

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter covers the survey of existing literatures on the organizational cultures of Japanese MNC's in Malaysia and the implications of these cultural dimensions on its business performance. Organizational culture research turned frenzy on Hofstede's findings on cultural dimension (1980) based on a massive study on IBM employees worldwide. Many experts from diverse fields such as occupational psychologists, personality theorists, sociologists, management scientists and organizational behaviorists began to explore, expand and even criticize Hofstede original culture dimensions theory. The review includes some of the relevant studies on organizational culture as core business performance relevant to the context of Japanese MNCs in Malaysia.

2.1 Definition of Organizational Culture

There are various definitions of organizational cultures suggested in the literatures (Hofstede et al., 1980, 1991; Denison, 1990; Schein 1992). One that commands a wide agreement is that "corporate" or "organizational culture" can be defined as a set of process that binds together members of an organization based on the shared pattern of basic values, beliefs, assumptions in an organization (Sethia and Von Glinow, 1985; Ireland & Hitt, 1999). Therefore, simple classify on the main definitions on their core concerns; basic assumptions

(Schein, 1985,1992), shared values (Peters and Waterman, 1982; Roland Calori & Phillippe Sarnin, 1991; Weiner & Vardi, 1990), beliefs (Davis, 1984; Lorsch, 1985) and norms behavior (Lepak, Takeuchi, Erhardt and Colakoglu, 2006). Indeed the understanding of culture is crucial and important since it is the glue that holds an organization together as a source of identity and distinctive competence (Bass, 1998).

One of the most well-accepted and widely referenced approaches for analyzing variations among cultures is Hofstede (1980), a study on the influence of culture on organizational structure based on four work-related dimensions; power distance, uncertainty avoidance, individualism/collectivism and masculinity. Despite many studies on organizational cultures over the years, with lots of modification and extensions from the precedents, yet the bible still owned by Hofstede (1980)

2.2 Background of MNC in Malaysia

Malaysia Department of Statistics indicated that in 2010, Malaysia`s population was at 28 million, with about 60% of the population Malay, 27% Chinese, 7% Indians and 6% others. Malaysian workforce composition dramatically changed way back in the 1950's due to Chinese and Indian migrations and other minorities. The workforce diversity has since brought different cultural values and leadership styles to organizations in Malaysia.

Globalization era saw a significant increase of foreign business and local organization in Malaysia. At the end of 1995, there were more than 3,000 international companies from over fifty countries operating in Malaysia with a total investment of US\$5.2 billion (MITI, 1996:45). Statement released by World Bank (1995) ranked Malaysia among the top ten most developing economies in terms of Foreign Direct Investment (FDI) flows and manage to remain world's top 20 attractive countries for foreign direct investment (FDI), according to the World Investment Prospects Survey 2007-2009 FDI by the United Nations Conference on Trade and Development (UNCTAD. Besides China and India as top in Asia list, within Southeast Asian countries, Malaysia was the third favourite FDI location, after Vietnam and Thailand, which was placed 6th and 12th in the overall ranking. (*Source: www.mida.gov.my 10 October 2007*).

Malaysia`s complex economic, social and political mix compel the various ethnic groups in to competition for a bigger slice of the proverbial cake. The value of a good theory lies in its predictive powers (Yeoh, 1988). It is therefore useful to question to what extent the current cultures of cross-cultural management in Malaysia contributed to various business strategies of the MNC that effect their business performance. Significantly, many of the predictive behaviors that Hofstede (1980) presented can be observed in Malaysian organizations. Most Malaysian scholars argue that Western and Eastern management theories had some ways in explaining the behaviors in the Malaysian workplace, but missed

the richness of the relationships within ethnic groups and between ethnic groups (Asma, 1992; Lim, 1998; Asma,2001).

