

## THE EFFECT OF ORGANIZATIONAL CULTURE ON BUSINESS

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*În contextul mediului de afaceri, cultura organizației și valorile sale influențează comportamentul și așteptările managerilor. De asemenea, aceasta modelează percepțiile angajaților referitoare la modul în care organizațiile trebuie abordate, corectând astfel comportamentul și atitudinile de bază față de activitățile afacerii.*

*Plecând de la ipoteza că este greșit să considerăm existența unei uniformități culturale în cadrul organizației (uniformitate în: ipoteze, valori, credințe, percepții, practici, norme, roluri, ritualuri, simboluri, structuri și priorități; gradul în care angajații sunt atașați elementelor ce caracterizează cultura organizațională; efectele pe care le generează aceste elemente) putem vorbi de efectele culturii organizaționale așa cum vorbim de cele ale unei culturi naționale și diferențele din cadrul acestora datorate de existența unor "subculturi".*

*Această cercetare identifică dimensiunile culturii organizaționale care generează relații de succes în practica managementului, cu impasătate asupra satisfacției și performanței. De asemenea, este evidențiată importanța analizei interne și evaluarea propriei culturi organizaționale ca factori cheie pentru dezvoltarea relației de interdependență dintre angajați și firme.*

*Organizational culture, and its underpinning values, influences behavior and expectations of individual managers within a business. Further, it shapes the employees' shared perceptions of how other organizations should be treated, correct modes of behavior and basic attitudes towards activities of the business. While it would be wrong to assume the existence of cultural uniformity within an organization (i.e. uniformity in: assumptions, values, beliefs, perceptions, practices, norms, roles, rituals, symbols, structures, and priorities; the meanings people attach to the elements of organizational culture; and the effects these elements have on them), we can appropriately speak of the presence and effects of an organizational culture, just as we can speak of 'national cultures' and their effects despite the presence of notable 'sub-cultures'. This research identifies organizational cultural dimensions that underpin successful relationship management practice, and that lead to relationship outcomes of equality, satisfaction and performance. The importance of organizations looking inwards and evaluating their own culture as a critical starting point for relationship development is highlighted.*

**Keywords:** Organizational culture, relationship management, relationship outcomes.

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## 1. General background

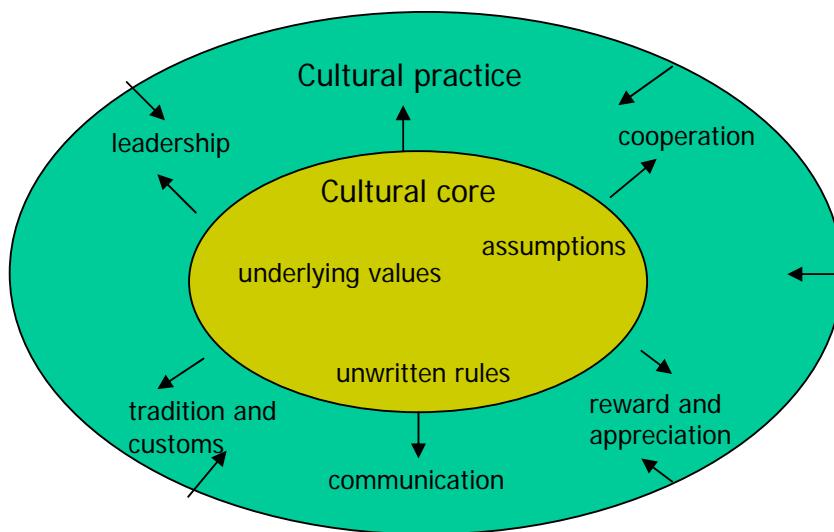
The culture of an organization is an amalgamation of the values and beliefs of the people in an organization. It can be felt in the implicit rules and expectations of behavior in an organization where, even though the rules are not formally written down employees know what is expected of them. There is little consensus regarding the meaning of the term organizational culture. This divergence in definition reflects the lack of consensus that exists within the disciplines of anthropology, sociology, and psychology regarding culture (Archer 1988), and the effects that these and other disciplinary and philosophical differences have on the variety of styles and purposes of organizational culture research. It is usually set by management whose decisions on policy usually set up the culture of the organization. The organizational culture usually has values and beliefs that support the organizational goals. The objective of this research is to identify organizational cultural dimensions and moral integrity values that support successful relationship management practice, and lead to relationship outcomes of equality, satisfaction and performance. It is postulated that when individual standards of honesty and fairness underpin an organizational culture that supports information and knowledge exchange processes, more efficient and effective relationships with other organizations will emerge.

