

Corporate Ownership Structure and Organizational Culture in A Transition Economy: The Case of Vietnam

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Abstract

This paper investigates the impact of ownership structure changes on the organizational culture of firms in the Vietnamese context. We first identify the dimension of the organizational cultures of two groups of firms, namely state-owned enterprises (SOEs) and privatized firms (PFs), using principal component analysis, and then compare them to answer the question of whether organizational structure varies among firms with different ownership structures. By analyzing the information collected from a structured questionnaire that was developed and sent to managers, staffs, and workers in both state-owned and privatized companies, we show that the people and market orientations in PFs differ significantly from those in SOEs. However, no significant difference is found between the integration and performance orientations of these two groups. Suggestions are offered for an appropriate management of organizational culture values in Vietnamese firms.

Keywords: Organizational culture, Corporate ownership structure, Privatized firms, Transition economy

1. Introduction

Privatization is a worldwide phenomenon. The spread of the privatization movement has provided ground for the fundamental belief that market competition in the private sector is a more efficient way to stimulate profound change in the internal environment of companies, in order to help the companies adapt to an increasingly competitive market. Before 1986, Vietnam had a centralized-planning economy in which the government controlled almost all economic sectors. The Government controlled and allocated most social property through its planning system. The planners had however inadequate information for providing efficient resource allocation. This weak market mechanism distorted the prices of products and services in the economy. The lack of private property, profit motive, and an active labor market reduced the incentives of state-owned enterprises to perform well.

In the above context, the so-called equitization process is a growing phenomenon in the Vietnamese economy's transition from a centralized to a market-based economy, which was introduced in 1992 with the expectation that the performance of state-owned enterprises (SOEs) would be improved once they were equitized. It was also expected that changes in the ownership of SOEs through equitization would enable them to attract investment from the private sector, and enhance worker participation by turning them into company shareholders. To date, most of the theoretical arguments for privatization predict that sound privatization brings about positive organizational changes, which consistently render the transformed firms more efficient and competitive than SOEs in a market-economy environment. However, this expectation may not be realistic, due not only to the fact that sound policies are often poorly implemented, but also to a misunderstanding of the foundations of a market economy as well as a misunderstanding of the basics of the institutional reform process (Stiglitz, 1999). In this scheme of things, whether differences in the organizational cultures of SOEs and privatized firms (PFs) are significantly related to disparities in their ownership structure is under scrutiny. The answer to this question is of great interest both to policymakers and the managers of firms, because it offers insights into the equitization process in the Vietnamese economic situation. Past studies have extensively examined the effects of privatization on organizational change in former SOEs worldwide (Tsamenyi et al., 2010; Forster, 2006; Daniel et al., 2004; Cunha, 2000). Overall, they find that the performance of SOEs significantly improved after privatization, and these improvements were accompanied by

certain organizational changes, including changes in the corporate governance practices and accounting and control systems. Little is however known about the Vietnamese experience. To fulfill this gap, the present study attempts firstly to identify the dimensions of the organizational cultures of both SOEs and PFs in Vietnam, and secondly to compare them across groups of firms in order to assess the effectiveness of the privatization reforms.

Using data collected from 790 survey questionnaires, government reports, and face-to-face interviews, our empirical evidence shows first that a performance-oriented culture is the strongest cultural dimension in both company groups, PFs and SOEs, and that there is no significant difference in performance orientation between the two groups. This can be explained by the fact that both groups of firms, especially the SOEs - which now receive much less support from the government, due to Vietnam's membership in regional and international trade organizations - have to engage in a restructuring of their organizational culture in order to respond more appropriately and rapidly to the changes occurring in the marketplace. Second, organizational integration is the second strongest culture dimension in SOEs, while market orientation is the second strongest one for PFs. We also find no significant difference between PFs and SOEs with respect to organizational integration, but significant differences between them with respect to market orientation. Finally, people orientation is the weakest cultural dimension in both PFs and SOEs. However, PFs have higher people orientation levels than SOEs. These findings are thus consistent with (Longencker & Popovski, 1994) in that changes in ownership and market conditions can lead to significant changes in the organizational cultures of newly privatized companies because it becomes essential to develop more market- or customer-oriented cultures.