Japanese MNCs have been heavily invested in Malaysian manufacturing and electronic industries. Malaysia is leading in these manufacturing sectors compared to United States. MNCs are attracted by conducive business environment which has made the country one of the world's top locations for manufacturing and service based operations. Due to the strong infostructure and infrastructure, well-educated and multilingual work force, large foreign companies and many multinational corporations (MNCs) found Malaysia to be an attractive location.

2.3 The MNC Cultures

The MNC culture is a wary interface between host culture and the MNC home country`s culture. Some MNCs were forced to adapt local (host) culture whereas other still follow rigid home countries culture, with little extent of local adaptation. It is important in this context to also refer to the recent debate whether MNCs are losing their national character, that is, the parent company does not belong to a country. It is argued that the parent company tend to gradually shed its national character and becomes a global one because the ownership of the company is diverse since a large number of shareholders come from various countries, own the equity shares and multinational banks of various countries to finance their

operations. However, the evidence goes against this perception. It has been found that MNCs retain their national character because of the critical level of ownership of equity shares is still with the original parent. It is therefore vital to recognize that these companies still retain their national character. It is important to clarify in this context, of what one means when one talks of MNC's culture and the host country.

Understanding host and home culture elements in this paper undeniably significant simply by referring to the table below; top ten countries contributing more than 85 percent of the total FDI in Malaysia for the period of 2003-2007. Being in the top three as a leading direct investors from starts, the study of this incredible domination in terms of organization culture and how it effect company performance in Malaysia is certainly crucial.

Table 2.3.1

FDI Position by Top 10 Countries, Malaysia, 2003-2007 (in RM Billion)

COUNTRY	2003	2004	2005	2006	2007
SINGAPORE	25.6	30.1	25.8	30	55.7
USA	27.9	29.3	41.1	43.2	49.2
JAPAN	32.1	33.7	31.7	29.2	33.7
NERHERLANDS	24.9	18.2	21.4	19.4	20.3
UNITED KINGDOM	13.9	16.6	12.4	17.2	19.4
NORWAY	0.4	0.4	0.6	8.7	10.9
BRITISH VIRGIN ISLAND	0.6	1	1.2	0.8	10.7
GERMANY	6.4	7.4	5.3	9.8	9.4
SWITZERLAND	9.8	11.5	10.6	14.5	9.2
BERMUDA	-1.1	-1.1	0	1.2	3.1
OTHERS	16	16.5	18	16.1	32.2
TOTAL	156.5	163.6	168.1	190.1	253.8

NOTE: Negative sign indicates accumulated losses of FDI companies operating in Malaysia.

A host country is an independent nation state where an MNC has established its business operations through either subsidiaries or branches and affiliates. It is also important here to make a distinction between a developed host country and a developing host country. All the countries of the organization for Economic Cooperation and Development (OECD) are regarded as developed host countries; and countries treated by the UN as developing countries are regarded as developing host countries. The latter include countries in Asia, Africa and Latin America, excluding of course members of the OECD such as Japan (Raymond, 1977)

2.4 Management Practices of MNC in Malaysia

Malaysia is not a homogeneous country (Lim, 2001: Westwood & Everett, 1995) and Japan is well-known as the most homogeneous country, though debatable, in the world. According to Nor Siah Jaharuddin (1996) majority of Malaysian companies tend to adopt hierarchical culture but foreign companies mostly favor result-oriented culture. The study also showed that there is a significant dependence between corporate culture and leadership among foreign companies compared to local companies with no association. Md Zabid, Anantharaman and Raveendran (1997) studied the relationship between the corporate culture and work values in Malaysian organizations; showing evidence of cultural values in the characteristics of corporate culture among the dominant ethnic groups, Malays, Chinese and Indians.

