

The Role of Organizational Culture in Mediating the Relationship between National Cultures on Competitive Advantage

¹Gatot Kustyadji

Abstract

This study aims to analyze the relationship patterns between national culture, organizational culture, and competitive advantage of the company that is conducted in 3 cement companies in Indonesia, namely in PT. Semen Gresik (Persero) Tbk., PT. Semen Padang, and PT. Semen Tonasa. The data is obtained by distributing questionnaires to managers in these three companies, and 180 respondents filled in the questionnaire completely. The analysis method is using quantitative descriptive analysis, while the statistical tool is using Structural Equation Modeling (SEM) with AMOS as the data processing technique. This study provides findings that support the previous researches, namely: 1) national culture has a positive significant influence on organizational culture; (2) national cultures has a positive significant influence on company competitive advantage; (3) organizational culture has a positive significant influence on company competitive advantage; (4) organizational culture mediates the relationship between national cultures towards company competitive advantage. Culture plays its role well in increasing company's competitive advantage; becomes a differentiator between one organization and others; provide identity for each member of the organization; unite the organization; and shape the behavior of its members to behave appropriately, therefore with the existence of this culture, it can increase the company's competitive advantage.

Keywords: national culture, organizational culture, competitive advantage

I. Introduction

In 1995, the Government merged 3 SOEs, namely PT. Semen Gresik (Persero) Tbk., PT. Semen Padang, and PT. Semen Tonasa. In business, this idea of company merging is very positive, but in fact, its implementation raises various conflicts because of not paying attention to social aspect. The new structure which placed Semen Tonasa and Semen Padang under PT. Semen Gresik (Persero) Tbk. has made many parties react negatively, because these two companies have not had problems both operationally and financially, but in sudden they are placed as subsidiary of PT. Semen Gresik (Persero) Tbk. Employees and management of these three companies objected to the consolidation with different reasons. Semen

¹Management Department, Economics and Business Faculty, Universitas Internasional Semen, Indonesia

Gresik professionals and employees also feel uncomfortable with the consolidation, as there was a concern that the remuneration policy will be hampered since the other two companies have different policies. Along with the management change in 2005, the improvement was carried out by emphasizing on the synergy and innovation aspects; and it is proven to be able to improve company performance.

The conflict of post-consolidation culture and some of the problems that have arisen are feared to be repeated, so that leaders need to be able to have a protective nature, dare to take risks, have innovation, long-term oriented, and have strategic-oriented behavior. As it is known, in the consolidation process and post-consolidation process, some problems arise such as lack of trust toward other members of the group, high regional enthusiasm, group fanaticism, and uncertainty towards change (Soetjipto, 2008). Company culture is a platform that makes a character of a company. Company culture plays an important role in company growth (Xu, 2009). Culture is defined formally as totality of behavior, art, beliefs, institutions, and all of the other products from human work and thoughts that differs a community (Kotter & Heskett, 1992). Culture has two levels (Djokosantoso, 2005): First, culture refers to values (beliefs) shared by most people who are in a group that tends to persist over time even though group members have changed; Second, culture describes how to act (in common and pervasive ways) that new organizations' member automatically tends to follow behavior from their senior, and in this level, culture is easy to change. Organizational culture has the ability to integrate employees' day to day activities to achieve planned goals, and it can also help organizations to adapt well with external environment in order to respond quickly and correctly (Nguyen & Mohamed, 2011).

Organizational culture can be influenced by national culture (Hofstede, 1980; Basu & Miroshnik, 2003). National culture is a manifestation that can create the differences of unique cultural values that can be related to HR management practice that can have an influence on corporate culture. Empirical phenomena illustrates that in the three subsidiaries of PT. Semen Indonesia (Persero) Tbk., employees still have the attitude and behavior that is characterized by low avoidance risk, accepting disagreements, have a principle that time is very loose, prefer common sense than rules, relying on logics and common sense rather than opinions from experts, and other behavior such as oriented to paternalistic management styles. This is also generally experienced by other companies in Indonesia based on the study from Hofstede et al., (1990).