Although there is no universal agreement about what constitutes an 'ethical' or 'moral' employee, Porter (1998) proposes that they reflect honesty, trustworthiness, tolerance, high self esteem and organizational commitment. Individuals classified as having an external locus of control, place responsibility for outcomes on forces outside their control (e.g. place responsibility on the organization). Those described as having an internal locus of control, take responsibility for their actions, are more likely to have a higher order of moral reasoning and find questionable work practices unacceptable (Reiss and Mitra 1998). All employees have access to 'directional instruments' such as reward systems and examples of management decision-making and behavior that shape their behavior and achieve desired outcomes. These directional instruments build employee moral resistance and empower them to fulfill their responsibilities. An organization's culture is critically important to relationship management practice because it significantly influences the attitudes and commitment of all members towards relationship establishment and ongoing practice.

## 2. Reasons to focus on build organizational culture

We spend 40 ... or 45 ... or 50 ... or more hours at work each week. Many of us spend more time with those we work with than we do our families. For us to be content and fulfilled people, that time must be valuable for more than a dollar... We want to be engaged in our work. We yearn for work that is enjoyable, meaningful and engaging. Focusing on building and sustaining an organizational

culture is one way of showing that people are the organization's most valuable asset. We present below the structure of the Cultural practice and Cultural Core – which is difficult to influence and invisible – implicit assumptions, rules and values that people perceive. Cultural practice is visible characteristics of culture – tradition and customs, the way people cooperate and communicate, leadership, the system of reward and appreciation. All these are inside each business and the relations between businesses are based on harmonization of cultural practice and core.



There are of course many other bottom line business reasons to focus on and build organizational culture valuable for the interfusions relations. Here are seven of those reasons.

**A strong culture is a talent-attractor.** Your organizational culture is part of the package that prospective employees look at when assessing your organization. Gone are the days of selecting the person you want from a large eager pool. The talent market is tighter and those looking for a new organization are more selective than ever. The best people want more than a salary and good benefits. They want an environment they can enjoy and succeed in.

**A strong culture is talent-retainer.** How likely are people to stay if they have other options and don't love where they are? Your organizational culture is a key component of a person's desire to stay.

**A strong culture engages people.** People want to be engaged in their work. According to a Gallup survey at least 22 million American workers are extremely

negative or “actively disengaged” – this loss of productivity is estimated to be worth between \$250-\$300 Billion annually. Your culture can engage people. Engagement creates greater productivity, which can impact profitability. Need I say more?

**A strong culture creates energy and momentum.** Build a culture that is vibrant and allows people to be valued and express themselves and you will create a very real energy. That positive energy will permeate the organization and create a new momentum for success. Energy is contagious and will build on itself, reinforcing the culture and the attractiveness of the organization.

**A strong culture changes the view of “work.”** Most people have a negative connotation of the word work. Work equals drudgery, 9-5, “the salt mine.” When you create a culture that is attractive, people’s view of “going to work” will change. Would you rather see work as drudgery or a joy? Which do you think your employees would prefer? Which will lead to the best results?

**A strong culture creates greater synergy.** A strong culture brings people together. When people have the opportunity to (and are expected to) communicate and get to know each other better, they will find new connections. These connections will lead to new ideas and greater productivity - in other words, you will be creating synergy. Literally,  $1 + 1 + \text{right culture} = \text{more than 10}$ . How is that for leverage?

