Culture as a competitive advantage and its impact on organizational productivity

Sarah Ambrose, Saba Alam and Marianne Fernandes
Army Public College of Management Sciences.

ABSTRACT
In this competitive era culture makes a real difference, competitors can duplicate product, its specific features but its almost impossible for them to copy the cultural aspects. Culture is the invisible web that binds employee together to their organization. Most of the organizations work on developing their cultures to gain competitors edge over competitors examples are ebay, Netflix, Google, 3M, GE, Enterprise Rent-A-Car, W.L.Gore and Toyota. The objective of this paper is to have the understanding of culture as a competitive advantage and its impact on organizational performance. Past researches shows that organizational culture has a strong and deep impact on organizational performance.

Introduction

Competitive Advantage:
Competitive advantage is one of the strategic advantage a business has over another business in its respective industry. Competitive advantage is a widely used term and has a deep relationship with strategic management (Ma, 2000). Competitive advantage means gaining ability through unique attributes and resources to outperform your rival at a higher level in the industry / market (Christen and Fahey, 1984, Day, 1994, Porter 1980 cited by Chacarbaghi and Lynch, 1999). (Kotler & Keller, 2006) define competitive advantage as a company’s skill to outshine its competitors in one way or more that the competitor cannot copy. Competitors can duplicate some features like free items or gifts, low cost & extra legroom but cultural aspects of a company is impossible to duplicate. Culture makes the real difference, due to culture the employees are motivated to deliver exceptional customer service and create customers for life (Matt Shlosberg, 2010). Researchers generally agree that culture is hard to copy or imitate (Fitzgerald, 1988; Mueller, 1996), due to its inherent tacitness, uniqueness, sophistication and specificity (Barley, 1983; Gregory, 1983; Lippman and Rumelt, 1982; Meek. 1988; Reed and DeFillippi, 1990). Barney (1986) described organizational culture as precious, rare and imperfectly imitable; thus it has high potential for creating sustainable advantage.

Organizational Culture
Culture is a mix of different features that defines an organization and differentiate the organization from another (Forehand and von Gilmer, 1964). According to Hofstede (1980), culture is the collected/ collaborated thinking of different mindsets to create a difference between members of a group from another. (Schein, 1990) explains culture as a set of unique/ different values and behaviors/attributes that are considered as a guide to success. According to the Kotter and Heskett (1992), culture means fairly established set of beliefs, behaviors and values of society contain generally. Organizational culture is the personality of your organization. It is the collective behavior of humans who are part of an organization and the meanings that the people attach to their actions. Culture includes the organization values, visions, norms, working language, systems, symbols, beliefs and habits (WiseGeek). It is also the pattern of such collective behaviors and assumptions that are taught to new organizational members as a way of perceiving, and even thinking and feeling (Schein, 1990). Organizational culture affects the way people and groups interact with each other, with clients, and with stakeholders (Charles W. L. Hill, and Gareth R. Jones, 2001). Organizational culture has also been considered a form of organizational capital (Barney, 1986; Camerer and Vepsalainen, 1988). As Schwartz and Davis (1981: 47) put it, ‘for better or worse, a corporate culture has a major impact on a company's ability to carry out objectives and plans, especially when a company is shifting its strategic direction’. Despite such views on the influence of organizational culture on firm performance, empirical studies are limited. With a sample of over 760 US firms, Denison and Mishra (1995) developed and tested a four-trait culture model, consisting of involvement, adaptability, consistency and mission.

Organizational Performance:
Performance tells the level of achievement of the vision and mission at work palace that builds up an employee job (Cascio, 2006). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc); and (c) shareholder return (total shareholder return, economic value added, etc.). Gordon and DiTomaso (1992) conducted research on different insurance companies in America and concluded that culture does have short-term effect on organizational performance. Daft (2000), said that organizational performance is the organization’s capability to accomplish its goals effectively and efficiently using resources.

Purpose of study:
The purpose of this research paper is to better understand culture as a competitive advantage and its impact on organizational performance. This paper will answer questions like, Does organizational culture affect organizational performance?, Does culture create competitive advantage for an organization?, Does competitive advantage affect organizational performance?
Literature review:
Organizational Culture in the light of Literature:
Every organization possess a culture that is unique and represents it in a different way holding independent dimensions, working together, sharing same beliefs and traditions with some positive sense of expectations about organizational life (Buono, 2003). The value of culture should be known and shared to every member within the organization so that every member understands it’s important in a competitive world, where all organizations are working to achieve the competitive advantage (Titiev, 1959). Organizational culture is known as “normative glue” means that every part of the organization is aligned with one another and holding in way that if any part is removed, there will be an affect on organizational productivity Tichy (1982). According to Kotter and Heskett (1992), a resilient culture will come into being only if the individuals those are working in the organization will perceive the true sense of reality and realize its true importance.

