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RESEARCH BRIEF

Does Industry Affect
Organizational Culture?

ARTICLE SUMMARY

What Matters More? The Impact of Industry and Organizational Factors on Organizational Culture
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INSTRUMENTS USED: ORGANIZATIONAL CULTURE INVENTORY®
(OCI®), ORGANIZATIONAL EFFECTIVENESS INVENTORY® (OEI)

The Study:

Organizational characteristics, including leadership and human resource practices around rewards and performance appraisals, play an important role in the evolution and nature of an organization's culture. This article focuses on whether cultural norms are influenced by industry factors as well. For example, organizations in low-growth industries may require employees to strictly follow standard procedures and take few risks whereas those in high-growth industries might encourage developing personal skills and teamwork. Similarly, organizations in industries that invest heavily in innovation (i.e., "high R&D intensity") may be more likely than others to encourage employees to be creative and take risks.

Research:

The OCI and OEI were completed by 3,245 members of 424 organizations in 12 industries to describe their organization's culture and factors such as leadership behaviors, rewards, and fairness of appraisals. Information on industry growth rates and R&D intensity was obtained from the COMPUSTAT database.

Findings:

Culture was not as strongly related to industry characteristics as organizational characteristics. The results shown in the table below indicate that the effects of organizational factors on the strength of the three types of culture assessed by the OCI were many times greater than those of industry factors.

	Variation in Culture Explained by Industry Characteristics	Variation in Culture Explained by Organizational Characteristics
Constructive	1%	13%
Passive/Defensive	2%	12%
Aggressive/Defensive	1%	15%

Implications:

Leaders should resist the temptation to attribute the cultures of their organization, good or bad, to the industry in which they're operating. Internal factors, many of which are under their control, have a much greater impact. Additionally, given the similarity in cultures across industries, they have little to gain by comparing their organization only to others in their industry—they may learn as much (if not more) from comparisons to organizations in general. They should look at high-performance organizations, regardless of industry, for role models and levers for moving their culture toward the ideal.

Visit our website to preview the OCI Ideal and obtain a general picture of the ideal culture for your organization.

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ARTICLE ABSTRACT

Purpose:

Writings on organizational culture suggest that cultural values and norms are influenced by factors at the organizational, industry, and societal levels. While the effects of societal and organizational factors have been researched extensively, those of industry factors have not received commensurate attention. The purpose of this paper is to investigate the relative importance of industry vs organizational variables in explaining the cultural norms reported by individuals within organizations.

Design/methodology/approach:

The effects of two industry characteristics, (growth rate and research and development intensity) and two sets of organizational factors (leadership behaviors and human resource practices) on the strength of constructive, passive/defensive, and aggressive/defensive organizational cultural norms were investigated.

Findings:

Results of hierarchical linear modeling analysis of survey data from 3,245 respondents in 424 organizations in 12 different industries revealed significant between-organization variation but no significant between-industry variation in the three types of cultural norms measured. Furthermore, while industry-level factors were unrelated to culture, significant variance in the culture measures was explained by leadership behaviors and human resource practices (use of rewards and fairness of performance appraisal).

Research limitations/implications:

The strength of cultural norms and expectations within an organization evolve in response to attributes specific to the organization and do not necessarily reflect industry characteristics. The results indicate that organizations using surveys to assess their cultures may learn as much (if not more) by comparing their feedback to data on organizations across a spectrum of industries as opposed to organizations exclusively in their own industry.

Originality/value:

Most of the frameworks developed to examine and describe the cultures of organizations delineate specific dimensions or types that are assumed to be relevant to all organizations regardless of the industries within which they operate. The purpose of this paper was to explore the validity of this assumption by investigating the relative impact of industry and organizational factors on organizational culture.

Keywords

Organizational culture, Human resources, Leadership, Industry growth rate, R&D intensity

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