THE RELATIONSHIP BETWEEN NATIONAL CULTURE, ORGANIZATIONAL CULTURE, CAUSAL AMBIGUITY AND COMPETITIVE ADVANTAGE IN AN INTERNATIONAL SETTING: AN EXPLORATORY ANALYSIS

Florencia Moran, Jacksonville State University
florenciamoran@gmail.com
David W. Palmer, Jacksonville State University
dpalmer@jsu.edu
Patricia C. Borstorff, Jacksonville State University
pborstor@jsu.edu

ABSTRACT

It is important for managers to understand the dynamics of competitive advantage in the global environment. Today, companies find more difficulties in distinguishing their core competencies and achieving a competitive advantage. The current global environment is changing and some competitive advantages may be losing their sustainability as new firms entering an industry imitate distinctive competencies of incumbent firms. This research is a preliminary exploratory analysis of the relationship between the social complexity of the firm, causal ambiguity and susceptibility to imitation as affected by regional/national and organizational culture. The research is important since it has been shown that causal ambiguity limits imitation and increases the sustainability of competitive advantage. Our results confirm the relationship between organizational culture, national/regional culture, imitation and causal ambiguity through a survey and factor analysis. Thus, firms should take advantage of the unique complexity of their corporate culture to limit imitation and increase competitive advantage.

INTRODUCTION

The number of players in the world economy is increasing significantly and competition beyond national borders is creating a complicated business environment (Threlkel, 1999). For example, automobile manufacturers in the United States are finding difficulties in differentiating their products from their competitors. They have also had problems with improving quality, reducing inventory costs and improving efficiency. One of the main international competitors, Toyota, has become the largest car manufacturer in the world in recent years. Toyota has been able to accomplish this by being the low-cost leader in product and the differentiator in quality, styling and customer service.

It is probable that firms, such as GM (General Motors), Ford and Chrysler are continuously attempting to duplicate/copy the capabilities and resources of the new industry leader, Toyota. Particular resources and capabilities of Toyota such as the *kanban* inventory system, quality teams and supplier management systems should be relatively easy for these companies to imitate. The objective of this research is a preliminary exploratory analysis of the relationship between the social complexity of the firm, causal ambiguity and susceptibility to imitation as affected by national, regional and organizational culture.

CONCEPTUAL DEVELOPMENT AND DEFINITIONS

There are three basic types of resources that may provide a firm with competitive advantage: physical capital resources, such as the firm's plant, equipment and finances; organizational capital resources, such as the firm's structure, planning, controlling and coordination; and, human capital resources, such as the skills, judgement and intelligence of the firm's employees (Barney & Wright, 1998). The human and organizational resources are both contributors to the organizational culture of the firm.

Porter (1996) stated that companies must be flexible in order to respond rapidly to competitive and market changes because rivals can quickly copy any changes in market position and/or strategies. But, the purpose of a competitive strategy is to achieve a sustainable competitive advantage (SCA) and long-term, enhanced a firm performance. As stated earlier, Competitive Advantage can come from valuable and rare organizational resources. However, these resources only become a source of SCA when they cannot be obtained and/or imitated by the firm's competitors (Barney, 1991; King and Zeithaml, 2001.) Research has shown that there is a positive relationship between causal ambiguity and inimitability (King and Zeithaml, 2001); and, social complexity and inimitability (Porter, 1980; Barney, 1986). Therefore, regarding competencies, firms need to understand how social complexity, causal ambiguity and imitation are related in order to build stronger constraints against imitation.

Casusal ambiguity is present in every process of the competition between firms (Gonzalez-Alvarez and Nieto-Antolin, 2005). Causal ambiguity is defined in the literature as a lack of clarity regarding the link between firm resources and sustained competitive advantage (King and Zeithaml, 2001) and occurs when competitors are unable to detect how a firm uses its competencies as a foundation for its competitive advantage. The less observable the resource and the more difficult it is to understand, the greater the likelihood to be a source of SCA (Fahy, 2000).

