A Literature Review on Organizational Culture towards Corporate Performance

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Abstract

Syntheses of existing literature provide a framework for a broader understanding of the current state of the organizational culture. This literature review synthesized the relevant literature pertaining to the role of organizational culture on business performance in a perspective of the corporate group. The literature review comprised various published sources on the role of organizational culture, such as journals, periodicals, seminal books, and other published materials. The review focused on the conceptualization, measurement and examines various dimensions of organizational culture on corporate performance. After analysis of a wide range of renowned literature, it was found that organizational culture has a strong impact on the organizational performance. Empirical evidences further showed that lack of cultural integration between member companies was a primary cause of failure in corporate groups. Therefore, it is ascertained that cultural enhancing would result performance enhancement. Business managers are recommended to establish an effective organizational culture in order to enhance corporate performance. Therefore, how an effective organizational culture is established to enhance the corporate performance can be recognized as a needed research scope. Moreover, this paper highlighted the prevailing theoretical and empirical gaps in the area of organizational culture towards corporate performance, and hence the findings may be useful for future similar studies.

Keywords: Organizational Culture, Organizational Excellence, Business Performance, Corporate Group.

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Introduction

Callahan (2014) indicated that syntheses of existing renowned literature provide a framework for a broader understanding of the current state of the organizational culture. This literature review began with an examination of relevant literature concerning the role of organizational culture on business performance in a perspective of the corporate group. This literature review comprised various published sources on the role of organizational culture such as journals, periodicals, seminal books, and other published materials. Every possible effort was made to review the journals that are rated journal impact factor (JIF) 2.200 and above. The journal articles were sourced from different online library databases including EBSCO Host, Emerald, Google Scholar, JSTOR, Oxford University Press, Sage, Science Direct, Taylor & Francis Online, and Wiley Online Library. The keywords such as organizational culture, business performance, and corporate group were used to find journal articles that are relevant for the study. Most of the publications (> 95%) synthesized in this literature review were not older than 10 years. All the literature that were revived by the researcher were summarized and critically analysed for the study purpose.

The review focuses on the conceptualization, measurement and examine various dimensions of organizational culture on corporate performance. The syntheses of literature categorized into twelve sections: organizational culture, sources of an organizational culture, history of organizational culture, organizational excellence, strong and weak organizational culture, positive organizational culture, effective organizational culture, Denison organizational culture model, types of organizational culture, measuring the effectiveness of organizational culture, the role of organizational culture on business performance, and the role of organizational culture in the corporate group. Finally, the conclusions are drawn for the benefit of practitioners and researchers.

Organizational Culture

Organizational culture is a system of values, beliefs, and behaviour patterns which subconsciously drives members of the organization to make each choice and decision (Ortega-Parra & Sastre-Castillo, 2013). Schneider et al. (2013) indicated organizational culture as the norms that members of an organization perceive as their work environment, and these norms influence how members behave and adapt to achieve organizational goals. Organizational culture is the way that organizational members interact with each other and other stakeholders (Simoneaux & Stroud, 2014). Yirdaw (2016) indicated organizational culture as the glue which combines the nonhuman resources to the human resources in an organization to build teamwork and good performance.

Weber and Tarba (2012) indicated that business managers use the organizational culture to differentiate their organization from other organizations. Though Apple Inc., International Business Machines Corporation (IBM), and Hewlett-Packard Corporation (HP) have similar technologies and operating environment, these organizations have diverse cultures (Schein, 2010). The culture of Apple involves the development of simple, innovative and elegant products (Toma & Marinescu, 2013). The priorities of IBM culture are long-term thinking, and highly committed employees (Flamholtz & Randle, 2011;
Kotter & Heskett, 1992). The cultural focus of HP is innovation and autonomy of employees (Childress, 2013).

Organizational culture contributes favourably to corporate governance and management (O’Connor & Byrne, 2015). The influence of effective organizational culture on corporate performance is recognized by many business managers (Unger et al., 2014). Warren Buffet, one of the world's wealthiest entrepreneurs, asserted how organizational culture is important for organizational performance (Childress, 2013). Likewise, Howard Schultz, the founder of Starbucks Coffee Company, confirmed that corporate culture is a key factor in Starbucks' success (Flamholtz & Randle, 2012).

Sources of Organizational Culture

Organizational culture may be derived from various sources, such as the beliefs and assumptions of the founders, and the learning experience of members of the organization (Ruiz-Palomino & Martínez-Cañas, 2014; Schein, 2010; Uddin et al., 2013).

