Culture as a hidden resource for visible and measurable competitive advantages

Werner Frese [a], Vitali Altholz [b]

[a] *Technische Universität Dortmund, Germany*
werner.frese@tu-dortmund.de
[b] *International Graduate School Zittau, Germany*
altholz@ihi-zittau.de

Abstract

This paper focuses on cultural influences on the effectiveness of organizational processes in companies. At this time, there is a predominant emphasis on culture-related differences of processes and workflows in companies in the main body of articles on cross-cultural management research. This paper proposes an extension of these research efforts in cases wherein the different efficiencies of these processes, resulting from cultural influences, should be examined in more detail. Based on the beginnings of organizational theory along with practical examples, it has been verified already that cultural influences shape organizational structures as well as organizational processes. This kind of finding should lead to the assumption that these cultural influences could also create differences in their efficiency, depending in what kind of culture the companies are located. These differences in efficiency can be regarded as opportunities for success from which further competitive advantages can be derived. Since examination of the differences in efficiency of processes is still a rarity in the field of cross-cultural management research, this should be developed further.

1. Introduction

Creating competitive advantages is the main goal of companies looking to survive in their market. Especially in times of globalization, competitive advantages are more important for companies than ever before. Due to new technologies such as the internet or the state-of-the-art logistics services currently available, companies are able to offer their products worldwide. In addition to these technological developments and new environmental circumstances, companies are also faced with an increasing number of competitors, making market survival even more difficult. Therefore, it is more important than ever for companies to create competitive advantages to differentiate themselves from their market competitors.

The scientific theory of management research shows two different ways how companies can create new and fundamental competitive advantages. Both ways are, in the end, the two most famous approaches in strategic management research: the market based view on the one hand and the resourced based view on the other (Welge/Al-Laham, 2008, pp. 79-90). The market based view explains the creation of competitive advantages based on the position of the company in a market. The assumption is that, depending on the forces and structures in the market, companies can derive competitive advantages from their market position. For instance, by having a good position, companies have an advantage due to economies of scale or through the ability to establish barriers against new market entries by other competitors (Wolf, 2005, 1990; Porter, 1981).[1] In contrast to the market based view, the resourced based view has a different, fundamental approach. Under this scenario, firms can create their advantages through their own resources. The

[1] De Wit/ Meyer, 2004; Müller-Stewens/ Lechner, 2003; Macharzina, 1999

assumption of this approach is that each firm has its own individual combination of resources with their individual strengths and weaknesses. This differentiation of resource combinations makes each company in the market as unique as a fingerprint. If a company can now do something better through its particular combination of resources than its competitors and, in addition to this, these resources cannot be copied easily by other companies in the market, then the company can derive a competitive advantage from its resources. For instance, companies can generate advantages either through differentiation or through cost-reduction (Hamel/Prahalad, 2000, 1997; Campbell/Sommer/Luchs, 1997; Collins/Montgomery, 1995). At the very least, this paper can be also placed in the research field of the resource based view.

Culture, in this context, can be seen even as a kind of resource within firms. Through its influence on the behavior of the members of the organization it will be shown that it is possible to derive a competitive advantage from it as well.

2. Theoretical background

In this context, the theory of management research offers two different main approaches as to how culture has an influence on a firm's resources and its employees and, furthermore, how a firm can use this influence to its advantage:

The first and most well-known research approach can be found in the field of corporate culture.

Corporate cultures are a typical phenomenon in companies. They arise naturally inside a firm. Through different rules, values, norms and artifacts in each firm, employees create their own corporate culture with its own characteristics (Heinen/Dill, 1990). The idea to focus management research on corporate culture began in the 1980s with the DEAL/KENNEDY study (1982). In order to explain the success of the automobile manufacturer Toyota, they discovered that the lion's share of that success could be attributed to its corporate culture. Researchers DEAL and KENNEDY saw Toyota's corporate culture as the force behind the extreme discipline and very fast restructuring of its organization. Its corporate culture also gave it the possibility to implement its new corporate strategy very quickly, notwithstanding an especially turbulent market situation at that time. Up to this time, many scientists of management and organization research had dealt with the topic "corporate culture" in articles and books (Osterloh/Frost, 2003; Hammer/Champy, 2003; Davenport, 2000; Bleicher, 1990; Scholz, 1987). In a summarized form of all the contributions to corporate culture research, it can be said that the main purpose of these research activities was to classify and operationalize that particular phenomenon in order to deal with it and obtain an advantage out of it in practice (Mayrhofer/Meyer, 2004; Deal/Kennedy, 2000). At least in many cases it has been proven that corporate culture can be seen as an advantage for the whole company (Behrends, 2003). If the company has the "right" corporate culture, it can obviously support company management in such a way that they, for example, have the ability to implement more easily their planned corporate strategies or that their required environmental changes to the organizational structure will not be opposed so strongly. Unfortunately, experience teaches the scientific community that corporate culture is not an easily understood thing because of its mostly intangible form. Thus, for the managing and changing of corporate culture inside of a company, management needs a lot of time. It is also the type of process, in which the responsible executives do not have concrete tools with which to modify corporate culture like a machine (Mayrhofer/Meyer, 2004).

