

Culture-related differences in process efficiency in corporations as a competitive factor

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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 that case that the different efficiencies of these processes, resulting from cultural influences, should be examined in more detail. Based on the beginnings of organizational theory and with practical examples, it has been already verified that cultural influences shape organizational structures as well as organizational processes. This kind of fact should lead to the assumption that these cultural influences should also create differences in their efficiency, depending on what kind of culture the companies are. These differences in efficiency can be regarded as opportunities for success from which further competitive advantages can be derived. As that the examination of differences in efficiency of processes is still a rarity in the field of cross-cultural management research this should be developed further.

Key words: cross-cultural management; strategy process; process efficiency; culture

1. Introduction

Creating competitive advantages is the main goal of companies to survive in the market. Especially in times of globalization, competitive advantages are for companies more important than ever. According to new technologies like the internet or actual the state of the art of modern logistics services companies are enabled to offer their products worldwide. Thereby, additionally to this technical development and new environmental circumstances, companies are also faced with an increasing number of competitors which makes the surviving on the market even harder. Therefore, it is for companies more important than ever to create competitive advantages to differ from the other competitors on the market.

The scientific theory of management research shows two different ways how companies can create new and fundamentally competitive advantages. Both ways are at last the two famous approaches in the strategic management research: The market based view on the one hand and the resources based view on the other (Welge & Al-Laham, 2008, p. 79-90). The market based view explains the creation of competitive advantages by the position of the company in a market. The assumption is that, depending of the forces and structures in the market, companies can derive competitive advantages by their position. For instance, by having a good market position, companies have advantages by economies of scale or by establishing barriers against new market entries by other

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competitors (Wolf, 2005, p. 415; Wolf, 1990, p. 63 et sqq.; Porter, 1981, p. 614 et sqq.).¹ In opposite to the market based view, the resources based view has another fundamental approach. In this case, firms can create their advantages through their own resources. The 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 unique as a fingerprint. If now a company can do something better through its particular combination of resources than the other competitors and, in addition to this, these resources cannot be copied by other companies in the market easily, then the company can derive from its resources a competitive advantage. For instance, companies can generate advantages either of differentiation or by cost-reduction (Hamel & Prahalad, 2000; Hamel & Prahalad, 1997; Campbell, Sommer & Luchs, 1997; Collins & Montgomery, 1995). At least, this paper can be placed in the research field of the resources based view.

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

2. Theoretical background

In this context, the theory of management research offers two main different approaches how culture has an influence on the firms' resources and their employees and how firms use this influence for their own advantage:

The first famous research approach can be found on the field of corporate culture.

Corporate cultures are typical phenomena in companies. They develop themselves by the employees in 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, p. 17). The idea to focus the purpose of management research on the corporate culture began in the 1980's with the study of Deal and Kennedy (1982). In order to explain the success of the automobile manufacturer Toyota, they found that the lion's part of that success can be related to their corporate culture. Deal and Kennedy (1982) saw in their corporate culture the reason for the very disciplined and very fast restructuring of their organization and the possibility to implement their new corporate strategy in a very fast way, notwithstanding by a very turbulent market situation at that time. Up to this time, many scientists of management and organization research have dealt with the topic "corporate culture" in their articles and books (Osterloh & Frost, 2003; Hammer & Champy, 2003; Davenport, 2000; Bleicher, 1990; Scholz, 1987). In a summarized form of all contributions to the corporate culture research, it can be said that the main purpose of these research activities is to classify and operationalize that particular form of phenomenon in order to handle it and to get an advantage out of it for the practice (Mayrhofer & Meyer, 2004, p. 1029; Deal & Kennedy, 2000, p. 107). At least, many cases proved that corporate culture can be seen as an advantage for the whole company (Behrends, 2003, p. 242). If the company has the "right" corporate culture, it can support obviously the management board in that way, that the management for example has the ability to implement their planned corporate strategies easier or required environmental changes of the organizational structure won't be blocked so strong. Unfortunately, the practice teaches the scientific that corporate culture is not an easy handling thing, because of its very intangible form. Thus, for the managing and changing of corporate culture inside of a company, the board needs much time and it is a kind of process, in which the responsible executives' haven't concrete tools to modify a corporate culture like machines (Mayerhofer & Meyer, 2004, p. 1028 et sqq.).

The second research approach, which deals with relation between culture and management, can be found in

¹ De Wit/ Meyer (2004, S. 250 et sqq.); Müller-Stewens & Lechner (2003, p. 357); Macharzina (1999, p. 230).

the field of organizational theory, particularly with regard to the decision making approach. As one of the most famous researchers in that field, Simons (1987) and Cyert and Marchs (1963) assume that the mentally ongoing decision making process by each individual is always influenced by cognitive factors. The authors consider that culture, especially national culture, has an essential influence on the decision making process in that way that individuals make their decision under the use of invisible filter of norms, values, rules, etc. This kind of filter consists for example of education or circumstances of the society etc. This assumption is ultimately reviewed by the study of Hofstede (1994). Hofstede (1994), as one of the main founders of the cross-cultural management research, has proven with his wide study of values and norms at the IBM Company, that in different countries exist different values and norms.² These different values and norms are for Hofstede (1994) at least the reason why employees in different countries differ in their habits. In this context, in the research field of intercultural management it shows that often teams of employees with divers cultural background offer better solutions for a problem as members of teams who have the same cultural background.

