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RESEARCH ARTICLE

BUSINESS CULTURE: COMPREHENSIVE ANALYSIS AND IMPACT ON STRATEGIC GOALS.

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Abstract

From the economic downturn of 2008 to financial crisis, corporate scandals to shifts in business schools focus on teaching and new federal rules and regulations, business culture has made a shift for survival. This manuscript will define business culture, strategic goals, and present empirical studies, as well as literature reviews which will assist the reader in drawing a conclusion as to which manifests first; business culture or strategic goals. This manuscript will seek to enhance the understanding of organizational culture effect on strategic goals. The exploration will entail review of empirical studies, literature review and business examples which will help the reader to draw conclusions of whether the strategic goals impact the culture or the organization or if the culture of the organization impacts the successful meeting of strategic goal objectives.

As the old adage which has been presented and pondered throughout time states, which came first; the chicken or the egg? The same question may be posed as whether business culture appears first or does the strategic goals of the company manifest first? In this paper the concept of does business culture affect and drive the business strategic goals or does the strategic goals of the organization create the business culture of the organization will be posed? Or, do they appear and work in tandem? From the economic downturn of 2008 to financial crisis, corporate scandals to shifts in business schools focus on teaching and new federal rules and regulations, business culture has adjusted for survival. This manuscript will define business culture, strategic goals, and present empirical studies, as well as literature reviews which will assist the reader in drawing a conclusion as to which manifests first; business culture or strategic goals.

Business culture:-

One of the most complex concepts and associated theories is understanding what makes up the culture of an organization and what are the contributing factors to the organization's culture? Based on empirical studies and literature reviews the basis for all organizations' culture is beliefs, values and norms (Gudmundson, Tower, & Hartman, 2003; Eaton, n.d.; Flamholtz& Randle, 2012; Lukic, Knezevic, Alcakovic&Boskovic, 2014; Stok, Markic, Gertoncelj& Mesko, 2010). However, this is a broad base explanation which needs to be expanded. In addition, what makes up the beliefs, values and norms of any organization is unique to an organization, but there seems to be some baselines which are noted in each, such as trust, empowerment, engagement and communication.

Altug and Canova (2014) contend in their research paper that two indicators which are not only part of the culture of the organization, but business fluctuations are mutual trust and response for others. Stok, et al (2010) contend in

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their empirical study that research found that communication structure, interpersonal relationships, motivation, stimulation and values were parts of the organizational culture (p. 311). In additional to their study, Lukic et al (2014) found in their study that organizational culture was "characterized by strong team work, communication, trust, autonomy, transfer of knowledge, creative personnel, and risk tolerance" (p.49) which lead to nurtured innovation. Lukic et al (2014) also went a step further and contends that the six elements of organizational culture are "sensitivity to the clients' and employees' needs, employees' interest in creation of new ideas, readiness to take risks, value directed to people, openness of available options for communication and courtesy and the intimacy of employees" (p. 50).

In additional research and review of empirical studies the combination approach of trust, communication and empowerment resurfaced numerous times. Trust is as the old adage indicates, a two-way street. Trust gains its geneses at the senior leadership level and permeates down through the hierarchy structure. As stated by Feffer (2015) "employees have an implicit trust in leaders to make the right decisions for the organization—including its people—while leaders trust employees to put the organization's needs first as they interact with customers, vendors and partners" (p. 38). Also, leaders demonstrate trust by empowering employees to make decisions and empower employees to resolve issues with customers. This not only saves time and money, but fosters a sense of trust within the employees and fosters good customer relations. Trust as part of the organization's culture builds a sense of community and affects stakeholders in the company positively and negatively.

In their research Sinha and Arora (2012) focused on the analysis and resolution of managerial and academic issues based on analytical and empirical case research on one company. Their research revealed that "any organization pursuing business excellence and aspiring for world-class status would require the following cultural attributes" (p. 26). These attributes consisted of leadership should be transformational, use of empowerment, creating a learning organization, create an innovative environment, performance appraisals should be transparent, use Drucker's MBO theory, have an environment of open communication, and be customer focused. In additional, create an Esprit de corps environment, socialization of new entrants into the organization's culture, and have management commitment and employee commitment to the goals of the organization and ultimate success of the organization.

To summarize, the culture of an organization should be people-centric. The focus is on customer needs and satisfaction and employee need and contentment. The culture of the organization is based on trust, engagement, transparency, communication, and intention. Whereas, transparency is where leaders are open and honest, as well as solicit suggestions and feedback. The intent is based on communicated vision which is embraced by all within the organization. "Great employers have cultures that are participatory. Their sense of trust, communication and transparency are engendered at every level" (Feffer, 2015, p. 44).

