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ORGANIZATIONAL EFFECTIVENESS: AMERICAN SUBSIDIARIES IN ROMANIA

ABSTRACT

Romania is becoming increasingly attractive for foreign companies. As the number of U.S. firms is increasing in Romania, their subsidiaries need a better understanding of the local characteristics. This study examined the effect of four organizational culture traits - Involvement, Mission, Adaptability, and Consistency - on seven measures of firm effectiveness for 51 U.S. subsidiaries. This study expands the current research in emerging markets, highlighting the importance of organizational culture for the effectiveness of firms. The study found that all four organizational culture traits have a positive influence on effectiveness.

Key Words: multinationals, organizational culture, organizational effectiveness, subsidiaries

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INTRODUCTION

This study focused on American multinational corporations with 100% U.S. ownership that have subsidiaries operating in Romania. It examines the effect of four organizational culture traits - Involvement, Mission, Adaptability, and Consistency - on seven measures of firm effectiveness using Denison's model on a sample of 51 American subsidiaries in Romania. The purpose of this study is to address the theoretical gap in Romania and to extend the current research focusing on organizational culture and effectiveness. The problem is what aspects of organizational culture influence effectiveness in the context of U.S. subsidiaries in Romania.

Globalization has led to a tremendous growth in the multinational corporations (MNC) and determined an expansion to countries on all continents. As a result of market saturation in the developed markets and less opportunity for growth, multinational corporations explored other opportunities. Developing countries showed a great potential and an increased demand for goods and services (Mahajan, Banga and Gunther, 2005; Sevic, 2005). Wholly or partially owned subsidiaries become one of the most practiced entry modes for these American companies in developing countries. Understanding and appreciating cultural values and practices in these countries is one of the challenges that these companies face. Culture is a complex phenomenon and there are different theories regarding organizational culture. Most of the theories that focused on the relationship between organizational culture and effectiveness were developed through research in the U.S. Few studies focus on companies that operate in other countries (Denison, 1990; Kotter and Heskett, 1992).

BACKGROUND

A company's organizational culture has a strong influence on its strategies, tactics, and practices. The cultural differences are a source of problems and misunderstandings from ethical perceptions to business goals and personal values. American MNC were chosen for this study because they invested heavily in Romania, U.S. being among the top countries to provide Foreign Direct Investments (FDI). According to the U.S. Embassy in Romania, many more U.S. companies are interested in expanding there. Some of them are reluctant to do so because of the unstable environment. Even though the business environment is unpredictable and still unregulated in many ways, Romania has climbed from the 39th place to 19th place as financial attractiveness for foreign companies, according to a 2009

A.T. Kearney Global Services Location Index. This study analyses market growth and consumer indicators for 30 emerging market countries.

Romania is a developing country, part of the former communist Eastern European block. According to the 2008 Commercial Guide for U.S. Companies (CGUSC) published every year by the U.S. Embassy in Bucharest, the country attracted an impressive number of foreign investments mainly because it's strategic location and the skilled and cheap labor. Romania is the second largest market in Central and Eastern Europe (CEE) after Poland and has extensive maritime and river routes with the fourth largest port in the region. The skilled labor force (IT, engineering) and an impressive number of foreign language speakers - English in particular - are other positive factors. Industry is the sector attracting the highest rates of FDI. Other attractions are cheap land compared to other countries in the region, skilled labor force at competitive prices, and availability of production capabilities. The country is still in transition from a state-controlled system to private enterprise, but ownership and foreign direct investments are steadily rising. The progress made in the last years has moved Romania to the investment grade rating by Standard and Poor and Fitch agencies. Ernst and Young European Attractiveness Survey (2010) indicate Romania as top destination for new investments or expansion projects in South Eastern Europe. The country enjoys a pro-American environment, it is a NATO member, and it signed the Defense Cooperation Agreement in 2005.