Flamholtz and Randle (2012) indicated that the founders of the organization are the primary source of establishing a new culture for their organization. Founders can make a significant impact to the organization culture since they have an opportunity to introduce the strategy and direction at an early stage of the organization (Andish et al., 2013). The initial business strategy and direction are mostly based on the operational assumptions of the founders, which may be derived from their personal experience and cultural history (Toma & Marinescu, 2013). Founders may enforce their personal experience and culture on their employees and partners (O’Reilly et al., 2014). For example, Steve Jobs, the founder of Apple Inc., enforced his personal experiences and assumptions on employees, which contributed to build an effective organizational culture at Apple Inc. (Kaliannan & Ponnusamy, 2014; Toma & Marinescu, 2013). Apple’s organizational culture contributed to transform the vision of the founder into realities. Schein (2010) indicated that Apple Inc. is a perfect example to illustrate how the personal culture and assumptions of founder greatly influence the culture of the organization.

The learning experience is another source of organizational culture, which is derived from the social trends and the dynamics of the business environment (Nguyen & Aoyama, 2014). Members of the organization may adapt some attributes from the community as well as from the business environment (Uddin et al., 2013). Gibbs (2012) indicated that community may enforce its cultural attributes on the organization through members of the organization.

History of Organizational Culture

In the early 1980s, the theory of organizational culture included organizational behaviour along with the disciplines of social science such as anthropology, sociology, and social psychology (Denison, 1990).

In 1982, Peters and Waterman indicated the characteristics of the organizational culture in high performing corporates. Moreover, Peters and Waterman have profiled 46 excellent corporates in the United States of America based on their organizational culture.

In 1985, Schein indicated the usefulness of organizational culture with respect to the organizational performance by breaking organizational culture into three parts: assumptions, artifacts, and values. Assumptions represent unofficial but important rules in the organization. Artifacts represent the visible elements of organizational culture, including work process, the workplace setting, and organizational structures. Values represent the beliefs of the organization members and their business strategy. These three elements contribute to maintain an effective organizational culture (Childress, 2013; Schein, 1985).

In 1992, Kotter and Heskett researched more than 200 corporates in the United States of America and found a strong relationship between organizational culture and business performance. Schein (2010) has acknowledged this study as a seminal research in the field of organizational culture.

In 2011, Flamholtz and Randle contributed to an extensive knowledge in the area of organizational culture towards business performance with practical examples extracted from numerous corporates in the United States of America, Europe, China, and other countries.

In 2013, Sharma and Good carried out an empirical study to determine the effect of organizational culture on organizational performance. The study results confirmed that organizational culture is an important component of organizational performance and a source of competitive advantage.

In addition to the said seminal studies, other similar books and articles contributed to the development of organizational culture theory (Childress, 2013). However, Nwibere (2013) indicated that there is a lack of theoretical support to advance managers’ knowledge in the area of effectiveness of organizational culture to enhance corporate business performance.

**Organizational Excellence**

Brown (2013) indicated that an effective organizational culture is a reflection of the organizational excellence. It is essential to maintain a healthy organizational culture to foster a vision of excellence (Fusch & Gillespie, 2012).

Following a detailed analysis into 46 high-performing corporates in the United States of America, Peters and Waterman (1982) indicated eight characteristics of excellent organizational cultures, which include fast decision-making and problem-solving, autonomy and entrepreneurship in leadership, and efficiency through organizational members.
An excellent organizational culture includes motivated employees and value-driven management (Childress, 2013). Business managers use the characteristics of excellent organizational culture to increase corporate profitability and sustain organizational excellence (Childress, 2013; Bolboli & Reiche, 2014).

**Strong and Weak Organizational Culture**

Strong organizational culture is vital to enhance organizational performance (Nwibere, 2013; Sharma & Good, 2013). Raza et al. (2014) indicated that strong organizational culture plays a significant role in aligning the future business trajectory of the organization. Organizational members have common opinions towards the organization in a strong organizational culture and are consistent with organizational values (Flamholtz & Randle, 2011). Kotter and Heskett (1992) indicated that strong organizational cultures encourage to share organizational values and goals across the organization, facilitating the rapid adaptation of these values to new employees.

Business managers empower their employees to take part in the critical decision-making process within a healthy organizational culture. Miguel (2015) indicated that the involvement of the employees in the organizational decision-making process is critical for enhancing performance. When engaged in the organizational decision-making process, employees may build a sense of ownership and obligation (Engelen et al., 2014). As employees build a culture of ownership and obligation, their loyalty and commitment towards the organization increases substantially even without close supervision (Denison, 1990; Nwibere, 2013; Pinho et al., 2014). When employees and business managers build respect and integrity among themselves, they can support each other and integrate their expertise and experience to enhance corporate performance (Miguel, 2015).

