


Chapter 19

The Paradoxes Between Business Performance and Organizational Behavior in Colombian and Ecuadorian Companies

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ABSTRACT

Increases in business performance are essential for an organization's success in both the public and private sectors. Using the Hofstede organizational culture model, the chapter has centered emphasis on factors that affect primarily financial results. In this study, the authors look at the importance of organizational culture traits as a predictor of financial performance in Colombian and Ecuadorian companies. They discovered that despite Colombia and Ecuador having similar histories and cultures that can be similar to a high level, in volatile and rapidly evolving settings, strategic approaches that concentrate on both distinction and low costs at the same time are often in conflict with Porter's classic approach.

DOI: 10.4018/978-1-7998-8185-8.ch019

INTRODUCTION

Ecuador and Colombia, despite being neighboring countries maintained different macroeconomic realities in the last 4 years, from 2017 to 2020. Regarding real GDP growth, Ecuador with 17.76 millions of people has maintained an average rate of -0,95, an average inflation rate of 0.05, as an effect of a dollarized and in recession economy that has been worsened by the effect of COVID 2019, in addition to an average unemployment estimate of 4.5 (International Monetary Fund, 2021b). While Colombia, with 51.39 millions of people has maintained an average real GDP growth of 0.12, an average inflation rate of 3.37 with various devaluations of its currency, in addition to high levels of average unemployment estimate of 11.4 that rose by the last year due to the pandemic's effect. (International Monetary Fund, 2021a).

Organizational performance is a multidimensional concept of great importance in strategic management which interests both academics and managers that can incorporate several dimensions which are not highly correlated between them, as is the operational performance case compared to organizational performance (Combs et al., 2005; Rust et al., 2004). This means that with unpredictable and rapidly changing environments, strategic approaches focused simultaneously on both differentiation and low costs are sometimes contradictory to Porter's classic approach (Slater & Olson, 2001).

In human resources strategic management, a cost-focused approach involves most of the time high volumes and low costs and little investment in training or remuneration because of a narrow and repetitive work design (Porter, 1997). Something a little different happens with a differentiating approach in which labor is better qualified and remunerated, able to take part in operational decisions and contribute to the continuous quality improvement (Porter, 1997). Despite the above, the authors consider that in the real-world, companies implement hybrid strategies focused on multiple objectives and therefore, the "good practices" set they use may not be entirely consistent.

It is known from the statements made by Youndt, Snell, Dean, & Lepak (1996) that group incentives or cooperative rewards encourage group members to share ideas and help each other solve problems, the above because of more experienced workers having incentives to help novices. Employees have no incentive to share information or support other team members because that takes time away from them, as Johnson (2006) claims.

The macroeconomic conditions for Ecuador and Colombia show decreased and downward rates, being this a discouraging outlook which forces companies, including food, financial, transportation and construction sectors under analysis, to generate dynamic strategies, sometimes even survival, focused on optimizing resources to take care of Business Performance; so Organizational Behavior plays a preponderant role to achieve the objectives efficiently.

Great Place to Work (2020) shows that in Colombia based on the ranking, companies between 301 and 1500 employees stand out among the best places to work in the financial, transportation, technology and services sectors, while in Ecuador the most suitable sectors to work are financial, food and pharmaceutical, with more than 500 employees (Great-Place-to-Work, 2021).

Studies at company level have linked organizational culture with financial results, subtracting attention from the moderating elements; thus, this chapter seeks to contribute to literature by addressing the following question: To what extent can managers use the same practices within the organizational behavior context to meet different achievement goals?

In this study we examine the role of organizational culture as an antecedent of business performance. Culture has been defined in many ways and encompasses the entirety of a community's or population's socially transmitted behavior patterns, arts, beliefs, institutions, and all other results of human labor

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