Corporations need to be aware of the following when starting their operations in Romania. The country is in a process of transition from a Communist and centralized system to a free market and capitalism. Central planning and bureaucracy, hierarchical structures, and authoritarian orders characterized the Communist period. These resulted in standardized labor practices, low job satisfaction, poor motivation, and low productivity. Human resource processes were almost inexistent, the positions being regulated in strong relation with political interest and the Communist Party (CGUSC, 2009). Social responsibility is a concept that is slowly implemented. The government does not have the money to support little businesses or to enforce rules and regulations in this matter. Corruption is strongly related to poor ethical values in society, although this has changed tremendously, especially for the younger generations. Romania welcomes the presence of MNC for their role in creating jobs and incomes, developing infrastructure and demand growth. Technology transfer, training of local workers and community advantages are other benefits for the host country. To succeed in these markets, managers need to be flexible and responsive to practices and values that might be radically different from those in their home country. After the fall of the Communism in 1989, Romania switched direction from a centralized market to a liberalized market. American MNC are interested in this market to explore new opportunities. Each of these companies comes with an organizational culture believed to be successful in their home country, but as research has shown, the national culture of the host country impacts the business in the new cultural context. The success of the MNC is enhanced by recognizing that the American theories might not have the same effectiveness in Romania. The cultural differences are a source of problems and misunderstandings.

United States is a huge market for goods and services; comparably, Romania is the size of Georgia. Knowing the differences in national culture between the two countries is very important for the success of the businesses. As other developing countries, Romania is going through a time of change and experiences fluctuations in all fields. American Chamber of Commerce Business Resources (2009) identified the most important issues that are holding back developments for U.S. companies on Romanian local market: labor market flexibility, corruption, lack of laws, bureaucracy, EU countries regulations, and intellectual property regulations.

THEORETICAL FRAMEWORK AND HYPOTHESIS

Denison (1996) defines organizational culture as the underlying values, principles, and beliefs that are found at the core of the organization's system, are shared by the members of the firm, and determine the management practices and behaviours. Denison's model of organizational culture and effectiveness constitutes the framework for this study. The empirical research performed by Denison (1984, 1990, 2000), Denison and Mishra (1995), Kotter and Heskett (1992) and Fey and Denison (2003) support the idea that there is a link between organizational culture and performance.

Denison model links organizational culture to bottom-line performance indicators as sales growth, market share growth, return on assets, quality improvements, new product development capability, employee satisfaction, and overall firm performance. The model presents the poles between which every company seeks balance: internal focus vs. external focus, and stability vs. flexibility. Denison's research also found that mission and consistency are the best predictors of profitability, involvement and adaptability are the best predictors for innovation, and adaptability and mission are the best predictors of sales growth. All four traits are significant predictors of other criteria of effectiveness like quality, employee satisfaction, and overall performance.

Research questions and hypothesis

The research approach is a quantitative study, testing five hypotheses. U.S. wholly owned subsidiaries operating in Romania represent the sample of this study. The organizational culture of the headquarters is likely to influence the organizational culture of the subsidiaries outside of the United States (Fey and Denison, 2003; Boyacigiller and Adler, 1991; Hofstede, 1993). The questions and hypothesis from one to four focused on mission, adaptability, consistency, and involvement as cultural traits, and the fifth one focuses on organizational culture as a whole.

Involvement refers to the degree in which the company is interested in getting its employees involved, informed and sharing the same direction with the company. Effective organizations create a work environment of teamwork, empowerment, and human resource development.

Hypothesis 1: Involvement is positively related to each of the seven measures of perceived effectiveness.

Consistency refers to the company's systems and processes that are engaged and focused on reaching the goals and they are efficiency and effectiveness oriented (Fisher, 2000). It is about the strength of internal culture. Company behavior is determined by the core values, and decisions are made because of a common mindset.

Hypothesis 2: Consistency is positively related to each of the seven measures of perceived organizational effectiveness.