On the other hand, companies are also required to have competitive advantage compared to other similar companies by paying attention to the dimension of superior capabilities and resources. Competitive advantage of company is the company's way to maintain its survival (Day & Wensley, 1988). Competitive advantage can be created if company can produce non-replicable products and services attributes (Kandampully & Duddy, 1999) and have core competencies (Kimura & Mourdoukoutas, 2000). Testa & Sipe (2011) examined about the importance of organizational culture in achieving competitive advantage. These findings also become the research gap, thus the researchers examine further about relationship patterns that link national culture, organizational culture, and competitive advantage in cement companies in Indonesia after the consolidation.

II. Literature Review

National Culture on Organizational Culture and Competitive Advantage

Hofstede explained about the concept of culture that can be distinguished into three levels, namely: (1) universal level, which is a mental program possessed by all humans. At this level, mental program are inherent in humans; (2) collective level, which is a mental program owned by only some, not all humans. At this level, mental program is specific to group or category, and it can be learned; (3) individual level, which is a unique mental program owned by only a person, two people will not have the exact same mental program. At this level, a few mental program is inherently in humans, and the others can be learned from the community, organization, or other groups (Hofstede 1980). In reality, there is often a disharmony on culture based on these levels, for example there is a conflict in gender levels in organizational culture, and conflict between generation levels in regional culture (Armia, 2002).

National culture is a manifestation that can create differences in unique cultural values that can be related to HR management practice that can have an influence on corporate culture. Hofstede (1991) stated that in his study that after learning about national culture in various countries, there are four cultural dimensions that are produced, namely: individualism – collectivism, power distance, uncertainty avoidance, masculinity – femininity, and short term – long term). The theory of national culture of Indonesia includes eastern culture that must be concerned about spirituality, feelings, and mutual cooperation. The approach of the national culture is as a form of ideas and material (Koentjaraningrat, 1990; Sumantri, 2007). In previous studies, Hofstede (1980); Basu & Miroshnik (2003) stated that national culture as a positive influence on organizational culture; therefore based on the theory and previous studies, the first and second hypotheses are proposed, namely:

H1: National Culture has a significant positive influence on Organizational Culture.

H2: National Culture has a significant positive influence on Competitive Advantage of the Company

Organizational Culture on Company Competitive Advantage

In theoretical context, Robbins (2001) stated that organizational culture is a system of shared meanings formed by citizens which at the same time becomes a differentiator with other organization. The study from Kreitner & Kinicki (2007) strengthened this statement, that organizational culture will form the value, attitude, assumption, and expectation of employees which subsequently will influence organizational behavior of the employee. According to Schein (1991), organizational culture is divided into three levels: (1) beliefs and assumption (2) norms and values; and (3) artifacts. Organizational culture has five functions (Robbins, 2001) namely: a) Culture has a role in determining boundaries, and it can distinguish between one organizations and another; b) Culture grows a sense of identity towards its members; c) Culture grows shared commitments from the individuals; d) Culture increases social stability, can be a social glue, and unite the organization and a sense of togetherness; e) Culture functions as a mechanism to make meaning and control that guides and shapes the attitude and behavior of its members. In general, it can be said that organizational culture functions as a mechanism of forming meaning and control that guides and shapes the attitude and behavior of the employees (Davis, 1993).

A cohesive or effective national culture is reflected on trust, openness, communication, leadership with consideration and supports from the subordinates, group problem solving, work independence, and information exchange (Anderson & Kryprianou, 1994). Organizational culture has four basic functions, namely: (a) sense of identity and increasing organizational commitment; (b) tools for organizing members; (c) reinforcing values in the organization; and (d) mechanism of control over behavior. Organizational culture can be studied by considering 4 indicators from Denison, namely: Involvement, Consistency, Adaptability, and Mission. If the culture in the community reflects indiscipline and breaking of rules, then problems of violations of discipline and rules will often arise within the company. The statement from Mintzberg (1979) showed that organizational culture is influenced by national culture. Culture influences behavior, such as leadership behavior to align attitudes and values of individuals with organizations (O'Reilly et al., 2010; Schein, 2004), this findings support the previous studies (Sadri & Lees, 2001; Testa & Sipe, 2011) which stated that organizational culture can have a significant influence on competitive advantage of a company. Based on the previous findings related to the relationship of national culture, organizational culture, and company competitive advantage, hypothesis 3 and 4 can be formulated as follows:

