EMPIRICAL STUDY OF DEVELOPMENT FACTORS OF ORGANIZATIONAL CULTURE

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ABSTRACT

This article is a discussion about national characteristics of organizational culture and its impact on the effectiveness of development strategies. The most effective is the clan culture, which is characterized by: a friendly workplace, leader as a teacher, taking care of people, etc. It is proved that the uncertainty and variability are the main feature of the Russian mentality.

KEYWORDS: Organizational culture, mentality, development strategy, cultural aspects

1. INTRODUCTION

National mentality is sure to influence the nature of organizational culture and the specific character of national management model. Famous foreign and Russian scientists (W.Ouchi, G.Hofstede, E.Schein, A.Naumovetal) pay attention to the impact of national spirit on management in their researches. The majority of scientists come to the conclusion, that the Russian management model should have its specific nature complying with the features of national mentality. Regional scientists distinguish the following important characteristics of the Russian management system: hierarchical management with heavy centralization; considerable dependence of staff on the leaders’ despotism; alienation of enterprises from external environment; barriers among departments; engaging, promoting and encouraging the staff due to personal and organizational loyalty; obscurity of the decisions taken; inflexibility of top managers, and inability to take into account different factors and change under the impact of internal and external conditions. However, the essence of this list is more peculiar of the existing organizational culture typical for many countries, than of the national mentality and main values of Russians.

The unique character of the national system of values and the ability to combine skillfully European individualism and Asian collectivism should be engaged into the process of establishing the efficient management system in Russia. The potential of many features of Russian archetype can become a driver of the country’s economic development. The effectiveness of Russian management can be increased by relying on some of them and making targeted impact on certain elements of it.

While the national culture is common for all the citizens of the country, the organizational culture is common among the personnel of a company. Many analysts consider the strong corporate culture one of the most important factors of a successful enterprise. Research of Ward Howell International has shown that the concept of corporate culture has been adopted in the practice of business management in Russia, particularly among HR-experts (79% of those asked). More than 85% of HR-experts believe that corporate culture is not a theoretical or methodological, but quite an operational and working concept for the practical business management. Top-managers show even more interest in corporate culture.
The poll has also revealed that experts have roughly the same understanding of the concept. So far, the most popular definitions are:

- corporate culture is corporate values and norms, written and unwritten rules, controlling the life of the company – 67.4%;
- corporate culture is a system of corporate communications, aimed at achieving the balance of interests within the company – 25.6%.

These data can serve as a ground to state that Russian business is really developing its corporate culture at the moment, and to make a forecast that it has reached the level of establishing its unique corporate culture.

C. K. Prahalad and G. Hamel, the founders of the resource-based view of competition, focusing on the identification and development of distinctive key competences of a company, also believe that company individuality originates from the internal resources of an organization as a “social community” upon the whole, in its organizational culture. They think that the advantages over rivals are rooted in the engrained internal abilities, enabling it to produce excellent goods which are difficult to copy. The resource-based view shows that efficient organizational culture represents the most important component of gaining competitive advantage, as it is hard to copy being a part of its internal resources.

Nowadays many scientists believe that strategy is more important in comparison with “organizational culture” due to the central position of resource-based view in strategic management. The strategic management postulates presuppose that the strategy is crucial to any corporate culture as a means to attain organizational objectives, deduced from the results of the external and internal environment analysis.

However, there are some researches, who believe that organizational culture can predetermine the choice of strategy stemming from the company’s unique characteristics. H. Mintzberg points out, that Hewlett-Packard Company (H-P), famous for its strong and perfect culture, with the postulates stipulated in the well-known document “the HP Way”, changes its strategy only provided it reflects the company’s basic values [quotation: 2, P. 86]. If the strategy in a way contradicts the organizational culture, if there is a discrepancy between the chosen strategy and the organizational culture, the company will probably face inevitable problems. In contrast, the fact that HP has a precious culture which is hard to copy is an important strategic competitive advantage, which has provided the company with a long-term market leadership and success. It was in 1989 that Hewlett-Packard Company made a formal statement of its organizational culture, having published “The HP Way” document, which gives a clear notion of the company’s values (trust and respect for individuals, high level of achievement and contribution, uncompromising integrity, achieving common objectives through teamwork, flexibility and innovation) and strategies (management by the environment analysis, management by objectives, open-door policy and total quality control).