Competitive advantage in the light of Literature:
Competitive advantage is the tool that helps the organizations by providing them the resources and to perform better than the organizations working in the same industry or market (Fahey, 1989, Day, 1994, Porter, 1980 cited by Chacarbaghi and Lynch, 1999). According to (Kotler & Keller, 2006), competitive advantage is an advantage that helps the organizations to perform better that their rivals and thus if it is achieved than it proves to be an opportunity for the organizations to perform good in many ways and becomes difficult for the rivals to stand firm in the market.

Organizational Performance in the light of Literature:
Performance management is proved to be an important concept in any organization since the very beginning of its creation (Weiss & hartle, 1997). Performance is the tool that helps the organizations and employees to achieve their goals, mission and develop such strategies that help them to achieve their targets at desirable levels (Cascio, 2006). Performance develops the sense of responsibility in individuals and make them work together to achieve their mission at collective levels at workplace and develop the responsibilities and capabilities and polish their skills in an organized manner (Cascio, 2006). According to researchers the term performance is used to measure the management’s efficiency and transactions and efficiency of output and input (Stannack, 1996). Researchers take performance as a controversial issue among them Barney, (1991). Organizations problem not only means to define a problem but also to find an effective remedial measures to cure that particular problem (Hefferman 2000). Organizational performance is the capability and ability of an organization to achieve its goals and objectivities in a long run by using the minimized resources Daft (2000). Similar to Daft (2000), Richardo (2001) said if organization achieved its goals in a long run is known as organizational performance.

Does Culture Create Competitive Advantage for an organization?
The proof that organizational culture has a positive alignment with performance is originated when culture plays an important role in competitive advantage. Many theorists argue that supportable competitive advantage arises from the formation of organizations proficiencies that are not easily attainable by the competitors (Garcia-Falcon, 2002). Organizational culture provides viable aggressive advantage in which both the players play an important role in achieving the desired target and the strong competitor gets the edge (Barney 1991). Barney (1991), introduces three condition; first, he proposes that culture must be workable, that nobody working in the organization should feel any kind of hesitation, in expressing and sharing their views, second that culture should be uncommon and power to mold any hurdle in an opportunity to have a competitive advantage and third that culture must be imperfectly imitable. These conditions help organizations to work in long run and assessable to better opportunities and conditions. It is the monopoly of the organizations to attain good market value by achieving good results in outstanding industries (Ismad, 2010). Long term opportunities and achievements are proved to gain competitive advantage under long run. According to many researchers, culture can not be easily copied (Fitzgerald, 1988; Mueller, 1996). Culture can not be copies or easily followed due to its uniqueness, complexity and specificity Lippman and Rumelt, 1982; Meek 1988; Reed and DeFillippi, 1990). Organizational culture is valuable and thus possesses high potential to create competitive advantage and helps in achieving those advantages by developing the capabilities and abilities in long run (Barney, 1986).

Does competitive advantage affect organizational performance?
In a study conducted by Raduan et al., (2009), it is proved that there is a positive relation between culture and organizational success. Culture plays an important in organizational success factors by providing competitive edge in many ways. When people from different background and right mix of skills communicate with each other, play an important role in influencing each other in many positive ways and thus work together to achieve collective goals at organizational level. In early 1980’s Porter (1980) work in sustainable competency gave us the hypothesis that was strongly established as an important and key justification of continuous desirable performance. They focus mainly on companies such as General Motors, DuPont, Standard Oil and IBM. It is believed that strong culture raises the organizational income. Organizational income raised up 765% between 1977 and 1988, and only 1% without performance enhancing culture (Gallagher, 2008). It is observed that with out the participation of culture, performance level falls down. Thus culture plays a vital role in enhancing performance with developed skills.

Does organizational culture affect organizational performance?
Kotter and Heskett (1992) believe that firms with a growth oriented strong culture that values employees, customers, and shareholders outperform all other companies. Robbins (2007) believes that stronger the culture, greater is the impact of organization perceptions on performance. Chow, Haddad and Wu, (2002) study in Taiwan revealed that for the business managers’ the performance standards of the organization can be enhanced by effectively managing, controlling, and changing their culture. Denison’s cultural dimensions focus on the four traits of organizational culture, in order to achieve efficient and effective performance. A strong culture is represented by sky-scraping scores in the involvement, consistency, adaptability, and mission cultural traits (Denison, 1990). Xenikou and Simosi (2006) suggest that attainment and culture adopted by the employees affect directly on the performance. Lee and Yu (2004) studied corporate culture and its impact on organization performance in particular to validate the culture construct and its impact on the performance. Balthazard, Cooke and Potter (2006) measured behavior norms and expectations and its impact on the performance. The result demonstrates positive influence of
constructive culture style, whereas negative impact was illustrated as regard to dysfunction, defensive styles on the individuals, and organization. Organizational behavior is distinguished by the use of qualitative methods being appropriate for learning organization knowledge-based management. Spector and Lane (2007) carried out research on financial or criminal reporting, which concluded that difference between culture and high-performance organization was accountability, transparency, and dialog. Levine (2006) examined the impact of culture and the process as to how it is developed and sustained, and studied the impact on the organization in hundreds of industries. It was found in the study that most of the organizations in their work are aware of the facts of their processes. However, joint action creates complexity in the organization. It has also been found in the study that people can prevent the conflict prior to it getting in their way. (Sorensen, 2006) examined the impact of corporate culture strength on the reliability of firm’s performance. The author confirmed that relationship between corporate culture and firms performance varies with the stability of firms environment. Denison (1984) used data from 34 American firms on cultural performance over a period of five years and scrutinized the characteristics of organizational culture and tracked the performance over time in these firms. According to Kotter and Heskett (1992), investigate the relationship between long-term organizational performance and economic performance across more than 200 organizations. More ever, being one of the most important and most conscientious research efforts on this subject, the study has arranged three vital contributions. First, relationship between culture and performance established in their research is forceful. Second, the writer gives an important combination of theoretical point of view regarding the nature & scope of culture. Third, they sketch strong associations between culture, management practices and performance. After critically reviewed the methodologies and findings of recent researches, it is assumed that there is a link between culture and performance (Lim, 1995).