According to Raduan Che Rose (1998), literatures on organizational culture and performance revealed that companies which know how to develop their cultures in an effective way most probably have the benefit of advancement in productivity and the quality of work life among the employees. Indeed, employees must absorb the organizational culture at the maximum strength and the top management should provide a precise guideline and direction to motivate the employees in achieving the company's objectives. The expatriate managers in the MNCs are anticipated to learn and identify the work values and cultural behaviors of the employees within the organization and try to adapt into that culture across the countries. This seems to be possible even though the expatriate managers maybe constrained by the barrier for foreign subsidiaries to operate abroad. In business performance management, the vital part is the management of the system and the people in it, not solely on pure adoption of culture whether host or home country's cultures.

2.5 Antecedents – Organizational Culture Based on Hofstede's Theory

Asma (1996) reported that a team of researchers examined the Malaysian corporate culture and work value by using Hofstede's four dimensions and work values. The findings indicated that the Malays, Chinese and Indians cultural dimensions are more of masculinity, collectivism, high uncertainty avoidance and low power distance. Besides that, the findings showed the significant differences in their work values in terms of work commitment, loyalty, respect for hierarchy, harmony, preserving face and spirituality. It can be concluded at this point that

organizational culture comprises of unique quality or character of a company meanwhile the managers are challenged to search for a 'strong' culture that probably could improve the organizational effectiveness due to the cause and effect associated with each cultural dimensions.

Gordon & Christensen (1993) reported that there was a moderate link between corporate culture and performance. Gordon and Christensen findings provided an understanding of the determinants and performance results of corporate culture. Nevertheless the study was criticised because it went away unreciprocated the applicability of existing results across national boundaries. There are some aspects of corporate culture which enhance performance in one national setting, but they may not be effective, and may even be dysfunctional, in another (Chow, Kato & Merchant, 1996; Lincoln & Kelleberg, 1990; Steers, 1989). Thus, one of the main reasons for the common popularity and interest in the study of organizational culture is due to the argument or assumption that certain organizational cultures lead to superior organizational performance.

Hofstede (1980, 1983, 1991) argued that there were four major dimensions that could be used to classify societies according to their cultural attributes: collectivism-individualism, power-distance, masculinity-femininity, and uncertainty-avoidance. These major findings have been generating a plethora of studies. Hofstede (1980) claimed that collectivism and individualism were two poles of the one dimension, and Western countries such as those in Western

Europe, North America, Australia and New Zealand can be categorised as individualistic societies whereas societies from Africa, Middle East (excluding Israel), East Asia and South America can be categorized as collectivist societies (Hofstede 1980, 1991) Hofstedes (1980) proves that there is positive relationship between the level of Individualism at country level and the gross national product (GNP), population size, and population density.

Many comparative studies have been conducted at country, and national levels, but not many on cultures at organizational level. Schein (1996) argues that each organization has three basic subcultures, “operator culture”, “engineering culture” and “executive culture”. In most organizations these different groups do not really understand one another and often work at cross-purposes because they do not share common values. Different terminology was used by Hofstede when he ran a research on a Danish insurance company though he derived the same conclusion. Locally, in 1995, Zabid noted that, there have been several limited micro-studies of Malaysian organizations (Zabid et al, 1995). Rashid (1998) studied the behavior of Malay managers and found that their values were at odds with the ‘normal’ values of Malay culture, suggesting that a need to adapt to Malaysian organizational culture. There is a dearth of literatures explicating how the values of an individual are influenced by one’s culture and position in the organization.

Although there have been a number of Malaysian studies on the culture-organization phenomena at country level and organizational level, more studies need to be conducted. The existing studies are rather limited but useful basis for future studies. A study at the macro-level (Kennedy & Norma Mansor, 2000; Asma & Lim, 2001), indicated limited differences among various ethnic in Malaysia. Asma and Lim () used eight constructs to compare Malay, Chinese and Indian managers but only found significant differences on one construct (religiosity). At the organizational level, more differences appear (Zohdi, 1999; Zabid et al, 1997) and at individual level, these differences become quite significant (for example, Mahmood Nazar, 1990; Mohamad Sulaiman, et al, 1999; Khaliq, 2001). Unfortunately follow up studies have been rather limited. Mohamed S., Shanmugam A., and Sayed A.W, (1999) hypothesized that Malaysian bosses would be preferred by subordinates because they would be more in tune with local culture. They surveyed 230 managers (Malay=35, Chinese=135, Indians=65). Surprisingly, the ideal boss turned out to be Japanese, followed by American, Taiwanese, Malaysian, British and then German. Malays and Chinese preferred Japanese the most, while Indian preferred Americans. The Malay disliked the Germans the most, but the Chinese and Indians disliked the British the most.