The remainder of this paper is organized as follows. Section 2 briefly reviews existing literature and proposes some testing hypotheses. Section 3 presents the data used and their statistical properties. Section 4 describes the empirical method and discusses the results obtained. Concluding remarks are presented in Section 5.

2. Literature review

As in other transition economies, privatization in Vietnam has taken place via four principal methods over the last two decades: i) the sale of small and under-performing SOEs; ii) joint-venture agreements with foreign partners; iii) the equitization of SOEs; and iv) private offerings of ownership, which may be used alone or in combination with initial public offerings (i.e., the sale of most or all of the assets of a particular SOE to the public in the form of stocks traded on the stock exchanges). Since the change of corporate ownership of former SOEs through equitization has been the dominant feature of the privatization reform process in Vietnam, this study will focus only on these firms, also referred to hereafter as PFs. The equitization process, which was introduced in 1992, has resulted in about 4,000 SOEs being equitized, and has reduced the number of SOEs from 12,000 to around 1,700. As a result, the contribution of the non-state sector in the country's GDP has increased significantly, and accounted for 40% in 2008 according to the General Office of Statistics. At the same time, the reform process has set in motion the transition of the Vietnamese economy from a state-owned towards a market-based economy, with fewer monopolies in the markets for products and services. In particular, the pressure of competition in the marketplace has increased sharply since 2005, especially when Vietnam became the 150th member of the World Trade Organization. This development required privatized firms to restructure and/or adjust their organizational culture in order to cope with market competition.

2.1 Concepts of Organizational Culture

Investigating the impact of ownership structure on a firm's organizational culture and performance attributes inevitably raises the question of how organizational culture can be defined. In a pioneer work, (Scholz, 1987) considers organizational culture as the implicit, invisible, intrinsic, and informal consciousness of the organization, which guides the behavior of its individuals. In contrast, (Schein, 1990) defines organizational culture as a pattern of basic assumptions that a group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore, should be taught to new members as the correct way to perceive, think, and feel in relation to those problems. (Schein, 1999) extends this concept to include also the structure and control system generating behavioral standards within organizations.

Our literature survey in Table 1 shows that although organizational culture has been defined in many ways by various researchers, most of them agree that corporate culture can be referred to as a set of values, beliefs, and behavior patterns that form the core identity of organizations, and help in shaping employee behavior. Accordingly, the values and beliefs that underlie organizational culture probably reflect what is most important to the company's leaders, since they are responsible for the vision and purpose of the organization, and reinforce the core values and beliefs through their own behavior. Throughout this paper we follow this concept to gauge the multidimensional aspects of the organizational culture of Vietnamese firms.

2.2 Types of Culture

Another important question for studies on the relationship between ownership structure, organizational culture, and corporate performance is directly related to the identification of different types of culture. There have been many approaches to the classification of organizational culture. (Harrison, 1972) classifies organizational cultures using the degree of formalization and centralization as criteria. (Deal & Kenedy, 1982) differentiate cultures in terms of the speed of feedback and the amount of risk taken. (Quinn & Rohrbaugh, 1983) develop the competing-values model, which incorporates two sets of competing values along two axes: (1) the control/flexibility dilemma which refers to preferences about structure, stability, and change, and (2) the people/organization dilemma which refers to differences in organizational focus. From these two axes emerge four quadrants which reflect four types of culture, namely rational, hierarchical, developmental, and group.

For their part, (O'Reilly et al., 1991) point out that seven cultural dimensions could be used to make comparisons across organizations. They comprise: (1) innovation and risk-taking, which express the willingness to experiment, take risks, and encourage innovation; (2) attention to details, which emphasize the precision; (3) outcome orientation, which favors results-oriented over process-oriented procedures; (4) people orientation, which reflects the degree of value and respect for people; (5) individual versus team orientation, i.e., are individuals or collected efforts more highly?; (6) aggressiveness, which reveals the willingness to take action and deal with conflict; and (7) stability, which means the openness to change.

