

## EXAMINING THE EVIDENCE

### Organizational Culture and Firm Performance

Organizational culture emerged in the 1970s and 1980s as a concept popularized by practitioner-focused books such as Tom Peters's and Robert Waterman's *In Search of Excellence* and Edgar Schein's *Organizational Culture and Leadership*. Two basic premises developed from these and other similar writings. The first is that organizational culture is derived primarily from the personalities, values, and behaviors of the founders and top executives of organizations. The second premise is that organizational culture is a key determinant of an organization's performance.

More than forty years later, these fundamental assumptions about organizational culture remain largely in place, yet as researchers Charles A. O'Reilly III of Stanford University, David F. Caldwell of Santa Clara University, and Jennifer A. Chatman and Bernadette Doerr of University of California, Berkeley, point out, empirical evidence supporting them is fragmented and inconclusive. These researchers conducted a comprehensive study of sixty firms in the United States and forty-four firms in Ireland to examine these basic assumptions of organizational culture. Their findings provide support for the hypotheses that CEO personality is related to certain types of organizational

cultures and that culture is related to firm performance. More specifically, CEOs who are high in openness to experience are more likely to be associated with cultures that emphasize adaptability, CEOs who are high in conscientiousness tend to have more detail-oriented cultures, and CEOs who are low in agreeableness are more likely to have cultures that are results oriented. Their results further show that more adaptable and detail-oriented cultures tend to have higher financial performance outcomes.

#### Critical-Thinking Questions

1. Why do you think CEO personality and organizational culture affect firm performance? What are the implications for organizations?
2. Based on this evidence, what specific actions can organizational decision makers take to enhance firm performance? ●

**Source:** O'Reilly, Charles A., David F. Caldwell, Jennifer A. Chatman, and Bernadette Doerr. "The Promise and Problems of Organizational Culture: CEO Personality, Culture, and Firm Performance." *Group and Organization Management* 39, no. 6 (December 2014): 595-625.

Many organizations strive to build an organizational culture that promotes respect and trust for others, loyalty and commitment to the company, and positivity and creativity. Yet achieving a desired organizational culture does not happen overnight. It is a long, slow, and often painful process shaped over time.