Business managers with a strong organizational culture use open and transparent communication to inspire employees and enhance performance (Kohtamaki et al., 2016; Senaji et al., 2014). In an organizational culture with open communication, organizational members easily share relevant information across the organization (Simoneaux & Stroud, 2014). Transparent communication involves a high level of participation by all members of the organization. When organization members engage in transparent communication, all members of the organization have a high degree of engagement (Miguel, 2015).

Establishing a set of organizational standards and trends mainly involves developing a well-defined communication channel between managers and employees (Schein, 2010). Cao et al. (2015) indicated that business managers may use the communication channel in order to create transparent communication to promote a culture of sharing and teamwork among organizational members.

A strong organizational culture is critical for motivating the employees of the organization (Schein, 2010). Motivated employees are the key drivers for achieving organizational goals and enhancing organizational performance (Fiordelisi & Ricci, 2014; Simoneaux & Stroud, 2014). Motivated employees make productive use of their time to perform their daily tasks (Flamholtz & Randle, 2011).
Business managers and employees with a strong organizational culture have an exceptional professional quality which leads to the enhancement of organizational performance (Pinho et al., 2014). According to Busse (2014), professional quality includes three main elements: respect and dignity between managers and employees, strong commitment to customer services, and motivation and moral engagement for achieving organizational goals.

In a strong organizational culture, business managers may establish a set of formal rules and trends of doing business (Denison, 1990; Flamholtz & Randle, 2011; Simoneaux & Stroud, 2014). Customers and other stakeholders may perceive and use the culture and work trends of members of the organization to distinguish the organization from other organizations (Childress, 2013; Cian & Cervai, 2014).

Management with weak organizational culture has a significant potential to affect business profitability of the organization (Shahzad et al., 2012). If the organizational culture is weak, the existence of the organization is at risk since the members of the organization have different values and beliefs, where they may work against the priorities of the management (Eatton & Kilby, 2015). Childress (2013) indicated that in a week corporate culture, there is always a challenge for employees to identify the values of the organization and establish the appropriate business process in order to achieve the organizational goals. Flamholtz and Randle (2011) indicated that employees with a weak organizational culture may act in a way that is inconsistent with organizational goals due to inadequate communication and lack of clear direction from the leadership.

Positive Organizational Culture

Business managers may create and sustain a positive organizational culture to enhance corporate performance (Childress, 2013; Fiordelisi & Ricci, 2014; Flamholtz & Randle, 2011; Melo, 2012). Founders of Google and Apple recognized their positive organizational culture as the primary source of enduring competitive advantage (Simoneaux & Stroud, 2014). Walmart and Southwest Airline’s founders also asserted that their positive organizational culture as a vital factor for the success of their business (Flamholtz & Randle, 2011). Inabinett and Ballaro (2014) found that positive organizational culture and corporate performance are having a positive relationship.

In a positive organizational culture, business managers deploy a transparent leadership style to build and endure confidence towards the leadership. Transparent leadership involves steady processes of decision-making and transparent communication across the organization (Andish et al., 2013; Miguel, 2015; Simoneaux & Stroud, 2014).

Positive organizational cultures encourage business managers to explain and convey corporate goals and values to employees and other stakeholders of the organization (Flamholtz & Randle, 2012; Simoneaux & Stroud, 2014). Once employees understand and share the corporate goals and values, they may effectively engage with value-added activities (Childress, 2013).
Effective Organizational Culture

Effective organizational culture is an amalgamation of strong organizational culture and positive organizational culture. In a strong organizational culture, organizational members behave in a manner which consistent with organizational values. In a positive organizational culture, employees understand and share the corporate goals and values across the organization (Flamholtz & Randle, 2012). Childress (2013) indicated that an effective organization culture is a combination of five sub-organizational cultures: healthy customer service, employee-oriented management, strong interpersonal relationship, exemplary leadership, and ethical decision-making process. Hartnell et al. (2011) indicated that business managers deploy an effective organizational culture to shape employee attitudes, improve operational effectiveness, and increase financial performance in the organization. Business managers deploy an effective organizational culture to create a healthy working environment in order to enhance performance in the organization (Flamholtz & Randle, 2012; Inabinett & Ballaro, 2014; O’Reilly et al., 2014; Pinho et al., 2014; Shahzad et al., 2012).