H3: Organizational Culture has a significant positive influence on Competitive Advantage of the Company

H4: Organizational Culture mediates the relationship between National Culture towards Competitive Advantage of the Company

III. Research Method

This study uses quantitative descriptive analysis method by using 3 research variables, namely: National Culture, Organizational Culture, and Competitive Advantage of the Company. The sample of this study is the manager in 3 cement companies, namely PT. Semen Gresik (Persero) Tbk., PT. Semen Padang, and PT. Semen Tonasa as many as 180 respondents. Questionnaire is measured using Likert scale technique with the answer ranging from strongly disagree (score 1) to strongly agree (score 5) which will be filled in according to the respondents' perceptions. The validity and reliability test is conducted to ensure that the overall data is valid and reliable. The statistical analysis to draw conclusions on hypothesis testing is carried out using Structural Equation Modeling (SEM) with AMOS as the data processing technique.

IV. Result

Descriptive Analysis

Based on the research result which has been carried out to 180 respondents, the characteristics of respondents can be identified as follows: male respondents is 90%, female respondents is 10%; age of respondents 21 – 30 years old is 26%, 31 – 40 years old is 27%, > 40 years old is 42%; working time within 5 – 10 years is 10%, 11 – 20 years is 26%, 21 – 30 years is 8%, >30 years is 56%. The results of the descriptive analysis show that the level of managers in 3 cement companies in Indonesia is dominated by men with more than 40 years of age and have worked more than 30 years in the company.

Validity Test

Loading factor can be used to measure construct validity; in which a questionnaire is declared valid if the question or statement in the questionnaire is able to reveal something that is measured by the questionnaire. The Loading Factor is shown on the following table:

Table 1. Loading Factors

	Loadin g Factors
N14 --- N	,770
N13 --- N	,835
N12 --- N	,630
N11 --- N	,802
N10 --- N	,805
N9 --- N	,805
N8 --- N	,768
N7 --- N	,782
N6 --- N	,712
N5 --- N	,731
N4 --- N	,829
N3 --- N	,754
N2 --- N	,739
N1 --- N	,748

Table 1. Loading Factors

			Loadin g Factors
O1	---	O	,636
O2	---	O	,680
O3	---	O	,959
O4	---	O	,968
O5	---	O	,604
B1	---	B	,732
B2	---	B	,650
B3	---	B	,664
B4	---	B	,741
B5	---	B	,751
B6	---	B	,756

From the results of loading factor analysis in Table 1, there is no indicator with the loading factor value below 0.5 which must be removed from the study. After 2 invalid indicators are eliminated, it can be concluded that all indicators can explain the variables in this study.

Goodness of Fit Model (GoF) Test

Furthermore, Goodness of Fit analysis is carried out. From the test results, it is found that the value of GoF shows that all criteria is fit as shown on Table 2 below:

Table 2. Goodness of Fit Test Results

Fi t Index	G oodness of Fit	C riteria	Cut-off value	Inf ormation
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Absolute Fit	RMSEA	0.08	0,060	Fit
	MIN/DF	2,00	1,654	Fit
Incremental Fit	TLI	0.90	0.946	Fit
	CFI	0.90	0.940	Fit
Parimony Fit	PGFI	0.60	0.694	Fit
	NFI	0.60	0.792	Fit

Reliability Test

A good construct reliability is when the value of construct reliability is >0.7 and the value of variance extracted is >0.5 . The result of reliability test in this study is as shown in Table 3.

Table 3. Reliability Test Result

Variable	Indicator	Standard Loading	Standard Loading	Measurement	CR	VE
	N14	0,77	0,59	0,41	0,95	0,59
	N13	0,84	0,70	0,30		
	N12	0,63	0,40	0,60		
	N11	0,80	0,64	0,36		
	N10	0,81	0,65	0,35		
	N9	0,81	0,65	0,35		
	N8	0,77	0,59	0,41		
	N7	0,78	0,61	0,39		
	N6	0,71	0,51	0,49		
	N5	0,73	0,53	0,47		