Adaptability refers to the company's ability to respond quickly and efficient to the external stimuli and consumer demands. The companies that are well integrated are the ones that have problems changing and adapting. Adaptable companies are driven by customers; they learn from their mistakes and rethink their actions and decisions considering the outcomes. They have the capability and experience at creating change. They continuously change with the core values in mind in order to provide value to customers at the current time.

Hypothesis 3: Adaptability is positively related to each of the seven measures of perceived effectiveness.

Mission refers to the degree in which a company has clear goals and vision for the long-term. Successful organizations have a clear sense of purpose and direction that are reflected in the company's goals and strategy and it expresses a vision of the future. When the company's mission changes, the strategy, culture, and behavior needs to change too.

Hypothesis 4: Mission is positively related to each of the seven measures of perceived organizational effectiveness.

Hypothesis 5: Organizational culture is positively related to the perceived organizational effectiveness.

Organizational culture: the highest performing companies are those that show strength in all areas at the same time. Researchers have studied and concluded that national culture has an influence on the application of management theory outside of U.S. (Kobrin, 1991; Hoecklin 1995). Hofstede's study (1980) revealed that U.S. ranks high at individualism compared to Romania, and Romania has higher power distance and scores high at uncertainty avoidance.

METHODOLOGY

The purpose of this quantitative research was to establish associations between the independent variables represented by the four cultural traits of involvement, consistency, adaptability and mission, and the dependent variables represented by the seven criteria of effectiveness. The sample is represented by American MNC that operate in Romania as wholly owned subsidiaries.

Instrumentation

This study used the Denison Organizational Culture Survey-DOCS (Denison and Mishra, 1995; Denison and Neale, 1996; Fey and Denison, 2003), a standardized questionnaire with a Cronbach $\alpha > .87$. Permission was obtained from the authors to use this instrument in this study. This survey was developed based on 20 years and more of research performed by Dr. Daniel R. Denison and was used in thousands of organizations around the world (www.denisonconsulting.org). The survey links organizational culture to bottom-line performance metrics as sales growth, return on equity, return on investment, customer satisfaction, innovation, employee satisfaction, and more. Employees' perceptions are measured on 60 items that determine scores on 12 cultural attributes corresponding to four characteristics of organizational culture, the culture traits. In August 2007, a team of specialists (Carter et al., 2007) worked on a study that focused to determine the comparability of the items and scales of the DOCS across language translation. The purpose of the study was to research the extent to which different language adaptation could be compared to the English version (US). The result of the statistical analyses suggested that the majority of the scales are indeed comparable to the English version and, most important, that the same dimensions of culture are found across languages. The questions of the study were translated into Romanian, for Romanian speaking managers, and left in English for all English speakers. In Romanian business culture most, if not all, managers are fluent in English as well as most of the employees that are in the upper hierarchy of a company. For the Romanian version, the translation procedure started with the survey translation from English in Romanian by a group of experts, Romanian native speakers, and then translated back into English by different people. The differences were resolved. This approached has been used by Fey and Denison (2003).

Data collection

Managerial level employees from 100% US owned subsidiaries in Romania were asked to participate in the study. The participation was anonymous. This approach is consistent with previous research on organizational culture (Cameron and Freeman, 1991; Denison and Mishra, 1995).These participants are chosen because of their knowledge on specific issues that they are surveyed on. The list of the companies was provided by an official authority, the National Trade Registry Office (NTRO) of Romania. Single responses per company will be accepted. As Fey and Denison (2003) showed in his study, single-respondent studies are common in the organizational literature. Cited studies in his article include Birkinshaw et al. (1998), Delaney and Huselid (1996), Delery and Doty (1996), Denison and Mishra (1995), Geringer and Herbert (1989), Lee and Beamish (1995), Shaw et al. (1998), Fey and Denison (2003). Denison and Mishra (1995) demonstrated that the correlation of cultural measures is higher when the effectiveness is measured objectively, than when is more perceptual. This means that using a person from the top management would provide more accurate image on the effectiveness of the company due to the exposure to confidential financial information.

