THE ROLE OF ORGANIZATIONAL CULTURE IN HUMAN RESOURCE MANAGEMENT

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Abstract

The purpose of this paper is to look into the theories of the organizational culture and to analyze an example of one effective organization. In the paper, the questionnaires for evaluation of the organizational culture were use. This is the first such kind of empirical research of the organizational culture as a background of the human resource management in Latvia done by using testing and retesting research methods. Practical implications: a need for more management attention to organizational culture as a measure for human potential development. Moreover, a need to recognize a significant role of the culture in organizations effectiveness is emphasizes in this paper. With a sufficient degree of certainty the study can argue that the dominant organizational culture type is hierarchical and market (Quinn, Cameron), or bureaucratic organizational culture dimension (Wallach), a discussion provoking is relatively high level of supportive organization culture dimension by E. J. Wallach research methodology. Organizational culture (HRM environment) can be considered as effective as the degree of approximation of the existing and preferred culture in both (staff and management) subculture levels is high. In context of the specific research, we can conclude that an effective organizational culture promotes the organization's competitiveness.

Key words: organizational culture, subculture, value, attitude, competitiveness, human resource management.

Classification JEL: M12 Personnel Management

1. Introduction

The present study examines organizational culture in a context of human resource management (HRM). The article offers analysis of a particular business organizational culture. On one hand organizational culture is an environment for a positive or negative development of the human potential (Brown, 1998). On the other hand according to E. Schein organizations need to involve a consensus on two sets of issues:

- those witch help the group adapt to the external environment;
- those witch help the organization to integrate, its internal process – internal integration of individuals in organization, in organizational culture (Schein, 1985).

The second core function of organizational culture is to facilitate the development of human potential, including its innovative and creative potential. Organizational culture management is in a direct interaction with human resource management. P. Drucker believes that at the present as well as in the future there is no question of what is the sole and proper organization (also organizational culture – L.D) type, because organization is only a tool, which is irrelevant without humans. It is a moral as well as social phenomenon (2003; 2005).

2. Organizational culture

There are dozens of organizational culture definitions today. They are all different but not contradictory. Organizational culture is associated with behavior (also leadership style), language, rituals, ceremonies, myths, heroes, etc. (Dubkēvičs, 2009). It means artifact – the more visible and conscious level. Most of the authors of management science define organizational culture as value system which determine attitude (Vanaerde, Jowrnee, 2003; Schein, 1985, 1990; Kets de Vries, 2001; Barets, 2008; Peters, Waterman, 1982; Taormina, 2004).

Values are defined as ideas and objects with a special meaning on a personal as well as organizational level (Dubkēvičs, 2009). They determine basic assumptions about the reality, human nature and relationships. Attitude is valuation. It is described by a cognitive aspect (positive or negative views), affective aspects (emotions and feelings), and behavioral aspects (specific actions) towards persons and objects (Warr, 2002).

Edgar Shein is the author of the most popular organizational culture definition: „Organizational Culture is „… a pattern of basic assumption – invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think, and feel in to those problems", (1985, p. 9).

Organizational culture is a **complex phenomenon**. Therefore management science must take into account insights from different social sciences: sociology, anthropology, psychology and philosophy. G. Hofstede and G. J. Hofstede believe that the relationship between society, organization and individual is just as natural as link between "a garden, a bouquet of flowers and a flower", (2005, p. 304).

Organizational culture research requires an integrative approach. In near as well as distant future innovation most likely is expected in "parallel worlds" – contact of various social sciences in sensitive and so creative points. Most famous bipolar classifications of the organizational culture are: strong/weak, functional/dysfunctional, efficient/inefficient, positive/negative cultures (Dubkēvičs, 2009). T. Deal and A. Kennedy determined five major signs of a weak organizational culture:

- unclear, inadequately identified value system;
- organization has no internal consensus on how they reach their targets and what instruments they use;
- existing subcultures in the organization have different views;
- ineffective leadership;
- ceremonies and rituals are disorienting, even contradictory (Deal, Kennedy, 1982).

Weak organizational cultures are characterized by a high level of **cultural entropy** – a proportion of energy wasted on non-productive activities by a group of people (Barets, 2008). Weak organizational culture indicates a weak human resource management (HRM). Any organizational culture consists of subcultures. Subcultures are relatively independent systems of values, norms and behavioral stereotypes that exist in a cultural context and are not in a sharp conflict with it (Zepa, 1997). E. Schein determines three general subcultures which exist in every organization:

- subculture of employees;
- subculture of creators;
- management (leadership) subculture (Schein, 1985).