(Deshpande & Farley, 1999) introduce four types of corporate culture: competitive culture, entrepreneurial culture, bureaucratic culture, and consensual culture. In the competitive culture, values relating to demanding goals, competitive advantage, marketing superiority, and profits are emphasized. The emphasis of the entrepreneurial culture is placed on innovation, risk taking, a high level of dynamism, and creativity. Values such as formalization, rules, standard operating procedures, and hierarchical coordination are particularly relevant in the bureaucratic culture. Finally, in the consensual culture the elements of tradition, loyalty, personal commitment, extensive socialization, teamwork, self-management, and social influence are important in the organization's values.

According to (Green & Aiman-Smith, 2004) some researchers see a framework of organizational culture characterized by two dimensions: (1) internal versus external focus, which primarily stress what is going on inside and outside the organization respectively; (2) stability and control versus flexibility and discretion, which respectively favor keeping things the same and making changes.

It can be seen that the four cultural classifications reviewed are similar, except for the approach suggested by (Goffee & Jones, 1998) and by (Denison, et al., 2004), although they carry different names. For example, competitive culture as described by (Despander & Farley, 1999) is very similar to the market culture of (Cameron & Freeman, 1991), and the task culture of (Harrison, 1972).

The groupings of cultural approaches shown above can be used to identify the organizational culture of a business organization. However, the cultural approach most relevant in examining the differences in organizational culture between SOEs and PFs is the one suggested by (Cunha & Cooper, 2002), which represents competing values along two axes: one axis represents the market orientation vs. organization integration continuum, while the second axis concerns people orientation vs. performance orientation; their definitions are presented below:

- Organizational integration reflects openness of internal communication and co-operation between individuals and units.
- Performance orientation concerns responsibility in meeting objectives and results, and merits and rewards.
- People orientation reflects the extent of the concern the organization shows for its members and their development, as well as the individual feeling of belonging to a team.
- Market orientation deals with company responsiveness to market opportunities and benchmarking.

2.3 Privatization and Organizational Culture

According to (Cunha & Cooper, 1998) privatization is a pretext for starting a large-scale change process, which operates both in the external and internal environments. Changes in external environment derive mainly from the introduction of competition and from deregulation. Changes in the internal environment of privatized companies may be expected to accompany the change in ownership status, particularly as concerns organizational goals.

Privatization can affect various facets of organization. It not only changes the SOEs' ownership but also causes them to restructure their internal environment. According to (Forster & Mouly, 2006) privatization is synonymous with a movement away from the production of goods and services for the public good to the production of goods and services for profit. Organizations must therefore undergo a radical re-conceptualization of their mission, leadership,

strategy, and culture. (Cunha, 2000) argues that state-owned enterprises have been characterized by a “no-owner company” culture, shaped by frequently-rotated leadership, conflicting objectives, lack of individual accountability, an emphasis on what is produced, and weak organizational values and norms. Such an organizational culture will be changed by privatization because privatization not only brings different organizational goals, but also new rules of competition, which demand appropriate behaviors and values from the organization’s members, individuals, and units.

Before privatization, SOEs limit their performance requirements because of the political objectives of governmental officers acting as public managers. After privatization, the new emphasis will focus on effectiveness, efficiency, and the maximization of value for shareholders, thus organizational culture may be expected to change over time. Changes in ownership and market conditions can lead to significant changes in the organizational cultures of newly-privatized companies. Privatization is essential for the development of more market-oriented cultures (Longencker & Popovski, 1994). (Cunha & Cooper, 2002) find that privatized firms develop a new culture, which stresses on greater individual accountability, inter-organizational communication and coordination, an increased team spirit, and an emphasis on human resources and their development.

The “no-owner company” culture of SOEs can be characterized by collective responsibility, ambiguity of decision responsibility, and an absence of feedback on performance appraisal. Change of ownership through privatization establishes a “co-owner company” culture in PFs. Employees and managers become co-owners through shareholding. Being shareholders, employees have controlling rights in their company’s performance, thus privatization may be viewed as a means of increasing the participation of employees in the organization. In the new context, openness of internal communication and cooperation between individuals and divisions in privatized firms may be expected to increase. The increased role of market forces in the economy requires firms to have a strong orientation towards their customers and the ability to respond to changes in the outside environment. To increase the firm’s efficiency and effectiveness, privatized firms require an improved employee performance. To compete successfully with others, privatized firms have to increase the value added to shareholder’s equity and match the market benchmarks, or perform better than other firms in the same industry.

