

ORGANIZATIONAL CULTURE: KEY ISSUES. A LITERATURE REVIEW

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Abstract: *In the today's global, knowledge-based digital economy, the organizational culture becomes a strategic source of sustained competitive advantage. Therefore, the organizational culture is an increasingly important issue of academic research, education, organizational theory and management practice. And there are good reasons for this: the cultural dimension is critical in every aspect of the organizational life. Even in those organizations where cultural issues receive little overt attention, the way people in the organization think, feel, appreciate and work is guided by socially-shared ideas, meanings and beliefs of a cultural nature. In most of the nowadays' organizations, organizational culture enjoys a particular attention and is considered a key factor. However, even in those cases where senior managers have shown a strong awareness of the importance of culture, there is often a lack of a deeper insight and understanding of how people and organizations work in terms of culture. Culture is as important as it is complex, so it is difficult to understand and "use" it in a rigorous way. The famous business management guru Peter Drucker said that "culture eats strategy for breakfast". This picturesque phrase comes to advocate the importance of a thorough understanding of the concept that we wish to describe in this study. To this end, we intend to present a summary review of the specialized literature we have studied in order to rigorously understand what the concept of organizational culture actually implies. In this regard, in the first part of this article we present an overview of the concept of culture and the way it has been approached. In the second part of this article, we describe the basic aspects of the concept of organizational culture, such as the organizational culture "vehicles" and flows and the levels, the types and the "weaknesses" of the organizational culture. In our survey we have applied the qualitative research methodology, consisting of collecting documentation and texts. As for the data analysis, we resorted to the content analysis method.*

Keywords: *Culture; organizational culture.*

JEL classification: *M1; M14.*

1. Culture: Concept and Approaches

Management Guru Peter Drucker famously stated that "culture eats strategy for breakfast" (Kinicki & Mel 2016: 480). We understand from this legendary saying that however good the vision and strategy of a company might be, they cannot be put into practice unless the organizational culture is aligned to the corporate strategy.

Specialized literature generally regards culture as the expression of the material and spiritual values created by man and of the means designed to convey them to the world. In other words, culture refers to a model of human activity, as well as to various symbolic structures that make human activities meaningful, thereby being considered as the way of life of an entire society, encompassing human behavior, language, religion, rituals, and codes of conduct and belief systems.

Before discussing the organizational culture concept as such, we will try to explain what the culture concept means in a broad sense. Thus, according to Keyton (2005: 17), who quotes Roeber & Kluckhohn, 1952, p. 18, culture was initially a concept applied to social groupings that were geographically distinguished from one another, and became the focus of anthropological studies. One early definition provides that culture consists in "*patterned*

ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, which constitutes the distinctive achievements of human groups, including their embodiments in artefacts; the essential core of the groups consists of traditional ideas and especially of their attached values." This definition refers to the concept of culture in general, which characterizes groups of people outside an organization, for example, ethnic groups and nations.

A famous author in the field of organizational culture, Hofstede, argues in his works that culture is "the collective programming of the mind that distinguishes the members of one group or category of people from another."

Hofstede, who researched cultural characteristics of more than 70 countries by surveying 116,000 employees working for 72 IBM subsidiaries around the world (Hofstede et al. 2012: 16), also argues that every person carries within himself patterns of thinking, feeling and potential actions, which were learnt throughout his lifetime. Hofstede defines culture by an analogy with the computer programming, calling these patterns of thinking, feeling and potential acting of the individuals "*mental programs*" ("*software of the mind*", "*thinking software*" or "*mental programming*", in analogy with computer programming), meaning that the behavior of an individual is to some extent predetermined by his or her mental program, which shows what reactions in an individual are possible, predictable and explainable.

Based on this approach, we may see culture as a system of values that applies to any group of people, not just societies or nations. Regardless of perspective, anthropologists search for the "meaning underlying human creations, behaviors and thoughts, by observing cultural aspects" (Sackmann, 1991, p.14) (Keyton (2005: 18).

In brief, the definitions of the term "culture" differ with the perspective from which it is addressed. Par excellence, the concept of culture falls within the scope of anthropology. From this perspective, the term culture is most commonly used for tribes or ethnic groups (in anthropology), for nations (in political science, sociology and management) and for organizations (in sociology and management). Geert Hofstede even speaks of the culture of occupations (for instance, engineers versus accountants or academics from different disciplines). The term can also be applied to genders, generations or to social classes. However, changing the level of aggregation studied changes the nature of the concept of 'culture'. Societal, national and gender cultures, which children acquire from their earliest youth onwards, are much deeper rooted in the human mind than the occupational culture acquired at school or than the organizational cultures acquired on the job, which changes when people take a new job. Societal cultures reside in what are often unconscious values, in the sense of broad tendencies to prefer certain states of affairs over others.