Procedures

After obtaining the list with 336 companies with their contact information, the first contact was established through email, then phone calls informing the company about the intent of a research. If the completed survey was not received in two weeks, the follow-up procedure applied three phone calls, resending the questionnaire via email, and a final call as a reminder. All the companies that did not respond after this last step were placed in the non-respondent category. Out of the 336 companies (initial population) ,113 were screened out (not active, startups, not 100% US ownership) therefore 223 represents the actual population, out of which 71 could not be contacted or did not agree to participate. The final sample size was represented by 152 companies. There were 90 surveys received from 51 companies (33.55% response rate). After validation, there were 87 responses usable in the analysis.

Data analysis

The independent variables of the study are the four cultural traits: mission, involvement, consistency and adaptability. The dependent variables in this study are the seven criteria of effectiveness sales growth, market share growth, new product development, return on assets, quality improvements, employee satisfaction, overall performance and organizational effectiveness as a whole.

Prior to the analyses, the individual responses to the organizational culture scale were aggregated to obtain one score for each company. The means of the four cultural traits determined the organizational culture score for each company. The means of the seven criteria of effectiveness determined the score for the organizational effectiveness for each company.

The survey returned 90 responses. Three responses were incomplete so they were removed from future analysis. The names of the companies were coded to ensure the anonymity of the responses according to the stated procedure in the IRB documentation and the research design. At this stage, the reverse-coded items in the survey were recoded and data was checked for errors. A file was created for all data. The 87 valid responses were separated in three groups: companies with single responses (17), companies with two responses (34), and companies with three responses (2). The descriptive statistics was performed for each of these sets of data. The data in each of these files was analysed separately in order to determine if there are major differences between the responses for each of the companies with two or three responses. The covariance results for each of the data groups tested revealed that there are no major differences in the responses from the same company. The score for the companies with two or three responses was obtained by calculating the mean of the two or three responses for each of the items in the survey.

After averaging the scores for the companies, the final set of data contained all the 51 respondent companies and their final score for each of the items in the survey. The relationship between organizational culture and effectiveness was analysed through correlations, and the effect through simple and multiple regression analyses.

Table 1: Descriptive statistics and correlations

	Mean (SD)	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Involvement	3.74 (.51)													
2. Consistency	3.57 (.40)	.85												
3. Adaptability	3.49 (.41)	.72	.75											
4. Mission	3.56 (.48)	.78	.79	.73										
5.Organizational culture	3.59 (.41)	.93	.93	.87	.91									
6. Sales growth	3.61 (.67)	.47	.34	.38	.33	.42								
7. Market share growth	3.57 (.69)	.57	.50	.46	.50	.56	.47							
8. Return on assets	3.38 (.78)	.61	.57	.51	.55	.62	.69	.57						
9. Quality improvements	3.66 (.69)	.68	.53	.46	.56	.62	.52	.41	.65					
10. New product development	3.56 (.72)	.65	.53	.33	.42	.54	.43	.56	.53	.69				
11. Employee satisfaction	3.52 (.71)	.63	.67	.48	.54	.64	.48	.55	.72	.59	.64			
12. Overall firm performance	3.63 (.54)	.61	.60	.53	.53	.62	.50	.53	.71	.64	.58	.75		
13. Organizational effectiveness	3.56 (.56)	.75	.67	.56	.61	.71	.73	.73	.87	.80	.79	.84	.83	

Notes: Pearson r coefficients are reported. All correlations are significant at the $p < 0.01$ level (1-tailed), $\alpha = 0.05$.