2.6 Hofstede's Theories and Controversies

Oyserman et al., (2002) convincingly challenged Hofstede's construct of individualism/collectivism. Essentially Hofstede conceptualized this construct as

a bipolar continuum, whereas Oyserman meta-analysis suggests that it is an orthogonal construct. For example, Oyseman found that when 'Individualism assessment did not include "personal uniqueness," Americans were lower (in individualism) than Japanese." Bond (2002), commenting on Oyserman, et al (2002) spoke about "the freeing of our discipline from the intellectual shackles of Hofstede's (1980) intellectual achievement." Bond (2002:74) writes that, "Hofstede's construct of individualism-collectivism is based on six work goals. Personal time, freedom and challenge added together to define and constitute the individualism end of the dimension; use of skills, physical conditions and training were added together to define the opposite end. How the last three work goals describe anything resembling collectivism was, however, a mystery to many. Japan is perhaps the most studied exemplar of a collectivist cultural extreme (but had Hofstede left his original factor analysis intact, Japan and the USA would have been cultural neighbours. Indeed (meta-analyses show) that Japanese are more often individualistic, not less than Americans."

2.7 Individualism

Triandis (1996) noted that individualists are more likely to prioritise the self and be explicit in enhancing their self-esteem. They also desire to enhance or emphasise their personal goals, interests and values over the society they relate or belong to (Bellah, Madsen, Sullivan, Swidler, & Tipton, 1985; Hsu, 1983; Kagitcibasi, 1994; Kim, 1994; Markus & Kitayama, 1991; Sampson, 1977; Triandis, 1995 Oyserman et al 2002, Triandis 1996). Individualists are likely to

belong to more in-groups in comparison to collectivists (Triandis 1989). Attributes of individualists include an emphasis on personal responsibility and freedom of choice (Waterman (1984), personal autonomy and self-fulfillment (Hofstede 1980); distinctive personal attitudes and opinions (Oyserman & Markus, 1993;Triandis, 1995), autonomous behaviour independence of groups (Reykowski, 1994); need for detachment from others and individual autonomy (Andersen, Reznik, and Chen 1997) and functioning according to personal choices (Walsh & Banaji 1997).

Individualism also relates to attributes of personal success, status and competitive characteristics (Bellah et al., 1988, Chiou, Jyhshen, 2001, Oyserman & Markus, 1993, Gudykunst, Matsumoto, Ting-Toomey, Nishida, Kim, & Heyman, 1996, Triandis, 1995, Triandis, Bontempo, Villareal, Asai, & Lucca, 1988, Schwartz, 1990). However, competition was only related to the vertical aspects of individualism, which means relative to the rank of the person within his or her social group (Triandis 1996, Singelis, Triandis, Bhawuk, & Gelfand (1995).

The distinction of the individual from others is defined in terms of the uniqueness of the self in comparison to the other (Bellah, Madsen, Sullivan, Swidler, & Tipton, 1985; Hsu, 1983; Kagitcibasi, 1994; Kim, 1994; Markus & Kitayama, 1991; Sampson, 1977; Triandis, 1995; Triandis & Gelfand 1998; Oyserman & Markus, 1993; Walsh and Banaji 1997). These individualistic attributes can be expressed in a personal communication style (Gudykunst, Matsumoto, Ting-

Toomey, Nishida, Kim, & Heyman, 1996; Holtgraves, 1997, Triandis, 1995). Triandis & Suh (2002) showed that direct communication was a typical behaviour of individualists, and there is a higher likelihood of using 'I' more than 'we' and of being more assertive (Wu & Rubin 2000).