Culture influences every aspect of life, yet it is not static; rather it is a process in a constant state of flow and adaptation to new contexts, demands and needs. Culture is not a deterministic force, but rather a subtle and often subliminal pattern of thinking that describes the "organization of values, norms and symbols which guide the choices made by actors and limit the types of interactions that may occur between individuals." (Parsons & Shils, 1990).

2. Organizational Culture: Key Issues

This section is an overview of the concept of organizational culture. According to Kinicki & Mel (2016: 480) organizational culture is "the set of shared, taken-for-granted implicit assumptions that a group holds and that determines how it perceives, thinks about and reacts to its various environments". This definition reflects the four characteristics of the organizational culture:

- *Culture is shared* - organizational culture consists of beliefs and values that are shared by a group of people.
- *Culture is learned* – culture is passed on to new employees through socializing and mentoring. We wish to emphasize here, right from the start, the fact that

organizational culture is not innate (i.e. something we are born with), but it is learnt and “inherited”.

- *Culture influences behavior at workplace* - this explains the saying “culture eats strategy for breakfast.”
- *Culture impacts results at multiple levels* – culture influences results at individual, group / team and at organizational levels.

Naqshbandi & al (2015: 2125) argue that organizational culture has been defined in many different ways by the many different researchers (Ott 1989; Schein, 1990; Hofstede et al, 1990; Keesing, 1974, Schein, 1993; Denison, 1990).

Figure 1 illustrates how the organizational culture is formed and maintained. Culture derives from the philosophy of the organizational founder and strongly influences the selection criteria as the company grows. The actions of the top management set the overall environment, including what is deemed to be an acceptable behavior and what is not at the workplace (Robbins & Judge, 2013: 523).

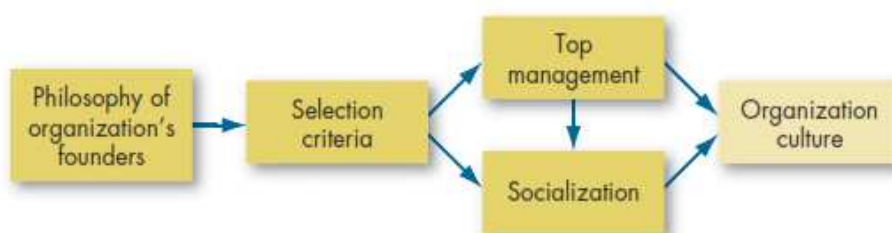


Figure 1: How organization cultures form

Source: Robbins & Stephen, 2013:523

Figure 2 shows the conceptual framework required to understand the “vehicles” and the effects of organizational culture. The following five items are organizational culture vehicles (Kinicki & Mel, 2016:481):

- The founder's values
- The industry and business environment
- The national culture
- The organization's vision and strategies
- The behavior of leaders

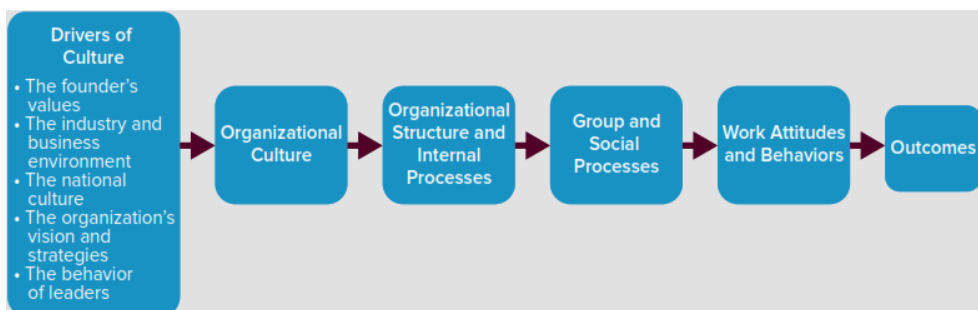


Figure 2: Drivers and flow of organizational culture

Source: Kinicki & Mel, 2016:481

The authors mentioned above believes that organizational culture influences the organization's structure and its internal processes.