RESULTS

Descriptive statistics

The results of the correlation analyses reported in Table 1 are in line with the findings of Denison et al. (2004), Yilmaz and Ergun (2008), Fey and Denison (2003) who found that there is a positive relationship between the four organizational culture traits and the seven criteria of effectiveness. The weakest relationship was observed between adaptability and new product development capability and between mission and sales growth (r = .33, $p < 0.01$). The strongest relationship was observed to between consistency and employee satisfaction (r = .67, $p < 0.01$) and between involvement and organizational effectiveness (r = .75, $p < 0.01$). The involvement trait has the highest correlation with performance indicators and the consistency trait has the lowest correlations. The performance indicator that seems to have the highest average level of correlations with the cultural traits is employee satisfaction and performance indicator with the lowest average level of correlations is sales growth.

Hypothesis testing

The first four research questions explore the relationship between the independent variables involvement, mission, adaptability, consistency and the seven criteria of effectiveness: sales growth, market share growth, new product development, return on assets, quality improvements, employee satisfaction and overall performance. The first four hypotheses predicted a positive relationship between each of the independent variables and each of the dependent variables. The alternative directional hypotheses [H1-H4] are tested using seven regression analyses/ hypotheses, one for each criteria of effectiveness. In addition, the independent variables are regressed against the variable organizational effectiveness, obtained by calculating the mean of the seven criteria of effectiveness. Based on the results obtained through the regression analyses, all four hypotheses were accepted.

The results of regression analyses for each hypothesis are presented in Table 2 (H1), Table 3 (H2), Table 4 (H3), and Table 5 (H4). Based on the results obtained through the regression analyses, all four hypotheses were accepted.

Table 2: Results of regression analyses for independent variable involvement

	Dependent Variables							
	Sales growth	**Market share growth**	**Return on assets**	**Quality improv.**	**New product dev.**	**Employee satisfaction**	**Overall firm perf.**	**OE**
Predictor (b)	0.62	0.77	0.93	0.92	0.92	0.87	0.64	0.81
Constant (a)	1.26	0.66	-0.13	0.21	0.1	0.23	0.21	0.51
β	0.47	0.57	0.61	0.68	0.65	0.63	0.61	0.75
R^2	0.22	0.33	0.37	0.46	0.43	0.40	0.37	0.57
F	14.42	24.13	29.87	42.23	36.99	32.82	29.42	65.35

Note: $p<0.001$, n=51, DF=(1, 49)

Table 3: Results of regression analyses for independent variable consistency

	Dependent Variables							
	Sales growth	Market share growth	Return on assets	Quality improv.	New product dev.	Employee satisfaction	Overall firm perf.	OE
Predictor (b)	0.58	0.86	1.11	0.92	0.94	1.19	0.80	0.91
Constant (a)	1.53	0.48	-0.59	0.37	0.17	-0.73	0.74	0.28
β	0.34	0.5	0.57	0.53	0.53	0.67	0.60	0.67
R^2	0.12	0.25	0.33	0.29	0.28	0.46	0.36	0.45
F	6.80*	16.87	24.59	20.06	19.45	41.84	28.54	40.52

Note: p<0.001; * p<0.05, n=51, DF=(1, 49)

Table 4: Results of regression analyses for independent variable adaptability

	Dependent Variables							
	Sales growth	Market share growth	Return on assets	Quality improv.	New product dev.	Employee satisfaction	Overall firm perf.	OE
Predictor (b)	0.63	0.77	0.97	0.78	0.59	0.84	70	0.75
Constant (a)	1.4	0.85	-0.29	0.92	1.5	0.57	1.17	0.91
β	0.38	0.46	0.51	0.46	0.33	0.48	0.53	0.56
R^2	0.14	0.21	0.26	0.21	0.11	0.23	0.28	0.31
F	8.52**	13.21*	17.52	13.40*	6.25***	15.26	19.53	22.72

Note: p<0.001;* p<0.005; ** p<0.01, ***p<0.05, n=51, DF=(1, 49)