2.8 Collectivism

Collectivists are likely to value belonging to their in-group or culture and relating one's self to the group (e.g., family, tribe, nation etc., Fiske 1992; Hofstede 1980; Hsu 1983; Kim 1994; Markus & Kitayama 1991). The influence of the in-group is much stronger on collectivists (Triandis 1989). Belonging to the group is not just a matter of identification; it is subordination of personal goals to the collective's goals and taking into account the needs of others. This is because collectivists give more weight to norms as determinants of their social behaviour (Triandis 1996). They identify themselves as members of a group to which they belong, and thus they internalise the group's goals and values and give these higher priority (Hofstede, 1980; Hsu, 1983; Kim, 1994; Markus & Kitayama, 1991; Triandis, Bontempo, Vilareal, Asai & Lucca 1988). In a more distinct way, Triandis (2000b), suggested that collectivists tend to be very sensitive to other in-group members, and can be quite distant from out-group people (Oyserman 1993, Schwartz 1990), and even hostile when conflict arises from out groups. There are a number of dimensions, which can distinguish individualists from collectivists, such as the relation to the group, the role of hierarchy, the need to belong to a group, the use of language, and the role of family.

An important component of belonging to a group is focusing on in-group relationships and seeking for harmony among the in-group (Oyserman et. al. 2002; Markus & Kitayama, 1991; Oyserman, 1993; Triandis, 1995). Morling and Fiske (1999) found that harmony correlated with interdependence and collectivism. The value of keeping harmony and 'saving face' is most present in conflict situations. Ohbuchi, Fukushima and Tedeschi (1999) showed that collectivists prefer to deal with conflicts by methods that maintain relationships with others (e.g. mediation) while individualists seek justice. One of the symptoms of group binding is a sense of hierarchy. Hierarchy can be a collectivist as well as an individualist attribute (Triandis, 1995; Singelis, Triandis, Bhawuk, & Gelfand 1995). For collectivists hierarchy acts as a reference that shows them their position or rank within their in-group, whereas for individualists' hierarchy relates more to competition as, Individualists are seeking to move higher than others on the social scale/level (Triandis 1995, Singelis, Triandis, Bhawuk, & Gelfand 1995).

The sense of belonging to the group among collectivists affects their well being as their life satisfaction depends more on their ability to fulfill social obligations, roles and expectations (Kim, 1994; Kwan, Bond & Singelis, 1997; Markus & Kitayama, 1991). Singelis (1994) suggested that the collectivists are obligated to their in-group, sacrificing the self-good or self-interest for the good of the collective. The communication style of the collectivists is characterised by a tendency to use indirect language (Gudykunst 1997; Gudykunst & Matsumoto

1996, Holtgraves 1997; Triandis 1995; Triandis & Suh 2002). Such indirect communication is associated with emotional restraint and the desire to keep harmony and save face within the group (Kim, 1994; Gudykunst, Matsumoto, Ting-Toomey, Nishida, Kim, & Heyman 1996. Markus & Kitayama, 1991; Gudykunst, Ting-Toomey, Chua 1998; Kwan & Singelis, 1998, Holtgraves 1997). Collectivists are likely to present themselves in relation to the relevant in-group by using expressions such as “my family thinks I am too busy” or “my co-workers think I am kind” (Triandis, McCusker, & Hui 1990). The familialism domain appears in the literature as associating with collectivism although the pattern is less convincing (Hofstede 1980, Fiske 1992, Markus & Kitayama, 1991, Li 2002).

