of universities and found that group cultures scored higher on student educational satisfaction, student personal development, faculty and administrator employment satisfaction, and organizational health.

Quinn and Spreitzer (1991) added to the CVF literature with a study where the relationship between culture and individual affective outcomes was analyzed. Their research analyzed culture via cluster analysis, where a selection of representative cultural profiles was derived from the data. The cultural profiles described by an emphasis in both the group and developmental quadrants were associated with high levels of satisfaction with work, promotion, supervision, and life.

Denison and Mishra (1995) explored the relationship between CEO perceptions of organizational culture and both subjective and objective effectiveness criteria. Cultures emphasizing group values were correlated with flexibility, openness, responsiveness, and high levels of growth.

Theory posits that organizational culture influences the behavior of organizational members (Schein, 1985). This behavioral influence exists because individuals behave in ways that are consistent with their values, and organizational culture is a set of shared values. Therefore, the culture of an organization should create behavioral expectancies that direct the employees to behave in ways that are consistent with its culture. This relationship between culture and behavior is the theoretical basis for the assertion that culture influences effectiveness.

Likert (1961), and many others, have suggested that the type of positive, employee-focused management practices that are consistent with the values espoused by the group culture are likely to inspire employees to contribute more effort to their work, which should result in higher levels of organizational effectiveness. While it is likely that the behavioral expectancies carried by the group culture would have a positive impact on effectiveness regardless of organizational context, it seems particularly salient in explaining the performance of organizations engaged in providing healthcare. The very nature of the healthcare delivery process requires empathy, compassion, and the development of nurturing relationships between caregivers and patients. The group culture's sensitivity to the attitudinal and emotional aspects of the workplace should support healthcare workers by reinforcing the values necessary to provide benevolent patient care. In this vein, the results of Stock et al. (2006) are insightful. They used the CVF to examine the relationship between all four culture dimensions and error reduction efforts and outcomes in hospitals. They concluded that "the characteristics inherent in a group culture seem to be those that encourage the implementation of managerial techniques that ultimately lead to improved error reduction outcomes; moreover, the positive and significant relationship between group culture and error reduction outcomes indicates that positive effects from a group culture orientation likely occur through other means as well" (p. 386). They go on to attribute the group culture's influence on error reduction to its "emphasis on human development, commitment to others, and participation" (p. 387). Therefore, we offer the following hypothesis:

Hypothesis 1. An organization's emphasis on the group culture domain will positively correlate with organizational effectiveness.

1.3. Cultural balance and effectiveness

Since organizations exist in dynamic environments, none of the four culture domains is likely to provide any organization with all of the values and assumptions that it needs to respond to its environment. In fact, the main contribution that the CVF adds to the study of culture is the notion of paradoxical balance between these cultural extremes (Quinn, 1988). If an organization has a balanced culture, then it has the values necessary to operate in all four quadrants as the environment dictates. The dynamic nature of organizational environments suggests that all firms will have to operate in each quadrant at least some of the time; therefore, having the culture necessary to handle each quadrant is essential. Quinn argued that a successful organization is one that can