**A strong culture makes everyone more successful.** Any one of the other six reasons should be reason enough to focus on organizational culture. But the bottom line is that an investment of time, talent and focus on organizational culture will give you all of the above benefits. Not only is creating a better culture a good thing to do for the human capital in the business, it makes good business sense too.

### **3. Mintzberg Business typology based on Organizational Culture**

Based on classification of Organizations issued by Mintzberg (2), (Table 1), it is possible to highlight cultural differences own to Coordination mechanism and level of the centralization. In these conditions, is normal to have significant cooperation difficulties between organizations.

For instance, there are difficulties between Entrepreneur organization and Missioner or between Mechanism and Politic. For solving such kind of problems is necessary to develop a strong communication culture.

Table 1

Classification of Organizations – Mintzberg

Nr. crt.	Organizational Types	Culture and Coordination Main mechanism	Main Group	Centralise/décentralisé
1.	<b>Entrepreneur</b>	Direct supervisor	Strategic top group	Vertical and horizontal centralization
2.	<b>Mechanism</b>	Working processes Standardization	Technostructure	Limited horizontal decentralization
3.	<b>Professional</b>	Training and knowledge standardization	Operational Group	Horizontal decentralization
4.	<b>Diversification</b>	Outputs standardization	Middle level management	Limited vertical decentralization
5.	<b>Innovative</b>	Mutual adjustment	Support Group	Selective decentralization
6.	<b>Missioner</b>	Norms standardization	Ideology	General decentralization
7.	<b>Politic</b>	Free - No coordination	No main group	Different situations.

When we talk about the Centralise/décentralise level, we have in our mind, among others, also the concepts of Sociability and Solidarity. **Sociability** is the amount of ‘sincere’ friendliness among members of the organization. Here members are more like friends than just office colleagues. They tend to spend a lot of time in face-to-face communication, sharing ideas, and sustain a high level of unarticulated reciprocity. An important point to note here is that all this happens on an informal and natural basis; no strings attached. High sociability has many advantages like, informal sharing of knowledge, out-of-the-box thinking and high esprit de corps. But high sociability also has its disadvantages. For example, disagreements and criticisms are avoided in the fear of displeasing other friends. Poor performance is also tolerated for the same reason.

**Solidarity** on the other hand is the measure of the members of the organization or community to pursue shared objectives, regardless of personal ties. Here a joint sense of purpose is most important. Even if members don’t know each other, a sense of high solidarity will bring them together to act as one. High solidarity has many advantages like a strong sense of response to competitive encroaches and other organizational crisis and a low tolerance of poor performance.

But again, as in the case of high sociability, high solidarity has its disadvantages. These lie mainly in a “what’s in it for me?” attitude and ruthless turf battles.

These two dimensions of culture reveal four different types of culture (see Figure 1). These are:

- Networked,
- Communal,

- Fragmented,
- Mercenary

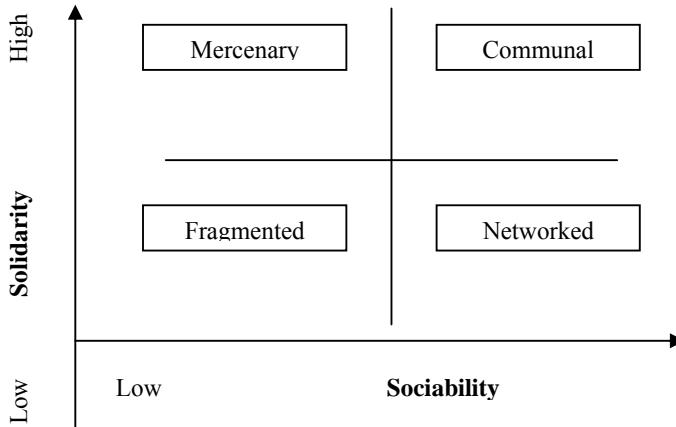


Fig. 1. The 4 dimensions of organizational culture

For extending and understanding other facets of organizational culture and behavior first, let's analyze trust in organizations, work and knowledge sharing, and Learning and Knowledge Strategy.

