The Impact of Culture and Reputation on Performance: The Role of Interdependent Core Elements

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EXECUTIVE SUMMARY

This paper examines the central role of organizational culture and its impact on an organization’s interdependent core elements, an organization’s reputation and on firm performance. The key interdependent core elements we examine in this research are information management, inter-functional coordination, organizational memory, and strategic effectiveness. This research posits that an appropriate and effective organizational culture is the central driver of firm success and well-being. Customers and key constituents, including employees, suppliers, and key stakeholders, prefer to enter into relationships with an organization with a favorable reputation. This research tests the various hypothesized relationships by developing and testing a path model. A representative sample of 163 small firms is used to test the research model and the associated hypothesized path relationships. Using path analysis, the results indicate the central and crucial role of organizational culture in impacting an organization’s interdependent core elements, reputation, and performance. Eighteen of the twenty-one hypothesized relationships have statistically significant paths. The explained variance ranges from .091 (for information generation) to .611 (for organizational reputation). The model also explained .326 of the variance for firm performance. Thus, the major determinants of reputation and performance are well explained by this path model. The conclusion section of the paper addresses limitations of this research, and discusses both research implications and directions for future research.

Keywords: Culture; Reputation; Performance; Interdependent core elements