Leadership issues are functionally important for shaping and managing the organizational culture – leadership in organization defines the culture. M. Kets de Vries compares organizations with cars: driverless cars run only downhill. People are necessary for cars to really work and the right people by the steering wheel (Kets de Vries, 2001). On the other hand – leadership is a group phenomenon. It is popularly argued that human resource professionals are able to play an important role in managing key elements of culture (symbols, rites, rituals, norms of behavior, beliefs, values and assumptions).

Therefore in the context of this paper, the study is based on a diversion between staff and leadership subcultures. It determines the basic research criteria for organizational culture evaluation:

- typological matching degree of the organizational culture on staff and leadership subculture levels;
- degree of approximation between the existing and the preferred organizational culture models in both subcultures;
- degree of approximation of the organizational culture values in both subcultures.

This research is based on assumptions that effective organizational culture is characterized by a high degree of approximation between subcultures in all levels of research criteria.

3. Organizational culture typology theories

Today there are about one and a half dozen of typological theories. R. Quinn and K. Cameron determine four basic types of organizational culture:
- hierarchy culture;
- market culture;
- clan culture;
- adhocracy culture.

This typology is based on four criteria: flexibility and discretion; stability and control; external focus and differentiation; internal focus and integration (Figure 1).
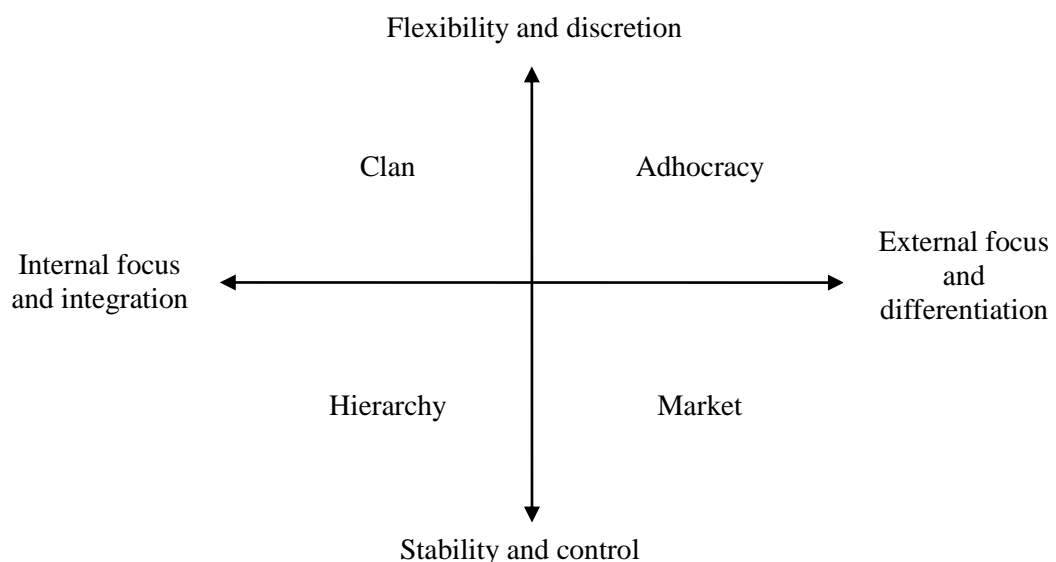
Figure 1: Competing Values Framework
Source: Cameron, Quinn, 1999, p. 32

Each organizational culture type is characterized by a certain type of competing values, which in turn describe the environment of HRM (Cameron, Quinn, 1999). In terms of typology it is very similar to E. Wallach theory (Wallach, 1983). E. Wallach uses a term "cultural dimensions" to emphasize that the cultures are not monolithic, but multidimensional subculture phenomenon and that we can only talk about the dominants. This author determines three main cultural dimensions:
- bureaucratic;
- innovative;
- supportive.

Difference between opinions of the authors is more terminological. The similarity of both theories is reflected in Table 1.