To summarizing, equitization is commonly considered as a precondition for promoting a radical change in the internal environment of privatized firms. Change in ownership structure may create a new culture that supports the achievement of new organizational goals that emphasize profitability and efficiency. It is proposed that the organizational culture of privatized firms differs from that of SOEs. Accordingly, the hypotheses of our study may be presented as follows:

Hypothesis 1 (H1): Privatized firms have a higher performance orientation than SOEs.

Hypothesis 2 (H2): Privatized firms have a higher market orientation than SOEs.

Hypothesis 3 (H3): Privatized firms have a higher people orientation than SOEs.

Hypothesis 4 (H4): Privatized firms have higher organizational integration than SOEs.

3. Data and properties

The present study focuses on two kinds of firms with a state ownership of 100 percent (SOEs) and privatized firms that have been equitized for at least three years (PFs). The respondents are people who have been working for the firms surveyed. The convenience sampling technique used in this research relied on the support of MBA students.

Organizational culture variables were developed based on four cultural constructs, suggested by (Cunha & Cooper, 2002). The culture dimension ratings were measured on a five-point Likert scale ranging from “totally disagree” to “totally agree” or “not important at all” to “very important”. Performance orientation, which concerns responsibility for meeting objectives and results, was measured by five items. People orientation, which reflects the extent of the concern the organization shows for its members and their development, as well as the individual feeling of belonging to a team, was measured by six items. Organizational integration, which reflects openness of internal communication and cooperation between individuals and units, was measured by six items. Market orientation, which deals with company responsiveness to market opportunities and benchmarking, was measured by four items. These items are presented in Table 2.

Data collection

A total of 3,000 questionnaires were sent to SOEs and PFs located in Ho Chi Minh City via MBA students. About 1,000 questionnaires were collected, however the number of valid responses received was only 790, representing 26% of the total number of questionnaires delivered. The respondents were mainly managers, and personnel employed in these SOEs and PFs.

Profile of surveyed firms

Of the 790 valid questionnaires, 438 were collected from SOEs and the rest from PFs. Regarding the industry distribution, 59 percent were collected from manufacturing companies, 34.6 percent from service companies, and the rest from trading companies. Of the 352 responses collected from PFs more than 95 percent were collected from PFs which were equitized before the year 2005. Regarding state shareholding in the PFs, 115 responses were collected from PFs with state shareholdings of less than 30%, 152 were collected from firms with state shareholdings of between 30% and 50%, and the rest were collected from firms with state shareholdings of more than 50% (see Table 3).

Respondent profile

The surveyed employees represent a broad range of position, gender, age, and experience. Managers account for 33.2 percent of the responses, 57.2 percent come from staff, and the rest of the respondents are workers; 61.9 percent are male and 38.1% are female. Regarding age, 32.8 percent of the respondents are from 18 to 30 years old, 48.1 percent from 30 to 45 years old, and the rest older than 45 years. Regarding working experience, 33.3 percent of the respondents have worked for less than 5 years, 28.7 percent of the respondents have from 5 to less than 10 years experience; 12.4 percent of the respondents have worked for their companies for between 15 and 20 years, and the rest have been working for more than 20 years.

Some descriptive statistics

The organization culture scale is a multi-dimensional one. The performance orientation scale consists of five items whose values range from 1 to 5. The mean values of observed items are higher than 4, except for item PERF4 (3.65). The standard deviation of the observed values is less than 1, except for PERF4 (Rewarded based on task). It seems that respondents' opinions vary widely on this issue.

The people orientation scale comprises five items (PEO1-5). The observed values of these items have a minimum value of 1 and a maximum value of 5. The mean values of all these items range from 3.21 to 3.35. They are closely grouped, but the standard deviation of the observed values is rather high, ranging from 1.05 to 1.15. This shows that the observed values diverge widely from their means.

The organizational integration variable is measured by six items, (ORG1-6). The minimum value of the observed values is one and the maximum value is five. Their mean values range from 3.35 (ORG15) to 3.76 (ORG12): there is not much difference among these values. The standard deviation of the observed values is greater than 1, but it is lower than the standard deviation for people-orientation items.

