

Organizational Culture, Industry Volatility, and Financial Performance

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Today's Presentation

- Literature Discussion
- Methods
- Results
- Discussion

Selected Literature

Literature	Examine Contingent Relationship (in bold*).
Organizational Culture	Calori & Sarnin, 1991 Denison & Mishra, 1995 Gordon & DiTomaso, 1992 Marcoulides & Heck, 1993 Kotter & Heskett (1992) Sorenson (2002)*
Resource-Based View	Miller & Shamsie (1996)* Zott and Amit (2007)* Guthrie and Datta (2008)*
Human Resource Management	Youndt et al. (1996) Pfeffer (1996) Huselid (1995) Becker & Gerhart (1996)*
Social Capital	Nahapiet & Ghoshal (1998) Leana & Pil, 2006

Economic Value of Social Characteristics of the Firm

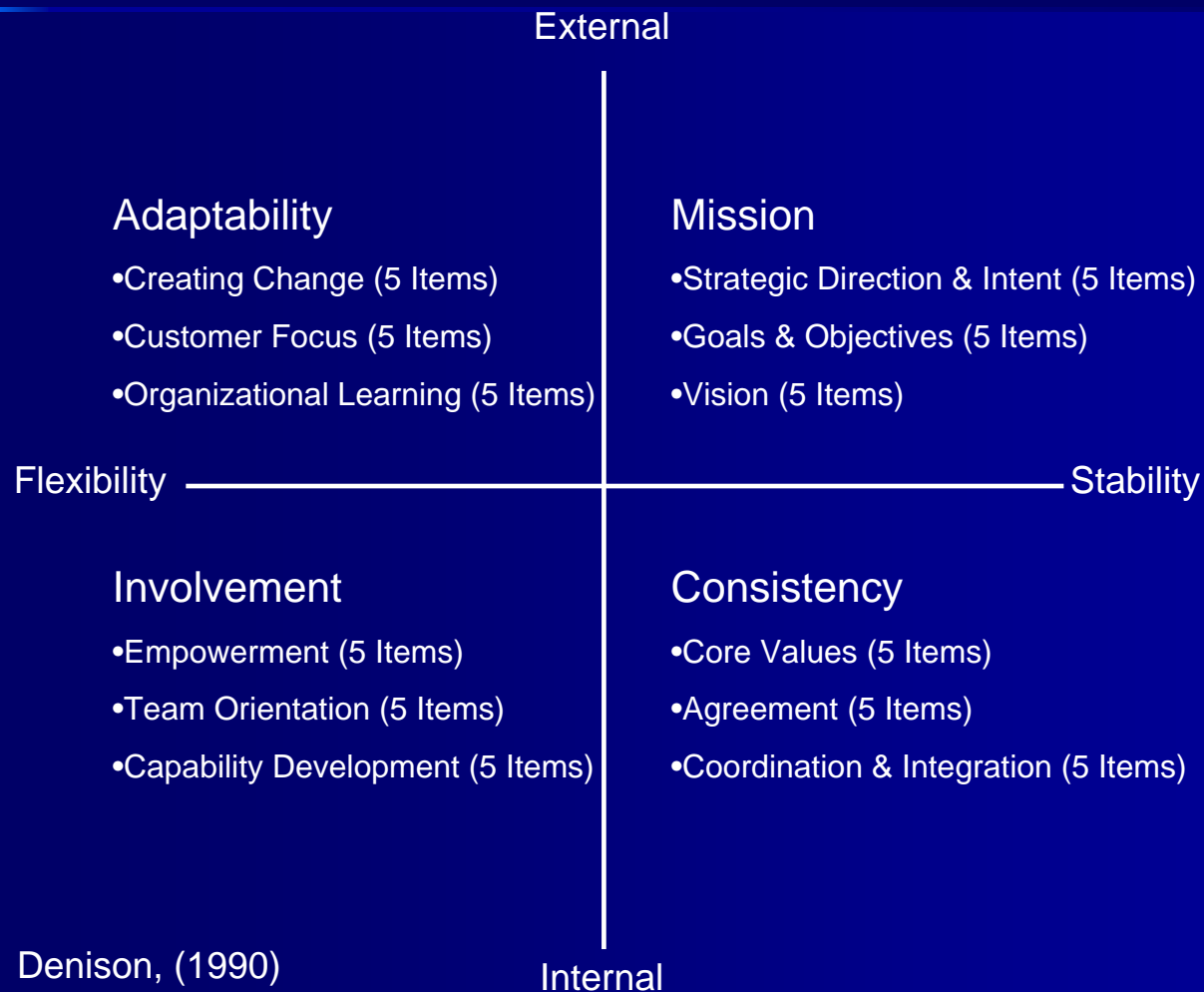
“Describes the kind of personal relationships people have developed with each other through a history of interactions.”