Flamholtz and Randle (2011) indicated that an effective organizational culture is an asset while an ineffective culture is a liability for organizational performance. Business managers with an effective organizational culture encourage an innovative business environment (Givens, 2012). Engelen et al. (2014) indicated that effective organizational culture sustains employee-focused leadership, sound interpersonal relationship, and ethical decision-making process. Low employee turnover and high employee satisfaction are characteristics of an effective organizational culture (Hartnell et al., 2011). An effective organizational culture is important to motivate and retain competent and trustworthy employees in the organization (Berg & Wilderom, 2012; Eaton & Kilby, 2015).

Teamwork is an important factor in achieving a common organizational goal. Effective organizational culture involves shared values and common purpose to develop a sense of teamwork (Flamholtz & Randle, 2011; Schein, 2010). Wiewiora et al. (2014) indicated that business managers deploy an effective organizational culture to promote teamwork and information sharing environment. In an effective organizational culture, business managers and employees work together to enhance corporate performance (Childress, 2013; Schein, 2010).

Customer service: a source of sustainable competitive advantage, is an important responsibility for business managers in an effective organization culture (Berg & Wilderom, 2012; Givens, 2012; Miguel, 2015). In an effective organizational culture, employees share the organizational values and beliefs (Denison, 1990). As employees share the organizational values and beliefs, they are inspired to accomplish organizational goals by delivering a professional customer service (Childress, 2013).

In an effective organizational culture, business managers deploy employee-focused and transformational leadership to enhance performance in the organization. Veiseh et al. (2014) found that effective organizational culture and transformational leadership are connected with a positive relationship. Transformational business managers promote collaboration and teamwork (Wiewiora et al., 2014). As business managers promote
collaboration and teamwork within the organization, employees may benefit from supportive alliance and mutual expertise (Man & Luvision, 2014). In a supportive and friendly business environment, employees are motivated to deliver better performance (Veiseh et al., 2014; Wiewiora et al., 2014).

Strong interpersonal relationship is an important element of an effective organizational culture (Engelen et al., 2014). When there are strong interpersonal relationships within an organization, employees may positively communicate with their managers, and share their ideas and opinions without reservation and hesitation (Nongo & Ikyanyon, 2012; Veiseh et al., 2014). Busse (2014) indicated that business managers deploy an open-door policy and strong interpersonal communication with their employees in order to build a high degree of faith in the leadership. When employees are satisfied and have faith in their leadership, they would build a sense of ownership and obligation towards the organization, which is an important factor in engaging and inspiring employees to achieve better performance (Denison, 1990; Nongo & Ikyanyon, 2012).

**Denison Organizational Culture Model**

Denison (1990) indicated four cultural traits of organizational culture model: involvement, consistency, adaptability, and mission, where he further categorized involvement and consistency as internal factors, and adaptability and mission as external factors. For each of these four cultural traits, the model defines three indices of managerial practice as shown in Figure 1.

![Figure 1: Denison Organizational Culture Model](image)

These four cultural traits of organizational culture model are important in establishing and sustaining an effective organizational culture within the organization (Kotrba et al., 2012). Mousavi et al. (2015) indicated that involvement is an important factor for effective organizational culture. According to Engelen et al. (2014), involvement involves
transparent communication, employee-focused leadership, and strong interpersonal relationships in the organization. O’Reilly et al. (2014) indicated that business managers encourage a high degree of employee involvement and participation in main organizational activities. Denison (1990) indicated that when employees participate in the organizational decision-making process, they would build a sense of ownership and obligation towards the organization. Hacker (2015) found a positive relationship between high employee involvement in the decision-making process and organizational performance. But, Givens (2012) argued that a high level of involvement in numerous activities results a lack of specialization, and it is difficult to identify the individual responsible for the specific task.

Research findings recognize the consistency of an organization as a reflection of the effectiveness of organizational culture. Givens (2012) identified consistency as one of the key factors for creating an effective organizational culture and enhancing organizational performance. But, Nongo and Ikyanyon (2012) argued that a high degree of consistency in the organization does not directly influence the commitment of employees and organizational performance.

Schein (2010) indicated adaptability as the organizational capacity to perceive external influences and respond to them. An effective organizational culture requires a set of basic assumptions planned, exposed, and developed by organizational members in addressing the external adaptation issues (Cian & Cervai, 2014). Owing to various internal and external influences, business managers often modify and adopt new circumstances within the organization. Childress (2013) indicated that business managers are essential to passionate and responsive to internal and external influences. Denison (1990) indicated that as per the adaptability principle, employees are essential to adapt, restructure and reinstate their internal processes, behaviours and attitudes in response to external influences. Adaptability is an important element of the organizational culture to enhance corporate performance (O’Reilly et al., 2014). Nongo and Ikyanyon (2012) found a positive relationship between adaptability and commitment in enhancing organizational performance.

