

# A Configuration Model of Organizational Culture

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## Abstract

The article proposes a configuration model of organizational culture, which explores dynamic relationships between organizational culture, strategy, structure, and operations of an organization (internal environment) and maps interactions with the external environment (task and legitimization environment). A major feature of the configuration model constitutes its well-defined processes, which connect the elements of the model systematically to each other, such as single- and double-loop learning, operationalization of strategies, legitimization management, and so on. The model is grounded in a large review of literature in different research areas and builds on widely recognized models in the field of organization and culture theory. It constitutes a response to the call for new models, which are able to explain and facilitate the exploration of the empirical complexity that organizations face today. The configuration model of organizational culture is of particular interest to scholars who investigate into cultural phenomena and change over time.

## Keywords

organizational culture, strategy, structure, organizational learning, organizational processes

## Introduction

Organizational culture has been recognized as an essential influential factor in analyzing organizations in various contexts. Its importance to establish competitive advantages (e.g., Barney, 1986; Cameron & Quinn, 2005) or its impact on organizational performance (e.g., Gordon & DiTomaso, 1992; Marcoulides & Heck, 1993; Wilkins & Ouchi, 1983) has engaged scholars for many years. For example, Cameron and Quinn (2005) emphasize that the success of organizations is not only determined by specific external conditions, for example, barriers to market entry, rivalry in the industry, and supplier and buyer power (see also Porter, 1985). They conclude that the remarkable and sustained success of some U.S. companies (e.g., Southwest Airlines, Wal-Mart, etc.) “has had less to do with market forces than with company values” (Cameron & Quinn, 2005, p. 4).

The increased interest in culture has led to the development of different theories/models/frameworks aiming at explaining organizational culture (e.g., Hall, 1976; Hofstede, Neuijen, Ohayv, & Sanders, 1990; Sagiv & Schwartz, 2007; Schein, 1985) and its impact on as well as relevance for organizations. However, this plethora of cultural frameworks, sometimes tied to specific contexts or phenomena, “perpetuates the lack of a paradigm and is a hindrance to accumulation of knowledge” (Tsui, Nifadkar, & Ou, 2007, p. 461). Tsui et al. (2007) conclude from their extensive literature review that the development of a configuration model (see also Meyer, Tsui, & Hinings, 1993) would be necessary to

further increase the construct validity of culture. Meyer et al. (1993) refer to *organizational configuration* as “any multidimensional constellation of conceptually distinct characteristics that commonly occur together. Numerous dimensions of environments, industries, technologies, strategies, structures, cultures, ideologies, groups, members, processes, practices, beliefs, and outcomes have been said to cluster into configurations, archetypes, or gestalts” (p. 1175). Thus, a configuration model of organizational culture needs to account for the multidimensionality and complexity of organizations, which calls for a multidisciplinary approach.

In a recent special issue of the *Academy of Management Review* (AMR) on “Where are the New Theories of Organization?” Smith and Lewis (2011) stress that prevailing theories of management and organizations are not able to fully capture organizational dynamics or change and their adherent complexity. Similarly, Ployhart and Vandenberg (2010) emphasize the need to consider time and change in developing models, to consider the inherent effect of change over time on causal relationships between two constructs. In line with Maxwell and Cole (2007), they conclude that

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“cross-sectional research will often provide little insight into how a variable will change over time and may quite often lead to inaccurate conclusions” (Ployhart & Vandenberg, 2010, p. 96). Due to the fact that organizational culture is a relatively young field of research, most models have not yet been able to map organizational culture change over time by considering other organizational constructs (e.g., strategy or structure) as well as existing empirical findings from other related disciplines. Organizational culture is often treated as a variable with a linear relationship to other variables (e.g., Hofstede et al., 1990) from a static and functionalistic point of view. Drawing on two exemplary reviews (Ilies, Scott, & Judge, 2006; Vancouver, Thompson, & Williams, 2001), Ployhart and Vandenberg (2010) stress that empirical studies produce controversial results with the same data set, when time/change is introduced and measured as a separate variable. Thus, theoretical models should also be able to explain or at least indicate how and when certain variables change over time to provide meaningful, comprehensive, and accurate conclusions for scholars who wish to investigate into organizational culture and its impact on other constructs reflecting organizational phenomena.

A major contribution of this article is the introduction of well-defined processes, that is, feedback loops that explain how and why organizational culture and other domains of an organization (e.g., strategy, structure) might change. We will show that existing models tend to provide rather static, linear and/or ambiguous relationships and therefore seem less reliable in explaining organizational dynamics and complexity as described by Ployhart and Vandenberg (2010) or Smith and Lewis (2011). For the most part, this is due to the lack of explanations for links between elements of models. If we consider the relationship between strategy and structure, we might not only be interested in how these “fit” each other to allow for a proper operational functioning of an organization but also investigate into those processes, which trigger change toward or away from “fit.” Looking between the “boxes” of a model and focusing on the “arrows,” which connect them, should, at least, be equally appreciated by scholars (see also Whetten, 1989).

By discussing and synthesizing relevant research in the field of cultural and organizational studies, we address the aforementioned issues and conclude with a configuration model of organizational culture. The applicability of this model falls into the realm of organizational culture, strategy-structure research, as well as organizational behavior, in which it is rooted.

First, we will discuss the crucial difference between societal culture and organizational culture as well as their relationship and relevance for the understanding of the proposed model. Next, we review recognized organizational culture models or models including organizational culture as an important component in light of (a) relative “completeness” of existing theories (see also Dubin, 1978; Kaplan, 1964; Whetten, 1989), (b) relative ability to explain change over

time (see also Ployhart & Vandenberg, 2010), and (c) explanatory power with respect to cross-level relationships (e.g., internal–external environment relationships; see also Tsui et al., 2007). The review of literature closes by showing how the presented theories and models meaningfully complement each other as well as how they contribute to the development of the presented model. This is followed by a step-by-step development of the configuration model of organizational culture, which is based on theoretical considerations of Schein (1985) and Hatch and Cunliffe (2006). In line with findings of related research, the dynamic relationships between four central and recurring organizational characteristics, that is, domains (organizational culture, strategy, structure, and operations) will be explained. The article closes with a discussion on how the model (a) contributes to a better understanding of organizational culture and (b) can improve future research on organizational phenomena. We will support our ideas by referring to a recent empirical study on organizational culture change in acquisitions, which provides first insights into the reliability and usefulness of the suggested model. The presented configuration model of organizational culture is tailored to the needs of cross-cultural research scholars who wish to investigate into cross-level phenomena in organizations and change processes alike. As such, it emphasizes reciprocity and interdependencies of organizational constructs.

## Organizational Culture Theory and Organization Theory Revisited

The concept of organizational culture has its major roots in culture theory. Among the most popular publications in the field of cultural studies are those of Alvesson (2002); Chhokar, Brodbeck, and House (2007); Denison, Haaland, and Goelzer (2004); Hatch (1993); Hofstede (1980); Hofstede et al. (1990); and House, Hanges, Javidan, Dorfman, and Gupta (2004). Their seminal work deals with various dimensions of societal and organizational culture or concentrates on leadership practices in organizations and uses a distinct set of team or group leadership dimensions that are of high relevance for organizational cultures. Organizational culture, as a construct separable from societal culture, has been subject to research for some decades, and various models can be found across different disciplines. Generally, approaches to organizational culture can be classified into three categories: (a) dimensions approach (e.g., Chatterjee, Lubatkin, Schweiger, & Weber, 1992; Hofstede et al., 1990; Sagiv & Schwartz, 2007), (b) interrelated structure approach (e.g., Allaire & Firsirotu, 1984; Hatch, 1993; Homburg & Pflesser, 2000; Schein, 1985), and (c) typology approaches (e.g., Cartwright & Cooper, 1993; Handy, 1993). The *dimensions approach* strongly focuses on measuring organizational culture empirically along (in some cases bipolar) scales that can be related to other, mostly dependent, variables of interest (see also Tsui et al., 2007). *Interrelated*

*structure approaches* concentrate on linking the concept of organizational culture to other constructs or characteristics of organizations and less to single variables. Therefore, they often represent the theoretical underpinning for empirical research designs. This approach tends to be multidisciplinary in nature, which commonly characterizes configuration models (Meyer et al, 1993). *Typology approaches* are based on predefined key characteristics that divide and cluster organizations into certain categories, not necessarily defining the relationship of these characteristics to each other. Meyer et al. (1993) note that “the allocation of organizations to types often is not clear-cut. Because of their a priori nature and frequent lack of specified empirical referents and cutoff points, typologies are difficult to use empirically” (p. 1182). As we explicitly look at relationships between constructs, so far typology approaches appear to contribute little to our understanding of a configuration model of organizational culture. Therefore, we will primarily draw on dimensions and interrelated structure approaches in the following sections. Nevertheless, the suggested model might well serve for the development of specific organizational types, if this is desired or maybe even required by a specific inquiry.