Building competencies that reside in the culture of the firm helps build and sustain competitive advantage (King and Zeithaml, 2001). The phenomena of social complexity and culture play an important role in competitive advantage. Because organizations are, in many ways, embedded in the larger society in which they exist, research on cultural differences of cross-national businesses lead to an examination of both national and organizational cultures. Though there has been much research on organizational culture, none has yet been able to definitively link organizational performance to national/regional culture performance.

METHODOLOGY

The data collected to test the propositions was collected by means of a self-administered questionnaire. For the purposes of a better respondent understanding and error deduction, the survey instrument began with the description of a current situation with two of the world's largest automotive companies: Toyota and General Motors (GM, representing all US auto manufacturers). The instrument included two parts, looking from the perspective of the "incumbent" firm, and from the perspective of the "challenger/copier" firm. A Likert scale was utilized; therefore, each respondent was asked to rate each item on a 1-to-5 scale (1=strongly disagree; 5=strongly agree).

PROPOSITIONS

The review of the literature leads to the following propositions. As noted by Martin-de-Castro, Navas-Lopez, Lopez-Saez and Alama-Salzar (2006), organizational culture can be highly valuable and difficult to imitate. A strong organizational culture can be a source of sustained competitive advantage (Martin-de-Castro, 2006; King and Zeithaml, 2001). Inimitability is the difficulty that competitors find in copying the resources and capabilities of the company through internal development (Barney, 1991, 2001).. Giving these findings, it is reasonable to propose that a company's strong culture will limit imitation by the firm's competitors. Thus,

> P_1: The stronger the organizational/corporate culture within the firm, the more difficult imitation by competitors will be.

Building competencies that reside in organizational culture helps build and sustain competitive advantage; however, changes in the environment put the value of these competencies at risk (King and Zeithaml, 2001). Corporate culture is a key element in ensuring that as the business environment evolves (due to new technology, client segmentation, regulation, competition, and other factors) organizations respond effectively to the global market changes before their competitors (Elashmawi, 2000). This results in the following proposition:

> $P_{2:}$ Social complexities of the firm will make imitation by competitors more difficult in the global competitive environment.

In order to become a successful global business, companies must become skilled in the multicultural aspects of the company (Elashmawi, 2000). A firm that operates in different cultural environments should be able to recognize, support and combine these differences with the organizational culture. Chow, Haddad, and Wu (2003) discovered that the most valued corporate cultural aspects differed from country to country. This leads to the following proposition:

> $P_{3:}$Firms with a strong combination of corporate culture and national/regional culture will be able to limit imitation and create competitive advantage.

SAMPLE

As exploratory research, our sample consisted of 36 undergraduate, six graduate students, and nine faculty and staff members at a university located in the south eastern US. Current subject matters, such as business strategy, organizational/corporate culture, national/regional culture, causal ambiguity, and limitations for imitation were analyzed.

RESULTS

The survey instrument was divided into two parts. The first part was from the "incumbent firm" perspective (Toyota), while the second part was from the "challenger/copier firm" perspective(General Motors). The data was measured by using a confirmatory factor analysis. Stevens (1996) suggested the use of the Varimax rotation method; therefore, a factor rotation using the Varimax method with Kaiser normalization was applied. To obtain more easily interpretable results, the original data was summarized with four factors, which explains 76.3 % of the cumulative variance

Table 1
Cumulative Percent of Variance Explained by Confirmatory Factor Analysis

	Initial Eigenvalues		
Component	Total	% of Variance	Cumulative %
1	2.133	26.663	26.663
2	1.556	19.450	46.113
3	1.406	17.578	**63.690**
4	1.007	12.591	**76.281**

Eight questions were chosen from the survey instrument to be analyzed in the rotated component matrix. The questions that formed factors could be classified as (see Table 2):