Strategic goals:-

Strategic goals of the organization are the result of the organization's strategic plan. Strategic goals are based on the mission (Jones & George, 2015) and vision (Schermerhorn, 2010) of the organization. The vision is the future direction of the company and the vision "clarifies the purpose of the organization and expresses what it hopes to be in the future, and it involves determining the goals and objectives that will be pursued in order to accomplish that vision" (Schermerhorn, 2010, p. 187). These goals are part of the organizational development goals which are broken into outcome goals and process goals. This overall process results in self-improvement and self-renewal creates a strategic process to improve the organization's ability to solve problems and improve performance (Schermerhorn, 2010). Thus, the strategic goals are the offsprint of the strategic plan of the organization which identifies the long-term direction for the organization.

As stated by Jones and George (2015), the mission of the organization is to determine the business needs which includes (1) who are the customers, (2) what are the needs to be satisfied and (3) how does the business satisfy the needs. In this approach, then the strategic goals can be developed. Jones and George (2015) contend the same points as Schermerhorn (2010) that the developed goals provide the organization a sense of direction or purpose. An example is Mattel which has a goal of being the leader in the toy market. To reach this position they must have a goal to improve the organization's performance and be competitive with quality, price and desirability which meets the needs of the customer.

The future direction of the organization is the strategic plan which is broken down into goals to accomplish the plan. The overall premise of strategic goals is based on the mission and vision of the organization. Generally, the primary goal of the organization is customer focus and meeting the needs of the customer, as well as to create a competitive advantage. As indicated by Gomez-Mejia, Galkin and Cardy (2007) "planning lies not in the formulation of strategy, but rather in the development of an appropriate set of programs that will make the strategy work" (p. 23). Which indicates that the strategic plan is the direction and the goals are the road map and benchmarks used to achieve the strategy.

Literature Review and Empirical Review:-

The numerous articles published on research into the effects of culture on business strategy and goals have provided a basis for the understanding and acceptance that the culture of all organizations is present and there is a connection to business culture and successful or unsuccessful goal attainment. In this review, the evidence will be reviewed to attempt to determine which appears first; business culture or strategic goals. Or, is the emergence simultaneously and dependent on each other one symbiotic with the other.

In his research Busse (2014) contends "that shaping and creating the corporate culture is regarded essential for the successful pursuit of the firm's strategy" (p. 48). Eaton and Kilby (2015) presented the results of the Korn Ferry survey which indicated that culture was extremely important in the success of organizational performance but a lower percentage (32%) indicated that the culture was not generally aligned with the business strategy and goals. This indicates that organizations do realize the importance of goal attainment and bottom-line results, but the organization culture is not instilled into an immersion program and insurance that the leadership articulates the culture of the organization down through the hierarchical chain. The Korn Ferry survey did indicate this in the results. The conclusion could be drawn there is no connection in the leadership's belief and instilling the cultural values into the organization. When the culture is not instilled by the leadership into the non-managerial employees' productive energy work outcomes are diminished. Job satisfaction and general attitude as proposed by Locke (Raes, Bruch, De Jong, 2013) is reduced. As job satisfaction and attitude is poor, turnover increases which has a direct impact on productivity and timely meeting of strategic goals. Overall, top management behavioral integration relates to the work outcomes of employees which impacts strategic goals. Goals may be met, but the effectiveness and efficiency is impacted.

In the Journal of Management Psychology based on the article Dysfunctional Culture, the authors (Balthazard, Cooke, & Potter, 2006) presented a hypothesis that stated "constructive cultural norms will be positively related to organizational outcomes such as commitment to customer service, perceived quality of products and services, organizational adaptability and quality of the workplace and negatively related to members' intention to leave the organization" (p. 171). In their empirical study they presented considerable evidence that the hypothesis was proven and that culture is directly related to organizational performance drivers. The results show a direct positive impact on strategic goals being met, as well as the effectiveness and efficiency of strategic goal attainment.

The impact on successful, effective and efficient completion of goals is based on the culture of the organization. Not stating clearly what is important and demonstrating the culture of the organization can create a weak culture. A strong culture "has a positive influence on motivation and dedication of employees (Lukic, et al, 2014, p. 51). Also stated by Lukic, et al (2014) "the influence of culture on business success depends on culture content" (p. 51) such as values and beliefs. This directly impacts strategic goals and the success of meeting the goals.

In Wilkins' (2015) article she states from her years of experience that the culture of a successful business is to harness the power of the talent of the organization to achieve organizational goals. She contends that "great cultures drive great results" (p. 25). And, creating a strong culture begins with the leadership of the organization. Thus, the tone is set at the top. This tone is creating a positive cultural environment, protecting the company values and having employees focus on talent engagement, having employees focus on growth, minimizing internal politics and constructively supporting and challenging each other to do better. In the article by Kathy Gurchiek (2015) contention is made that with numerous HR professionals, the unleashing the power of the employees and the value of excellence, integrity, accountability and initiative are critical to the success of the organization. Mission achievement is based on communication and fostering an environment of employee engagement. An interview with Charles A. O'Reilly III, a professor of management at the Stanford Graduate School of Business, his contention (Gurchiek, 2015) "points to a Stanford study from 2014 that he says demonstrates a clear relationship between organizational culture and a broad set of business outcomes, including company reputation, analysts' stock recommendations, employee attitudes and financial performance" (p. 40).