Hence, to increase the efficiency of organizational culture it is important to establish the system of relations with the individual development as the main purpose of the organization; to develop creative approach to business by means of promotion and encouragement of the personnel; to admit the employee’s right to be wrong, to involve average executives into achieving assigned tasks for them to feel impartial to success or failure of the organization.

Modern Russian managers should take into consideration that Russian mentality tends to develop in the direction of individualism, objective evaluation of individual contribution and correspondent wage. That means promotion track, exclusively based on individual capabilities without paying attention to ties of relationship, should gain greater importance in the enterprises. Drive to self-preservation through making individual efforts strengthens individual values and beliefs conformably, controlling individual’s behavior. It is essentially related to the work as the main source of physical and spiritual survival.

Meanwhile the results of other researches prove that employee’s behavior is defined to a great extent by context and corporate culture in the enterprises in Moscow and Saint-Petersburg [3, P. 50]. These investigations were aimed at studying the on-going changes in attitude to...
work and business relations among Russian managers and experts while the transition of Russian society to market was taking place. The results of these researches opposed the traditional concept of low Russian individualism, but showed a great disposition to team work in the Russians, as a team provides a kind of shield for them, preventing direct intervention of the authorities in their life and work. As market relations will develop, the Russian expert will begin defining their destiny themselves; they will treat team less as a shield and start to appreciate the team work for its permanent value [3, P. 52]. Meanwhile team work is the most significant part of modern successful self-training organizations (STO). It is the teams that have become main centers of training in STO. If a group or a team studies the insights concerning further improvement of organizations are instantly implemented.

2. RESEARCH

The results of the research, carried out in the Astrakhan regional enterprises in 2004-2009, showed that the attention given to such issues as motivation of the personnel, making more precise informative and communicative systems based on the open book principle, establishing the mechanism of accumulation and distribution of organizational knowledge among the personnel of a company, the issue of establishing STO was not enough. Meanwhile organizational culture is the most important resource of the efficient management, capable of creating a flexible, adaptive management system. The majority of researchers agree that the influence of organizational culture – “the soul” of the enterprise – is doubtless. Different authors come to the conclusion that organizational culture is a complicated composition of significant assumptions (often indeterminable), undeniably accepted and shared by members of the personnel. As it was stated earlier, organizational culture is subject to the influence of national culture, existing mentality. The comparison of Russia and the USA in four dimensions angle of national culture based on the famous methods by G. Hofstede is of great interest (table I).

<table>
<thead>
<tr>
<th>Values</th>
<th>Russia</th>
<th>The USA</th>
</tr>
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<tbody>
<tr>
<td>Individualism</td>
<td>40</td>
<td>91</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>87</td>
<td>46</td>
</tr>
<tr>
<td>Masculinity</td>
<td>50</td>
<td>62</td>
</tr>
<tr>
<td>Power distance</td>
<td>89</td>
<td>40</td>
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*Quotation: 4.

According to the table, Russian managers appreciate power, prefer team work and avoid uncertainty. Average degree of masculinity and rather great power distance, showing a considerable social difference between employees and management is characteristic of Russia. The Russian historian V. O. Klyuchevsky enumerates some stereotypes of the Great Russian’s behavior: inventiveness; tolerance to hardships; vital energy in combination with reticence and lack of perspicacity; wariness; indecision; orientation on the past. V. O. Klyuchevsky emphasizes that the Great Russians willingly work in groups and watch the results in comparison with definition of objectives.

In 2011 we carried out the research of organizational culture on enterprises in the Astrakhan region implementing OCAI, the tool of empiric estimation of organizational culture, based on theoretical pattern “Competing values framework”, developed by Kim S. Cameron and Robert E. Quinn. The majority of regional enterprise (43%) defined the existing organizational culture as the hierarchical, characterized by a high level of work formalization and structuring. Long-term tasks of the organization include ensuring stability and providing for a smooth running of characteristics of profitable operations performance. The enterprise activity efficiency is defined by production supply rate attained, gradually elapsing schedule diagrams and low expenses.