Some authors have argued that collectivists place high value on belonging to their in-group and particularly their family (Hofstede, 1980; Hsu, 1983; Kim, 1994; Markus & Kitayama, 1991, Watkins Akande, Fleming et al. 1998). In contrast, Fischer (2000) found that North Americans, who are often considered the model of individualism, favoured immediate family interests over their own interest. Such findings have led researchers, such as Gaines, Marelich, Bledsoe, et al. (1997), to claim that familialism may be a separate domain from collectivism. This disagreement in the literature lead Oyserman et al. (2002) argue that familialism is a distinct domain, which does not relate to the Col-Ind polarity.

In sum, collectivism includes a sense of belonging and duty to in-groups, interdependence with group members, maintenance of one’s social status,

seeking harmony and avoiding conflicts, and a preference for an indirect communication style. Individualism includes distinction of the self from others, a dominance of self-reliance, values self interest and personal goals over those of society striving for personal goals, and a preference for a direct communication style. It is unclear whether familialism relates to collectivism and individualism. It may be that relationships with wider family members may be associated to collectivism; however relationships with the immediate family members are probably similar in both types of cultural constructs.

2.9 Uncertainty Avoidance

According to Linstone and Mitroff (1994), there were three factors to be considered in implementing change processes, that is the technological, organizational and personal perspectives. Although people are the most important factor in making change, however, they are also the most difficult element to deal with to Linstone and Mitroff (1994). Therefore, managing the human part of the organization becomes a major challenge in handling change processes in the organization as it involves values, preferences, and attitudes toward a particular activity. Attitudes, for instance, are difficult to change as people generally more comfortable with what they have learned or knew due to stereotyping, fear of taking risks, intolerance to ambiguity, and possible the need to maintain tradition (Dunham, 1984; carnall, 1990).

Findings show that uncertainty avoidance in an organizational culture on variables such as policy changes, management reshuffle, innovation and technology can affect business performance. But the relationship is uncertain and heavily depending on the variables chosen (Bowen et al, 2009). Wolff (2007) quoted innovation as the contribution might be vary from one firm to another as it all depending on the innovation process because it is complex and characterized by high risks. Japanese company is famous for highly innovated and heavily invest in R&D. The level of uncertainty is high when dealing with innovation, therefore direct effect towards performance may not be seen in the short term, more towards the long term. Careful decision to be made investing in innovation or any uncertainty avoidance traits, if company devotes huge amount of resources to the process, but towards the end unable to turn them into innovative offering, firm performance will suffer (Rosenbusch et. al., (2010)

Dunham (1984) stated that complex attitudes could be understood better by recognizing that every attitude has three distinct components, which are cognitive, affective, affective and behavioral tendencies. Each of this type of attitude toward change may induce a person to support or not to changes occurring in an organizational setting. Nonetheless, or any change to be affective, it is crucial to challenge and clarify people's beliefs , assumptions, and attitudes because the most potent leverage for significant and sustainable change resides within the human system at the core of every business system (Juechter et al., 1998)

2.10 Masculinity Vs Femininity

The essential feature of masculinity and femininity of a societies at large according to Hofstede is that significant differ in the social role between the two sexes (W.A. Arrindell at al., 2003). Main three inferences derive between masculine and feminine societies; first, based on Arrindell (1998), more feminine countries would have women to have greater opportunities for the social roles such as employment and marriage. These social roles constantly associated with good self-rated health and positive health effect that eventually affecting both sexes (Barnett & Baruch, 1987).

Second, by referring to Hofstede (1980, 1991, 1998) findings, it is arguable the that sex role complementarities are frequently to be found in masculine societies and by contrast, sex role similarities are easily found in feminine countries, specifically in terms of feminine traits. Among interesting findings discovered by Altill (1983) was when couples were high on feminine traits (androgynous and feminine) were far happier compared to couples with undifferentiated and masculine. Simply means a couple that are freely to express non-traditional values of gender, where it is acceptable when for a man to show sensitivity and assertive at the same time. Made up of two Greek roots, "Andro" means male; whereas, "gyn" means female. Androgyny is the state or condition of having a high degree of both feminine and masculine traits. The relevant of these findings to this research is to discover certain degree of masculinity and femininity behavior that practiced among Japanese MNC in Malaysia, especially when the

host country, Japan, being the most masculine country per Hofstede (1991) findings, operating in less masculine country, Malaysia.

