



The culture-effectiveness link in a manufacturing context: A resource-based perspective



Michael Naor ^{a,e,1}, Janine Sanders Jones ^{b,2}, Ednilson S. Bernardes ^{c,*},
Susan Meyer Goldstein ^{d,3}, Roger Schroeder ^{d,3}

^a Wake Forest University, Winston-Salem, NC 27109, United States

^b University of St. Thomas, Saint Paul, MN, United States

^c West Virginia University, Morgantown, WV, 26506, United States

^d University of Minnesota, Minneapolis, MN 55455, United States

^e Azrieli College of Engineering Jerusalem, Jerusalem, 9103501, Israel

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ABSTRACT

The literature and the press tout organizational culture as a major source of competitive advantage and a key approach through which organizations can achieve superior effectiveness. However, research on this link within and across global regions remains inconclusive. Grounding the study on the resource-based view of the firm, analysis of 238 plants from eight countries shows that, while individual culture types predict manufacturing effectiveness, the combined effects of multiple culture types have a greater effect. Different culture types emerge as significant in East and West regions depending on the effectiveness dimension prioritized by the plant.

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1. Introduction

The competitive strength of many organizations links anecdotally to their strong internal cultures. For instance, 3M (Minnesota Mining and Manufacturing Company) built its competitive advantage around a culture of innovation with supporting programs such as the ‘15% rule’. This program allows employees to devote 15% of their work hours to personal projects that might benefit the organization in the future (Gundling, 2000). Kotter and Heskett (1992) find that firms perceived to have strong cultures (Sørensen, 2002) generally have greater return on investment and net income. As such, Schonberger (2007) conceive culture as a major approach through which organizations can achieve the customer-oriented ‘golden goals’ of better quality, quicker response, greater flexibility, and higher value. In addition, organizational culture can be a source of competitive advantage (Power, Schoenherr, & Samson, 2010; Yilmaz & Ergun, 2008). The literature indicates that the culture-effectiveness linkage remains inconclusive (Lewin & Minton, 1986; Alvesson, 2002; Martin, 2002; Wilderom, Glunk, & Maslowski, 2000) and so efforts to

delineate the performance implications of organizational culture continue (Yilmaz & Ergun, 2008).

In a comprehensive literature review, Wilderom et al. (2000) calls for the adoption of additional recognized theoretical basis to advance further our understanding about the culture-effectiveness link. Others have studied the culture-effectiveness relationship in operations settings using various cultural frameworks, theories, and methodologies (Naor, Goldstein, Linderman & Schroeder 2008; Naor, Linderman & Schroeder, 2010; Kull & Wacker, 2010). We extend this literature using a different theoretical lens, methodological approach and level of analysis. In this study, we investigate the link between culture and effectiveness focusing on operational effectiveness at the plant level (cost, quality, delivery and flexibility), whereas most previous studies use financial measures such as sales, stock price, profit, and return on investment (Kotter & Heskett, 1992; Marcoulides & Heck, 1993; Wilderom et al., 2000). In this way, we follow Wilderom et al.’s (2000, p. 204) suggestion that new studies focus also on more complex multidimensional effectiveness concepts, including perceptual indicators.

We adopt a measurement instrument tailored for the manufacturing context and use multiple respondents at different organizational levels to assess organizational culture. Focusing on the operational context of manufacturing plants provides insight that reflects the effectiveness of business processes (Ray, Barney, & Muhanna, 2004), in contrast to financial measures, which may be influenced by economic and market conditions. Building on the resource-based view (RBV) premises (Barney, 1991; Perry-Smith & Blum, 2000; Flynn & Flynn, 2004; Newbert, 2007; Peng, Schroeder,

* Corresponding author. Tel.: +1 304 293 3011.

E-mail addresses: naorm@wfu.edu (M. Naor), sand8871@stthomas.edu (J.S. Jones), esbernardes@mail.wvu.edu (E.S. Bernardes), meyer033@umn.edu (S.M. Goldstein), rschroed@umn.edu (R. Schroeder).

¹ Tel: +1 336 758 5103.

² Tel: +1 651 962 4158.

³ Tel: +1 612 626 0271/626 9544.

& Shah, 2008), we argue that individual cultural types, as derived from the competing values framework (CVF), are valuable capabilities that link directly to individual aspects of organizational effectiveness (Yilmaz & Ergun, 2008). We further argue that the combination of these cultural types can constitute bundles that are difficult to imitate and, therefore, link more strongly to organizational effectiveness. This relates to the notion that organizations owning a bundle of resources will outperform organizations relying on a single resource (Barney, 1997; Flynn & Flynn, 2004; Newbert, 2007; Peng et al., 2008).