The results of the research have proved, that the respondents (average 47.6 %) prefer clan culture with the following such characteristic features: an amicable workplace, where people have a lot of in common, and an organization is similar to a large family headed by a leader, who can act as an educator and, probably, even as a parent. Efficiency of organization is determined
by good will towards consumers and concern for people. Generally it is the top-managers and line managers who consider the clan culture to be the most preferable and appreciate its typical factors, supposing that the organization possesses them. However, average executives, who are not involved into management, and supervisors prefer the existing in fact hierarchy culture type. We suppose that such ambiguity in the organizational culture type definition on the regional enterprises is determined by substantial difference in managers’ and employees’ goals.

Large organizations (100% of large and 50% of average enterprises) define the clan culture as preferable, and more than 60% of small enterprises favor the hierarchy culture. We should say, that it is the most preferable both for top-management (50% of respondents) and for average executives of small enterprises(48% of respondents). It is quite natural, as it is more difficult for small enterprises to survive in a modern competitive market environment, a primitive infrastructure, an inefficient legislation, that controls their activity. It makes managers of small enterprises aspire to have obedient employees; to formalize and control the process of defined objectives achievement.

This fact is also confirmed by line managers of small enterprises who prefer compete (market) organizational culture (more than 66%); this culture has target aiming function in fulfillment of tasks and it also has spirit of competition, striving for victory. The primary objectives of small enterprises are market penetration, enlargement of market share, market leadership, i.e. a rigid commitment to a competition. The results of survey respondents, i.e. people who work at engineering plants, large industrial enterprises of fuel and energy sector with hierarchy system and machinery manufacturing indicate a necessity of an authority delegation, creative development of staff members that can give a basis for a successful activity and choice of effective development strategy. That is why they chose collaborate (clan) culture that is the most appropriate for them.

It is necessary to identify factors that affect a formation of the organizational culture for more detailed research of interrelation between a strategy and culture of industrial enterprises of the Astrakhan region. According to the analysis, made on the POC method, the most significant values of the organizational culture are accuracy, competitiveness and commitment to a result; all these values are attributable to a necessity of the enterprise to get through in spite of the competitive conditions, dynamism of an external environment, incompleteness and uncertainty of market information, etc. Such values as mobility and adaptiveness are very important. Many enterprise workers have a long-felt need to change not only and not just the directions of enterprise activities, its market situation, but an important change in the approach itself to a enterprise management and reconsideration of attitude towards personal management; these facts were identified by a respondents’ choice of such values as support and reasoning. A significance of values: «otherness», «non-stringent rules», «an ability and willingness to experiment» indicate an aiming of enterprise strategy at an improvement of effectiveness and management through a modernization and innovative orientation.

III. DISCUSSION AND CONCLUSION

There is no universal theory of the organizational culture analyses because of a complex culture phenomenon. In our opinion, D. Denison’s model for the assessment of the organizational culture is of a scientific and practical interest, its connections with effectiveness of a firm activity based on the usage of mathematical instrumentality upon 4 cultural aspects of efficient organization: involvement, concurrence, adaptiveness and mission [5,p.63]. The «involvement» is characterized by an authority’s delegation, team work, staff developments. The «concurrence» presupposes an existence of «powerful» culture that provides a steadiness and an internal firm entirety based on the values and general viewing, accepted by the staff. The «adaptiveness» presupposes a good adaptability to changes in external environment, change management system in a company, a customer orientation and an ability to fail forward to success, in other words a company should have training elements. The mission and strategic objectives system are typical for effective companies; these companies realize their mission statement and strategic directions of their development. If there is an interrelation between indicated 4 cultural aspects and an efficiency of enterprises activity in the Russian companies, we
can suppose that the national specificity is able to increase the role of some cultural aspect and decrease significance of others.