In the following, we clarify how and why societal culture differs from organizational culture and review most common organizational culture models that are frequently applied or referred to by many scholars. By doing so, we highlight the fundamental roots of our configuration model and outline the basis of its theoretical foundation.

### ***Societal Culture Versus Organizational Culture: Related but Different Constructs***

The dimensions approach is one of the most prominent approaches to cultural constructs, in particular in quantitative research. Conventional anthropological research designs have partly lost ground due to the paradigm of culture dimensions by Hofstede (1980, 2001) and paved the way for new research contexts that are based on the quantitative measurement of cultures. The popularity of Hofstede’s five national culture dimensions (power distance, individualism, masculinity, uncertainty avoidance, long-term vs. short-term orientation) can partly be “attributed to a simplification of the approach to culture” (Fink & Mayrhofer, 2009, p. 49). Regarding organizational culture, Hofstede et al. (1990) highlight that there is a significant difference between national culture and organizational culture. The latter is defined and conceptualized by six dimensions of perceived practices and should not be confused with national culture values.

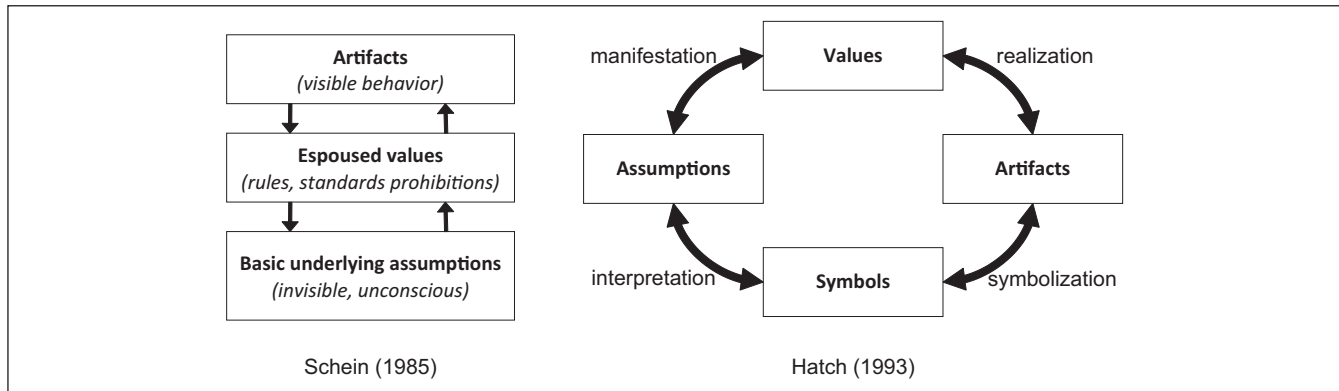
While the dimensional model of organizational culture by Hofstede et al. (1990) was initially derived from a large set of narrative interviews and a consequent test with a questionnaire, Sagiv and Schwartz (2007) define the organizational culture construct based on theoretical considerations. They argue that organizational culture is influenced by the “surrounding society,” “personal value priorities of organizational

members,” and “the nature of the organization’s primary tasks.” Organizations are embedded into societies, which can be defined by certain national culture values. Sagiv and Schwartz (2007) argue that organizations operate under societal pressure. Therefore, organizations have to comply to norms, values, and regulations of societies to be an accepted member of this society and secure social and consequently financial survivability. Organizations consist of individuals who introduce their own value preferences into the organization, which represents the “way people select actions, evaluate people and events, and explain their actions and evaluations” (Sagiv & Schwartz, 2007, p. 83), thus shape organizational culture to a certain extent. Finally, Sagiv and Schwartz (2007) add that tasks, which need to be achieved by an organization, shape their cultural values as well. This seems to coincide with what Hofstede et al. (1990) defined as “perceived practices.” Different tasks require different organization and execution of activities, that is, different strategies and structures. It seems obvious that a production company differs severely from a service provider, or a state agency from a private firm, not only with respect to final products but also with respect to their organizational culture. This is mainly due to the different nature of businesses, clients, and operating processes.

In view of the above, two quite important aspects have to be taken into consideration when developing a configuration model of organizational culture: (a) Organizational values significantly differ from national or societal values and (b) organizational values are affected by societal values, organizational members (personality, value preferences), and their tasks, which require appropriate organizational actions to be achieved. This interaction has to be illustrated and explained by a configuration model of organizational culture, which distinguishes between external environmental influences (e.g., societal culture) and internal cultural environmental influences (e.g., organizational culture). Although both presented approaches (Hofstede et al., 1990; Sagiv & Schwartz, 2007) allow for classifications of organizations, they have to be considered as predominantly static. They provide limited conclusions about organizational processes related to organizational values and do not incorporate mechanisms that relate to change of organizational cultures. Therefore, the next section will discuss selected interrelated structure models that consider culture in conjunction with other organizational constructs, for example, strategy, structure, and behavior, which constitute another building block for the development of the configuration model and add to its comprehensiveness.

### ***Linking Organizational Culture Theory and Organization Theory: Commonly Related Concepts in the Literature***

Existing research offers a great variety of models, which attempt to explain relationships between organizational culture and related organizational constructs, for example,



**Figure 1.** Organizational culture model by Schein (1985) and Hatch (1993)

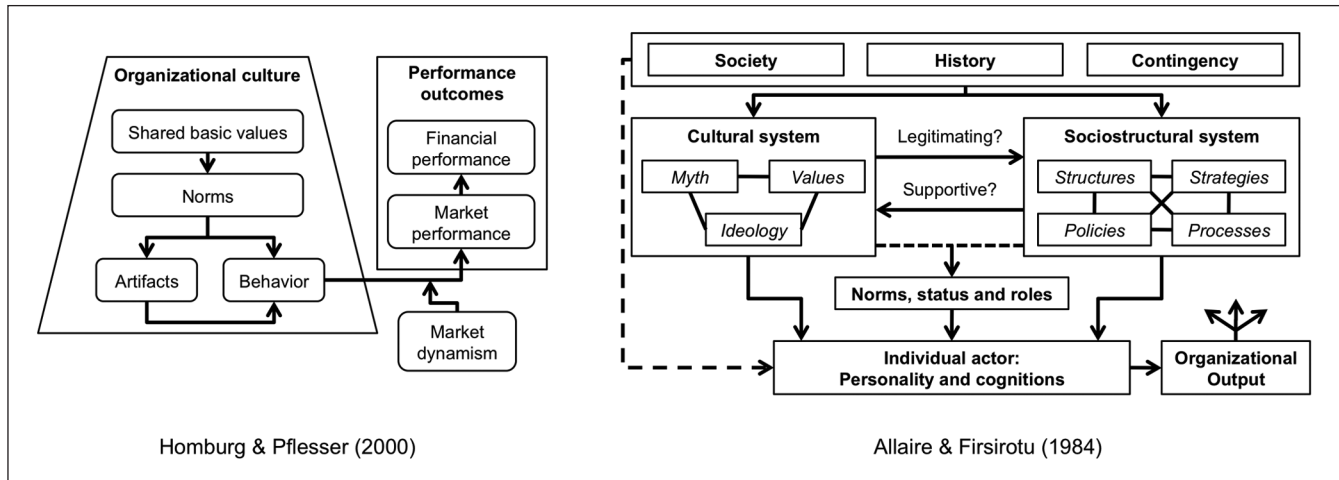
strategy and structure. However, not all of them seem to be of equal relevance in research practice. For the development of the configuration model, we concentrate on four exemplary models that appear to have been frequently selected as a valid source of reference by many scholars: Schein (1985) [6,686 times cited], Hatch (1993) [731 times cited], Allaire and Firsirotu (1984) [672 times cited], and Homburg and Pflesser (2000) [561 times cited] (Harzing's Publish or Perish, <http://www.harzing.com/pop.htm>).