	N4	B	0,83	0,69	0,31		
	N3	B	0,75	0,57	0,43		
	N2	B	0,74	0,55	0,45		
	N1	B	0,75	0,56	0,44		
	O1	B	0,64	0,40	0,60	0,89	0,62
	O2	B	0,68	0,46	0,54		
	O3	B	0,96	0,92	0,08		
	O4	B	0,97	0,94	0,06		
	O5	B	0,60	0,36	0,64		
	B1	K	0,73	0,54	0,46	0,86	0,51
	B2	K	0,65	0,42	0,58		
	B3	K	0,66	0,44	0,56		
	B4	K	0,74	0,55	0,45		
	B5	K	0,75	0,56	0,44		
	B6	K	0,76	0,57	0,43		

From the table above, it can be known that the value of construct reliability of all variable is ≥ 0.7 . As for the value of variance extracted in this study, each variable also has the value above 0.5. Thus, it can be concluded that the data used for this research is reliable.

Hypothesis Test

Structural Equation Model (SEM) analysis in full model is carried out to examine the hypotheses developed in this study. The test result of regression weight in this study is in Figure 1.

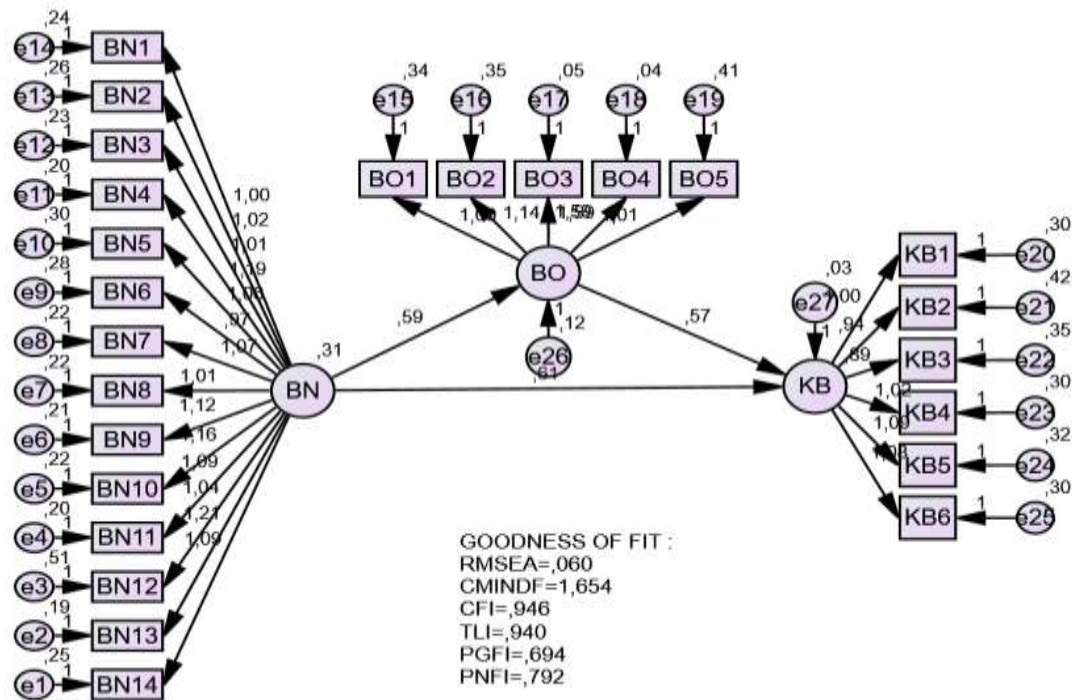


Figure 1. Full Model Path Diagram

Table 4. Hypothesis Test

			E				C
			stimate	.E.	.R.		onclusion
O	---	N	,593	085	,972	**	H1 Accepted
B	---	N	,607	083	,311	**	H2 Accepted
B	---	O	,574	093	,141	**	H3 Accepted

If the test results show the CR value above 1,96 and probability (P) value below 0.05/5%, then the research hypothesis that is proposed is accepted. From the table of hypothesis test result, the result of this study is:

1. National Culture has a significant positive influence on Organizational Culture. It is proven by the CR value which is greater than 1.96 that is 6.972 and the P value which is below 0.05 that is 0.000.
2. National Culture has a significant positive influence on Competitive Advantage. It is proven by the CR value which is greater than 1.96 that is 7.311 and the P value which is below 0.05 that is 0.000.