In an effective organizational culture, business managers use the mission and vision to establish short-term and long-term goals of the organization (Nongo & Ikyanyon, 2012). Business managers use the organization’s mission to provide appropriate direction to internal and external stakeholders (Rosa et al., 2014). According to Mousavi et al. (2015), the mission includes clear direction and vision, strategic decision and intent, and goals and objectives of the organization that are used by business managers to drive the organizational activities. Business managers agree that assuring an efficacious alignment between organizational culture and business mission is an important responsibility for them to secure the organizational success (Denison, 1990; Eaton & Kilby, 2015). Raza et al. (2014) indicated that in an effective organizational culture, business managers align the organization’s mission with organizational goals for enhancing performance and determining organization’s future directions. Empirical evidences showed a positive relationship between mission and business performance (Givens, 2012; Mousavi, et al., 2015).
Mousavi et al. (2015) found that involvement and adaptability principles directly influence organizational performance whilst consistency and mission principles indirectly influence organizational performance. Nongo and Ikyanyon (2012) found that adaptability and consistency are connected with a positive relationship in enhancing organizational performance. Givens (2012) found that there is a positive relationship between mission and organizational performance.

### Types of Organizational Culture

There are four main types of organizational culture: clan culture, adhocracy culture, hierarchy culture, and competition culture (Fiordelisi, 2014; Sok et al., 2014; Wiewiora et al., 2014). Clan culture involves an employee-oriented leadership, cohesiveness, engagement, and teamwork (Han, 2012). Adhocracy culture involves the features of an innovative, creative, and adaptable nature (Veiseh et al., 2014). Hierarchy culture involves rules and regulations for the management of organizational activities (Sok et al., 2014). Competition culture involves addressing rivalry and market achievement towards corporate goal and objectives (Pinho et al., 2014).

Clan or supportive culture involves the values of human affiliation, collaboration, attachment, trust, loyalty, and support (Fiordelisi, 2014). Miguel (2015) indicated that business managers in a clan culture need to function collectively to inspire and motivate employees to build a culture of excellence within the organization. Clan culture involves collaboration, engagement, and open communication (Pinho et al., 2014). Yirdaw (2014) indicated that business managers encourage teamwork and empowerment of employees in a clan culture. Mango and Ikyanyon (2012) indicated that business managers encourage engagement and commitment of employees towards the organization since committed employees may effectively execute their tasks and fulfil their accountabilities. The sole focus of clan culture is to enhance the performance of employees through engagement, collaboration, commitment, sense of ownership, obligation, and accountability (Han, 2012; Murphy et al., 2013; Nongo & Ikyanyon, 2012). Research findings showed how clan culture positively relates to organizational performance (Han, 2012; Man & Luvision, 2014; Murphy et al., 2013). But, Givens (2012) argued that the clan culture involves issues of employee relations rather than enhancing organizational efficiency and effectiveness. Kotrba et al. (2012) compromised both views, supporting the clan culture’s indirect role in enhancing performance and they acknowledge the clan culture’s direct role in enhancing efficiency and effectiveness.

In adhocracy or entrepreneurial culture, it is believed that innovation and change are important to enhance the performance of the organization (Fiordelisi, 2014). Business managers in adhocracy culture devote more resources for research and development and inspire employees to pursue innovative business ideas (Sok et al., 2014). Hartnell et al. (2011) indicated that growth, risk taking, creativity, diversity, independence, and adaptability as the values and assumptions of adhocracy culture. Organizational members in an adhocracy culture need clear direction for their work assignments regarding the importance and impact of such works towards the organizational goals (Veiseh et al., 2014). Engelen et al. (2014) found a positive relationship between adhocracy culture and innovative entrepreneurial orientation. Hartnell et al. (2011) also found a positive
relationship between adhocracy culture and corporate performance in the long-term perspective.

Hierarchy culture involves establishing effective control systems across the organization. Hartnell et al. (2011) indicated that organization members obey the rules and regulations of hierarchy culture, where each operation is carried out with pre-defined procedures and rules. Clear communication, consistency, and stability are the values and assumptions of hierarchy culture. The sole focus of hierarchy culture is efficiency and effectiveness (Fiordelisi, 2014). Cao et al. (2015) found a negative relationship between hierarchical culture and customer integration. Han (2012) also found a negative relationship between hierarchy culture and corporate performance.