Schein's (1985) model of organizational culture is not only one of the most cited culture models but also one that serves a high degree of abstraction and complexity reduction. It mainly consists of three domains: (a) basic underlying assumptions, (b) espoused values, and (c) artifacts. Schein (1985) distinguishes between observable and unobservable elements of culture. From Figure 1, it becomes clear that there is a certain hierarchy between these domains. Visible behavior influences and is influenced by unobservable assumptions through rules, standards, and prohibitions. Hatch (1993) significantly extends Schein's (1985) model. Not only does Hatch (1993) add a fourth domain, called "symbols," she also defines the processes that link each element of the organizational culture construct, which provides a somewhat better understanding of interdependencies in this model. Hatch (1993) assumes that there exist two possible ways how observable behavior emerges through underlying assumptions: (a) through "manifestation" into values and "realization" into artifacts or (b) through "interpretation" into symbols and through "symbolization" into artifacts (see also Figure 1). Nevertheless, it remains unclear under which conditions such processes take place and which factors determine the path for transformation of assumptions into artifacts, that is, when will assumptions become "manifested" and "realized" and when are assumptions "interpreted" and "symbolized."

Both models seem to explain cultural dynamics. Whereas Schein (1985) focuses strongly on domains of organizational culture, Hatch (1993) specifies four processes that link these domains. For the development of a configuration model,

both approaches provide a simplified but limited perspective on culture in organizations. This is due to the high level of abstraction, which confines the explanatory power regarding interdependencies between organizational culture and other domains of an organization (e.g., strategy, structure, operations, etc.). The idea of external pressure on organizational culture, that is, effects of the external environment, as proposed by Sagiv and Schwartz (2007), is not replicable by using Schein (1985) or Hatch (1993) because external effects are not explicitly considered in their models. Still, they provide a meaningful basis for the development of an "internal environment" of an organization. A comprehensive configuration model of organizational culture, however, should not only map internal processes guided by organizational culture but also illustrate consequences of, for example, manifestation, realization, interpretation, and symbolization for the external environment and vice versa.

Next, we present two models that address the role of the external environment. Homburg and Pflesser (2000) aim at developing a model that can be used to explain relationships between organizational culture and performance outcomes. They highlight that "market dynamism" (i.e., external environment) moderates this relationship. Organizational culture is defined similarly to Schein (1985) with three layers. However, Homburg and Pflesser (2000) distinguish between artifacts and behavior, which belong in this model to the same layer. Whereas *artifacts* refer to "stories, arrangements, rituals, and language" (Homburg & Pflesser, 2000, p. 450), *behavior* is defined as "organizational behavioral patterns with an instrumental function" (Homburg & Pflesser, 2000, p. 450). Consequently, behavior does not influence, but is influenced by, norms and artifacts. While this model and its relationships had been empirically tested, the model does not consider interaction, but only linear effects from culture to performance. Organizational culture dynamics (i.e., cultural change) as proposed by Ployhart and Vandenberg (2010) or Smith and Lewis (2011) are not considered. The model has limited explanatory power for effects of the external environment on an organization and assumes no feedback



**Figure 2.** Organizational culture models by Homburg and Pflesser (2000) and Allaire and Firsirotu (1984)

processes. This stands in contrast to considerations of Sagiv and Schwartz (2007), who emphasize the close relationship of and interaction between societal culture (i.e., external environment, institutions) and organizational culture (i.e., internal environment, self-organization, self-reference, identity).

The model developed by Allaire and Firsirotu (1984) represents the most complex approach to organizational culture among those presented in this article. It covers several aspects mentioned so far. First, it clearly distinguishes between external (society, history, contingency) and internal environment (cultural system, sociostructural system). Second, it conveys that organizational values are influenced by the external environment, but, at the same time, can be identified as a separate culture system (as did Hofstede et al., 1990). As can be seen from Figure 2, the sociostructural system, including structure, strategies, policies, and processes, stands in line with the culture system; that is, it should be legitimized by myths, values, and ideologies. Allaire and Firsirotu (1984) recognize “individual actors” who are seen as the medium for organizational output and influence as well as are influenced by the cultural and sociostructural system. Furthermore, it can be concluded from this model that organizational culture is influenced directly by the external environment and by employees, who bring in their own personalities and perceptions of social values, rules, and norms (see Sagiv & Schwartz, 2007). Nevertheless, the model partly provides underspecified links between each element of the model, especially among those that build the cultural and sociostructural system. In contrast to Homburg and Pflesser (2000), Allaire and Firsirotu (1984) recognize that organizational output might have an impact on organizational culture, but leave this relationship unspecified (see unconnected arrows in Figure 2). Thus, both presented approaches can provide answers to “What are the factors that

should be considered in a configuration model?” but provide only limited insights in “how” these factors are linked to each other, what normally is described as “using arrows to connect the boxes” in a visualized model (Whetten, 1989, p. 491). According to Whetten (1989), it is necessary to properly define processes linking each element of a model to make it comprehensive, meaningful, and applicable for scholars conducting empirical research.

In light of this review, we identify recurrent domains of organizational culture that should be represented by a configuration model: (a) *value and belief system* capturing the underlying assumptions of organizational behavior; (b) *strategy*, representing the overall orientation toward task achievement and impacts on structures and activities of an organization (According to classic strategic management, strategies define what should be done, whereas structures and operational activities illustrate how things should be done); (c) *structural system*, reflecting the manifestation of values and beliefs as norms, rules, and regulations, which build the frame of reference for organizational processes and patterns of behavior, and stand in line with a predefined strategy; (d) *organizational activities/operations/actions*, that is, patterns of behavior, as the observable manifestation of values, strategies, and structures; and (e) *external environment* as an influential factor through evaluation processes on organizational culture and the internal environment of the whole organization at large.