3. Organizational Culture has a significant positive influence on Competitive Advantage. It is proven by the CR value which is greater than 1.96 that is 6.141 and the P value which is below 0.05 that is 0.000.

Mediation Test

Mediation test is seen from the significance of indirect influence between variable which can be known from Indirect Effect-two Tailed Significance Table. The analysis result of indirect influence can be seen in Table 5.

Table 5. Mediation Test Results

	N	O	B	Conclusion
N- BO- KB	008	H4 Accepted

Based on the mediation test in Table 8, it is known that the value of the relationship between National Culture and Competitive Advantage mediated by Organizational Culture has a significance value of 0.008, which is still below 0.05. Therefore, it can be said that Organizational Culture is able to significantly mediate the relationship between National Culture and Competitive Advantage.

V. Discussion

This study provides findings that support previous researchers who stated that national culture has a positive significant influence on organizational culture. This is consistent with the results of the study from Hofstede (1980); Basu & Miroshnik (2003) that national culture is a manifestation that can create differences in unique cultural values and can have an influence on organizational culture. Indonesian national culture needs to have principles originating from Pancasila, which can be divided into two parts: (1) contained the basic principles, as mentioned directly in Pancasila, such as the principle of divinity, the principle of humanity that is fair and civilized, the principle of national unity, the principle of social unity, and the principle of social justice; (2) contained the principles of reinforcement such as the principle of diversity, the principle of unity, creativity, the principle of resilience and survival of the nation, and the principle of kinship. By using these principles, it is hoped that Indonesia's national culture will not deviate from the established basis, so that for the present it can provide a national identity, and for the future it will be able to maintain the national culture.

There are 16 items that are higher than the national cultural average index, namely: people in higher positions should make decisions without consulting people in lower positions; people in higher positions should not ask for opinions from people in lower positions; people in higher positions should avoid social interactions with people in lower positions; people in lower positions should disagree with

decisions issued by people in higher positions; the need for rules to know the instructions and procedures correctly; important rules which will provide information on what to do; helpful standardized work procedures; instructions for important operations; group welfare that is more important than individual welfare; management should be careful about using money; every individual should have persistence; each individual should have stability at work; every individual should have long-term planning every individual should make today enjoyable for future success; and working hard is the key to success for life.

Other findings in this study also support previous research which states that organizational culture has a significant positive influence on competitive advantage of the company. Competitive advantage can be created if the company can produce non-replicable product and service attributes (Kandampully & Duddy, 1999) and have core competencies (Kimura & Mourdoukoutas, 2000). This finding supports the research results from Sadri & Lees (2001) and Testa & Sipe (2011). There are 8 items that are higher than the average index of competitive advantage, as offered by the company: competitive prices, quality products, reliable products, durable products, high quality products to customers, delivering the required products, customized products (tailored to the needs of) customers and offer products to the market quickly. On the other hand, there are also 8 items with the index value lower than the average index, namely: lower price than competitors, delivering products to customers on time, providing reliable delivery, changing products offered to meet customer needs, responding to customer requests for new variances, introduces products to the market quickly, have less time to market than the average of other companies in the same industry, and have fast product development. These items must get the most attention from company's leader, even if the competitive advantage has a high index value.

This study also found that organizational culture mediates the significant positive influence between national culture on company competitive advantage. This finding supports the study from Mintzberg (1979) who showed that organizational culture can be influenced by national culture, while culture influences behavior, such as leadership behavior to align attitudes and values of individuals with organizations that can increase the competitive advantage of the company (O'Reilly et al., 2010; Schein, 2004). Culture really performs its function as a differentiator between one organization with another, can provide identity for each of its members, unite the organization, and shape the behavior of its members to behave appropriately, so that it can increase the company's competitive advantage.

VI. Conclusion

This study has 4 findings, namely: (1) national culture has a positive significant influence on organizational culture; (2) national cultures has a positive significant influence on company competitive advantage; (3) organizational culture has a positive significant influence on company competitive advantage; (4) organizational culture mediates the relationship between national cultures towards company competitive advantage. Culture is able to play its function very well, that is by being a differentiator between one organization and another, giving identity to each of its members, uniting the organization, and shaping the behavior of its members to behave appropriately so that the culture can increase the company's competitive advantage.

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