**Trust** is known to be the channel through which knowledge flows. There are identified two kinds of trust that shape knowledge sharing:

□ **Benevolence-based:** belief that an individual will not harm another even when given the opportunity to do so. For example, if one member is in urgent need of information he might seek help from another member to get this information, but in doing so he trusts that this person will not intentionally do harm (e.g. by giving the wrong information) even if he has the opportunity to do so.

□ **Competence-based:** belief in another to be knowledgeable or competent in the subject area. Using the same example from above, when a member is in need of some information, he will seek and trust only those who he thinks have the competence to give him this information.

Placing these two dimensions on the culture model reveals the following (see Figure 2):

- Networked organizations have high benevolence-based trust, while Mercenary organizations have high competence-based trust.
- Fragmented organizations have low benevolence and competence based trust, while Communal organizations have both high benevolence and competence based trust.

#### 4. Organization work and knowledge sharing

In their paper, “Balancing Act: How to Capture Knowledge Without Killing It” (*Harvard Business Review*, May-June 2000), John Seely Brown and

Paul Duguid make a strong case for the distinction between ‘**process**’ and ‘**practice**’. Process is what is laid down in rules and procedures, while practice is what actually takes place on the field. Below is a table on the differences between process and practice.

Process	Practice
The way tasks are organized	The way tasks are done
Routine	Spontaneous
Orchestrated	Improvised
Assumes a predictable environment	Responds to a changing, unpredictable environment
Relies on explicit knowledge	Driven by tacit knowledge
Linear	Weblike

If we overlay these two dimensions of organizational work on our model, it reveals the following (See Figure 2):

- Networked organizations rely heavily on practice, while Mercenary organizations rely heavily on process.
- Fragmented organizations rely less on process and practice, while Communal organizations rely heavily on both process and practice.

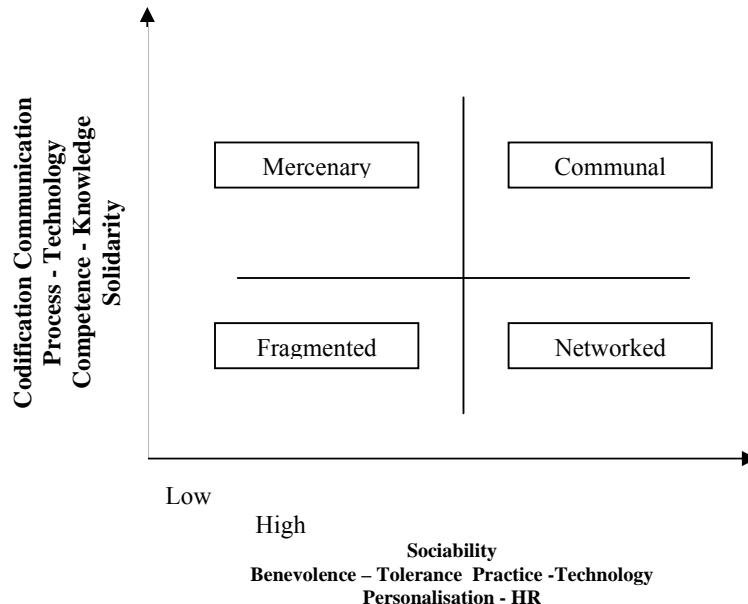


Fig. 2. Extended model of organizational culture and behavior  
(trust in organizations, work and knowledge sharing, and Learning and Knowledge Strategy).

## 5. Learning and Knowledge Strategy

In “What’s Your Strategy for Managing Knowledge?” (*Harvard Business Review*, March-April 1999), Morten T. Hansen, Nitin Nohria and Thomas Tierney, propose two dimensions for managing knowledge based on the work practices of a company. These are **personalization** and **codification**. Here’s an explanation of these two dimensions.

□ Personalization: This is the people-to-people strategy. Here the effort is to like up people with other people and to grow networks and community of practices. Emphasis is on informal-knowledge sharing.

