

Chapter 69

Organizational Culture and Organizational Effectiveness in a Global Context

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ABSTRACT

Globalization increased the expansion of multinational corporations to countries on all continents leading to growth. Companies like Wal-Mart, Southwest, and Apple survived and prospered when other similar companies failed. What made them so successful? It might be a combination of many things, but the most important piece in this mix is their organizational culture. From the global perspective, the organizational culture of a subsidiary is influenced by the home and host-country's national culture. This is reflected in all its operations and influences the leadership style, decision-making process, team interaction, and the communication style. The inability to master the cultural factors may have a negative influence on the subsidiary's effectiveness. The organizational culture can be measured through four cultural traits: mission, involvement, adaptability, and consistency. The organizational effectiveness can be measured through the sales growth, market share growth, return on assets, quality improvements, new product development capability, employee satisfaction, and the overall firm performance. This chapter is a review of the applications of Denison's model of organizational culture and effectiveness in a variety of countries.

FOCUS

There are few models with a focus on the relationship between organizational culture and organizational effectiveness. This chapter focuses on applications of Denison's model of organizational culture and effectiveness in a variety of countries.

Considering globalization and increased or changing competition, researching the relationship between corporate culture and effectiveness gains even more importance. The theoretical background and the results of a few empirical studies focusing on the relationship between organizational culture and effectiveness are presented. These studies use the same theoretical framework (Denison), and the same instrument (Denison's Survey). The

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model and survey can be applied in individual cases to illustrate the strengths and weaknesses of organizations. They can be a useful tool for managers worldwide in the continuous quest for performance. Multinational corporations have an organizational culture that is considered successful in their home countries. How do you determine which aspects to change or adapt in a different cultural setting? How much do you need to change?

INTRODUCTION

Technological advancement is responsible for the rapidity of changes in societies and economies worldwide. This increases the pressure on leaders to make timely, effective decisions and focus on vision and goals. That organizational culture influences firm effectiveness is assumed by managers and researchers. More research studies are required to gain deeper insights into this relationship. Globalization has led to a tremendous growth in the multinational corporations (MNCs) and determined an expansion to countries on all continents. Two-thirds of the world's exports of goods and services are made through operations of an MNC (Dunning, 2003). Globalization opens many opportunities for companies, but at the same time creates challenges.

One of these challenges is to understand and appreciate cultural values and practices where they do business around the world. Concepts and constructs that guide business activities are different across countries (Tung, 1999). The companies must focus on their organization's objectives and values. Globalization has enhanced the need to understand national culture and organizational culture and their effects on the performance of these companies. A company that is too focused on the home country's work style or culture and fail to adapt will not be effective in the global business arena. At the same time, the consistency of cultural values in worldwide company locations

is essential for the well-functioning and success of the corporation (Champy, 2008). Host-country experience, blended with the global company's culture, assists the subsidiary to contend with global standards and local conditions and requirements.

As a result of market saturation in the developed markets and thus creating less opportunity for growth, multinational corporations turned towards developing countries that showed a great potential and an increased demand for goods and services (Mahajan et al., 2005). Developing markets are low-income economies in transition from a centralized system towards a free market, and are expected to maintain high levels of economic growth in the future (Jacek et al., 2007). They offer reduced taxes, cheap labor, and fewer restrictions overall, determined by the developing countries' effort to be attractive for Foreign Direct Investments (FDI).

FDI is crucial for the maturation of developing markets. While they do present great opportunities, they are also unpredictable and difficult to model (Sevic, 2005). The key is they have the potential to become developed markets in the future with extensive growth perspectives and diversification possibilities for global investors. Wholly- or partially-owned subsidiaries become one of the most practiced entry modes for MNCs in such countries. The underlying values and beliefs represent an organization's philosophy to achieve success, as people rely on these values to guide them in their decisions and behaviors. The MNC developed an organizational culture that emerged from their national culture. Therefore, a simple transfer of a successful model in a different national context is questionable, and it can impact the company's performance.

Companies in the USA have invested heavily in developing markets, and have been among the top countries to provide FDI. An impressive number of companies claim the USA as their home country, and many have subsidiaries on every continent.

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