Organizations who possess strong culture and aims to value its customers, employees, shareholders and stakeholders, perform well overtake all other companies (Heskett, 1992). According to Robbins (2002), it is believed that if the culture is strong, organizational perceptions will have a strong affect on performance. It is important for business managers that performance standards can be highlighted by monitoring, controlling, managing and directing their culture (Haddad, 2002). Organizational climate totally depends on organizational behavior (Forehand, 1964). Every organization is unique in its own way and holds a good relation between its competitive advantage and performance (Sadia, 2011). Organization is responsible for protecting the rights of its people by encouraging their efforts (Boniface, Journal of Academic and Business Ethics.) According to Robbins (2002), it is believed that if the culture is strong, organizational perceptions will have a strong affect on performance, any culture can only be effective if it is positively alligned with the business environment in which the organization works (Goffee and Jones, 1996). According to Denison’s the main focus is on four traits of organizational culture to attain the performance that is effective and efficient and is said to be a desired performance. The base of strong culture is the level of its accountability, acceptability and complexity that is acceptable at all levels (Denison, 2000). According to Lee and Yu (2004), when different people communicate with each other, they influence each other and they adopts each other’s norms and values and understand each other in such a way that it will affect on their performance and it will result in organizational productivity. According to Balthazard, Cooke and Potter (2006), behavior has a deep affect on performance and every person possesses different behavior and level of expectations is different. Positive culture will have a positive affect on individuals where was negative culture possesses negative affect. Creative culture molds the minds in such a way that it results in innovations. Knowledge based organizations possess knowledge based individuals, having behavior that can influence others in a positive way. According to the research carried out by Spector and Lane (2007), on financial and criminal reporting, culture can be differentiated by performance on the basis of accountability and transparency. Culture can be developed in different ways and thus has a deep impact on organizational performance (Levine, 2006). Joint actions carried out in the organizations create complexity and become hurdle in performance (Levine, 2006). Family capital has a deep affect on the overall performance of businesses (Sorensen 2006) examined the impact of corporate culture strength on the reliability of firm’s performance. The author confirmed that relationship between corporate culture and firm’s performance varies with the stability of firm’s environment. Denison (1984) used data from 34 American firms on cultural performance over a period of five years and scrutinized the characteristics of organizational culture and tracked the performance over time in these firms. According to Kotter and Heskett (1992), investigate the relationship between long-term organizational performance and economic performance across more than 200 organizations. More ever, being one of the most important and most conscientious research efforts on this subject, the study has arranged three vital contributions. First, relationship between culture and performance established in their research is forceful. Second, the writer gives an important combination of theoretical point of view regarding the nature & scope of culture. Third, they sketch strong associations between culture, management practices and performance. After critically reviewed the methodologies and findings of recent researches, it is assumed that there is a link between culture and performance (Lim, 1995).

Discussions & Conclusion:
Above mentioned studies of different researchers support culture as a competitive advantage. One cannot achieve goals without working hard and one has to have competitive advantage to stand firm in the market. Today’s globally-competitive business environment has made a positive corporate culture a critical aspect of success for firms. No longer just a competitive advantage, it has become a prerequisite for success (Golnad Sadri and Brian Lees).

Organizational culture has a deep impact on organizational processes and organizational processes are greatly affected (Fakhar Shahzad, 2012). Culture can have a tremendous positive impact on employees and performance. Companies must shape their corporate culture to their advantage in improving both their employees’ experience of the workplace and, in turn, improving their own profitability (Golnaz Sadri and Brian Lees). Competitive advantage and firm performance are two special terms with an actually complex association. Overall studies have shown a significant association between competitive edge and performance.

Researchers generally agree that culture is extremely difficult to imitate or duplicate (Fitzgerald, 1988; Mueller, 1996), due to its inherent tacitness, complexity and specificity.


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