□ Codification: This is the people-to-documents strategy. Here the effort is to load intranets and databases with best practices, case studies and how-to guides to help people in their day-to-day work. The emphasis here is to reuse what is being already being done elsewhere in the organization.

We can easily line up these two dimensions of learning strategy on our model as shown, and this is what it reveals:

- Personalization strategy works best for Networked organizations, while the codification strategy works best for Mercenary organizations.
- A high balance of both strategies works best for Communal organizations, while, while a low balance of both strategies is the only hope for Fragmented organizations.

## 6. Conclusion

The extended model presented above can help take a stance when planning for a new e-learning or knowledge management initiative. It’s definitely not comprehensive, but it does offer a launching pad to analyze and discuss other critical issues.

The best way to use this model is to first take a stance on which quadrant(s) your department or organization fits into and then work your way through the facets presented here or with other facets you’ve come up with and then make a case for the strategy for your initiative.

Past research has shown that technology relates to organizational types and outcomes and that growth rate partially determines business strategy. Using the same logic, technology and growth can also be related to organizational culture.

### Technology.

Firms in the same industry tend to share similar technology. Since culture defines how things are done within firms, technology restricts the variation in how things are done by defining what is being done. Therefore, greater similarities in technology across firms in the same industry should be associated with less variation in their cultures. Technological classification scheme has been used to conceptualize the relationship between technology and organizational culture.

This typology is based on the amount of discretion required for production and ranges from long-linked to intensive: long-linked firms have little demand for discretion because they use standardized procedures and assembly line tasks; and intensive or custom technologies require a great deal of discretion and use techniques that vary according to the specific demands of a project. The values that characterize firms are likely to vary across industries. Firms in industries characterized by intensive technologies should have cultures depicted by high levels of innovation, since projects require non-routine problem solving. Because of what is generally an intense, hard-driving work pace and a lack of predictability, these firms tend to place a greater emphasis on human resource issues. Intensive technology firms are likely to have a strong team orientation, since ill-structured tasks are more likely to require that members collaborate to solve problems.

On the other hand, firms with long-linked technologies are likely to have high levels of stability, because tasks are repetitive and predictable. These firms have a strong detail orientation, since only refinements to processes are needed. They tend to rely on formal control mechanisms, such as policies and procedures, to direct members' efforts. Further, these firms are characterized by a relatively high level of job structure. Therefore, we can expect that firms in industries with intensive technologies will have cultures that more strongly emphasize innovation, flexibility, people orientation, team orientation, and aggressiveness than firms in industries with long-linked technologies. Similarly, firms in industries with long-linked technologies are likely to have cultures that more strongly emphasize outcome and detail orientations than firms in industries with intensive technologies.

#### Growth.

Past research has shown that technology and growth rate move together and that growth in industries is linked to technological development. Indeed, technological progress driven by a desire to reduce uncertainty often fosters growth. New technologies and improved methods are commonly incorporated because they are related to an industry's type of work, and adoption of these advances often increases production capacity. Hence, industry growth is likely to relate to organizational culture. In high-growth industries, firms tend to experience resource unifiscence, generated by the constantly increasing revenues and opportunities. Industry growth also influences the extent to which organizations attempt to strategically manage interdependence and complexities, behaviors that are reflected in organizational culture. Such growth is likely to affect organizational culture by increasing risk taking and innovation. For instance, high growth rates increased innovation and flexibility among high-technology firms. On the other hand, low-growth industries, such as utilities, depend upon stability and reliability.

It seems reasonable to expect that the relationship between organizational culture and outcomes will depend on the type of technology governing and the level of growth experienced by the firm in question. That is, business outcomes are likely to be higher in those firms whose cultural values are consistent with those of particular industry technology-type and growth-level characteristics.

Specifically the relationships between the cultural dimensions of innovation, flexibility, people orientation, team orientation, and aggressiveness and outcomes (customer satisfaction and business performance) will be greater in firms characterized by intensive technologies and high growth.

The relationships between the cultural dimensions of outcome orientation and detail orientation and outcomes (customer satisfaction and business performance) will be greater in firms characterized by long-linked technologies and low growth.

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