

The Importance of Understanding and Changing Organizational Culture

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Abstract

Strategy, culture and leadership are important instruments at top leaders' disposal in order to maintain organizational competitiveness and performance. Strategy gives managers and employees clarity of the company's goals and orient people around them. Culture expresses the goals through values and beliefs and orients activities through behaviors and accepted group norms. Leadership is another key element for strategy formation, strongly linked to culture, and especially to managerial culture. In this paper, our intention is to properly define organizational culture, to explore why is so important to understand it and how can it be changed in order to improve corporate performance and competitiveness. We also present the most important forms of culture manifestation within company and different types of culture. The most challenging aspect for both managers and theoreticians is to identify a link between culture and economic outcomes. Therefore we suggest some steps to be followed in order to manage the culture and to make its effects more obvious for improving performance. In order to have a positive impact on the efficiency and development of an organization, the organizational culture must be shared and accepted at the level of the whole company. At the same time, managers need to identify the cultural elements with a negative influence on the development of the organization and transform them into behaviors and values that enable companies to achieve their goals.

Key words managers, organizational culture, performance, strategy, leadership

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Introduction

All companies operate on the market in order to achieve their expected goals of profitability and competitiveness. Their activities and business results are influenced by external developments located both in macro and micromedium of companies. As systems, companies have inputs and outputs and therefore, need not only to adapt but also to anticipate developments in the business environment in which they activate. Nowadays to remain competitive it is very important to be aware of the main sources of change (Verboncu, 2011): the evolution of emerging technologies, knowledge, the obsolescence of products on the market, different work conditions and redesigning the workplace but also new generations of human resources that bring different challenges to companies and their management. There are also changes that are happening much closer to organizations related to competitors, suppliers, customers or public authorities. Therefore, economic and fiscal policy, credit policy, exchange rate variations, interest rates, changes in supply and demand may encourage or limit the activities of the organization. Faced with these factors, managers react by assessing their consequences, adopt adjustment decisions, and continuously adapt their activities and business processes.

However, the change and the dynamism of the environment have always been features of the economy, even though their magnitude has grown as the process of globalization has increased. The experience so far of profitable and competitive firms has shown that, in the face of market challenges, companies have to oppose performance management systems that are flexible enough to allow integration of both external and internal developments.

In this context, it is appropriate to bring into discussion the organizational change as the main tool for dealing with external challenges. In our opinion, organizational change involves changing the management system or a major component of it. In the economic literature there are many approaches of the process of organizational change and one major step of it is the change of organizational culture.

Organizational culture has a strong influence on the company's performance and competitiveness. As has often been found, although many companies have adopted the most appropriate strategies, they have failed to implement all strategic changes due to inertia, even opposition, manifested by their organizational culture.

Strategy, culture and leadership are among the primary instruments at top leaders' disposal in order to maintain organizational competitiveness and effectiveness. Strategies help managers and employees to achieve company's goals and orient people around them. Culture is about goals expressed through values and beliefs and guides activities through shared means and group norms. Leadership is another key element for strategy formation, strongly linked to culture, and especially to managerial culture.

1. Literature review

The study of organizational culture began to manifest itself more intensely in the 1970s, the cause being represented by the outstanding performances of the Japanese firms, performances explained to an appreciable extent by their specific culture. Recognition of the importance of organizational culture occurs with the publication of "In Search of Excellence" (1982) by T.V. Peters and R.H. Waterman, identifying certain correlations between company success and their organizational culture. A complex approach of organizational culture belongs to the Dutch professor Geert Hofstede ("Cultures and Organizations: Software of the Mind" (2010) written with Jan Hofstede and Michael Minkov). In his opinion, organizational culture is holistic, historically determined, linked to anthropological elements such as symbols and rituals, socially based and also difficult to modify because of the human elements involved. Important contributions on organizational culture and organizational change belong to R. Beckhard, J. Kotter, C. Lundberg as well as Nicolescu O., Verboncu I, Nastase M. or Burdus E.

2. Results and discussions

What is Organizational Culture?

This type of question can provoke an important debate because albeit there is a general agreement that organizational culture exists and plays a decisive role in shaping behavior in organization, there is a little consensus on what organizational culture actually is. However the most challenging aspect related to organizational culture is its link to outcomes and company's performance.

According to Nicolescu and Verboncu, organizational culture is "the set of values, beliefs, aspirations, expectations and behaviors that are refined in time in each organization, and which are predominant within organization and directly and indirectly influence its functionality and performances" (Nicolescu & Verboncu, 2007).

"Culture is a tacit social order of an organization. It shapes attitudes and behaviors in wide-ranging and durable ways. Cultural norms define what is encouraged, discouraged, accepted, or rejected within a group. When properly aligned with personal values, drives, and needs, culture can unleash tremendous amounts of energy toward a shared purpose and foster an organization's capacity to thrive." (HBR)

It is obvious that culture is always a group phenomenon and consists in shared behaviors, values and assumptions. We can see culture in collective behaviors, group rituals, visible symbols, stories and legends. These are those parts of culture that people can see but there are other aspects, such as mentalities, assumptions, motivations, or some common ways of interpreting and responding to the world around the company. Culture develops through critical events in the collective life and learning of a group and it is long lasting which can be explained in part by the companies' tendency to select individuals who seems to "fit in". Over time those employees who don't fit in tend to leave the company. Therefore culture becomes a social pattern that develops resistant to change and external influences.