These five domains are also represented by the model of Hatch and Cunliffe (2006; see Figure 3). Here, all domains are linked with each other, and no specific processes are identified. Considering Whetten (1989), this indicates a somehow incomplete model as links between domains are ambiguous and undefined. The following sections are less concerned with the discussion and definition of constructs to be included in a configuration model of organizational

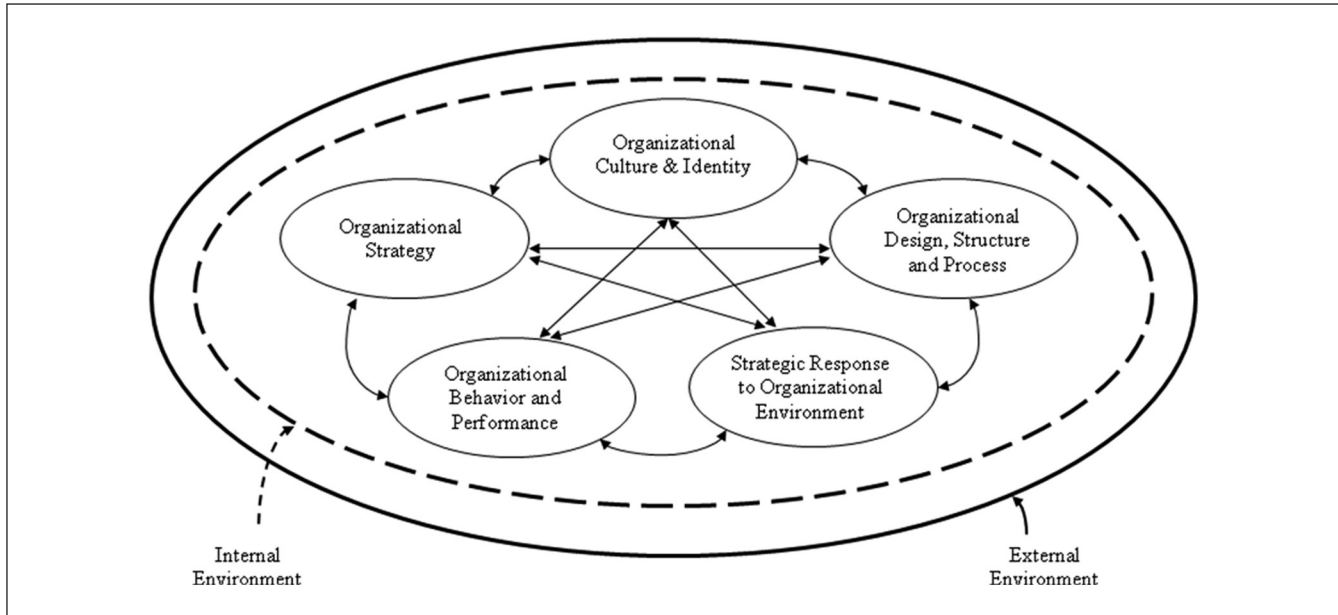


Figure 3. Organizational culture model by Hatch and Cunliffe (2006)

culture. This has been subject to investigation for many years. Our major emphasis lies on how we can better understand the relationships between these constructs in a single and noncontradictory model.

### Developing a Configuration Model of Organizational Culture

The suggested configuration model distinguishes between domains and processes. Whereas domains belong to certain constructs, for example, organizational culture, strategy, structure, and so on, processes link elements of a model to each other; that is, they explain relationships between constructs. Thus, elements of the configuration model of organizational culture need to refer to either a domain or a process. According to Hatch and Cunliffe (2006), we can distinguish between four elements or domains: (a) organizational culture and identity; (b) organizational strategy; (c) organizational design, structure, and processes; and (d) organizational behavior and performance. Hatch and Cunliffe (2006) also refer to “strategic response to external environment.” However, *responding* clearly refers to a certain form of action, namely, reaction to a specific event. Thus, “strategic response to external environment” denominates a process, which links the organization to its external environment. Relationships of the internal and external environment will be discussed in a later section of this article.

Whereas the model of Hatch and Cunliffe (2006) suggests multiple but undefined interactions between specific domains, Schein (1985) suggests particular relationships between three rather broad domains. By conflating these two approaches,

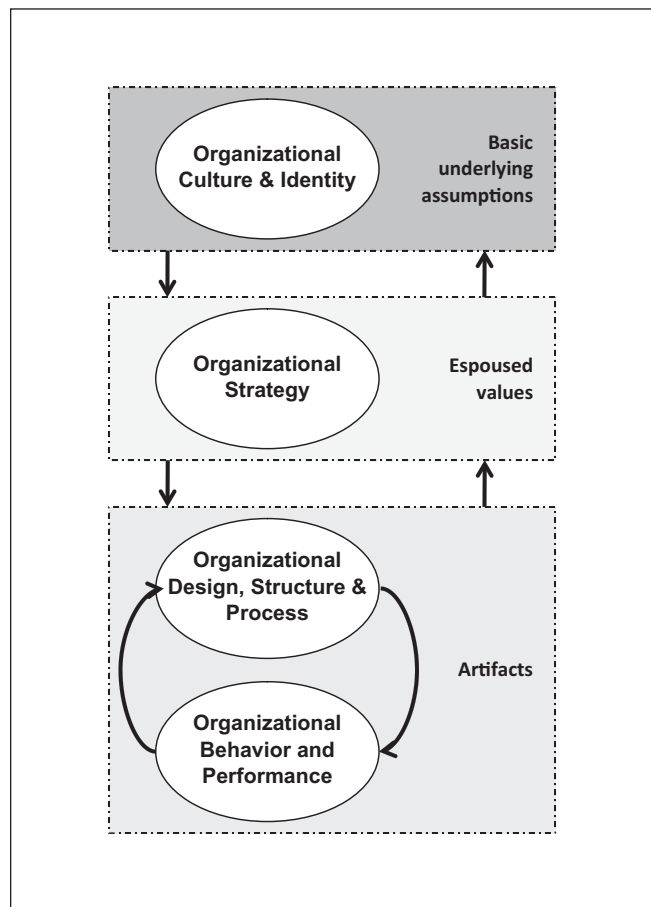


Figure 4. Allocating Hatch and Cunliffe's (2006) domains to Schein's (1985) model of organizational culture

we can achieve a more comprehensive model. As is shown in Figure 4, it is possible to allocate all four domains of Hatch and Cunliffe (2006) to the general domains of Schein's (1985) dynamic model of organizational culture.

Following Schein (1985), "organizational culture" represents underlying, unobservable assumptions, which constitute the basis for every organization. "Organizational strategy" provides rules, norms, and regulations, which are set into effect through organizational structures. Therefore, strategy belongs to an unobservable domain and can be allocated to "espoused values." "Organizational design, structure, and process" as well as "organizational behavior and performance" are those elements of an organization that are visible to its members as well as the external environment; that is, they represent artifacts. However, we have to exclude "processes" because these are defined as relationships between domains.

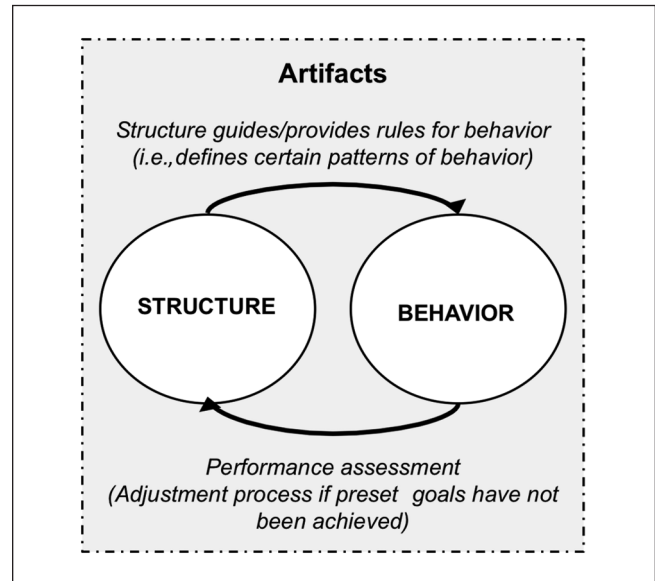
The presented basic structure of relationships, which indicates a clear order of domains and processes, bears the opportunity to connect to several existing fields of research to concretize these domains and processes. Through synthesizing existing research in the field, we aim at a more comprehensive, well-defined, and empirically testable configuration model of organizational culture.

### *The Relationship Between Organizational Behavior/Performance and Organizational Structure*

*Behavior/performance* unfolds as observable manifestations (phenomena) of predefined strategies as regulated by organizational structures. This domain puts into effect patterns of behavior, derived from strategies and structures. It makes an organization's existence as a market player visible. Successful operations lead to profits, thus constitute economic survivability of an organization.