Robbins & Judge (2013: 512) believe that organizational culture refers to a common perception held by the organization's members, a system of shared meanings that

differentiates the organization from other organizations. The authors distinguish the following seven primary characteristics that reflect the essence of the culture of an organization:

- *Innovation and risk-taking* - the extent to which employees are encouraged to be innovative and to take risks.
- *Attention to detail* - the extent to which employees are expected to exhibit precision, analytic thinking and attention to detail.
- *Outcome orientation* - the degree to which the management focuses on results rather than on the techniques and processes used to achieve them.
- *People orientation* – the extent to which management decisions take into account the effects of their decision on the people within the organization.
- *Team orientation* - the extent to which activities are organized around teams rather than around individuals.
- *Aggressiveness* - the degree to which people are assertive and competitive rather than easy-going.
- *Stability* - the degree to which organizational activities focus on maintaining the status quo, instead on the growth of the organization.

There is a large amount of literature dealing with approaches to defining the concept of organizational culture. Below is a summary of the various attempts to define the concept (Schneider & Barbera, 2014: 121-122):

- Taylor and Van Every, 2000, define organization as “a form of life that creates a universe of objects and agents.”
- Martin, 2002, defines organizational culture as “patterns of interpretation composed of the meanings associated with various cultural manifestations.”
- Pheysey 2003 argues that the term culture is derived from the same stem as the verb “to cultivate.” In biology, cells are grown in a culture; in anthropology, culture refers to the way of life in which people grow up; in management, the word is used in a more restricted sense as the values and beliefs which provide people with a “programmed way of seeing things.” A culture is thus a way of seeing that is common to many people.
- Keyton 2011 states that organizational culture is “a set of artefacts, values and assumptions arising from the interactions of members of the organization.” This approach allows us to make the following assertions: (1) an organizational culture is a system composed of several layers of artefacts, values and perceptions; and (2) the members of an organization are expected to share a part of the interpretations of the cultural elements of the organizational life, though it is highly unlikely that everyone in the organization shares all or most of such interpretations. In other words, culture is a collective phenomenon, because it is shared, at least partly, by members of a group living in the same social environment, where the culture has in fact been learnt. The organizational culture also consists of a set of unwritten rules governing a group of people and distinguishing them from members of other organizations.
- Cameron & Quinn (2011), Pfister (2009) Schabracq (2007), Cameron & Quinn (2006), Schein (2004), Alvesson (2002), Cooper et al. (2001) and Ashkanasy et al. (2000) define in different ways the concept of organizational culture. However, their definitions share several points in common in the way organizational culture is understood, namely the common idea that an organizational culture is a system of beliefs, values, attitudes and cultural practices expressed through a set of common symbols, meanings and rules that regulate the cognitive and affective aspects of the members of the organization and the means by which these are expressed.

Hofstede et al., (2012) believe that culture is a collective phenomenon, because it is shared, at least partly, by members of a group that lives in the same social environment, where that culture is in fact acquired. Moreover, culture is made up of a set of unwritten rules governing

a group of people (including people of an organization) and distinguishing them from the members of another group (organization) of people.

We may therefore conclude from the definitions above that the concept of culture germinates gradually when members of a group live together for a longer period of time, tending to share a set of patterns of thinking, feeling and potential actions dealing with beliefs, values, attitudes and behaviors.

We may also argue that an organizational culture shows how people perceive the characteristics of the culture of their organization, and not just the reasons behind employee's satisfaction, and this is important because it differentiates culture from job satisfaction (Robbins & Judge, 2014). Studies on organizational culture seek to measure employees' perception about their organization: Does the organization encourage teamwork? Does it reward innovation? Does it inhibit initiatives? On the other hand, employee's satisfaction seeks to measure employees' perception about the organization's expectations, reward practices and the like. Although the two terms show several overlapping features, we need to emphasize here that organizational culture is descriptive, whereas job satisfaction is evaluative (Robbins & Judge, 2014: 249).

2.1. Organizational Culture Layers

Another aspect of the concept of (national or organizational) culture deals with the fact that it is composed of several levels (layers). To better illustrate the layers that make up the organizational culture, we have compared the culture concept with an iceberg. Thus, as with an iceberg, most culture layers are invisible (submerged), which determines what is visible and noticeable (i.e. the tip of the iceberg). From this perspective, the innermost layer of the culture is made up of the *beliefs* of individuals, which are "value judgments in terms of true or false". This layer is indeed the most difficult to change. Beliefs generate another layer, namely, the layer of *values*, which are "judgments in terms of good or bad"; we nevertheless need to point out the fact that values are not necessarily positive (value in this particular context is not regarded as the characteristic of something good, but as the actions of the individual; for example, for an employee who does not care about the needs of the customer, his lack of interest in the customer represents a value, despite the fact that, on a declarative front, the employee claims that a customer-oriented behaviour is vital).