The market orientation scale comprises four items, (MAR1-4). The observed values have a minimum value of 1 and a maximum value of 5. Their mean values range from 3.30 to 3.73. However, the divergence of the observed values for these items is large, as shown by their high standard deviations of from 1.10 to 1.21.

In general, the average value of all the variables are high, ranging from 3.21 to 4.35, and there is considerable divergence among the values for cultural items. This indicates that the companies surveyed differ in their cultural dimensions (see Table 4).

The statistics reported in Table 7 show that the mean value for performance orientation is the highest (4.11), but its standard deviation is the lowest (.69). The mean value for people orientation is the lowest (3.25). Integration orientation and market orientation have the same mean value, but the standard deviation for market orientation is higher than that for integration orientation and is the highest. This suggests a difference in the market-orientation dimension among the companies surveyed.

Pearson correlation test for organizational-culture constructs

We also performed the Pearson correlation test and report the results in Table 6. This shows that all the items reflecting the various aspects of organizational culture are significantly and positively correlated at the 1% level with ρ higher than 0.3. For performance-orientation items, ρ ranges between 0.355 and 0.537. The people-orientation items are significantly and positively correlated at the 1% level, with ρ ranging between 0.341 and 0.729. For organizational integration items, ρ ranges between 0.394 and 0.659. For market-orientation items, ρ ranges from 0.314 to 0.664.

4. Empirical analysis and results

4.1 Factor Analysis and Reliability Test

To test for the internal consistency of the constructs of the concepts of organizational culture, we conducted a factor analysis, using the VARIMAX rotation mode. The factor analysis was conducted by using the principal-axis

factoring extraction method, and factors with eigenvalues of greater than one were extracted and retained. In analyzing matrices, factors with loadings below 0.3 were suppressed. For organizational culture, it was expected that the factors extracted would be independent of one another. Orthogonal rotation was therefore selected to interpret factor loadings. This test can maximize the association of each variable with a single factor, often through rotation of the factor matrix. Items with low factor loadings should be eliminated because they do not converge properly with the latent construct they are designed to measure (Hair, et al., 2006).

The factor analysis of the 21 organizational cultural items resulted in four cultural constructs as the original subscales. All items have factor loadings higher than 0.5. These constructs accounted for 56.44 percent of the total variance. The factor analysis results are shown in Table 7.

We next performed reliability tests to examine the relevant internal consistency of all construct scales. Reliability is an assessment of the degree of consistency between multiple measurements of a single variable. Cronbach alpha reliability analyses were performed to assess the internal consistency of the scales. A value of 0.70 or higher was considered to be acceptable (Tabachnick & Fidell, 2001) and all of the scales met this minimum criterion.

The performance-orientation dimension measurement scale comprising five observed variables has a Cronbach's alpha equal to 0.78. The people-orientation dimension variable measured by five items has a Cronbach's alpha equal to 0.83. The organizational-integration construct is measured by six items with an Alpha score of 0.84. The market-orientation dimension scale has four items with a Cronbach's alpha value of 0.75. All four constructs have alpha scores higher than 0.7, indicating that they are reliable for use in the research (Table 8).

The independent T-test was finally used to investigate whether there are significant differences of organizational culture between PFs and SOEs or not. The test results show that performance orientation dominates in both PFs and SOEs (means of 4.12 and 4.11 respectively). There is no statistically significant difference between them in terms of performance orientation and organizational integration. Therefore hypotheses H1 and H4 are rejected. Based on the test results, hypotheses H2 and H3 are accepted because privatized firms have a significantly higher people orientation and market orientation than do SOEs ($MD = -.121, p < 0.05$, and $MD = -.268, p < .001$, respectively - see Table 9).