Competition or market culture involves gathering customer and competitor information, appropriate goal setting, planning and decision-making, task focus leadership, and market aggressiveness and achievement. Members of the organization have clear objectives to increase their reward via market achievement is obvious in a competitive culture (Han, 2012). Miguel (2015) indicated that the core elements in competition culture are open communication, competition, competence, and achievement. In competition culture, business managers concentrate on the effectiveness of the external business environment through market control and secure their competitiveness through market achievement. To succeed in a competitive market, business managers must have knowledge of their customers and market priorities (Miguel, 2015). Han (2012) indicated that business managers need to sustain customer-driven leadership since the customer satisfaction is a priority in the competition culture. The other priority for business managers in competition culture is to satisfy their business owners. The sole focus of competition culture is high revenue, high market share, high profits, fast growth, and productivity (Hartnell et al., 2011). In an effective organizational culture, business managers use the values, behaviours, and strengths of employees to make the business sustainable and competitive in the marketplace. The proper alignment of fair competition and stakeholder return is vital for the effectiveness of organizational culture (Eaton & Kilby, 2015).

Measuring the Effectiveness of Organizational Culture

Business managers may deploy various methods to evaluate and measure the effectiveness of their organizational culture. O’Reilly et al. (2014) indicated that selecting an appropriate measurement method is important since the method shall capture every aspect of the organizational culture which may be unique to the organization concerned. Hartnell et al. (2011) found a disagreement and lack of universal standardization to measure the effectiveness of organizational culture.

O’Reilly et al. (2014) developed a method with six factors: adaptability, integrity, collaboration, result oriented, customer oriented, and detail-oriented factors in order to measure the effectiveness of organizational culture. Flamholtz and Randle (2012) indicated three elements: cultural alignment, behavioural consistency, and cultural gaps to measure the effectiveness of organizational culture. Hacker (2015) confirmed that O’Reilly et al.’s six factors are more detailed and appropriate to measure organizational
values, beliefs and norms. The evaluation helps to identify the prevailing cultural gaps which highlight the difference between desired and actual values in each factor.

Fusch and Gillespie (2012) developed a performance analysis model to assess the gap between the desired and actual performance of the organization. The performance analysis model of Fusch and Gillespie illustrates how business managers identify performance gaps by contrasting the actual performance of the organization against the desired performance. A desired organizational performance involves detailed analysis of the organization’s vision, mission, strategy, goal, objectives, and other desired results. The actual performance analysis involves discussion of internal and external factors including economic, market, and customer relations. Fusch and Gillespie pointed out the importance of identifying performance gaps as a primary pathway to effective performance intervention deployment. Fusch and Gillespie used a work-life approach as a performance intervention to create an effective organizational culture and enhance performance.

Flamholtz and Randle (2012) developed a method with five key dimensions of organizational culture: customer orientation, employee orientation, performance and accountability standards, commitment to change and innovation, and company process orientation in order to measure the effectiveness of organizational culture. Customer orientation involves how business managers understand their customer demands and how employees serve their customers. Business managers must identify their organizational values to guide employee on effective customer interactions (O’Reilly et al., 2014). The organizational values contribute to the effectiveness of organizational culture by maintaining a high degree of customer satisfaction (Hartnell et al., 2011). Employee orientation involves how organizational members behave while performing their jobs in the organization (Flamholtz & Randle, 2012). Business managers use employee orientation to sustain an effective organizational culture. The third organizational culture dimension of Flamholtz & Randle’s method involves how performance and accountability standards collaborate in the business process of the organization. These standards elaborate how employees are accountable for their job roles, and how they receive their performance evaluations and rewards. O’Reilly et al. (2014) indicated that performance and accountability standards have a significant impact on the work performance and behaviour of employees. Green (2012) indicated that performance and accountability standards contribute to the achievement of organizational objectives, and effectiveness of organizational culture. Flamholtz and Randle (2012) indicated that commitment to change and innovation involves the readiness of business managers to lead unexpected changes and improve products and services. Commitment to innovation and readiness for change are important strategic contributions to the effectiveness of organizational culture (Hartnell et al., 2011). Company process orientation is the process of how the corporate business structure operates with planning, organizing, decision-making, communication, and social responsibility (Flamholtz & Randle, 2012). The effectiveness of organizational culture involves economically feasible planning, transparent decision-making processes, clear communication channels, and socially responsible organizations (O’Reilly et al., 2014).