*Structures* are the manifestation of strategic orientations and regulate information flows, decision making, and patterns of behavior, that is, the "internal allocation of tasks, decisions, rules, and procedures for appraisal and reward, selected for the best pursuit of . . . [a] strategy" (Caves, 1980, p. 64). Level of hierarchy and control in an organization can, among other issues, be identified in this domain. Structures develop due to the need to organize behavior in a meaningful way and provide orientation for organizational members to set actions that comply with organizational strategy, organizational culture, and, as a result, accepted patterns of behavior.

In line with Schein (1985), organizational structures and behavior constitute the observable manifestation of organizational strategies (espoused values). From Figure 5, it can be concluded that organizational structure and organizational behavior are directly linked to each other as they both refer to artifacts. Thus, structures build the frame of reference for running organizational operations and guide or cushion behavior of members of an organization, which translate into certain



**Figure 5.** Relationship between structure and behavior

"patterns of behavior" supported by organizational structures. At the same time, behavior is also reversely linked to structures. Here, we account for adjustment processes on the level of artifacts. Considering that organizations might need to change over time, for example, due to extensive internationalization via mergers and acquisitions (M&As), it may become necessary to restructure certain or even all parts of an organization. Especially in M&As, this seems of particular importance to align organizational behavior of new employees in such a way that strategic goals can be accomplished efficiently and economically via organizational tasks. Thus, structures need to change if organizational behavior does not lead to the expected performance, for example, on the market (Harris & Ruefli, 2000), identified through "performance assessment." This might be coupled with certain changes in strategy as well (see below). Missing to change structures or operations would threaten economic survivability of an organization if existing patterns of behavior cannot sufficiently meet the requirements of organizational tasks and, therefore, cannot deliver the desired performance.

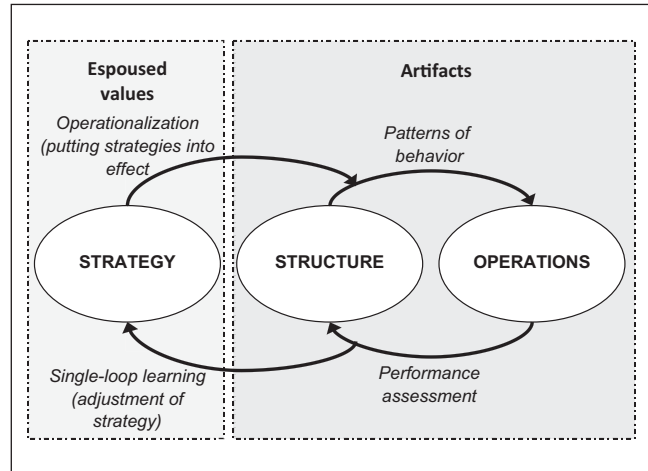
### *Defining the Relationship Between Strategy, Structure, and Operations*

*Strategies* are commonly defined as the overall orientation of an organization for reaching preset goals and objectives (Chandler, 1962; Whittington, 2001), that is, a long-term plan for maximizing profits (Caves, 1980) or covering costs, in case of nonprofit organizations. Furthermore, organizational strategy "is an organization process, in many ways inseparable from the structure, behavior and culture of the company in which it takes place" (Andrews, 1971, p. 53).

Strategies influence the interaction between structures and behavior and vice versa. This conclusion derives naturally from Schein (1985) who argues that “espoused values” have an impact on “artifacts,” which in turn influence “espoused values.” As organizational structures as well as behavior were identified as elements of organizational artifacts, both are affected by strategy. By considering this, we follow the seminal work on strategy-structure-fit. Chandler’s (1962) famous postulation that “structure follows strategy” (p. 314) can be considered as a starting point for this debate. He empirically observed that organizations, after changes in strategies, suffered from a phase of ineffectiveness. However, after structural changes were achieved, organizations started to become more profitable again. Similar conclusions have been drawn by several other scholars or implicitly refer to such a causal link (e.g., Andrews, 1971; Ansoff, 1965; Donaldson, 1987, 1996; Hamilton & Shergill, 1992, 1993; Williamson, 1975). Therefore, we can infer that different strategies require different structures (Stopford & Wells, 1972; Wolf & Egelhoff, 2002). In contrast, structures provide the frame of reference for future information processing and strategic decision making, commonly known as “reporting.” Thus, it is also true that structures have an impact on future strategies (e.g., Child, 1972; Fredrickson, 1986; Galbraith & Nathanson, 1978). In view of the above, we can assume a feedback relationship between structure and strategy as proposed by more recent research (Amburgey & Dacin, 1994; Harris & Ruefli, 2000).

Processes that turn organizational strategies into action, commonly known as “operationalization,” “implementation of strategies,” or “strategy doing,” unfold through organizational structures and organizational activities. Strategies are put into effect through organizational structures and behavior. With reference to “operationalization,” it seems worthwhile to use the term “operations” instead of “organizational behavior and performance” to emphasize that “behavior,” in this context, represents the observable outcome of “operationalizing” strategies. Operations might be oriented toward the internal environment (inward-oriented operations) or external environment (outward-oriented operations).

As mentioned above, strategies might be subject to change. However, to be aware of the fact that strategies need to change, it is necessary that organizations recognize deficits in performance through performance assessment. While the pure assessment of, for example, decreasing revenues, does not necessarily lead to learning and changes in strategies, we have to account for organizational learning as “processes of detecting and correcting error” (Argyris, 1977, p. 116). However, “learning” should not be confused with “adaptation” (for a more detailed discussion, see Fiol & Lyles, 1985). According to the emerging configuration model of organizational culture, performance assessment might lead to “adaptation” of structures. In contrast, only through “learning,” a change in strategy might take place. Thus, assessing organizational performance might constitute



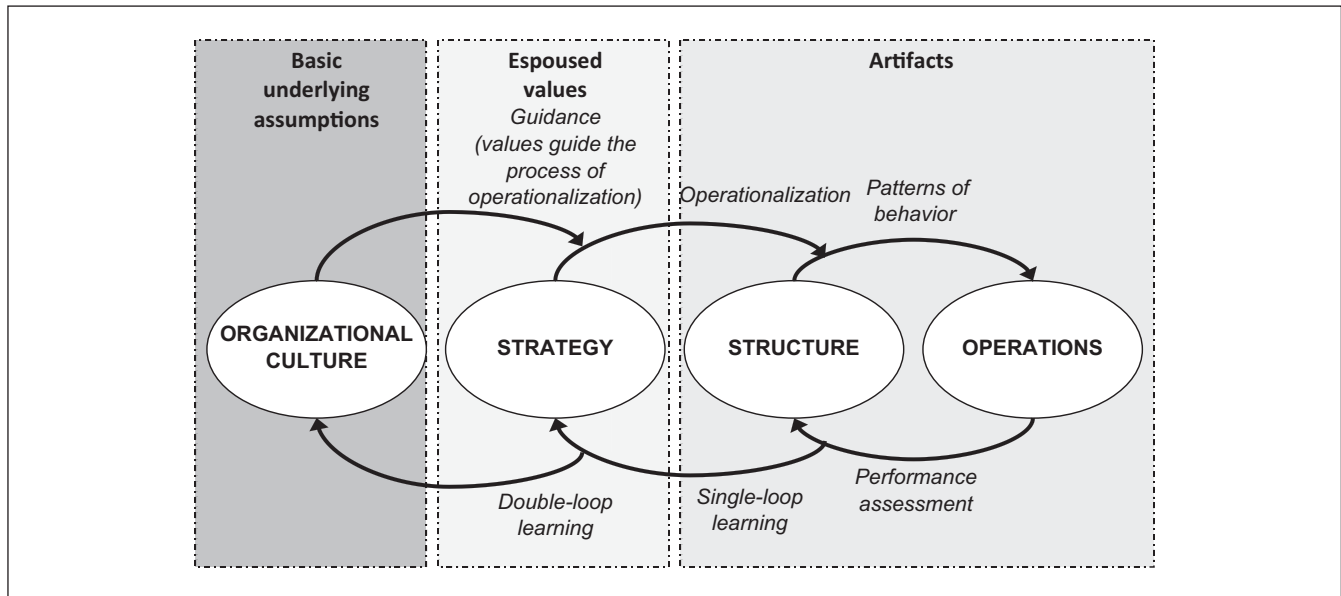
**Figure 6.** Relationship between strategy, structure, and operations