4.2 Discussion of Findings

The study results show that performance-orientation culture is the strongest cultural dimension in both company groups, PFs and SOEs (means of 4.12 and 4.11 respectively). There is no significant difference in performance orientation between the two groups ($MD = 0.017, p = 0.737$). Organizational integration is the second strongest cultural dimension in SOEs (mean = 0.352), while for PFs market orientation is the second strongest one (mean = 0.366). There is no significant difference in organizational integration ($MD = 0.004, p = 0.942$). However, there is a significant difference in market orientation between PFs and SOEs ($MD = 0.268, p = 0.000$). People orientation is the weakest cultural dimension in both PFs and SOEs (means of 3.32 and 3.19 respectively). However, PFs have people-orientation levels higher than do SOEs ($MD = 0.121, p = 0.05$). Although there is no significant difference between PFs and SOEs in terms of their performance dimensions and organizational integrations, PFs are more directed toward the market than SOEs. These findings are consistent with (Longencker & Popovski, 1994) and (Cunha & Cooper, 2002). Changes in ownership and market conditions can lead to significant changes in the organizational cultures of newly-privatized companies because it is essential to develop more market-oriented cultures.

Nowadays, the Vietnamese economy is a market-based economy with fewer product and service monopoly markets. Privatization also exposes privatized firms to the discipline of the market for products. Having to compete with other firms for customers and market share may provide the pressure required to stimulate greater efficiency and profitability. The privatized firms no longer operate in a market dominated by SOEs, and to survive in a competitive business environment they have to change their ways of doing business. Many PF managers now understand that their business organizations' survival and development rely heavily on their customers' satisfaction and loyalty, and perceive the importance of adapting an organization's culture to its environment. They therefore focus on the development of new products and services, and improve product quality and customer services to meet customers' needs, and thereby win their loyalty. Moreover, they have an interest in doing so because they also feel the full disciplining pressure of the capital market, and the rights of the individual shareholder, particularly the voting rights never experienced by SOE managers.

Hitherto, in markets such as electricity, health care, and water supply the customers have little choice of supplier. In the past, SOEs usually disregarded their customers' needs, treating customers as if they were supplicants rather than buyers. However, they too are now gradually recognizing the importance of customer loyalty, as the Vietnamese government allows private companies to enter formerly monopolized markets. Thus not only PFs but also SOEs

have to obey market discipline if they are to adapt to the new situation. However, in this competition PFs have more advantages than SOEs because they can undertake marketing without facing the SOEs' restricted marketing budgets. They can spend more of their company's resources to in establishing a good relationship with their customers and educate their employees concerning customer benefits. In contrast to SOEs they face a reduction in government subsidies. This explains why PFs are more -market oriented than SOEs.

Regarding organizational integration and performance orientation, there are no significant differences between PFs and SOEs. In the early stage of the internal change process certain things may remain the same as before, or pragmatic changes may not yet have taken hold. In PFs, the state still holds some fraction of the firms' equity. The management of former SOEs continues to manage the companies after privatization. The CEOs of the former SOEs represent the state ownership in the privatized firms. They play the dual role of chairman of the board of directors and CEO of the new PF. As a result, PFs have not really changed after being equitized; they still have something of the manner of SOEs because their management board does not change as much as the corporate governance. This is especially true of PFs which have a state shareholding of more than 50 percent.

Overall, without the government's subsidies and facing heavy competitive pressure in the product market, PFs need well-educated and skilled workers to achieve the firms' goals, and therefore a people orientation is a recommended solution for their situation. Moreover, PFs seem to be more people-oriented than SOEs for at least three reasons:

- PFs receive funding from the Government to re-educate their employees;
- They can establish their own compensation policy to attract skilled workers without the restrictions placed on SOEs, e.g. an employee share-ownership program or a share option for managers; and
- Employees in PFs are treated equally, i.e., they are promoted on the basis of their contributions and skills instead of their personal relationships, as used to be the case.

5. Concluding remarks

Motivated by the lack of studies on the organizational culture of privatized firms in Vietnam, our study examines the organizational culture of Vietnamese PFs equitized before 2005 to provide empirical evidence of the differences in organizational culture between PFs and SOEs. Based on the work of Cunha and Cooper on corporate cultural types, a structured questionnaire was developed and sent to managers, staffs, and workers in both state-owned and privatized companies. A total of 790 valid questionnaires were collected from PFs and SOEs located in Ho Chi Minh City. The results show that PFs have people and market orientations that are significantly different from those of SOEs. There is no difference in integration orientation and performance orientation between PFs and SOEs. These findings imply that many cultural dimensions coexisting within an organization and that ownership structure may be a predictor of organizational culture.

