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RESEARCH BRIEF

Firm Culture and Performance



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ARTICLE SUMMARY

Firm Culture and Performance: Intensity's Effects and Limits

Patrick J. Murphy, Robert A. Cooke, and Yvette Lopez (2013)

INSTRUMENTS USED: ORGANIZATIONAL CULTURE INVENTORY® (OCI®), ORGANIZATIONAL EFFECTIVENESS INVENTORY® (OEI)

The Study:

Previous research shows that the strength of Constructive cultures is positively related to teamwork, inter-unit coordination, and performance. This study investigates whether the "intensity" or agreement between members regarding Constructive cultures also impacts outcomes.

Research:

Members of 302 units from a variety of firms described their organization's culture by completing the OCI. They also completed the OEI by describing the level of cooperation within units, coordination between units, unit performance, as well as other organizational characteristics and outcomes. The OEI measures of cooperation, coordination, and performance were validated against interview data.

Findings:

Consistent with previous research, Constructive norms and expectations were found to facilitate cooperation within organizational units, coordination between units, and performance. In addition, intensity or agreement among members regarding the organization's culture contributed to even higher levels of intra-unit cooperation and inter-unit coordination.

Implications:

The direction or content of culture is important to outcomes, but so is the intensity or amount of agreement among members. As noted by the authors, an intensive firm culture can "account for the difference between an organization unit that stays cohesive and focused versus one that fractures when the external environment shifts... It can help a firm weather periods of upheaval." Thus, leaders wanting to reap the full benefits of Constructive cultures and sustain them would do well to not only reinforce Constructive norms and expectations, but also do so in way that ensures such norms are consistently understood across organizational members.

Summary based on: Murphy, P. J., Cooke, R. A., & Lopez, Y. (2013). Firm culture and performance: Intensity's effects and limits. *Management Decision*, 51(3), 661-679. DOI: 10.1108/00251741311309715

ARTICLE ABSTRACT

Purpose:

The aim of this paper is to clarify distinct aspects of firm culture, delineate its effects on performance outcomes, and to examine culture intensity on theoretic grounds with attention to its effects and limits.

Design/methodology/approach:

The study analyzes a data set of 2,657 individual cases that are empirically aggregated into 302 organizational units. Its operationalization of culture intensity derives from distinct culture theory. Hypothesized relations are examined via structural equation modelling and hierarchical regression analysis.

Findings:

Structural equation modelling results show culture relates positively to cooperation, coordination, and performance. Hierarchical regression analysis results show intensity influences cooperation and coordination directly and does not moderate culture's relations with those outcomes.

Research limitations/implications:

The large scale empirical study of a broad diversity of firms has advantages over smaller and more targeted studies of lesser generalizability.

Practical implications:

Firms with cultures of higher intensity can enhance performance indirectly by driving cooperation and coordination directly.

Social implications:

Culture entails shared values and touches the human side of a firm. Managers can promote a firm's culture to enhance cooperation and coordination outcomes within that firm which, in turn, influence firm performance.

Originality/value:

This study distinguishes culture from climate on conceptual grounds. Climate strength, an analogue of culture intensity, is known to moderate climate's relations with outcomes. By contrast, this study shows that culture intensity has a main effect on outcomes, in line with culture's distinct theoretic bases.

Keywords

Performance management, Organizational culture

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