Table 1: Characterization of K. Cameron, R. Quinn and E. Wallach organizational culture types/dimensions

Organizational culture types by K. Cameron and R. Quinn	Organizational culture dimensions by E. Wallach	Core values of the organizational culture (HRM environment)	Individual motivation for development of the of human resource potential (McClelland, 1967)
Hierarchy (similar to market but characterized with a stronger market orientation)	Bureaucratic	Efficiency, results orientation, stability, power, control, loyalty, competition	Power
Adhocracy	Innovative	Personal creative freedom, orientation towards change, innovation, risk	Achievement
Clan (family type culture)	Supportive	Unity ("we" consciousness), team, loyalty, mutual respect, trust, trust in tradition	Affiliation

Source: own comparison

Table 1 also includes individual motivation, which is one of the key components of HRM. Each type of the organizational culture determines the HRM model. Even more – all organizational culture types must be integrated into the preferred human resource management as subcultures.

In the human resource potential development context of organizational culture, the value emotional aspects are of a particular importance. In the organizational culture where emotions are not appreciated, there is a risk of alexotimical human resource environment, characterized by routine, schematic thinking, low productivity and the burn out syndrome. Organizations with a low level of emotional intelligence are not creative. Recently terms like *emotional company* and *E (emotional) business* have emerged in the business vocabulary (Dubkēvičs, 2009). This shows that the role of emotions is being recognized in organizations.

4. Realized questionnaire survey

In realized survey, all 84 respondents (20 male, 64 female) were working adults aged from 23 to 62. Majority (76%) are female. Majority of respondents are in the age group from 31 to 45 (45%) All the respondents who participated in the research were split into two groups – staff and management. Also results are show for each group separately. Majority (69%) of respondents represent the management (58) – mainly middle level managers, while 31% represent staff (26). All the respondents present a sufficient level of confidence.

Measures:

1. The main instrument used for measuring the organizational culture was the Organizational Culture Assessment Instrument (OCAI) by K. Cameron and R. Quinn. The questionnaire contains 6 questions. For each question there are four answers. Respondents have to divide 100 points among the 4 alternatives. Questionnaire allows to determine the dominant organizational culture type, the degree of approximation of the existing and preferred culture

and hence its effectiveness. The questionnaire also measures the human resource management. It links organizational culture with the HRM.

2. The organizational culture was also measured by using E. Wallach (Wallach, 1983) 24-item Organizational Culture Index (OCI), which profiles the culture into three dimensions – bureaucratic, innovative and supportive. Using a four-point scale (1 = Does not describe my organization, to 4 = Describes my organization most of the time), respondents were asked to assess how well the adjectives describe their company. OCI was used as a test and retest method for OCAI. This instrument allows determining the dominating cultural type and the effectiveness.

Assumptions of the study:

1. In the specific organizational culture research authors have used two different research instruments based on similar theoretical concepts. It can therefore be assumed that the results correlated with one another.

2. Organization selected for the study is one of the leaders in the commercial banking sector. It can be assumed that the indicator of organizational effectiveness is an effective organizational culture, characterized by high degree of approximation in regards to existing and preferred culture models.

Results:

The OCAI responses from both Management (see Table 3 and Figure 3) and Staff (see Table 2 and Figure 2) were summed to find an averaged response for the existing and preferred culture profiles. The existing and preferred culture results are shown on the competing values framework. Each line represents 5 points.

Table 2: Organizational culture from perspective of staff subculture

	STAFF	
	Existing	**Preffered**
Clan	22.63	25.51
Adhocracy	19.42	22.24
Market	24.42	24.17
Hierarchy	33.4	27.95

Source: own

Staff preffers the hierarchy culture which according to the questionnaire currently is the existing culture. Hierarchy culture is characterized as a very formalized and structured place to work. There are written procedures that govern what people do. Such formal rules and policies hold the organization together. The long term target in such organization is stability and performance with efficient operations. Stability of course is one of the most important parts of banking business. Employees also appreciate the security of employment and predictability of such an organization.