Like any other research, this study is subject to some limitations. First, the research findings are based on a study conducted in one city only, and may therefore not be applicable to all cases in other regions of the country. The second limitation of the study is that because the research uses the convenience sampling technique, the surveyed firms were not randomly selected but were based on personal connections with MBA students. The qualitative information was gathered from interviews with a small number of people, based on personal relationships. Since convenience was the selection criteria, the surveyed firms' organizational culture may not truly represent the typical organizational culture of PFs in Vietnam. The shortcomings of the qualitative study also constitute a potential selection-bias threat and weaken the ability to generalize. Accordingly, a replication of this analysis in other research contexts and additional regions of the country as well as the use of a random sampling technique would enhance the broader applicability of the findings.

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Table 1. Organizational culture definitions

	Definition
(Martin,(1992); (Schein, 1992)	Organizational culture is commonly referred to as the values, beliefs and basic assumptions that describe the essence of an organization and that guide employee behavior.
(Desphande & Webster, 1989)	Corporate culture is defined as the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with norms for behavior within the organization.
(Doherty & Chelladurai, 1999)	The extent to which members perceive and accept the values and assumptions of the organization determines the strength of organizational culture in guiding and coordinating member behavior.
(Cunha & Coope, 2002)	Corporate culture represents the way things are done in the organization, reflecting the beliefs of organization members as to what are appropriate behaviors and procedures.
(Smith & Shilbury, 2004)	Organizational culture may be expected to reflect the values, expectations, assumptions, and norms of the employees themselves.
(Schein, 2004)	Organizational culture as a pattern of shared basic assumptions that the group learns as it solves problems of external adaptation and internal integration and that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in the relation to those problems.
(Daft, 2005)	Organizational culture is generally seen as a set of key values, assumptions, understandings, and norms that are shared by members of an organization and taught to new members as correct.
(MacIntosh & Doherty, 2010)	Organizational culture is a shared understanding and acceptance among staff members of what is valued and expected in an organization; thus it may be directed, but is not ultimately determined, from above.

Table 2. Elements of Organizational culture

Cultural constructs	Code	Items
Performance orientation	PERF1	1. Common goals
	PERF2	2. Measuring performance
	PERF3	3. Accountability for end results
	PERF4	4. Rewarded fairly
	PERF5	5. Customer benefits
People orientation	PEO1	1. Promotion based on individual competence
	PEO2	2. Support for employee learning
	PEO3	3. Opportunities to grow
	PEO4	4. Rewards based on task
	PEO5	5. Promotion based on individual performance
	PEO6	6. Working as a team
Organization integration	ORG11	1. Responsibilities clearly defined
	ORG12	2. Job rules and regulation
	ORG13	3. Cooperation
	ORG14	4. Fully informed
	ORG15	5. Concern for employees
	ORG16	6. Strong sense of team
Market orientation	MAR1	1. New products developed
	MAR2	2. Finding new markets
	MAR3	3. Concern for competitors' actions
	MAR4	4. Competitiveness

Table 3. Profile of surveyed firms

<i>Types of enterprise</i>	
State-owned enterprise	55.4%
Equitized enterprise	44.6%
Total	100.0%
<i>Industry</i>	
Manufacturing	59.0%
Service	34.6%
Trading	6.5%
Total	100.0%
<i>State ownership</i>	
Less than 30%	32.7%
30% - 50%	43.2%
More than 50%	24.1%
Total	100.0%
<i>Year equitized</i>	
1998	20.2%
1999	7.7%
2000	16.8%
2001	30.4%
2002	6.0%
2003	9.9%
2004	4.8%
2005	4.3%
Total	100.0%