In their turn, values generate the next layer (which is still below the water level), i.e., the *attitudes* layer; attitudes are, according to Pop (2002: 53), the "tendencies or propensities to assess in a certain way an object or the symbol attached to it". Attitudes determine the next layer of culture, which, this time, is visible (as the tip of the iceberg), namely the *cultural practices* that define the behavior of individuals and is expressed by *symbols* (language or jargon, gestures, pictures or objects that carry a particular meaning which is only recognized by those who share the same culture); *heroes* (most representative members of the organization, i.e. those people who are most likely to advance quickly in their careers), *stories and codes of conduct* (what members of the organization would like most to happen in their organization, what they regard as the biggest mistake one can make etc.), *rites and rituals* (how meetings unfold and how people in the organization behave during corporate meetings, what events are celebrated by the organization etc.) (Hofstede et al., 2012: 337). In other words, the (organizational or national) culture comprises the following four components: beliefs, which determine values, which in turn determine attitudes, which determine the cultural practices that shape the behavior of individuals (of an organization or of a nation).

Another great author in the field of organizational culture, Denison (1997), said that the culture has three or four levels, which taken together, are a beginning step in operationalizing the concept (Denison, 1997:32-33):

- **Artifacts:** the tangible aspects of culture shared by members of an organization. The verbal, behavioural and physical artefacts are the surface manifestation of the culture, e.g., language, stories and myths are perfect examples of verbal artefacts.

- *Perspectives*: the socially shared rules and norms applicable to a given context. Perspectives may be viewed as the solutions to common problems encountered by organizational members. They involve how members define and interpret situations of organizational life. Perspectives are relatively concrete and members are usually aware of them.
- *Values*: The evaluation base that organizational members use for judging situations, acts, objects and people. Value reflect the real goals, ideals and standards as well as the weaknesses of an organization. Values are more abstract than perspectives and sometimes experienced members articulate them in statements of organizational philosophy.
- *Assumptions*: The tacit beliefs that members hold about themselves and others, their relationships to other persons. Assumptions are the nonconscious underpinnings of the first three levels.

2.2. Organizational Culture's Functions

According to Robbins & Stephen (2013: 516) culture plays a boundary-defining role, in that it:

- creates distinctions between one organization and others;
- conveys a sense of identity for members;
- facilitates generation of commitment to something larger than individual self-interest;
- enhances the stability of the social system.

According to Kinicki & Mel (2016: 480), organizational culture fulfils four functions, which are illustrated in Figure 3:

- organizational identity;
- collective commitment;
- social system stability;
- a sense-making device across the organization.

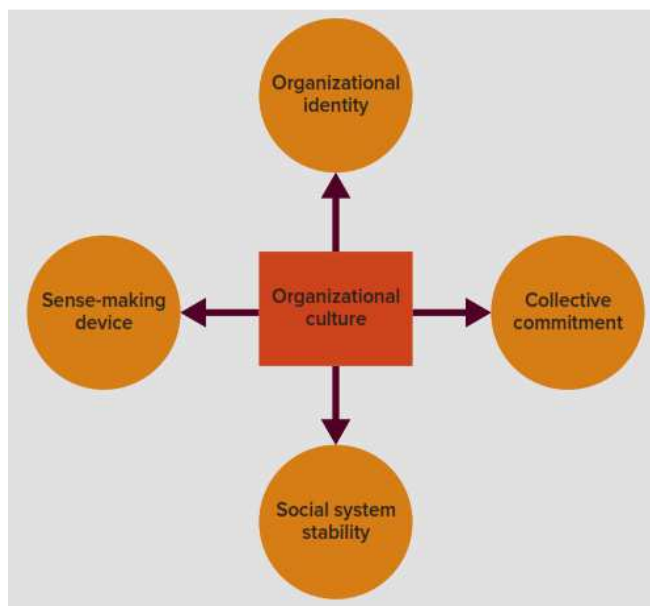


Figure 3: The functions of organizational culture

Source: Kinicki & Mel, 2016:484

Culture is the social glue that keeps organizations integrated and controlled through informal, non-structural means – shared values, beliefs, understandings and norms. Culture in this sense contributes to the avoidance of fragmentation, conflict and tension. Organizational life is seen as characterized by consensus, harmony and community. Finally, organizational culture serves as a sense-making and control-gaining mechanism that can guide and shape attitudes and behaviors (Alvesson, 2002).