Table 5: Results of regression analyses for independent variable mission

	Dependent Variables							
	Sales growth	Market share growth	Return on assets	Quality improv.	New product dev.	Employee satisfaction	Overall firm perf.	OE
Predictor (b)	0.46	0.71	0.88	0.80	0.63	0.79	0.59	0.70
Constant (a)	1.97	1.01	0.21	0.79	1.29	0.67	1.50	1.06
β	0.33	0.50	0.55	0.56	0.42	0.54	0.53	0.61
R^2	0.10	0.25	0.30	0.31	0.18	0.29	0.28	0.37
F	5.99**	16.43	21.36	22.64	11.00*	20.69	19.65	29.53

Note: p<0.001;* p<0.005; ** p<0.05, n=51, DF=(1, 49)

Hypothesis 5 tested the relationship between the overall organizational culture and overall organizational effectiveness. This hypothesis predicted a positive relationship between organizational culture as a sum of the four cultural elements and the perceived effectiveness of the company. OC represents organizational culture and OE represents the perceived organizational effectiveness. The score for the OC was obtained through statistical average (mean) of the four cultural traits: mission (M), involvement, adaptability, and consistency. The mean of OC scores was 3.59 with a *SD* of .41. The score for the OE was obtained through statistical average (mean) of the seven criteria of effectiveness: sales growth, market share growth, new product development, return on assets, quality improvements, employee satisfaction, and overall performance. The mean of OE scores was 3.56 with a *SD* of .56. The hypothesis [H5] was tested through linear regression analysis. A simple linear regression was calculated predicting OC based on OC. A significant regression equation was found ($F(1, 49) = 52.277$, $p < 0.001$), with an R^2 of .51 ($p < 0.001$). As a result, hypothesis 5 is accepted: organizational culture is positively related to the perceived organizational effectiveness. The multiple regression analysis where all four cultural traits were posed as independent variables reveals that they have various influences on organizational culture, involvement being the strongest predictor overall.

Table 6: Overall regression analyses results

Independent variables	Dependent variables							
	Sales growth	**Market share growth**	**Return on assets**	**Quality improv.**	**New product dev.**	**Employee satisfaction**	**Overall firm perf.**	**OE**
Involvement	0.47	0.57	0.61	0.68	0.65	0.63	0.61	0.75
Consistency	0.34***	0.50	0.57	0.53	0.53	0.67	0.60	0.67
Adaptability	0.38**	0.46*	0.51	0.46*	0.33***	0.48	0.53	0.56
Mission	0.33***	0.50	0.55	0.56	0.42*	0.54	0.53	0.61
Organizational culture	0.42*	0.56	0.62	0.62	0.54	0.64	0.62	0.71

Notes: p<0.001; *p<0.005; **p<0.01; ***p<0.05; n=51, df =49; Standardized regression coefficients (Betas) are reported.

The results show that all cultural traits are positively related to the organizational effectiveness. In Romania, involvement is the strongest predictor of organizational effectiveness. The strongest relationship is observed between involvement and organizational effectiveness. In relation to the seven criteria, the strongest relationship is with quality improvements, and the weakest with sales growth. Consistency is a stronger predictor of employee satisfaction, and weaker for sales growth. Mission is a stronger predictor of organizational effectiveness, and weaker for sales growth. Adaptability is the weakest predictor. The strongest relationship is with organizational effectiveness, and the weakest is with new product development. The results revealed that organizational culture has a strong positive relationship with organizational effectiveness as a sum of the seven criteria.