Factor 1 – For the challenger firm, imitation will blur their uniqueness
Factor 2 – For the incumbent firm, causal ambiguity is based on organizational and national culture
Factor 3 – For the incumbent firm, clear competitive advantage roots are from complexity
Factor 4 – For the copier firm, national culture has a positive affect on the industry

Table 2

Rotated Component Matrix

	Component			
	1	2	3	4
Part I: a-1	-0.069	-0.253	**0.847**	0.104
Part I: a-5	0.100	0.284	**0.805**	-0.168
Part I: b	-0.196	**0.819**	0.02	-0.203
Part I: c	0.063	**0.864**	-0.018	0.102
Part II: a	0.051	-0.045	-0.042	**0.941**
Part II: e	**0.636**	-0.053	0.022	0.356
Part II: f	**0.889**	0.023	-0.131	-0.145
Part II: g	**0.870**	-0.097	0.134	0.044

Proposition 1 examined the importance of a strong organizational culture within the firm. The third factor converged with a commonality of complexity. According to this indicator, social complexity within the firm and complex company resources may provide a firm with a clear competitive advantage. Thus, Proposition 1 was supported (see Table 2).

Proposition 2 dealt with the firms' relationship between the degree of corporate flexibility, and how quickly they respond to the changes in the global competitive environment. Validity to the Proposition 2 is provided.

Proposition 3 examined the effects of a firm's relationship between the combination of corporate/regional culture and national/regional culture. The second factor indicates that organizational/corporate culture and national/regional culture has an impact on causal ambiguity. This factor converged to support Proposition 3. A fourth factor indicates some relationship between national culture and industry culture; however, more than one question may be needed to support this proposition. As it is described above, the factor rotation could be applied with only the first three factors.

MANAGERIAL IMPLICATIONS AND CONCLUSIONS

The results of this study indicate that firms that concentrate on retaining the relationship between their corporate culture and their national/regional culture will be able to limit imitation and create competitive advantage. This information can be used for organizations to understand and improve cross-national organizational cultural differences. Therefore, by discovering new sources of competitive advantage, a company can sustain its above average returns in the current global economic environment.

In conclusion, this study has contributed to an exploration and analysis of how causal ambiguity around a flexible and suitable organizational culture limits imitation and influences firm performance. The findings of this study suggest that there is a relationship between companies' corporate and national culture and the linkage between inimitability and causal ambiguity

REFERENCES

Augsdorfer, P., & Harding, R. (1995). Changing competitive forces in Europe: continuous improvement in a sample of French, German and British companies. *European Business Review,* 95(4), 3-9

Barney, J. B. (1986). Organizational Culture: Can it be a Source of Sustained Competitive Advantage? *Academy of Management Review*, 11, 656-665.

Barney, J. B. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120.

Barney, J. B., & Wright, P. M. (1998). On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management*, 37(1), 31-46.

Fahy, J. (2000). The resource-based view of the firm: some stumbling-blocks on the road to understanding sustainable competitive advantage. *Journal of European Industrial Trainin*g, 24(2-4), 94-104.

Gonzalez-Alvarez, N., & Nieto-Antolin, M. (2005). Protection and internal transfer of technological competencies: The role of causal ambiguity. *Industrial Management & Data Systems*, 105(7), 841-856.

Jenkins, W. (2005). Competing in times of evolution and revolution. *Management Decision*, 43(1), 26-37.

King, A. W., & Zeithaml, C. P. (2001). Competencies and Firm Performance: Examining the Causal Ambiguity Paradox. *Strategic Management Journal*, 22, 75-99.

Martin-de-Castro, G. M., Navas-Lopez, J. E., Lopez-Saez, P., and Alama-Salzar, E. (2006). Organizational capital as competitive advantage of the firm. *Journal of Intellectual Capital*, 7(3), 324-337.

Porter, M. (1996, November-December). What is Strategy? *Harvard Business Review*, 62-78.

Rashid, Z. A, Sambasivan, M., & Johari, J. (2003). The influence of corporate culture and organizational commitment on performance. *Journal of Management Development*, 22(8), 708-728.