We empirically assess the relation between four cultural types and the four primary competitive priorities used by manufacturing organizations to achieve organizational effectiveness. Past research has focused mostly on financial outcomes (Siehl & Martin, 1990; Sørensen, 2002). By adopting setting-specific (manufacturing plant) effectiveness criteria, we enable a more fine-grained examination of their link with organizational culture. The use of widely recognized effectiveness criteria renders the findings more amenable to theoretical integration and accumulation in the literature. In addition, we adopt the cultural types defined in the competing value framework. In contrast to other cultural frameworks, the CVF advances the notion that an organization can have multiple types of cultures that simultaneously influence its effectiveness (Howard, 1998; Linnenluecke & Griffiths, 2010). Unlike Naor et al. (2008), our premise is that it is necessary to unbundle both the cultural framework and effectiveness criteria in order to study these direct relationships. Examining the link between the individual culture types and each of the four effectiveness criteria relevant for manufacturing organizations enables this study to contribute a more nuanced perspective.

Finally, differences in cultural beliefs between East and West global regions can lead to differences in both management practices and their impact on organizational effectiveness (Earley, 1993; Fey & Denison, 2003; Kull & Wacker, 2010). As such, we assess whether the patterns of relationships between cultural types and effectiveness are consistent across East and West. Thus, we extend knowledge about organizational culture's relationship with firm effectiveness by considering the broader environmental context in which the organization operates, i.e., industry and location.

2. Theoretical background

2.1. The resource-based view of the firm

The emergence of the resource based view as an organizational theory indicates that organizational resources are important, redirecting managerial attention inside the organization. Two key assumptions of RBV are that the resource bundles and capabilities underlying production are heterogeneous across firms and that these differences may be long lasting and imperfectly mobile (Penrose, 1958; Wernerfelt, 1989; Barney, 1991). The heterogeneity and imperfect transferability of most intangible resources precludes the use of market prices in assigning them value (Grant, 1991). In the RBV parlance, resources are inputs into the production process, while a capability is the capacity for a bundle of resources to perform some task or activity (Grant, 1991).

Capabilities involve, for instance, complex patterns of coordination between people (Grant, 1991). A key ingredient in the relationship between resources and capabilities is the ability of an organization to achieve cooperation and coordination within teams, encouraged by the intangible resources of the organization's style, values, and traditions (Grant, 1991; Barney, 1997). Barney (1986) postulates that firms with superior financial performance typically possess strong core managerial values.

Other scholars empirically demonstrate that cultural organizational characteristics can be a valuable source of advantage for the firm (Power et al., 2010).

2.2. Organizational culture

Schein (1992, p. 12) defines culture as “a pattern of 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 that, therefore, is taught to new members as the correct way to perceive, think, and feel in relation to those problems.” The nature of organizational culture manifests in two streams of research: culture as a variable or a metaphor (Smircich, 1983). The former sees culture as a phenomenon that stems from social interaction among organizational members, and that interacts with other organizational variables such as structure and technology (Baligh, 1994; Bates, Amundson, Schroeder, & Morris, 1995; Cameron & Quinn, 2005; Detert, Schroeder, & Mauriel, 2000; Hofstede, 1994; Marcoulides & Heck, 1993). In the latter view, culture is not something an organization ‘has,’ but something an organization ‘is’ (Smircich, 1983).

Several tools and frameworks exist to assess culture (Detert et al., 2000). In the current study, we use an instrument for measuring organizational culture similar to the competing values framework (Cameron & Quinn, 2005; Denison & Spreitzer, 1991; Quinn & Rohrbaugh, 1983). As argued by Linnenluecke and Griffiths (2010), while no single culture framework is exhaustive and captures every relevant aspect, the CVF has empirical backing and captures most of the proposed dimensions of organizational culture. Thus, following the CVF, we define four culture types during our hypotheses development.

2.3. Organizational effectiveness

Organizational effectiveness is a composite construct (Hirsch & Levin, 1999; Porter, 1990). The predominant approach to measuring effectiveness in a manufacturing arena is through outcomes related to cost, quality, delivery, and flexibility (Ward, McCreery, Ritzman, & Sharma, 1998). Following the literature (Schroeder, Bates, & Juntilla, 2002; Ward et al., 1998), we look at performance outcomes used in past empirical studies that reflect those dimensions in a manufacturing context.

3. Research hypotheses

In this study, we view the organizational culture types from the CVF framework as tacit capabilities. Each culture type contains distinct traits that develop over a long period, is socially complex and causally ambiguous, and should lead to superior organizational effectiveness (Denison & Mishra, 1995; Priem & Butler, 2001; Power et al., 2010). Shared organizational values, beliefs, and norms develop over time and become deeply rooted within idiosyncratic social structures; therefore, embedded in organizational processes (Grant, 1991; Barney, 1997; Power et al., 2010). Due to its socially complex, causally ambiguous and path dependent nature, organizational culture infused across processes does not transfer easily to other firms. Therefore, the embeddedness of culture types in a firm's processes and routines provides a potential source of competitive advantage.

3.1. Developmental culture

The characteristics of the developmental culture type focus on the pursuit of innovation and development (Cameron & Quinn, 2005). There is an emphasis on being first to develop new processes or introduce new products to the market. In a

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