The second research approach, which deals with the relation between culture and management, can be found in the field of organizational theory, particularly with regard to the decision making approach. As some of the most famous researchers in that field, SIMONS (1987) and CYERT/MARCHS (1963) assume that the continuous decision making process of each individual is always influenced by cognitive factors. The authors consider that culture, especially national culture, has an fundamental influence on the decision making process in to such an extent that individuals make their decisions utilizing an invisible filter of norms, values, rules, etc. This kind of filter consists, for example, of educational or societal circumstances, etc. This assumption was ultimately reviewed by the studies of HOFSTEDE (1994, 1993, 1984). HOFSTEDE (1994, 1993), as one of the main founders of cross-cultural management research, has proven with his wide ranging study of values and norms at IBM that different values and norms exist in different countries.[2] These different values and norms are, at least for HOFSTEDE, (1994, 1993) the reason why employees in different countries differ in their habits. In this context, the research field of intercultural management has shown that teams of employees with diverse cultural backgrounds often offer better solutions to problems than teams comprising members from the same cultural background.

[2] Hofstede, G. 2001: Culture´s Consequences: Comparing Values, Behaviors, Institutions and Organizations Across Nations. 2. Edition, Thousand Oaks

3. The influence of culture on process efficiency

The new focus for cross-cultural management research proposed in this paper can be drawn out of organizational theory, especially from the situative approach and the decision making approach. Based on the works of HOFSTEDE (1994, 1993) as well as of SIMON (1957) and MARCH/CYERT (1963), culture, either in the form of corporate culture or national culture, has a remarkable influence on habits during the decision making processes of individuals. In this context, it has also been accepted in the situative approach field of organizational theory that culture has an effect on processes and structures inside companies (Fig. 1).

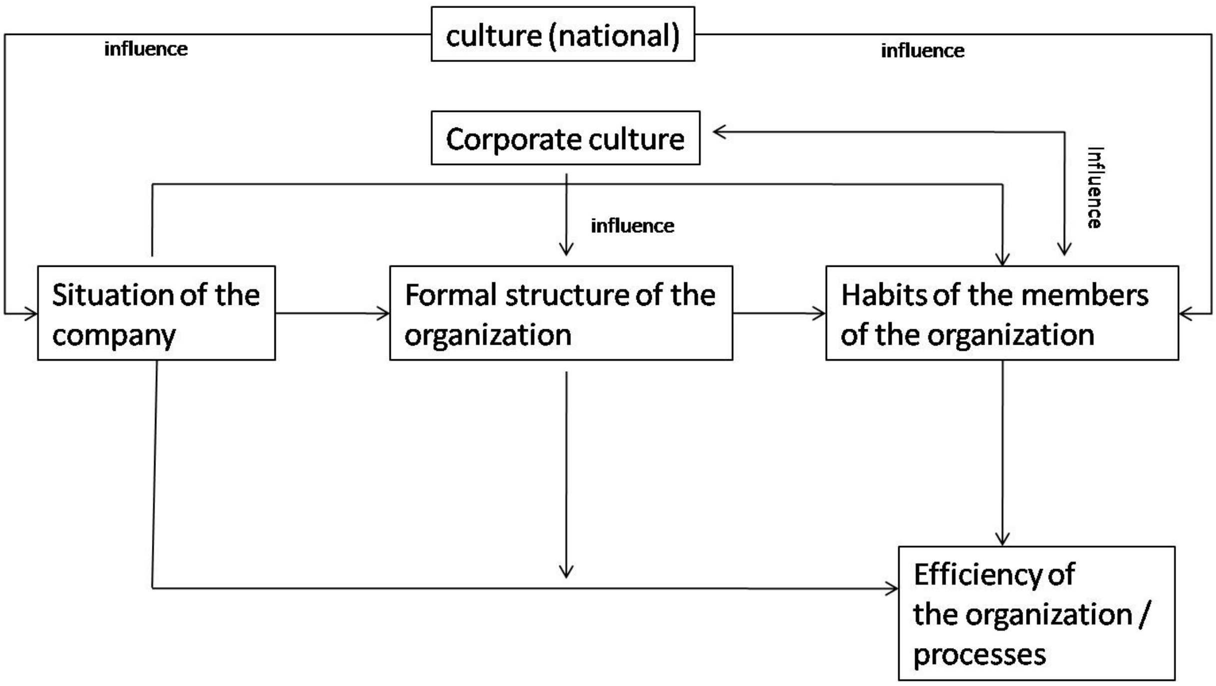

Fig. 1: The influence of culture on effectiveness of processes (source: author)

Figure 1 shows the extended situative approach from KIESER/KUBICEK (1992, p. 57). It illustrates how (national) culture and corporate culture depend on each other and how they affect the internal structure and processes of a company.