An effective organizational culture involves highly motivated employees, high level of customer satisfaction, well-established performance standards, openness to change,
innovation, and clearly defined company process orientation (Flamholtz & Randle, 2011). Diverse aspects of the effectiveness of organizational culture contribute to corporate performance (Schneider et al., 2013). For instance, supportive organizational culture may contribute to employee satisfaction, innovative organizational culture may contribute to higher sales growth, and bureaucratic organizational culture may increase efficiency (O’Reilly et al., 2014).

The corporate group leadership uses an appropriate and consistent measurement tool to evaluate the role of organizational culture in the corporate group (Zahavi & Lavie, 2013). Eukeria and Favourate (2014) indicated that many successful corporate group managers use return-on-capital, net profit, or earnings per share to measure the performance of member companies.

**The Role of Organizational Culture on Business Performance**

Organizational culture is an important determinant of business performance (Denison, 1990; O’Reilly et al., 2014). Establishing an effective organizational culture contributes performance enhancement in the organization (Fusch & Gillespie, 2012). Uddin et al. (2013) found a strong positive relationship between organizational culture and business performance. However, Childress (2013) argued that an organizational culture does affect business performance positively or negatively.

Laforet (2016) indicated that paternalistic or founder type culture does not have a positive effect on innovation performance, but an entrepreneurial-like (externally focused, flexible, agile, proactive, and long-term oriented) culture does. Park et al. (2016) found that participative management and innovative culture are positively related to perceived organizational performance (internal efficiency), but the relationship between participative management and perceived organizational performance is moderated by the perceptions of employees. Polychroniou and Trivellas (2018) found a positive relationship between culture strength and internal performance (innovation competence and human relations) as well as firm outcomes (profitability, growth and reputational assets). In contrast, culture unbalance exerts a negative impact on organizational performance. Jin et al. (2019) found that innovation culture facilitates the sustainability orientation of the organization and that the converse also applies.

Unger et al. (2014) found a positive relationship between corporate culture and financial performance. Flamholtz and Randle (2012) indicated that 46% of corporate earnings are affected by the effectiveness of organizational culture. However, Berg and Wilderom (2012) argued that the organizational culture might affect performance, where the change is a longer time interval showing the effects of culture on financial performance.

Sengottuvel and Aktharsha (2016) found that all dimensions of organizational culture explain significant variation in the performance, whilst strategic emphasis as the most significant predictor of organizational performance. Nikpour (2017) indicated that organizational culture beyond its direct impact exert indirect impact on organizational performance through the mediation of the organizational commitment of employees. Cura
(2018) indicated that 25% of performance is affected by organizational cultural traits, and therefore cultural enhancing will result performance enhancement by 25%.

There are many other empirical evidences highlight the relevance of organizational culture on organizational performance. Quantitative study results indicate a positive relationship between organizational culture and business performance (Han, 2012; Hartnell et al., 2011; Jofreh & Masouni, 2013). Case study results also confirm that an effective organizational culture is a driving factor in organizational performance (Pinho et al., 2014; Simoneaux & Stroud, 2014).

Most of the studies found that there is a positive relationship exists between organizational culture and organizational performance (Cura, 2018; Gorondutse & Hilman, 2019; Heris, 2014; Kohtamaki et al., 2016; Nikpour, 2017; Sengottuvel & Aktharsha, 2016; Wahyuningsih et al., 2019). But some recent empirical evidences argued that there is no such relationship exists between organizational culture and organizational performance (Leithy, 2017; Rashid & Shah, 2016). A study carried by Rashid and Shah (2016) rejected the hypothesis that stated there is a significant relationship between organizational culture and organizational performance. Moreover, Leithy (2017) argued that both work-related attitudes and work behaviour can be seen as related to organizational performance, and the structural equation model apparently eliminated the relationship between organizational culture and organizational performance.

Berg and Wilderom (2012) developed a method with five factors: employee empowerment, external emphasis, interdepartmental collaboration, human resource orientation, and performance improvement tendency in order to evaluate the impact of organizational culture on business performance. Unger et al. (2014) confirmed that Berg and Wilderom's five factors are more detailed and appropriate to evaluate the real impact of organizational culture on business performance in an organization.

**The Role of Organizational Culture in the Corporate Group**

A corporate group is a combination of two or more legal independent member companies with different business segments under one corporation with the power of control, governance, and leadership (Eukeria & Favourate, 2014; Gajewski, 2013). Under a corporate group business structure, member companies may involve with similar or diversified products and services from a different business sectors and geographical locations (George & Kabir, 2012). Organizational culture is an important element to unify various units and divisions in the corporate group structure (Kenny, 2012).