a trigger for learning but by no means should be understood as an automatic sequence of processes. Organizations might or might not learn from their mistakes. Dodgson (1993) argues that only organizations that “purposefully construct structures and strategies so as to enhance and maximize organizational learning” (p. 377) can be considered as “learning organizations.” There might be barriers to learning such as “poor vertical communication” or “poor coordination of functions, business or borders” as described by Beer and Eisenstat (2000). Therefore, we devise that through performance assessment (i.e., inward-oriented operations), changes in strategy and structure can be triggered, but learning processes rely on favorable organizational conditions such as open communication structures, which would allow organizations to learn. Learning processes, representing “single-loop learning” (Argyris, 1977) in this case, are processes that may arise from performance assessment. Assessing the efficiency of operations represents a binding condition for organizational learning that leads to changes in strategy. *Single-loop learning*, as distinguished from *double-loop learning*, refers to the processes of detecting errors and adjusting existing strategies to meet new requirements. Double-loop learning, by contrast, refers to a more profound process of learning, where “underlying organizational policies and objectives” (Argyris, 1977, p. 116), that is, underlying assumptions (Schein, 1985), are questioned and changed. This is comparable with what Fiol and Lyles (1985) describe as “lower-level learning” and “higher-level learning.” Figure 6 summarizes the relationships between strategy, structure, and operations.

### *The Impact of Organizational Culture on Strategy, Structure, and Operations*

Schein (1985) postulates that organizational culture (i.e., basic underlying assumptions) is directly linked to espoused





**Figure 7.** Organizational culture model: Internal environment

values, that is, strategy in the proposed model. As culture is often defined as a set of guiding principles, we can illustrate this by arguing that culture affects the process of operationalization. As a consequence, strategies are put into effect through structures and operations by considering cultural values, that is, underlying assumptions, held within an organization. This results in the following conclusions: (a) Operationalization has to stand in line with corporate values. (b) All domains—strategy, structure, and operations—are indirectly affected by culture. (c) Organizational values constitute the shared “ethics” of doing business. Considering the hierarchical order established by Schein (1985), it appears as if the impact of organizational culture on operations unfolds through strategy (i.e., espoused values), which supports the idea of a “guiding” or moderating influence on organizations during operationalization.

Schein (1985) highlights that espoused values (strategies) have an impact on underlying assumptions. Translated into the configuration model, another learning process has to be considered: double-loop learning. As already mentioned above, single-loop learning refers to the detection of errors and the adjustment of strategies to overcome mistakes. Double-loop learning, however, questions existing underlying assumptions, that is, organizational culture, and may lead to more fundamental changes in strategies and their operationalization. Although single-loop learning is a precondition for double-loop learning, it would be wrong to assume that single-loop learning automatically effectuates double-loop learning (Argyris, 1977). By contrast, Argyris and Schön (1978) shows that many organizations are quite capable of single-loop learning, but fail to learn on a higher level, that is, double-loop learning.

In conclusion, we can define a configuration model of organizational culture that reflects internal processes of an organization, linking organizational culture, strategy, structure, and operations systematically to each other. In addition, we sketched dynamic processes of an organization, which allows to map change processes between all domains, determined by well-defined processes (see Figure 7) derived from seminal contributions to organization theory and organizational culture theory. These processes are interrelated in such a way that conditions for change in domains can be systematically traced and analyzed. For example, only through single-loop learning changes in strategy formulation and operationalization can take place. It is necessary to mention that changes in strategy might also be triggered without single-loop learning. However, it has to be assumed that successful and efficient strategies have to reflect market opportunities (Porter, 1980, 1985) or unique internal resources of an organization, which allow for competitive advantages (Barney, 1991). Consequently, adjustments in strategy are more likely initiated by unfavorable changes in organizational performance than pure desire for change.

Next, we have to consider that organizations are embedded in various contexts, which can generally be called the “external environment.” Recalling the models cited in the beginning of this article, in particular the model by Hatch and Cunliffe (2006), we recognize that a differentiation between internal and external environment is reasonable to determine processes related to the organization itself and those related to the outside world, for example, society or market. Thus, we have to further extend the model and consider the external environment as part of a configuration model of organizational culture, as suggested by Tsui et al. (2007).

## Adding the Aspect of Environmental Relationships to the Configuration Model of Organizational Culture

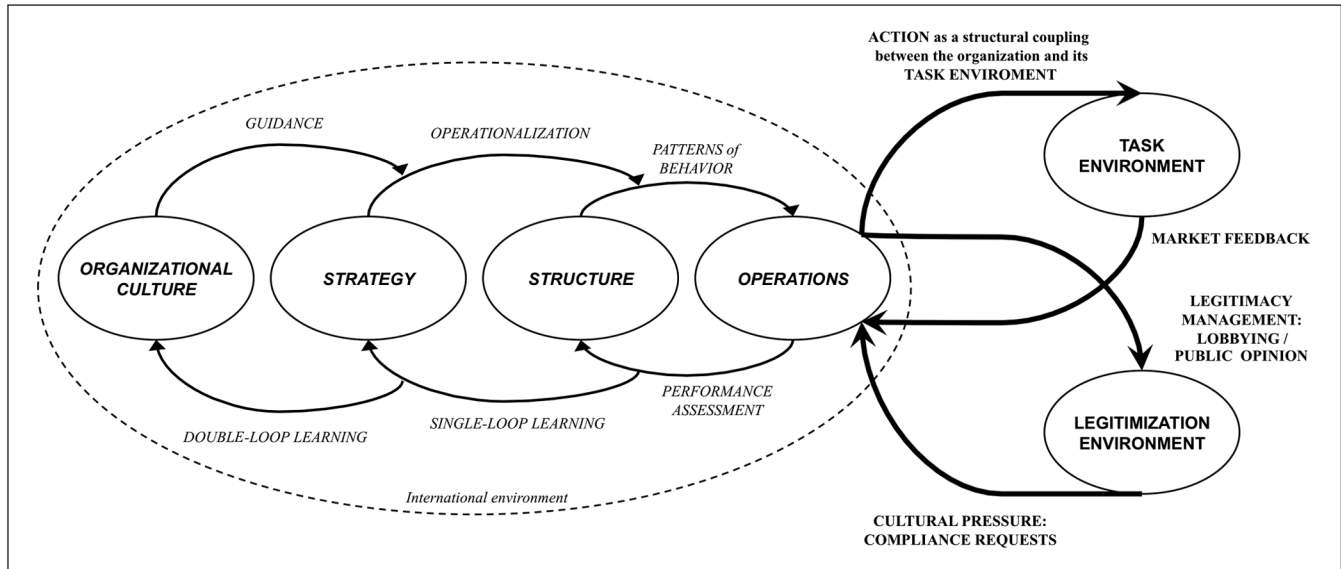
We define external environment as “all elements outside the boundary of the organization” (Daft, 2009) to which an organization needs to adapt (Aldrich & Pfeffer, 1976). Organizations, however, can also have an impact on their environment. While the organizational environment can be viewed as “relatively fixed conditions” (Gartner, 1985, p. 700), we opt for a rather dynamic approach, which can account for rapid changes in the environment as triggers for changes in organizations, at least in the long run. As we aim at a configuration model of organizational culture, which is valid in different contexts, the potential model should be able to consider various environments, for example, different industries. Therefore, using solely either “the market” or “the society” as domains for external environments would limit the model to these contexts. To avoid overgeneralization, we identify two different and distinguishable external environments to which an organization is fundamentally linked: legitimization environment and task environment (following Donnelly-Cox & O’Regan, 1999).

