

The Influence of Institutional Frameworks and Corporate Culture on Employees' Work Related Goals

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Abstract

Previous studies have shown that institutional frameworks, as presented by Williamson (1996), play an important role in shaping employees preferences with respect to human resource [HR] management practices (Rehu/Lusk/Wolff, 2005 and 2006). Laws and regulations as well as the national culture influence the preferences of employees and thereby also the design of effective and efficient human resource management practices. In addition, aspects of corporate culture should not be ignored in planning sustainable human resource management practices. This is to say, that even when dealing with employees of the same nationality, corporate culture might shape the preferences of the employees in different organizations so that identical HR practices might not lead to similar outcomes. With this as a basis, we will go even deeper into the analysis of the influence of corporate culture on the employee preferences. The study organization is a German Multinational Corporation [MNC] with longstanding corporate traditions. Recently it has expanded domestically as well as internationally by acquiring existing firms. The employees from these acquired organizations were already socialized by their previous corporate culture and then experienced a re-culturalization as they were taken over by the MNC. This is the point of departure for our study. We will investigate the extent to which corporate culture has survived the Merger and Acquisition process.

Method. The study is based on the Country-Compatible Incentive Design [CID] questionnaire, which is a modified version of Geert Hofstede’s cross-culture questionnaire published in Hofstede (2001). The sample was collected at a German MNC and consists of 1,582 responses (response rate of 76 %) from German and US employees of the organization (for details, see Gunkel, 2006).

Following, we will examine the possible influences of institutional frameworks as well as headquarters and subsidiary cultures on the importance the employees place on work related goals. The variables that we are examining are the *Importance* variables from the Hofstede questionnaire. The respondents were asked to note the importance on a five-point Likert-scale for the following 13 work related goals: challenging work, desirable living area, opportunity for high earnings, working with people who cooperate well with one another, training opportunities, good fringe benefits, getting recognition when deserved, good working conditions, job security, opportunity for advancement, good working relationship with manager, full use of skills and abilities and sufficient time for personal and family life.

We will first compare two groups of subsidiaries, the German subsidiaries and the US subsidiaries to each other in order to demonstrate the influence of institutional frameworks on the HR management preferences of employees and then compare the German headquarters [HQ] to the group of German subsidiaries to demonstrate the influence of the headquarters and subsidiary culture on the preferences. There are four possible scenarios, which might result from our research design as shown in Table 1:

TABLE 1: Research Scenarios

Institutional Framework (IF) Dimension	Corporate Culture (CC) Dimension	Characterization
German and US Subsidiaries S Difference	HQ and German Subsidiaries S Difference	Double Effect: IF and CC
German and US Subsidiaries NS Difference	HQ and German Subsidiaries S Difference	CC Pure
German and US Subsidiaries S Difference	HQ and German Subsidiaries NS Difference	IF Pure
German and US Subsidiaries NS Difference	HQ and German Subsidiaries NS Difference	No Effect: Indeterminate IE

S = significant, NS = not significant

If a significant difference between the German and the US subsidiaries of the study organization is found with respect to a work related goal and at the same time a significant difference between the headquarters of the organization and the German subsidiaries is detected, then it can be concluded that both institutional framework and corporate culture play a role for the particular aspect that is being examined. This is noted as a Double Effect. In the case where significant differences between the samples are found at the institutional framework level, a pure institutional framework effect is detected and is noted as IF. If a significant difference occurs only when comparing the headquarters and the German subsidiaries, then a Pure Corporate Culture Effect is found and is noted as CC. The CC Effect as well as the Double Effect suggest that the organizational units have their own “personality” and therefore it is necessary to examine the corporate culture level as well in order to design effective and efficient human resource management practices.

As we have information that gender and age account for differences, we have controlled for gender as well as age in order to avoid biases. We will use a p-value cut-off of 0.05 as the indicator of statistical significance. All of these p-values were produced using the Wilcoxon Rank Sum test, which is, in this context, a conservative statistical rendering. The testing of these various effects will be summarized as the chance deviation assuming a 5% false positive error [FPE].

Results. The discussion of the results is organized in the manner that we will first discuss the institutional framework differences, that is, comparing the subsidiary samples of Germany and the US. Here we have eliminated the headquarters sample in order to avoid the influence of the headquarter culture on our analysis. Then we will move on to the specificities of corporate culture by comparing the German headquarters sample to the German subsidiary sample.

The results of the various analyses are presented and discussed in the following three sections: (1) the institutional framework dimension, (2) the corporate culture dimension, and (3) a synthesis of the two categories of information.

The influence of institutional frameworks with respect to the importance placed on various work related goals seems to be considerable. Of the thirteen work-related goals, nine demonstrate a significant difference between the two groups of subsidiaries located in the two institutional frameworks. However, when moving on to examine the influence of the headquarters or subsidiary culture on the importance placed on work-related goals, not as many differences can be found. Six out of the thirteen work-related goals exhibit significant differences between the employees of the headquarters and the employees of the subsidiaries located in Germany. Both of these results are in excess of the 5% FPE chance event. Goals such as the opportunity for high earnings, fringe benefits, challenging work and the good working relationship with manager seem to be more important for the employees working at the subsidiaries than at the headquarters. Sufficient time for personal life as well as friendly working atmosphere seem to be more important for the employees of the headquarters than the subsidiaries. We can conclude that when determining the importance placed on various work related goals, for most items either institutional frameworks, corporate cultures, or both of them play an important role as presented in Table 2.

The institutional frameworks seems to have a dominating influence over the corporate culture when it comes to the importance placed on the opportunities for advancement, the desirable living area, full use of skills and abilities, training opportunities and physical working conditions. Corporate culture seems to be important when it comes to challenging work as well as friendly atmosphere. A combination of the influence is observed for the opportunity for high earnings, sufficient time for personal life, fringe benefits as well as the working relationship with manager. Neither an influence of institutional framework nor corporate culture can be detected for the goals of getting recognition when deserved and working with people who cooperate well.

TABLE 2: The Syntheses of Institutional Framework and Corporate Culture Effects

Importance of Work Related Goals	Institutional framework comparison	Headquarters – Subsidiary comparison	Dominating Effect
Earnings and Achievement			
Opportunity for advancement	S	NS	IF Pure
Opportunity for high earnings	S	S	Double Effect: IF and CC
Family Related Issues			
Desirable living area	S	NS	IF Pure
Sufficient time for personal life	S	S	Double Effect: IF and CC
Fringe Benefits			
Fringe benefits	S	S	Double Effect: IF and CC
Recognition			
Recognition	NS	NS	No Effect
Training, Responsibilities and Use of Skills			
Challenging work	NS	S	CC Pure
Full use of skills and abilities	S	NS	IF Pure
Training opportunities	S	NS	IF Pure
Work Environment			
Good relationship with manager	S	S	Double Effect: IF and CC
Physical working conditions	S	NS	IF Pure
Working with people who cooperate well	NS	NS	No Effect
Friendly atmosphere	NS	S	CC Pure

S = significant, NS = not significant

Conclusion. From the above-presented analysis we can draw two conclusions. First, institutional frameworks play an important role when it comes to the importance placed on different work related goals. Second, there seem to be two different corporate cultures at our study organizations, the one of the headquarters and the one of the subsidiaries. This is a key result in that it suggests that corporate culture is an important fact and needs to be incorporated in designing effective and efficient HR practices. Therefore, the human resource managers of international organizations should consider the influence of both, the institutional framework as well as the corporate culture on the preferences of employees. Also, it is vital to be aware that in an organization that has expanded by acquisitions, several corporate cultures might be present which also should be considered in order to design efficient HR practices.

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