Third, if Fodor's hypothesis remain unchallenged, anxiety about being in places or situations which escape is difficult (Agoraphobic) more likely in masculine societies compared to feminine societies. The fact of this finding will explain on the relationship between masculinity vs femininity and uncertainty avoidance, when fast conclusion to be made that masculinity societies will scores high uncertainty avoidance and relatively lower in femininity societies, if only Fodor's findings being sole reference.

2.11 Power Distance

Power distance index (PDI) focuses on the degree of equality, or inequality, the theory on how society deals the acceptable level of unequal power in the country's society. The rank of high power distance of countries indicates that inequalities of power and wealth that consider acceptable to grow within the society. For Japanese MNCs that currently operated in Malaysia, the main challenges would be to juggle the differences on business practices and perception from the host country and home country. Japan, which is considered 'high' by Geert Hofstede graph scores 54, and super high Malaysia's scores 104 for power distance compared to average of 60 to most of the other Far East Asian his is indicative of inequality of power and wealth within the society

(Hofstede, 2003). Main differences of small and large power distance societies can best describe on the table below by Geert Hofstede (2011);

Table 2.11.1

Small Power Distance	Large Power Distance
Use of power should be legitimate and is subject to criteria of good and evil	Power is a basic fact of society antedating good or evil its legitimacy is irrelevant
Parents treat children as equals	Parents teach children obedience
Older people are neither respected nor feared	Older people are both respected and feared
Student-centered education	Teacher-centered education
Hierarchy means inequality of roles, established for convenience	Hierarchy means existential inequality
Subordinates expect to be consulted	Subordinates expect to be told what to do
Corruption rare; scandals end political careers	Corruption frequent; scandals are covered up
Income distribution in society rather even	Income distribution in society very uneven
Religions stressing equality of believers	Religions with a hierarchy of priests

2.12 Organizational Performance

The study on relationship between the organizational culture and business performance has been coming to the field of research and practice after much studies have inspected and verified the positive relationship between the organizational culture and corporate/business performance (Gordon, 1985; Gordon & Tomaso, 1992; Kotter John P. & Hesskett, 1992; Torvald, Svein and Einar, 2005; Ken W. parry & Sarah B. Proctor- Thomson, 2003). Variable selection to measure organization or corporate performance still remains ambiguous among researchers. The question of what and which variable could measure the true organization performance was presented by Benjamin E. Hermalin and Micheal S. Weisbach (2003), where the paper classified all the variables into four categories; accounting performance, non-financial indexes (employee satisfaction, turnover rate and quality of products and services), value

added (management and governance) and long-run development (competitive strength, long-run stock market).

2.13 Measuring Business Performance

2.13.1 Financial

Denison (1984) reported that organizational culture correlated with financial performance but some of his measurement indicator having different level of strength of the relationship between culture and performance. His report is one of the earliest quantitative studies run on this topic which the data was derived from 34 American firms over a five years period. The characteristics of the culture in these firms are carefully monitored together with their performance over time.

There are similarity between western companies and Malaysian companies where according Doyle (1994), profitability is the most common measure of performance in Western where the profit margin, ROA and ROE is the indicators (Robinson, 1982; Galbraith & Schandel, 1983). Profitability is the ultimate goal for any organization. In Malaysia, sales, sales growth, net profit and gross profit among the financial measures preferred to determine business performance (Abu Kassim et. Al.,1989). Financial measures enable researchers to construct trend analyses and benchmarking analyses (Drew, 1997).