The relational dimension of social capital (Nahapiet & Ghoshal, 1998, 244).

“The shared vision and goals, and the collectively held values that underlie them, help promote integration and create a sense of shared responsibility and collective action.”

Describing the cognitive dimension of social capital (Leana & Pil, 2006, 354).

Measuring Culture



Hypotheses

- 1. In environments characterized by high volatility, the positive association between performance and cultures of involvement and adaptability will be stronger than in environments with low volatility.**
- 2. In environments characterized by low volatility, the positive association between performance and cultures of consistency and mission will be stronger than in environments with high volatility.**

Sample

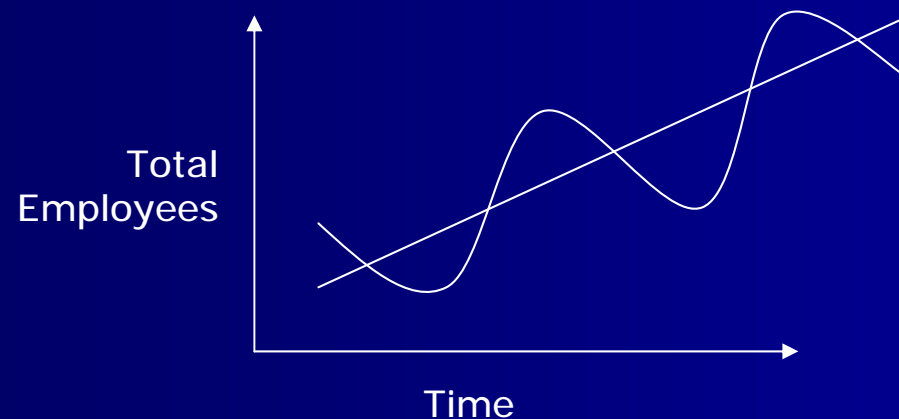
- **137 firm-level data points of public companies that were surveyed from 1995-2005**
 - Average number of respondents per company is 660
 - min= 25; max= 12,018
 - Total= 88,879
 - The sample represents 30 industries (two-digit SIC code)

Sample by Year

Year	Frequency	Percent
1995	1	0.7%
1996	6	4.4%
1997	7	5.1%
1998	5	3.6%
1999	19	13.9%
2000	16	11.7%
2001	16	11.7%
2002	14	10.2%
2003	29	21.2%
2004	11	8.0%
2005	13	9.5%
Total		

Industry Volatility

- Computed separately in 30 industry databases
 - All companies with same two-digit SIC.
- Dispersion about the regression line when an industry's total employees were regressed from 1995-2005 (Dess & Beard, 1984).
- Volatility = $z(\text{ind. employment vol.}) + z(\text{ind. revenue vol.}) + z(\beta)$



Tobin's q

$$\text{Tobin's } q = (\text{MVE} + \text{PS} + \text{DEBT}) / \text{TA}$$

COMPUSTAT

MVE = DATA 199 x DATA 25 Firm's share price x the number of common shares outstanding

PS = DATA 10 liquidating value of preferred stock

DEBT = DATA 34 + DATA 9 Current liabilities + long-term debt

TA = DATA 6 Book value of total assets

Results

Variable	Involvement		Adaptability	
	Tobin's q	ROA	Tobin's q	ROA
Trait	.18*	.16*	.14*	.20*
Industry median (q or ROA)	.39***	.10	.43***	.08
Size (Log of Total emp.)	-.24**	.15 [†]	-.21**	.18*
Industry Volatility	-.04	-.24**	-.04	-.24**
Interaction	.03	-.07	.03	-.04
Overall Model				
F statistic	10.50***	2.87*	9.99***	3.19**
Model R ²	.32	.12	.31	.13
Adjusted R ²	.29	.08	.28	.09

N=137. Standardized coefficients and one-tailed tests of significance for hypotheses since they connote direction.

[†] p < .10

* p < .05

**p < .01

***p < .001

Results

Variable	Consistency		Mission	
	Tobin's q	ROA	Tobin's q	ROA
Trait	.13 [†]	.18*	.21**	.19*
Industry median (q or ROA)	.43***	.08	.42***	.09
Size (Log of Total emp.)	-.23**	.14 [†]	-.21**	.16*
Industry Volatility	-.03	-.23**	-.02	-.23**
Interaction	.02	-.05	-.04	-.07
Overall Model				
F statistic	9.85***	2.97*	11.04***	3.12**
Model R ²	.31	.12	.33	.13
Adjusted R ²	.28	.08	.30	.09

N=137. Standardized coefficients and one-tailed tests of significance for hypotheses since they connote direction.

[†] p < .10

* p < .05

**p < .01

***p < .001

Discussion

- Main effects are nearly all significant
- Contingent effects are all insignificant

Q & A