3. The influence of culture on the efficiency of processes

The new focus on the cross-cultural management research that is claimed in this paper can be drawn out of the organizational theory, especially from the situative approach and the decision making approach. Based on the works of Hofstede (1994) just as well as of Simon (1957) and March and Cyert (1963) culture, either in form of corporate culture or national culture, has an impressive influence on habits during the decision making processes of individuals. In this context, it is also adopted in the field of the situative approach of the organizational theory, that culture has an effect on processes and structures inside of companies (Fig. 1).

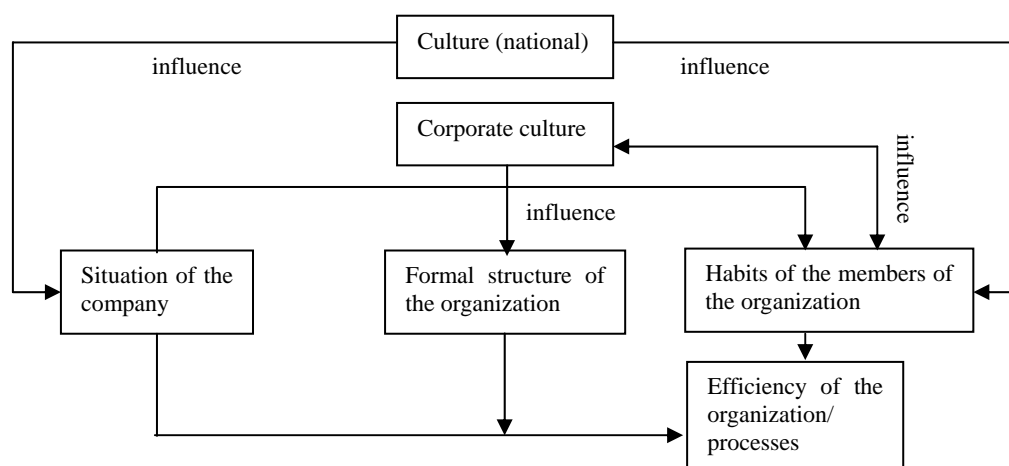


Fig. 1 The influence of culture on effectiveness of processes

The figure shows the extended situative approach from Kieser and Kubicek (1992, p. 57). It illustrates how (national) culture and corporate culture depends on each other and how they affect on the structures and processes inside of a company.

If it is shown, that culture has an influence on structures and processes inside of companies, therefore the structures, in particular processes, of companies in different cultures, must differ in their efficiency too. Due to the fact that the management literature considers that efficiency processes create lower costs and higher output in the

² Hofstede, G. (2001). *Culture's consequences: Comparing values, behaviors, institutions and organizations across nations* (2nd ed.). Thousand Oaks.

company, then the efficiency of processes can also be a competitive advantage for companies as mentioned at the beginning of this paper (Schulte-Zurhausen, 2005, p. 74; Schmelzer & Sesselmann, 2004, p. 47). When the management theory consider that only different combination of resources, which cannot be copied easily by the other competitors, can create competitive advantages like differentiation or cost-reduction, then a company has also with an efficiency process inside of the company a differentiation potential which can be used as a competitive advantage either.

This competitive advantage becomes manifest in particular in the decision making processes. If employees of companies need for a strategic decision making process too much time, caused by their cognitive (cultural) filter, the advantage for example by entering a new market as a leader will be risky. The competitors can capitalize this long running decision making process of these companies to react faster and to enter the new market as the first. Hofstede (1994) affirms this assumption. He has shown in his cultural mapping that in some cultures individuals avoid risks more than other individuals in other cultures. This would mean that for example for the strategic decision process responsible persons, 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 the risk avoidance is not so high. Summarized it means that, depending in what kind of culture companies are, some companies are deciding in some situations faster than other companies. This is at least the core argumentation of this paper.

Through a wide review of articles of the cross-cultural research from 1997-2008, it can be considered that most of that articles are only dealing with the describing of different processes, structures and pattern inside of companies in different countries. This is the main motive for the most articles in the field of cross-cultural management research. In this regard, the part of articles of cross-cultural management research focus on processes are very small and only dealing with the description of innovation, production or restructuring processes. Regrettably, only a very small part of these articles analyzed the processes regarding to their efficiency to other processes in other companies in other cultures.

This is the gap that we see in this purpose of research in the field of cross-cultural management. Furthermore, it is surely useful to know what kind of similarity between processes and structures in companies exist or not in different countries, but we think that there are more utilities to find. As it is at the beginning of this paper shown is the reasoning for the different habits of individuals in different countries and for the different processes inside of companies the different national cultures. This leads to the argumentation that processes in companies of different countries, through the in different national cultures existing norms and values, can differ in their efficiency. In this context, especially the management processes should differ in their efficiency. As it is mentioned before, the organizational and the 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. The appliance of these characteristics, for example on the management process, would mean that some managerial process in companies in different countries would differ in their throughput time and in what way how the results of these decision processes are.

4. Conclusions

Depending on what kind of country a company is acting, it gets in touched with culture with its own values and norms, either as national culture or corporate culture. Based on the work of Hofstede (1994) the article of cross-cultural management research shows that the employees execute their processes like decision making processes, innovation processes, etc., causes by their cognitive filter, which they get through the culture, in a different way. So the main motive of cross-cultural management research lies in the identification of differentiations between patterns, structures and processes in companies of different countries. Precisely because

this simple identification of differentiations among patterns, structures and processes in companies of different countries is not enough for the practice, we see a demand in expanding the research activities to measure the efficiency of these cross-cultural processes.

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

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

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