Within organizations, two forms of culture can be found: observable culture and basic culture.

The observable components of culture are the aspects a visitor, a client or an employee can notice during a visit to the organization. These aspects relate to how employees are dressed, how they arrange their workplace, how they address and behave, the nature of the conversations they carry, etc.

The observable components can be structured into the following elements: symbols, behavioral rules, organizational histories and myths, rituals and ceremonies.

Symbols are the objects, events, formulas through which different ideas can be conveyed. These symbols reflect the company's philosophy, values, beliefs or expectations, and serve to express certain concepts and promote certain behaviors within the organization.

Symbolistic value may be the way of setting up an enterprise, the furniture used, the clothing of the employees, etc. The provision of a meeting room with a round or oval table, for example, may suggest the idea of

participation and group action, while a huge office of the general manager and pretentious furniture or his paintings may indicate the emphasis on hierarchy and an autocratic vision on management.

Stories and organizational myths. Stories are narratives based on true events, which have the role of emphasizing different ideas. They outline certain organizational features and honor the virtues and deeds of the heroes, providing examples to follow in similar or ambiguous situations. At the same time, the stories may present certain organizational situations that involve tension between opposing values, and the related solution is a way of fortifying the organization by developing certain behaviors. In general, a story is relatively recent and can be a powerful cultural tool, as it can be generated by managers who want to get a certain effect. Creating stories to encourage a certain behavior requires a great deal of attention from leaders because they can have unexpected effects.

Myths are also a type of narrative whose origins lie in the far past of the company, the events presented are very similar to what can be done today. These myths have their own evolution and are not created. Therefore, all that managers can do is to accentuate some myths and avoid spreading others, which may have negative effects on the performance of the organization.

Therefore, the company's stories and myths are the company's "folklore" and are meant to provide behavioral patterns for its employees. Frequently they refer to "heroes" with major roles in the organization's evolution.

The heroes of a company are people who, due to their acts, attitudes or qualities, enter into the memory of the community. Often, heroes become founders of companies or people who have brought success to organizations in critical situations. Likewise, employees who prove their skills or skills are perceived as heroes. There may be heroes both former company leaders and in-service leaders. Heroes have the ability to personalize the organization by giving it a certain identity. At the same time, they provide a series of behavior patterns for company members.

Rituals and ceremonies. A ritual is a set of activities designed to transmit certain values or to promote certain behaviors in order to strengthen them within organizations.

According to Harison Trice and Janice Beyer, there are six kinds of rituals in an organization: passage, degradation, fulfillment, renewal, conflict reduction, and integration.

Each of these rituals serves the achievement of some important goals for the organization. Thus, the ritual of fulfillment aims to encourage individual and group efforts, demonstrating that employees can achieve performance and that they will be rewarded, and the integration ritual aims to develop a sense of being part of a group.

Most rituals are completed in a pleasant way, in a festive setting, through ceremonies. It can be mentioned, for example, planned or spontaneous ceremonies or meetings aimed at celebrating an i Basic culture. Every group tends to give rise to beliefs, values and collective norms that are not always explicit and form the basic culture. These beliefs, values and collective norms are the essence of organizational culture, all other visible components being developed and consolidated as a result of the promotion and maintenance of the basic culture.

Promoting positive, explicit values to which all members of the organization adhere is essential to maintaining a strong organizational culture. For this reason, values are generally widely publicized through formal statements of mission and company objectives.

Successful organizations focus on a small number of sustainable values such as performance, innovation, social responsibility, integrity, employee commitment, customer care, and teamwork.

Types of organizational cultures

Charles Hardy noticed a correlation between the cultural characteristics of a firm and its organizational structure. He identified four types of crops to which specific organizational structures correspond.

Power-focused culture is for organizations with a structure based on functions or products. In these organizations there are sales, production, finance, etc. and even product divisions or strategic business units.

Hardy represents this type of culture in the form of a spider web, in which the radial lines that start from its center are represented by functions and departments and the levels of authority are given by concentric circles. The more a person's position departs from the center of the structure, the more his authority and influence in the organization are weaker. The functioning of the organization depends exclusively on the Center's decisions. Decisions can be adopted quickly but their quality is affected by managers' skills on the inner circle. They rely heavily on empathy, affinity and trust, both at the organization level and in relationships with suppliers, customers, etc.

Within such a culture, employees learn to respect the requirements and expectations of their boss and organization. They are rewarded with regard to the effort, success or membership of the organization's system of

values. The values of a spider cloth structure focus on individual performances, egocentrism, physical and psychological resistance. The rituals promoted generally have the role of emphasizing differences in roles and status among members, without the importance of stimulating the sense of belonging to the group. The tough, competitive climate is extremely unpleasant but very effective in achieving the goals.