2.13.2 Non-Financial

According to Shulz (2001), a high performance firm is one in which the culture provides employees with the accountability and responsibility necessary to meet

customer needs in a timely manner to ensure business success. A high performance company is characterized largely by the following; high outputs or productivity, sustained and increasing market share, greater profitability or shareholder value, innovation and differentiation of service from that of its competitors in its sector in one way or another (Stevens, 2000).

Different mixes of specific measures was proven by Chee, W.C et al. (2006) the most famous way to evaluate and measures company strategy, with most measures using non-financial indicators. Customer perception is an important signal for companies; it simply shows the success level of the company in planting the good seeds of their product or services in customer eyes and minds. Gaedeke (1973) discover that products from industrialized countries like Germany, United Kingdom and Japan is more favorable than those developing countries. The findings was supported by Schooler (1971) that country's level of development and the evaluation of its products having a positive relationship.

2.14 Prior Studies - Conflicting Evidence

Nor Siah Jaharuddin (1996) stated that there is no association between corporate cultures and company's performance and no association between leadership styles and company's performance on both types of organization. A high degree of organization performance is related to an organization with a strong culture, and well integrated and effective set of values, beliefs and behaviours (Cameron & Quinn, 1999; Deal & Kennedy 1982; Denison, 1990;

Jeuchter & Fisher, 1998; Kotter & Heskett, 1992). However, many researchers noted that culture would remain linked with superior performance only if the culture is able to adapt to changes in environmental conditions. Furthermore, the culture must not only be existensively shared, but it must also have unique qualities, which cannot be imitated (Lewia, 1998; Lim, 1995; Ouchi, 1981; Pascale & Athos, 1981).

Several empirical studies have supported the positive link between culture and performance (Calori & Sarnin, 1991; Gordon & DiTomaso, 1992; Kotter & Heskett, 1992). Moreover, there have been recent studies by Chatman and Jehn (1994), Denison and Mishra (1995) and Kotter and Heskett (1992), which have contributed significantly to the field of culture and performance studies whereby culture is being treated as variable for a specific research purpose. For example, Denison and Mishra (1995), utilizing a more rigorous methodology, discovered that cultural strength was significantly correlated with short-term financial performance. Schneider (1990) also found that the organizations which focus clearly on the cultures are more successful. This is because focus on cultures provide better financial returns, which include higher return on investment (ROI), higher return on assets (ROA) and higher return on equity (ROE). Organizational culture is a commonly held-in-the-mind framework of organizational members. This framework contains basic assumptions and values. These basic assumptions and values are taught to new members as the way to perceive,

think, feel, behave, and expect others to behave in the organization. Edgar Schein (1999).

Several interconnected lines of recent conceptual thinking and empirical analysis relate marketing management to overall business strategy. The related developments indicate a need to integrate these lines of research. Managers are returning to the diction of the so-called 'marketing concept' with its call for customer orientation and innovation as the focus for all business planning and strategy. Several recent studies articles document renewed management concern for creating customer-focused, market driven enterprise (Houston 1986; Webster 1988).

Management literature is peppered up with studies of organizational culture, often involving cross-national comparisons of American, European and Japanese firms (Daris 1984; Deal and Kennedy 1982; Hofstede 1980). In the field of organizational behaviour, rigorous theoretical analysis has been developed and applied to understanding organizational cultures (Ouchi 1981; Smircich 1983). Toward the end of the 1980's, the marketing discipline not only became aware of organizational culture as a field of study, but also began to develop a related research agenda (Deshpande & Webster 1989). There has been heightened effort in measuring and understanding business performance, especially as it relates to market share, product quality, sources of competitive advantage and industry structure (Buzzell & Gale 1987, Porter 1985). Even more

recently, marketing scholars have begun to explore the intersection of the marketing concept the business performance (Jaworski & Kohli 1992, Kohli & Jaworski 1990; Nawaer & Slater, 1990)

2.15 Conclusion

With the literatures informing the conceptual framework of this study reviewed, an elaboration on its application as methodological framework of the study shall follow in next chapter 2.