DISCUSSION

The involvement trait

The involvement trait consists of value dimensions such as empowerment, team orientation, and capability development. These dimensions are generally manifested in initiative, cooperation and development in reaching goals. The members of the organization have a sense of ownership and responsibility towards the organization. They rely of cooperation and team effort to solve problems and get the work done, all employees feeling accountable for the outcome. The organization is focused on the development of its employees in order to keep the pace with the changes and stay competitive. It is interesting that involvement is a cultural trait that has a significant relationship with effectiveness in all the above studies. According to Denison, an organization with high score on involvement attains internal integration of the resources, flexibility, and creativity by creating a sense of ownership and responsibility, enhancing employee commitment. Organizations perform better regarding aspects of internal organizational dynamics like quality improvements or new product development. In the context of Romanian study, involvement ranked the highest between the cultural traits, the most significant relationships being with quality improvements, new product development, and organizational effectiveness. Based on the findings, in Romania, the participation of the employees in the organization had a positive influence on effectiveness. This occurred as a result of more favorable employee attitudes. Is it a sign of globalization that the cultural boundaries are thinner? In Romania, most of the youngest generations speak English and are familiar with western values, and even more, they try to imitate them. Romania is a country in transition to capitalism. In Communism, employees did what they were told, whereas in capitalism initiative, teamwork, and personal skills are appreciated.

The consistency trait

Consistency is measured through three indices: core values, agreement, and coordination and integration. According to Denison (2000), these indices refer to the set of values and expectations that make all employees work together towards common goals. The emphasis is on common beliefs, practices, and values that increase the effectiveness of organizations through coordination and communication (Fisher, 1997; Yilmaz and Ergun, 2008). Consistency is considered a predictor of financial performance indicators (Denison, 1990). In the Romanian context, consistency is the second strongest predictor of performance, the strongest relations were found to be with employee satisfaction, overall firm performance, and overall effectiveness, which is consistent with the previous research. When the influence of the four cultural traits was tested at the same time, consistency was a stronger predictor of employee satisfaction. From this perspective, consistency can lead to an increase in employee satisfaction.

The adaptability trait

Adaptability refers to the company's ability to deal with external influences and change rapidly to keep up with the consumers. The adaptability trait was measured through three indices: creating change, customer focus, and organizational learning. This cultural trait facilitates the transfer of customers' expectations and social and economic changes, into internal changes. This is reflected especially in innovations and market development and as a capacity to respond to external threats. Adaptability was found to be the most prominent driver of effectiveness in the case of the Russian firms (Fey and Denison, 2003) that were struggling in a transition economy. In Romania, even though it is an economy in transition, adaptability was significant when analyzed independently from the effect of others, but it was ranking the last in strength compared to the other three cultural traits. The strongest relations were observed with profitability and overall effectiveness. When all the cultural traits were analyzed at the same time, the adaptability trait did not appear to have a significant impact in the variations regarding the effectiveness of firms. The strongest relation observed was with sales growth. This can be a result of innovation and market development.

The mission trait

Mission defines the goals of the organization and provides the employees with a sense of purpose. Mission is defined through the indices of strategic direction and intent, goals and objectives, and vision. The emphasis of this cultural trait is on the stability of the organization and it is seen as the strongest driver of market share, financial performance, and overall performance (Collins and Porras, 1991; Yilmaz and Ergun, 2008). For firms in US (Denison et al., 2004) mission was the strongest determinant of effectiveness. In Romania, mission ranked third between the cultural traits. The strongest relation observed was with quality improvements, both in the single analysis and multiple analysis. This can be explained by the fact that mission is supported through teamwork, which is a part of involvement, improving employee morale and encouraging them to fulfill the goals and objectives (Mahal, 2009).

The most effective organizations are those who can balance internal integration with external adaptation. None of the cultural traits alone, without the contribution of the other two can lead to organizational effectiveness (Fey and Denison, 2003). If the focus is only on involvement, the organization might experience uncoordinated efforts, lack of rapid adaptation to changes, conflict, and lack of focused strategy. A company that focuses excessively on consistency can experience slow adaptability and even resistance to change.At the same time, a stronger focus on adaptability could lead to unfocused goals. A stronger focus on mission can lead to rigidity.

Relating the findings to other studies

The respondents of the study were targeted from the managerial level on the assumption that they are qualified to rate the effectiveness of their companies compared to the competition. The method used in this study is consistent with the approach used by Fey and Denison (2003) in Russia where they targeted only managerial level employees. The method is supported by other single-respondent studies that used the same approach cited in the above paper (Birkinshaw et al., 1998; Delaney and Huselid, 1996; Delery and Doty, 1996; Denison and Mishra, 1995; Geringer and Hebert, 1989; Lee and Beamish, 1995; Shaw et al., 1998).