If it can be shown that culture has an influence on structures and processes within companies, it follows that the structures of companies, in particular processes, in different cultures must differ in their efficiency as well. Due to the fact that management literature states that process efficiency leads to lower costs and higher output in the company, thus, as mentioned at the beginning of this paper, the efficiency of processes can be also a competitive advantage for companies (Schulte-Zurhausen, 2005; Schmelzer/Sesselmann, 2004). If management theory maintains that only different combinations of resources, which cannot be copied easily by competitors, can create a competitive advantage such as differentiation or cost-reduction, then a company also has the opportunity to create a differentiation potential which can be used as a competitive advantage by making a process more efficient within the company.

In particular, this competitive advantage manifests itself in decision making processes. For example, if company employees need too much time for a strategic decision making process, due to their cognitive (cultural) filter, it will be more difficult to obtain the advantage of entering a new market as the market leader. Competitors can capitalize on the long decision making processes of these companies by reacting faster and entering the new market first. HOFSTEDE (1994, 1993) affirms this assumption. He has shown through his cultural mapping that in some cultures individuals avoid risk more than individuals in other cultures. This means, for example, that for the persons responsible for the strategic decision process, who are acting in a culture in which a high risk avoidance exists, the decision making process can take more time than in companies in cultures in which risk avoidance is not so high. In summary, this means that depending in what kind of culture companies are, some companies are faster at making decisions in some situations than other companies. This is the core argumentation of this paper.

Through a review of articles and literature of cross-cultural research from 1997-2008, it can be seen that most of these articles only deal with describing different processes, structures and patterns within companies in different countries. This is the main objective for most articles in the field of cross-cultural management research. In this regard, the share of articles in cross-cultural management research with a focus on processes is very small and only deal with descriptions of innovation, production or restructuring processes. Regrettably, only a very small part of these articles analyze the processes regarding their efficiency in connection with other processes in different companies in different cultures.

We see this as a shortcoming in research objectives in the field of cross-cultural management. Furthermore, it is without doubt useful to know what kind of similarity between processes and structures in companies exist or do not exist in different countries, and we think that there are more advantages to be discovered. As shown at the beginning of this paper, the reason for the different habits of individuals in different countries and for the different processes within companies stems from the different national cultures. This leads to the argumentation that processes in companies in different countries, as filtered through the existing norms and values of their diverse national cultures, can differ in their level of efficiency. In this context, management processes in particular should differ in their efficiency. As mentioned above, organizational and management theory defines a process as efficient if the throughput time of this process is very quick and the quality of the output of the process is high. Applying these characteristics, for example, to the management process would mean that some managerial process in companies in different countries would differ in their throughput time and would reveal in what way and how the results of these decision processes differ.

4. Conclusion

Depending in what kind of country a company is acting, it becomes influenced by the culture through its own values and norms, either as a national culture or corporate culture. Based on the work of HOFSTEDE (1994, 1993), articles in cross-cultural management research show that employees execute processes in different ways, such as decision making processes, innovation processes, etc., due to the cognitive filter they acquire through their culture. Therefore, the main objective of cross-cultural management research lies in the identification of differentiations between patterns, structures and processes in companies in different countries. Precisely because this simple identification of differentiations between patterns, structures and processes in companies of different countries is not enough for the practice of firms, we see a need to expand research activities in this area to measure the efficiency of these cross-cultural processes.

Therefore, we believe that the different habits of employees, caused by different cultures, will also be a reason for different efficiencies of processes. This means that depending in which kind of culture employees are and in what processes they are involved, these processes should differ in their efficiency. Depending on what kind of culture a company is in, the differentiation of efficiency can be utilized as a competitive advantage for the company. This could mean that processing time and output of processes in companies in different countries, which correspond to the mapping of value and norms of HOFSTEDE (2001, 1994, 1993, 1984), can be forecasted.

Based on this, we ask for an expansion of the objectives in the field of cross-cultural management research in order to analyze in depth the efficiency of these processes because culture is not only a reason for the differentiation of companies in their structure and work, it can be also a source of competitive advantage.

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Autobiographical notes:

Werner Frese is a Ph.D. candidate at the Technische Universität Dortmund. His research focuses on the strategic and international management.

Vitali Altholz is a Ph.D. candidate at the International Graduate School Zittau. His research focuses on the regional and organizational structures.