In Flamholtz and Randle's (2012) review of empirical studies the evidence indicated "culture is or, at the very least, can be a critical component of a successful business model just as other forms of intellectual capital" (p. 77). Starbucks and Wal-Mart generate differential earnings and meet strategic goals by a positive corporate culture. Whereas, companies like AIG, K-Mart and GM had cultures which were dysfunctional and created true economic liabilities (Flamholtz& Randle, 2012). Thus, recognizing the employee brand creates a positive culture which is a strategic asset and generates a competitive advantage. In reality, culture is thus a strategic component of business models. And, a key component of a business structure is the culture of the organization which is recognized as a strategic asset and a basis for competition in their market.

In the empirical study by Suarmo (2013) three hypothesis which he presented were supported by the gathered evidence and associated literature review and other studies. One, "Organizational culture significantly influences the tenets of corporate operations; two, fundamental safe work practices significantly influences the tenets of corporate operations; and three, fundamental safe work practices have a significant effect on corporate performance was proven" (p. 87), whereas hypothesis two and three were directly correlated. Even with these hypotheses which did not show an effect of culture on performance, the measurable parameters of safety and operations can be construed as part of the culture and thus have an impact on performance which has an impact on strategic goals.

Discussion:-

Every organization has a culture of some form. Culture is something that is not visible by most external viewers and is not something that may be touched, tasted or even seen, but effects are visible by results. Culture is the glue that binds the organization and holds it together. Whether that culture is strong, mediocre or weak is the factor which seems to impact meeting the strategic goals. Whereas, a strong culture can be very successful in the strategic goal attainment (Eaton, n.d.; Feffer, 2015; Wilkins, 2015; Gurchiek, 2015). A weak or dysfunctional culture impedes the organization's ability to meet strategic goals (Sinha & Arora, 2012;Balthazard, et al, 2006).

What is a contributing factor acting as the catalyst for inspiring and establishing the culture? This is based on the tone at the top of the organization – leadership. According to Millikan and Millikan (2007) the "character development is a practical and accessible way for leaders to build a business culture" (p. 32). Results of numerous articles which contained leaders viewpoints based on experience and empirical studies, then strong leadership establishes and drives the organizations' business culture (Feffer, 2015; Wilkins, 2015; Gurchiek, 2015; Milikan& Millikan, 2007;Sinha& Arora, 2012). Business culture is not created by leadership alone, but it is a major contributor; it is however, "a daily creation of all of the members of the system, no matter what their role or position in the company" (Millikan &Milikan, 2007, p. 33). But, they also contend although everyone participates in the culture formation, it is the responsibility of the leadership to set the tone. According to Jones and George (2015), "Managers play a particularly important part in influencing organizational culture" (p. 64).

The core values of any organization is established early in the business development cycle. Although it may change and expand over the years of maturity of the organization, it is a major part of the business culture. The core values of the organization generally revolve around service, putting the customer first, integrity, and respect, and carried through the business cycle and is critical to the organization's existence (Eaton &Kilby, 2015). These core values contribute to the competitiveness, effectiveness, efficiency and profitability of the organization. The loss of focus and adherence to the core values of the organization result in dilution of the culture resulting in dysfunction. Thus, the influence of the culture on business success depends on the strength of the culture content, one of which is its core values (Lukic, et al, 2014).

There are numerous additional attributes which contribute to the culture of the organization. One is the mission and vison of the organization. This creates a system of beliefs, values and norms. However, the strength of these attributes which contribute to the business culture are "characterized by strong team work, communication, trust, autonomy, transfer of knowledge, creative personnel, risk tolerance, creativity and innovation" (Lukic, et al, 2014, p. 49). The attributes also include leadership which should be transformational, use empowerment, create a learning organization, as well as create an innovative environment, trust, empowerment, engagement and communication.

Conclusion:-

Does the organization's culture impact the successful completion of organizational strategic goals or does the strategic goals create and demand an environment which stimulates and sets the tone of the culture of the organization? Is does appear they may work in tandem. Analyzing the reviewed empirical studies and published research, one conclusion is drawn. A strong culture helps ensure that the strategic goals are completed successfully, effectively and efficiently. A weak or dysfunctional culture (as indicated in examples in this paper) result in failure to meet the strategic goals and in many cases result in failure of the organization which may lead to bankruptcy, mergers and/or reorganization for survival. The strategic goals may not create the culture of the organization, but the leadership of the organization drives the culture which is turn results in successful, effective and efficient strategic goal completion.

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