The results of this study are in line with the findings in other research (Denison and Mishra, 1995; Denison et al., 2004; Fey and Denison, 2003; Ylmaz and Ergun, 2008) that all four cultural traits are significantly correlated positively with each of the performance indicators. This research supports the efforts made in determining the cultural factors that distinguish effective and ineffective organizations.

In Romania, involvement is the organizational culture trait most highly associated with effectiveness (seven out of eight), followed by consistency. Consistency is significantly associated with employee satisfaction. In the U.S. (Denison et al., 2004), mission is the organizational cultural trait most highly associated with effectiveness (five out of eight effectiveness measures), followed by involvement. Involvement is significantly associated with employee satisfaction and overall effectiveness.

CONCLUSIONS

The purpose of this study was to explore and understand the effect of organizational culture on organizational effectiveness. For MNC, these studies provide an interesting point of reference regarding choices about organizations and culture to enhance their performance. The findings contribute to the current literature by exploring the relationship between organizational culture and effectiveness in Romania, an emerging market. The results support the previous research that all cultural traits have a significant effect on organizational effectiveness independent from each other, but more relevant, they show that the organizational culture of a company influences its effectiveness. Each trait affects a specific set of performance indicators with relatively stronger effects than others do.

Knowing the differences in national culture between the two countries is very important for the success of the businesses. As other developing countries, Romania goes through a time of change and experiences fluctuations in all fields. The country progressed tremendously during the past decade but there are still areas that need improvement.

Implications for practice

Managers looking to increase the performance of their organizations in Romania should focus on increasing the scores on all four cultural traits to achieve a balanced and effective organization. The prominence of involvement among the four cultural traits in Romania reveals that empowerment; support of employee initiative, cooperation, and specialization offered by the US companies had the greatest impact on effectiveness. Competition, individual input, and appreciation were absent during Communism, therefore Romanians like teamwork and collaboration. These aspects might be more important for the Romanian employees, more than mission might, although related through the goal achievements and sense of purpose. It is believed that people from individualist societies primarily focus on their own best interest and the interest of their families as opposed to collective societies, which are characterized by loyalty to the group, the emphasis being on teamwork and inclusion. A study by Guidroz, Kotrba, and Denison (2009) explored workplace diversity in relation with national and organizational culture based on one company headquartered in Europe, having operations in 60 different countries. The findings revealed that the organization differences accounted for more variance that the countries regarding the involvement. It also suggests that workplace diversity impacts organizational performance, but the impact is realized through a high involvement culture. From this perspective, Romania, as a former collective country values more the involvement aspect of organizational culture, and that is an indicator of performance.

Limitations and recommendations for future research

The sample size is limited to the American subsidiaries with 100% US capital. Targeting specific respondents, managerial level employees, represents another limitation of this research. Increasing the number of respondents from each company, and the number of participating companies might offer a different perspective and more accurate information. The scores were obtained through simple averages, and a potential reason for the observed strong relationships is that all measures are based on similar Likert type survey responses. The length of time that the company was operating in Romania was not taken in consideration, however, organizational culture is a relatively rigid phenomenon, and it takes time to change. The relation between organizational culture and effectiveness might be different in various industries. Other aspects to explore is how many managers are foreign vs. Romanian between the participants and if their answers differ significantly. It would be interesting to research if there would be major differences for companies that have Romanian ownership too in different proportions compared to those that have 100% US ownership. Future studies could also explore US wholly owned subsidiaries across different countries in order to assess the consistency of their organizational culture or the need to change, as required by different cultural contexts. It would be also interesting to compare the relationship between organizational culture and effectiveness of subsidiaries with that of the headquarters.

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