2.3. Types of Organizational Culture

There are four main types of organizational culture described by the specialized literature, such as that illustrated by Tseng (2010: 271):

- *Clan culture*: produces a warm and friendly workplace where people can freely share knowledge.
- *Adhocracy culture*: produces a dynamic, entrepreneurial, and creative workplace, which encourages individual initiative and provides freedom for people who are willing to take risks.
- *Market culture*: produces a workplace with hard-driving competitiveness. A results-oriented organization led by tough and demanding leaders who are hard drivers, producers and competitors.
- *Hierarchy culture*: produces a workplace with formalized and structured procedures, which govern what people do.

The authors above (Tseng, 2010:279) indicate that the adhocracy culture has the best development of knowledge conversion and corporate performance. A hierarchy culture, with its emphasis on stability and control, is most likely to result in resistance to change and fewer interactions with external environment, thus it did not score well in knowledge conversion. Clan culture emphasizes the long-term benefit of human resources development with high cohesion, but it is also prudent and conservative, thus, it does not have the best corporate performance.

Kinicki & Mel (2016: 493) also speak about four types of organizational culture when discussing about the outcomes a meta-analysis survey, which involved more than 1,100 companies:

- Organizational culture is related to measures of organizational effectiveness. This means that an organization's culture can be a source of competitive advantage.
- Employees are more satisfied and committed to organizations with clan cultures.
- Innovation and quality can be increased by building characteristics associated with clan, adhocracy, and market cultures into the organization.
- An organization's financial performance (growth in profit and growth in revenue) is not strongly related to organizational culture.
- Companies with market cultures tend to have more positive organizational outcomes.

2.4. Culture as a Liability

Culture can enhance organizational commitment and increase the consistency of employee behavior, clearly benefits to an organization, but we should not ignore the potentially dysfunctional aspects of culture, especially a strong one, on an organization's effectiveness. In this regard, Robbins & Judge (2013:517) mentions several liabilities:

- *Institutionalization*: when an organization undergoes institutionalization and becomes institutionalized it takes on a life of its own, apart from its founders or members. It does not go out of business even if its original goals are no longer relevant.
- *Barriers to change*: culture is a liability when the shared values do not agree with those that further the organization's effectiveness. This is most likely when an organization's environment is undergoing rapid change, and its entrenched culture may no longer be appropriate.

- *Barriers to diversity*: new employees who differ from the majority in race, age, gender, disability, or other characteristics creates a paradox, in the sense that, management wants to demonstrate support for the differences these employees bring to the workplace, but newcomers who wish to fit in must accept the organization's core cultural values.

To the "deficiencies" identified by the authors mentioned above, we may add the fact that a stiff and extensively ramified organizational culture, that is largely typical of big companies, may slow down the responsiveness of the business to market changes, making it less sensitive to the needs of its customers and even exposing it to the risk of loss of opportunities. Therefore, the management should remain alert and strive to prevent the organization from turning into a "mammoth" that is slow in handling the business processes.

3. In conclusion

In the today's global, knowledge-based digital economy, the organizational culture becomes a strategic source of sustained competitive advantage. Therefore, the organizational culture is an increasingly important issue of academic research, education, organizational theory and management practice.

We intend to present a summary review of the specialized literature we have studied in order to rigorously understand what the concept of organizational culture actually implies. In this regard, in the first part of this article we present an overview of the concept of culture and the way it has been approached. In the second part of this article, we describe the basic aspects of the concept of organizational culture, such as the organizational culture "vehicles" and flows and the levels, the types and the "weaknesses" of the organizational culture. In our survey we have applied the qualitative research methodology, consisting of collecting documentation and texts. As for the data analysis, we resorted to the content analysis method.

We may therefore conclude from the specialized literature that the concept of culture germinates gradually when members of a group live together for a longer period of time, tending to share a set of patterns of thinking, feeling and potential actions dealing with beliefs, values, attitudes and behaviors.

The (organizational or national) culture comprises the following four components: beliefs, which determine values, which in turn determine attitudes, which determine the cultural practices that shape the behavior of individuals (of an organization or of a nation).

According to the specialized literature organizational culture fulfils four functions: organizational identity; collective commitment; social system stability; sense-making device across the organization.

There are four main types of organizational culture described by the specialized literature: clan culture, adhocracy culture, market culture, hierarchy culture.

The potentially dysfunctional aspects of culture, especially a strong one are: institutionalization, barriers to change, barriers to diversity.

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