*Legitimization environment* refers to all stakeholders of an organization, as defined by Freeman (1984). Thus, organizations are legitimized by and need to justify their activities to several groups of stakeholders, for example, customers, shareholders, employees, suppliers, and so on, which sometimes may even pursue conflicting interests. This is what is commonly understood as institutionalism (e.g., DiMaggio & Powell, 1994; Scott, 2008). We understand legitimacy as “a generalized perception or assumptions that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values beliefs and definitions” (Suchman, 1995, p. 574). Child (1972) highlights that organizations do not only reflect their “members’ goals, motives or needs,” but are to some extent dependent on goals, motives, and needs of the external environment. With reference to society, as a rather general group of stakeholders, we identify the notion of “pressure” originating from national culture. Sagiv and Schwartz (2007) argue that organizations are operating under social pressure and have to operate in line with societal values to be accepted as a member of society. The idea of “social pressure” on an organization had already been mentioned by Parsons (1960) and Meyer and Rowan (1977). Thus, we can conclude that organizational culture is affected by national culture in two ways: (a) through society and (b) through employees who bring in their own perception of national values (see also Sagiv & Schwartz, 2007). In view of the above, organizational culture legitimizes strategies, structures, and operations but needs to stand in line with societal values. Consequently, organizational culture shares to some extent similar values with those held by stakeholders. Whereas organizational values partly reflect societal values, organizational culture can

significantly be distinguished from national culture (Hofstede et al. 1990), as organizational culture is also determined by strategy, structure, and operations. Based on these conclusions, there are two important aspects that need to be mapped by a configuration model of organizational culture: (a) a separate domain that represents the “legitimization environment” and (b) two processes that link this domain to the organization, namely, “pressure of legitimization” and “legitimization management”—The latter assures stakeholders that the organization operates in a way “that is consistent with societal beliefs” (Donnelly-Cox & O’Regan, 1999, p. 17) and helps to influence regulating institutions.

*Task environment* is what mostly likely could be associated with “the market.” However, we abstain from using the term “market,” as organizations may pursue different operations related to several markets or even activities that are only loosely linked to “markets,” for example, voluntary support of elderly or handicapped people. Generally, organizations develop strategies to achieve certain tasks that are either profitable or, at least, constitute financial survivability. Thus, organizational structures need to account for certain levels of performance (Child, 1972). For example, whereas nonprofit organizations aim at equaling expenditures with revenues and donations, for-profit organizations intend to generate revenues that exceed their expenditures, resulting in a profit/surplus. Consequently, operations (as determined in our model) are directed at the successful accomplishment of tasks, performed by a given organizational structure. From this, we can conclude that operations are directly linked to the task environment in two ways: (a) through “actions,” determined as a coupling of structures and operations and (b) through “market feedback” as a response to organizational operations. As operations are strongly linked to structures, these structures indirectly influence the link between operations and task environment. This is an essential point, as structures cannot meet tasks by themselves, but rather fulfill a supportive and guiding (or controlling) function for operations. At the same time, the external environment can by no means directly change organizational structures. A change in structures is always implemented by internal activities, that is, inward-oriented operations. Consequently, through internal performance assessment, the external environment can indicate a need for change of organizational structures and by that trigger a change process. Structures are defined and set up by organizations and are directed at task achievement in the task environment or legitimization management as a response to cultural pressure of stakeholders. Figure 8 provides the final configuration model of organizational culture, which considers the internal as well as the external environment.

In view of the above, we can argue that organizations are partly shaped by their external environment. This is not a new finding. Thompson (2003) emphasizes that organizations differ among and within them. In particular, he describes that characteristics of environments, such as level of uncertainty



**Figure 8.** Configuration model of organizational culture: Internal and external environment

and complexity, require different forms of organizations. With respect to variation within organizations, he postulated that

- (1) all organizations are, by their nature, open to the environment,
- (2) all organizations must adapt to their environments by crafting appropriate structures, but
- (3) organizations are differentiated systems, and some components or sub-units are designed to be more open—and some are more closed—to environmental influences than others. (Thompson, 2003, xix-xxx)

These assumptions also hold for our configuration model of organizational culture. The model can illustrate different types of organizations and clearly defines structures and operations as being more open and affected by the environment than strategies, which change only through learning processes. In line with Open Systems Theory, we argue that each organization is an open system that needs to stand in a dynamic equilibrium with the environment (Richard, 1992; Donnelly-Cox & O'Regan, 1999). This is mapped in our configuration model of organizational culture, as changes in any domain necessarily lead to a process of response to this change, irrespective of the effectiveness and efficiency of the response or the respective processes.

### Applicability and Value of the Configuration Model of Organizational Culture

The presented configuration model should be understood as a first step toward a more holistic (see also Tsui et al.,

2007) and dynamic approach to organizational culture, that is, accounts for change over time (e.g., Mitchell & James, 2001; Ployhart & Vandenberg, 2010). In the following, we discuss how the presented model meets these criteria and adds value to our understanding of organizational culture and processes of organizational culture change.

### Understanding organizational processes = understanding organizational (culture) change = understanding organizational (culture) dynamics

The configuration model of organizational culture emphasizes the need to understand processes *and* domains alike to fully grasp the nature of organizational culture dynamics. We foregrounded in the model that change, a major theme of this model, is a process, which hardly can be reflected by domains, except by collecting data at different points in time. However, the innate problem of collecting time series data about domains is its incapability to investigate in change as a separate variable, which can be further investigated or even classified. Thus, treating change as a black box and comparing two states of a domain at different times might not provide any insights into how efficient such a change process has been, although the final result might have yielded a better organizational performance. The configuration model of organizational culture provides the basis for running such analysis, assuming that organizational learning processes can trigger change, and “guidance”, “operationalization”, and “patterns of behavior” shape change toward a new state of domains, for example, a shift from an international divisional

structure to a global matrix. This allows conducting research related to functions or dysfunctions of such processes conjointly.

The call for more dynamic models is largely attributed to the accelerated dynamic changes in the external environment. Organizations may differently respond to such changes. We highlighted that the capability to adjust or even learn from changes in the market can considerably shape the future of an organization. Lack of organizational learning and primary emphasis on adjustment processes could threaten long-term strategic goals or even financial survivability. Conducting research on whether strategies or structures meet requirements of the external environment are important to identify the urgency for change. Still, managers as well as scholars would remain rather shortsighted by (a) considering a potential mis-“fit” between organizational domains and the external environment only and (b) neglecting the need to understand why or why not change processes are more or less successful. The configuration model of organizational culture aims at making this explicit by providing meaningful explanations for relationships between organizational constructs. The importance of organizational processes is not necessarily new to the field of organization theory; however, respective models, which tend to include the notion of organizational culture, tend to undervalue the role of processes in shaping organizational life and performance. As was highlighted in the introductory sections of this article, attempts to synthesize different research areas in organization studies or cultural studies have been rare and somewhat incomplete.