The organizational culture must align with the corporate business strategy. Eaton and Kilby (2015) indicated that 68% of corporate business managers in the world believe that their organizational culture does not align with their business strategy. Several empirical evidences in the area of corporate groups showed that without the support of effective organizational culture, managers fail to implement and maintain their strategy (Eaton & Kilby, 2015; Weber & Tarba, 2012).
Cultural integration between corporate office and member companies is also a key factor of the performance of the corporate group (Idris et al., 2015). Weber and Tarba (2012) showed that 89% of newly acquired businesses in the United States of America fail to succeed because of a lack of cultural integration between corporate office and member companies. Whalen (2014) indicated that organizational culture change initiatives in corporate groups have more than 50% failure rate.

Business managers believe that establishing an effective organizational culture in the corporate group is important to manage and lead diversified companies under the corporate group (Lee & Gaur, 2013; Neffke & Henning, 2012). Many well-known business managers confirmed the benefits of deploying diversified business strategy with an effective organizational culture to enhance performance in the organization (Kenny, 2012). Research findings show that when diversification supports with effective organizational culture, diversified companies outperform the other companies (Gajewski, 2013; George & Kabir, 2012; Lee & Gaur, 2013). In contrast, Coad and Guenther (2013) indicated that diversification activities contribute less financial return in the short-term, but high financial return and competitiveness in the long-term. Business managers with a diversified business strategy may benefit from many opportunities in an effective organizational culture (George & Kabir, 2012). The key benefits are: sharing limited resources, economies of scale, taking the advantages of cost saving, strategic adjustments and financial economics, and experience sharing among managers of member companies in the group (Flamholtz & Randle, 2011; Hashai & Delios, 2012; Man & Luvision, 2014).

In a business acquisition and merger process, it is vital for management to integrate with the different cultures of merging companies (Eaton & Kilby, 2015). Hirsch (2015) indicated that 70% of newly acquired businesses fail to integrate with the organizational culture of the corporate group, and 83% fail to increase the shareholder value. Tarba et al. (2017) indicated that synergy potential (similarities and complementarities) between high-tech merging companies, and effectiveness of post-acquisition integration of organizational culture positively influence the overall acquisition performance of merging high-tech companies.

Business managers use collaborative organizational culture to make a successful integration between member company culture and corporate culture (Gajewski, 2013; Kenny, 2012). Latif and Ullah (2016) indicated that collaborative culture and internal service quality have a direct and positive impact on the organizational performance whilst internal service quality partially mediates the relationship between collaborative culture and organizational performance.

The corporate group leadership encourages a decentralized organizational structure to empower general managers of each company and to distribute power and responsibility (Kenny, 2012). Weber and Tarba (2012) indicated that the decentralized organizational structure is important for delegating accountability and power at the levels of member companies. Zahavi and Lavie (2013) indicated that within the corporate group, general managers and divisional managers need to perform like small business owners. General managers of member companies are responsible for the profitability and return on capital employed at each company level (Cian & Cervai, 2014). Managers of business units have
to understand their customer demands in delivering a competitive service at the business unit level (Kenny, 2012).

It is necessary to incorporate an appropriate and consistent performance measurement tool to evaluate the role of organizational culture and performance of each division and member company within the corporate group (Eukenia & Favourate, 2014; Zahavi & Lavie, 2013). Effective corporate groups typically use return-on-capital, net profit, or earnings per share to evaluate the performance of member companies (Eukenia & Favourate, 2014).

**Conclusion**

In a corporate group, organizational culture can be considered as an essential ingredient of organizational performance and a source of sustainable competitive advantage. This paper presented a synthesis of various renowned literature concerning the role of organizational culture on business performance in a perspective of the corporate group. It was found that organizational culture has a strong impact on the organizational performance. Empirical evidences further showed that lack of cultural integration between member companies was a primary cause of failure in corporate groups. Therefore, it is ascertained that cultural enhancing would result performance enhancement.

Business managers are recommended to establish an effective organizational culture in order to enhance corporate performance. 68% of corporate business managers in the world believe that their organizational culture does not align with their business strategy. Whilst 72% of corporate leaders acknowledged the importance of organizational culture to organizational performance, only 25% identified an effective organizational culture for their organizations. Therefore, how an effective organizational culture is established to enhance the corporate performance can be recognized as a needed research scope.

Moreover, this paper highlighted the prevailing theoretical and empirical gaps in the area of organizational culture towards corporate performance, and hence the findings may be useful for future similar studies. More research can be done in this area to determine the nature and ability of organizational culture in manipulating corporate performance.

**References**