Taking into consideration the high level of dynamism and uncertainty of the Russian external environment in comparison with the USA, we can suppose that «the adaptiveness», as one of the cultural aspects, is more significant and currently important for our country and its level, certainly, influence the effectiveness of a company activity. «Involvement» is also a significant aspect for the Russian Federation in comparison with American companies because of a large power distance and tendency to avoid uncertainty. In history we can find that the Soviet, and now the Russian management, practically, consisting of “red” leaders of the regional economy, was punished for the unsatisfactory results caused by uncertain environment; it tried to shuffle off the responsibility of decision making on others, at the same time in terms of the absence of radical authorities delegation, as the process of decision-making in Russia is still characterized by a high level of centralism. On the contrary, the aspects «concurrency» and «mission», in our opinion, have lesser importance for the Russian enterprises in comparison with the American enterprises.

The analysis of correlation relation between cultural aspects and the efficiency indicators that we carried out according to 10 industrial enterprises of the Astrakhan region, showed that the overwhelming part of correlation dependences are turned out to be statistically insignificant (the correlation coefficient didn’t exceed 0.4). Respondents estimated various statements in the questionnaire using five-point rating scale: absolute disagreement – absolute agreement. As index (indicators) of operating efficiency of the enterprises were used: market share, return on total assets, sales growth, quality of production and services, level of the staff satisfaction, development of new types of production that also were estimated by respondents using R. Likert’s scale: from “unsatisfactorily” to “perfectly”.

The use of subjective performance evaluations due to both deficiencies of objective statistical information collection and the fact that the application for the purpose of the dynamics of traditional statistical indicators in the short term is meaningless, since they may be affected by the unexpected deviations (spikes) for some parameters in the analyzed period that do not reflect the true dynamics. Therefore, we consider to be quite reasonable the use of respondents’ subjective ratings (from 1 to 5 points) of the company performance because here the respondents are directors or their deputies. Despite of the obtained results on the statistical insignificance of the correlation coefficients between the cultural aspects and performance indicators due to insufficient selection criteria, we can say that there is a relation between them. More accurate data on the relation of cultural aspects and performance of enterprises can be obtained from regression analysis.

From the results of K. Fey and David Denison’s regression research, held in October, 1997 based on 179 foreign firms operating in Russia, all four cultural aspects but for «concurrency» to a large extent have more points for the various aspects of efficiency. The regression coefficients for «involvement» have the highest points for employee satisfaction (0.33), quality (0.29) and profit performances are characterized by «adaptiveness» (0.31), sales growth – «mission» (0.33). Influence of the cultural aspect of «concurrency» on the performance measures is very small (0.13 on sales growth and 0.2 in quality) [5].

In our opinion, qualitative logical analysis of the results is justified. The level of involvement directly influences on staff satisfaction and product quality by increasing the level of responsibility in the delegation of authorities, skills and staff competence. Organizations, that have "adaptiveness" is quite significant as a cultural aspect, are more profitable due to its openness and the development of abilities to generate changes, better tracking of the dynamics of consumer preferences and organizational learning from mistakes. «Mission» is connected to sales growth due to the positive impact on the strategy of the company, setting specific goals to employees with different positions and strong motivations to achieve them.

Thus, we can agree with the researchers that involvement and adaptiveness are main factors in ensuring the effective operation of the Russian enterprises. Summarizing the empirical study of organizational culture and evaluation of its impact on enterprise performance, we can say that the level of organizational culture is an
important factor on the level of implementation of tools and techniques of effective management at the enterprise. It is a resource or a barrier - depends on the strength and direction of the impact of organizational culture on the effectiveness of the enterprise performance.

We should stimulate such features as hardworking, high potential of goal achievement, enthusiasm, self-sacrifice and the need for a unifying national idea that we have in our Russian character appropriate; we also should develop a Russian system of effective management through integration appropriate management tools and techniques. That is to say ambivalence in behavior and changeability are the main feature of both in the Russian mentality and management.

Thus, the dualisms of the Russian mentality, its contradictory dynamics form a very unstable national management system. Understanding the limitations of the national management system will let people fight with some specific features and, on the contrary, develop other features based on the use of the mentality and national values. Russian companies have to overcome many barriers and obstacles in the terms of innovation economy due to specific features of the control system and Russian managers’ mental models and their organizational culture.

References