Dauber (2011), who applied the configuration model of organizational culture, investigated into the blending of different organizational cultures, also known as “hybridization” (Dauber & Fink, 2009). With the help of the proposed model, it was possible to show effects deriving from partial acculturation, that is, integration, assimilation, separation, and marginalization of domains (see also Berry, 1980; Haspeslagh & Jemison, 1991). Existing research on acculturation modes in post-M&A processes recognized only differences in social and structural integration (e.g., Björkman, Stahl, & Vaara, 2007; Burgelman & McKinney, 2006; Puranam, Singh, & Chaudhuri, 2009; Puranam, Singh, & Zollo, 2006; Puranam & Srikanth, 2007; Stahl & Voigt, 2008; Waldman & Javidan, 2009). Dauber (2011) finds that assimilation or integration of structures and strategies seemed to be a relatively easy task for the acquirer in the respective case studies. However, the harmonization of conflicting values and beliefs caused considerable misbehavior, that is, resistance by acquired employees. Ineffective organizational culture change processes resulted in financial losses by the companies involved, although target companies were successfully “integrated” with respect to their strategy, structure, and operations, that is, their domains but not their processes. Considering the data in light of the configuration model of organizational culture, it became clear that sensemaking processes (reflected by single- and double-loop learning) are strongly shaped by previous corporate

values and determined the way change was perceived and treated by the two parties involved. Different values became a barrier to mutual learning from each other. Whereas adjustment processes formally seemed to be successful, that is, implemented rules reflected by structures were the same, learning processes were not. Thus, sensemaking of new rules within the target companies was different, difficult, or even failed, which caused considerable confusion and frustration among employees. This example conveys that differences in organizational processes appear to be at least as important as differences in domains. Nevertheless, more research is required to fully understand the value of these certainly promising preliminary findings.

### *Coping With Multidimensionality, Holism, and Complexity*

In line with Tsui et al. (2007), models of culture and organizational culture, respectively, need to be further developed to be applicable in different contexts as well as consider effects from different levels of analysis. They emphasize that developing a polycontextual model is a challenge, because we need to draw on and understand different research disciplines to gain more holistic insights into cultural effects on certain constructs of interest. Following this advice, we elaborated the presented configuration model in such a way that it confirms past empirical research and connects to different fields of organization research, for example, organizational culture, strategy-structure fit research, organizational behavior, organizational learning, and so on. By integrating commonly known classes of (sometimes competing) theories or research findings, which enjoy widespread acceptance, the presented configuration model clearly reaches beyond existing organizational culture models (e.g., Hatch & Cunliffe, 2006; Schein, 1985), which concentrate on particular elements or facets of organizational culture.

The proposed model suggests cross-level interdependencies, for example, relationships between internal and external environment. While some existing models vaguely indicate this relationship (e.g., Allaire & Firsirotu, 1984; Hatch & Cunliffe, 2006; Homburg & Pflesser, 2000), they provide only limited insights in how such relationships are shaped or determined. Considering the “how” criterion of Whetten (1989), parts of those models presented at the beginning of this article do not fully meet this requirement, that is, certain elements of the model are rather ambiguously related to each other. A strength of the configuration model of organizational culture is its ability to overcome this constraint to a large extent. In light of cybernetic systems approaches like those of Beer (1989), Stopford and Wells (1972), and Yolles (1999, 2006), theoretical validation of the model is possible. The cybernetic nature of the model allows drawing conclusions for cross-level analyses. The configuration model represents a “holon,” that is, it meets the conditions of representing a *whole system*, in this case an organization. Thus, the same

model applies to the whole organization and to each of its distinct subunits, for example, marketing department, finance department, and so on. This model can be used to compare different parts of an organization (departments, teams, groups) by using multiple configuration models of organizational culture, for example, exploring the level of “culture-fit” between an organization’s overall culture and its subcultures. Cultural difference within the organization, for example, different cultural perceptions of managers (as a group) and staff (as a group), might have a considerable bearing for organizational performance. However, it would also be possible to replace the interaction with domains of the external environment by another organization (i.e., another “internal” environment) to illustrate interorganizational relationships. An empirical example of how two configuration models of organizational culture might interact with each other is provided by Dauber (2011) on post-M&A integration processes. In terms of the configuration model, an acquisition represents the “integration” of a small part of the external environment (i.e., another organization) into the internal environment. Research in this area can be expected to produce new knowledge about organizations and their functioning.

Compared with previous models, the configuration model of organizational culture appears to be more complex, but still systematic and logical. We believe that oversimplification of models rather harms our efforts to explore or explain social phenomena, such as organizational culture dynamics. With the advent of new research methods, particularly driven by computer-aided tools of data collection and analysis, such complex models find their applicability in a meaningful and feasible way. At the same time, it has to be accepted that for research on linear relationships, simpler models might equally serve as a theoretical base to illustrate unidirectional effects. However, scholars interested in change and reciprocal relationships between constructs might more likely appreciate the configuration model of organizational culture as their preferred frame of reference.

## Concluding Remarks

In this article, we aimed at extending knowledge about organizational cultures, strategies, structures, and operations by introducing meaningful relationships, that is, defining processes between them. We are aware of the fact that these first results based on reviewing existing research as well as first empirical results can only be labeled as “promising evidence” for heading into the right direction. There is still much more fieldwork required to evaluate the proposed relationships.

Our intentions were less concerned with showing that other models are not applicable or meaningful. Most of them have proven to be very valuable in the past within their respective fields. However, the request for more dynamic, multidimensional (e.g., Ployhart & Vandenberg, 2010; Smith & Lewis, 2011) and multidisciplinary (Tsui et al., 2007)

approaches to organization studies calls for new models, which can fulfill these criteria. Our approach was strongly driven by reviewing existing theories and empirical investigations to identify whether existing models already capture the notions of change and processes related to organizational culture. We came to the conclusion that recognized models are most of the time limited in their applicability in complex and dynamic settings, simply because they were not necessarily designed for such contexts. The proposed configuration model of organizational culture appreciates existing research, but also provides new avenues for investigations into current and possibly future phenomena which might be partly driven by factors that were of less importance in the past. The presented models show great potential for synthesis into a single and probably more contemporary model, which appreciates “change” as a common phenomenon within societies and economies.

A major emphasis in developing the configuration model was to spotlight processes that explain how widely accepted constructs, such as strategy and structure, are related to organizational culture as well as organizational culture change. We identified six processes related to the internal environment of an organization, three of which are related to forward processes, that is, the manifestation of domains through guidance, operationalization, and patterns of behavior. Another set of three processes is related to organizational change and learning: adjustment processes, single-loop learning, and double-loop learning. Besides, we modeled relationships between the internal and external environment (task and legitimization environment). Two fundamental processes of interacting with the external environment were identified (action and legitimization management). As a response to “action” and “legitimization management,” we elaborated the notion of “market feedback” and “cultural pressure.” Depending on the degree of cultural pressure, an organization might have to engage in legitimization management. Likewise, in case of bad market feedback, an organization will have to consider altering its actions through change within the internal environment. We encourage scholars to investigate not only into relationships between organizational cultures, strategies, and structures but also into the innate dynamics of these processes as suggested by the configuration model of organizational culture.

Questions related to complex social phenomena often require rather complex answers. The configuration model of organizational culture serves a higher degree of complexity compared with other models but remains within the boundaries of comprehensiveness due to its strong ties to existing research. Besides, the model does not favor a specific methodological paradigm; it can be applied in quantitative, qualitative, and mixed-methods designs to test hypotheses or to explain or explore organizational phenomena. Therefore the applicability of the model is manifold. We provided one example by referring to the qualitative study of Dauber (2011) related to the context of M&As and organizational

culture change. However, also quantitative studies based on time series data might provide interesting and enlightening insights (see, for example, Ployhart & Vandenberg, 2010).

The configuration model of organizational culture constitutes an important step forward to a more holistic, comprehensive, and interdisciplinary approach to cultural dynamics in organizations and can serve as a meaningful reference to build new knowledge about culture effects in organizations. We do not claim that different streams of existing research have taken a too narrow view on organizations and cultural effects. However, just as much as we need to be aware of what we are looking at when conducting organization studies in a well-defined field, we should also be aware of what we are not looking at and how this may affect our analysis, findings, and conclusions.

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