Table 4. Descriptive statistics for organizational culture items, N = 790

Items	Minimum	Maximum	Mean	Standard deviation
PERF1	1	5	4.09	0.93
PERF2	1	5	4.28	0.88
PERF3	1	5	4.35	0.91
PERF4	1	5	3.65	1.09
PERF5	1	5	4.20	0.96
PEO1	1	5	3.35	1.15
PEO2	1	5	3.26	1.12
PEO3	1	5	3.21	1.05
PEO4	1	5	3.21	1.11
PEO5	1	5	3.21	1.15
ORG11	1	5	3.66	1.07
ORG12	1	5	3.76	1.01
ORG13	1	5	3.48	1.01
ORG14	1	5	3.41	1.02
ORG15	1	5	3.35	1.06
ORG16	1	5	3.43	1.07
MAR1	1	5	3.43	1.19
MAR2	1	5	3.57	1.20
MAR3	1	5	3.73	1.21
MAR4	1	5	3.30	1.10

Table 5. Statistics of latent variables

Items	Minimum	Maximum	Mean	Standard deviation
PERF	1	5	4.11	0.69
PEO	1	5	3.25	0.86
ORGI	1	5	3.52	0.78
MAR	1	5	3.51	0.89

Table 6. Pearson correlation among organizational culture items, N = 790

<i>Performance orientation</i>	PERF2	PERF1	PERF5	PERF3	PERF4	
PERF2	1					
PERF1	0.431*	1				
PERF5	0.354*	0.438*	1			
PERF3	0.411*	0.442*	0.537*	1		
PERF4	0.359*	0.355*	0.386*	0.453*	1	
<i>People orientation</i>	PEO4	PEO5	PEO1	PEO2	PEO3	
PEO4	1					
PEO5	0.511*	1				
PEO1	0.438*	0.729*	1			
PEO2	0.379*	0.437*	0.491*	1		
PEO3	0.341*	0.456*	0.550*	0.539*	1	
<i>Organizational integration</i>	ORGI5	ORGI1	ORGI2	ORGI3	ORGI6	ORGI4
ORGI5	1					
ORGI1	0.394*	1				
ORGI2	0.422*	0.659*	1			
ORGI3	0.473*	0.462*	0.486*	1		
ORGI6	0.413*	0.431*	0.469*	0.517*	1	
ORGI4	0.469*	0.442*	0.447*	0.491*	0.530*	1
<i>Market orientation</i>		MAR1	MAR2	MAR3	MAR4	
MAR1		1				
MAR2		0.664*	1			
MAR3		0.440*	0.455*	1		
MAR4		0.317*	0.304*	0.382*	1	

Note: * indicates that correlation coefficient is significant at the 1% level (2-tailed tests).

Table 7. Results of factor analysis of organizational culture scales

Constructs and items	Factor loading			
	1	2	3	4
<i>Construct 1: Organizational integration orientation</i>				
ORG14- Fully informed	0.710			
ORG11- Responsibilities clearly defined	0.694			
ORG16- Strong sense of team	0.671			
ORG12- Job rules and regulations	0.661			
ORG13- Cooperation	0.630			
ORG15- Concern for employees	0.590			
<i>Construct 2: People orientation</i>				
PEO5- Promotion based on individual performance		0.785		
PEO1- Promotion based on individual skill		0.757		
PEO4- Rewarded based on task		0.701		
PEO2- Support for employee learning		0.647		
PEO3- Opportunities to do the best		0.590		
<i>Construct 3: Performance orientation</i>				
PERF3- Accountability for end results			0.717	
PERF1- Common goal			0.705	
PERF5- Customer benefits			0.696	
PERF4- Rewarded fairly			0.650	
PERF2- Measuring performance			0.633	
<i>Construct 4: Market orientation</i>				
MAR2- Finding new markets				0.772
MAR1- New products developed				0.760
MAR4- Concern for competitors' actions				0.715
MAR3- Competitiveness				0.536

Table 8. Cronbach's alpha for organizational cultural scales

Constructs	Number of items	Cronbach's Alpha
Performance orientation	5	0.78
People orientation	5	0.83
Organizational integration	6	0.84
Market orientation	4	0.75

Table 9. Independent T-test results for H1, H2, H3, and H4

Variables	Mean		Mean difference	P-values
	SOEs (N = 438)	PEs (N = 352)		
People orientation	3.19	3.32	-0.121	0.050
Performance orientation	4.11	4.12	-0.017	0.737
Integration orientation	3.52	3.51	-0.004	0.942
Market orientation	3.39	3.66	-0.268	0.000