



Culture change in organizational public discourse 1998–2008: Examining annual reports of Japanese and US corporations



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ABSTRACT

This study examines changes in organizational cultures of Japanese and US corporations between 1998 and 2008 through the lens of communication. Specifically, it analyzes organizational values that are manifest in the use of specific terms in the texts of corporate annual reports ($N=255$). By doing so, this study empirically determines the patterns that describe over-time changes in organizational cultures of Japanese and US corporations. Theoretically, this study investigates whether the basic premise of the theory of convergence is applicable to the study of organizational culture change. To that end, three dimensions of organizational values—performance, continuity, and growth—have been derived. To test the hypotheses and the research question offered, this study examines the effects of time in years, national culture, and the interaction between the two on the three value dimensions. Using linear growth model analysis, this study found that time and national culture had significant effects on the use of the terms related to the performance and continuity dimensions. The effects were not significant for the growth dimension. In none of the cases, the interaction effects between time and national culture were significant. The results provided evidence to support the parallel change pattern for the performance and continuity dimensions and the unitary stability pattern for the growth dimension. The findings partially support the premise of the theory of convergence.

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1. Introduction

Organizational culture, which operates outside the awareness of organizational members, is important because it often helps to explain some of the seemingly puzzling aspects of organizational life (Schein, 2010). Organizational culture research was started by such early scholars as Pacanowsky and O'Donnel-Trujillo (1982) and Pettigrew (1979). Since then, it has attracted the attention of many scholars, including those in the field of organizational communication, because of the importance of the subject it deals with. Organizational culture and communication are closely intertwined; organizational cultures are likely to be formed and transformed through communication among organizational members and through organizations' communication with the environments.

In the past decades, there have been organizational culture studies that follow the interpretive and ethnographic tradition. They focus on describing organizational stories (Meyerson, 1991), sagas (Clark, 1972), symbols (Rosen, 1991; Smircich, 1983), and codes (Van Maanen, 1991) as some of the manifestations of organizational cultures. There have also been organizational

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culture studies that follow the quantitative tradition. They mainly describe profiles of organizational cultures (Cameron & Quinn, 1999; Cooke & Rousseau, 1988; O'Reilly, Chatman, & Caldwell, 1991) and relate them to such organizational outcome variables as employee retention (Sheridan, 1992), effectiveness (Fey & Denison, 2003), and performance (Balthazard, Cooke, & Potter, 2006; Lee & Yu, 2004).

Among such multitude of topics in the past organizational culture research, one of the important issues is the influence of societal or national culture on organizational cultures. Past research (Hofstede, 1980; House, Hanges, Javidan, Dorfman, & Gupta, 2004; Ouchi & Johnson, 1978) identified societal or national culture as an important source of variation in organizational cultures.

However, there is a paucity of cross-national longitudinal research on organizational cultures. Organizational cultures are not always stable; they may change over time (Schein, 2010; Trice & Beyer, 1993). One possible cause of the change is the business environments (Meyerson, 1991; Van Maanen, 1991) that have been under the influence of globalization in many societies (Stohl, 2001; Vernon-Wortzel & Wortzel, 1991). Therefore, even if particular cultural patterns were espoused by organizations in a society at a point in time, they may change in response to the pressures of the global as well as the local economy. If that is the case, organizational culture change in one national culture may not be independent of the organizational culture changes in other national cultures. However, we are short of empirical evidence to support particular paths along which organizational values of two or more national cultures change over time.

The purpose of the present study is to compare changes in organizational cultures between Japanese and US corporations over the period 1998 and 2008. This study determines specific change patterns of the two sets of organizational cultures. To do so, it draws on the theory of convergence (Inkeles, 1998). The theory of convergence provides a broad theoretical framework to explain various sociopolitical changes in institutional structures and popular attitudes and values in the modern world. In principle, the theory assumes that nations and individuals will respond in generally comparable ways when they face similar situations of action and similar pressure of daily life. The present study finds out whether this basic premise of the theory is applicable to the study of organizational cultures, testing a boundary condition of the theory and qualifying the theory if necessary.

To that end, this study examines organizational cultures that are manifest in the use of specific terms in the texts of annual reports of Japanese and US corporations. Through the use of language, particularly the choice of specific terms, in the annual reports, top management is likely to communicate the corporation's cultures to its stakeholders and to its members.

The choice of the two national cultures—Japan and the US—is ideal for a comparative purpose because a number of past studies have found distinct differences in organizational as well as general values between the two national cultures (e.g., Gudykunst & Nishida, 1984; Hall, 1976; Reischauer, 1977). As for the period between 1998 and 2008, it is characterized by relatively stable economic growth for both countries (Inoue & Isotani, 2008; Japanese Cabinet Office, 2012; Shindo & Sakurachi, 2010). That makes it relatively easy for us to track over-time, supposedly linear, changes attributable to the economic growth. By looking at organizational culture through the lens of communication, this study will help researchers understand the influence of international environment on organizational cultures, which will extend their understanding of organizational cultures in a domestic environment. That will also help management practitioners to cope more successfully with the changing business environments through gaining a better understanding of organizational culture change.

In the following review of the literature, explanations of the issues relevant to the study of organizational cultures, including the definition of organizational culture and the relationship between language and culture change, are provided. Then, the theoretical framework of this study is discussed in the context of changing business environments during the period 1998–2008. Finally, hypotheses and a research question are offered.

2. Organizations' public discourse and organizational cultures

This study illuminates organizational cultures by examining organizations' values through the analysis of specific terms in corporate annual reports. It is based on the belief that organizations' values closely approximate organizational cultures. This belief derives from the typology of organizational cultures developed by Schein (1984, 2010). Schein used this typology to compare various concepts of organizational cultures proposed by past researchers. By doing so, he provided one promising solution to the debate on the definition of organizational culture (Hofstede, Neuijen, Ohayv, & Sanders, 1990; O'Reilly et al., 1991; Sathe, 1985).

Schein's typology has three levels at which culture manifests itself. Artifacts, which include all the phenomena we would see, hear, and feel, are at Level 1. Espoused values and beliefs are at Level 2. Basic underlying assumptions, which are unconscious and taken-for-granted values and beliefs, are at Level 3. The present study examines espoused values (Level 2), which represent what are important to people. That is partly because they are observable and clearly interpretable and partly because they closely approximate underlying values, which Schein regarded as the "essence" (Schein, 2010, p. 32) of a culture.

Organizations' values are likely to manifest themselves in the use of language, particularly in the specific terms used in the texts of their public discourse, which include corporations' annual reports. That is because, in the annual reports, top management explains to its stockholders as well as to the members of the organization its operations, strategies, thoughts, and visions in the current context of the economic situation. Because annual reports are written texts, they are clearly observable and interpretable, standing as they were when first published, causing few observational problems. Thus, examining the texts of corporate annual reports allows us to track over-time changes of organizational cultures in a reliable manner. Given

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