Role-centered culture develops in large, bureaucratic organizations where functioning is assured by the inertial realization of certain roles specialized by employees. Hardy represents this type of culture in the form of a temple in which the specialized departments of the organization form the columns and the coordination of the activity is carried out by managers located on the roof of the temple, which is the source of power.

The cultural values of this organization revolve around rationality, logic, discipline and stability. The atmosphere is relatively calm and protective for employees, providing them the possibility of a professional specialization. However, ambitious people consider this cultural environment unsatisfactory. They will either aspire to the source of power, or leave the organization.

Organizations with a temple structure can be effective in stable environments but are inefficient in dynamic environments due to slow adaptation to change. Promoting a focused crop can have beneficial effects in aviation or rail transport organizations where compliance with discipline and race planning is essential. Instead, this type of culture is not feasible enough and oriented to meet customer requirements.

Task-focused culture aims to distribute tasks according to the intellectual and professional potential of employees. This type of culture corresponds to a network structure that is characterized by the fact that, in solving a problem, employees participate and are attracted resources from different parts of the organization. After solving the problem, employees are assigned other tasks, discontinuity being the core feature of their work. Professional competence is the source of authority for individuals. Within this culture, staff has autonomy in choosing ways to accomplish tasks. The cultural values promoted are creativity, teamwork, and achievement of common goals before the individual, trust in people, self-esteem and high level of accountability.

Task-focused culture is ideal for consulting, advertising, or research-development departments within different organizations. However, promoting this type of culture can involve high costs, as the task is based on numerous meetings and discussions, on experiences and on learning from experience.

Focused person-centered culture attaches great importance to the individual, to the detriment of the organization as a whole. The structure and organization itself is at the service of individual interests. In such a culture, an individual can always leave the organization, but he cannot make it available. As a rule, the role of these organizations (also known as rogue organizations) is to provide the necessary infrastructure for their members (workspaces, telephones, equipment) to carry out their specific activities. The cultural values promoted within these organizations relate to performance, individualism, indifference to the organization, and their members do what they know best and are consulted on issues where they are experts. They regard the organization as a framework in which they can carry out their work, while also bringing a certain benefit to the company's owners.

How can we change the organizational culture?

First of all, we must establish why companies need to change their organizational culture? In the first part of this article we have linked organizational culture to strategy and leadership. Managers cannot fulfil any strategy without properly adjust the company's culture and the organizational climate. Strategy provides coherence and focus for collective actions and decision making process. It relies on specific goals and strategic directions to mobilize stakeholders and can often be applied by concrete rewards for achieving strategic goals and consequences for failing to do so. Of course leadership has a very important part in strategy formation and implementation. Culture and leadership are strongly linked. The relation between culture and leadership comes from the relation between organizational culture and managerial culture. Managers and leaders, especially founders and influential leaders often establish a new culture and imprint values and assumptions that persist for years and years. But there are also managers who may lay out detailed, great plans for their strategies and decision making process, but because they can't understand culture's power and dynamics, fail with their big plans. The most important step managers can do before promoting a strategy or any major changing within the organization is to become fully aware of how organizational culture works. Culture must be put in line with the strategy.

Other situations requiring a transformation of organizational culture are the changing of management team or mergers and acquisitions. New team, new leaders, new values and behaviors, different goals and a new organizational structure require redesigning a part of organizational culture.

Organizational culture is very much related with incentives and motivation – monetary rewards and non-financial rewards such as status, recognition, advancement or sanctions. Patterns of behavior are the product of incentives but we can also consider that incentives have been shaped in fundamental ways by beliefs and values that underpin the culture.

Managers should change culture in order to improve organizational performance. Changing culture is a very difficult mission and has to be assumed within the company especially by managers and also by employees.

First leaders must become aware of the culture that operates in their organization. They must understand what results the culture produces and how it does or doesn't align with the market and business conditions. Also they must identify the most influencing employees or managers and discover their potential commitment to change organizational culture and the subcultures that may account for higher or lower group performance. It is important to evaluate the level of consistency in employees' views of the culture and to measure the degree of compatibility between individual leadership styles and organizational culture.

The analysis of the present culture must emphasize the elements that will be maintained - values, behaviors, beliefs and those which will be left aside. After this step leaders have to design an "aspirational culture" and communicate the change necessary to achieve – new symbols, new behaviors, and new group norms. Changing the organizational culture is a long-term process which requires commitment, determination and implication of managers and employees.

Conclusions

Organizational culture is an essential management tool. Successful leaders use it as a major source of competitive advantage and performance. The analysis of organizational culture allows us to recognize the major impact of human elements on the company's performance. Cultures of powerful companies are based on values such as teamwork, positive relationships between managers and employees, creativity, innovation, learning, achieving goals and targets, long-term orientation.

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