Even though the hierarchy culture is still dominating in existing as well as preferred organizational culture, research shows that staff would preffer the organizational culture to be more balanced between all the organizational culture types.
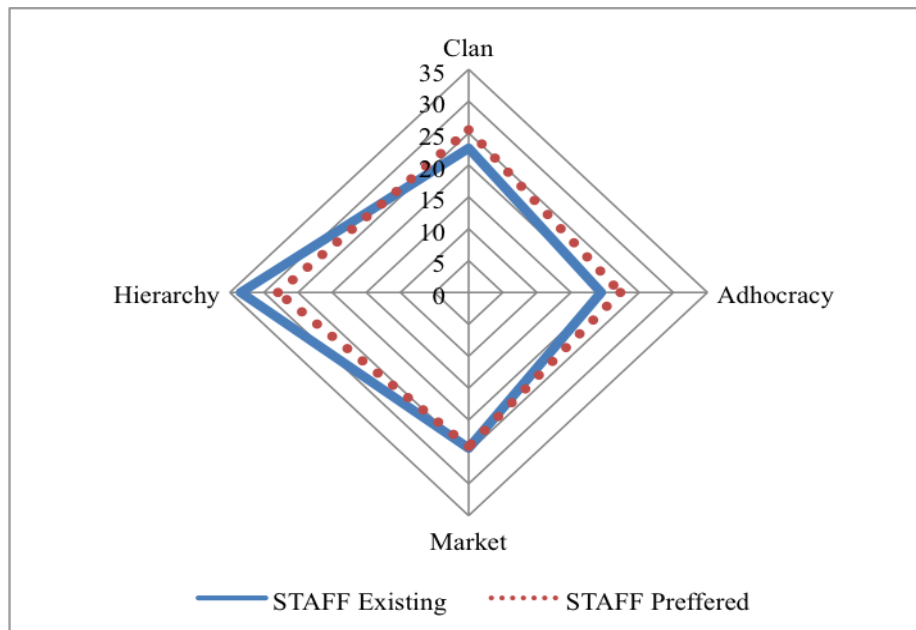
Figure 2: Culture profile 1
Source: own

Management showed (see Table 3 and Figure 3) an interest in transforming from hierarchy culture, which is the current state, to as a clan culture. Both hierarchy culture and clan culture are focused on internal maintanance. While the hierarchy culture is a very formalized and structured working place with a need for stability and control, clan culture is a very friendly working place where people share themselves. It is like an extended family where leaders are considered to be mentors and even parent figures. The clan culture organization is held together by loyalty and tradition. The organization places a premium un teamwork, participation and consensus.

Table 3: Organizational culture from perspective of management subculture

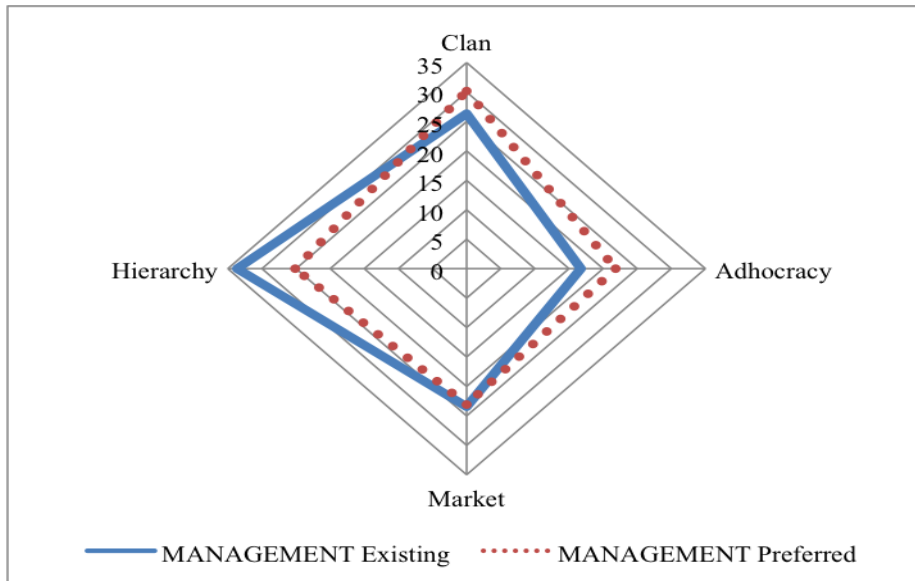| MANAGEMENT		
	Existing	**Preffered**
Clan	26.32	30.16
Adhocracy	16.75	21.84
Market	23.45	23.08
Hierarchy	33.65	25.13

Source: own

Figure 3: Culture profile 2
Source: own

Table 4: Existing organizational culture from perspective of staff and management subcultures

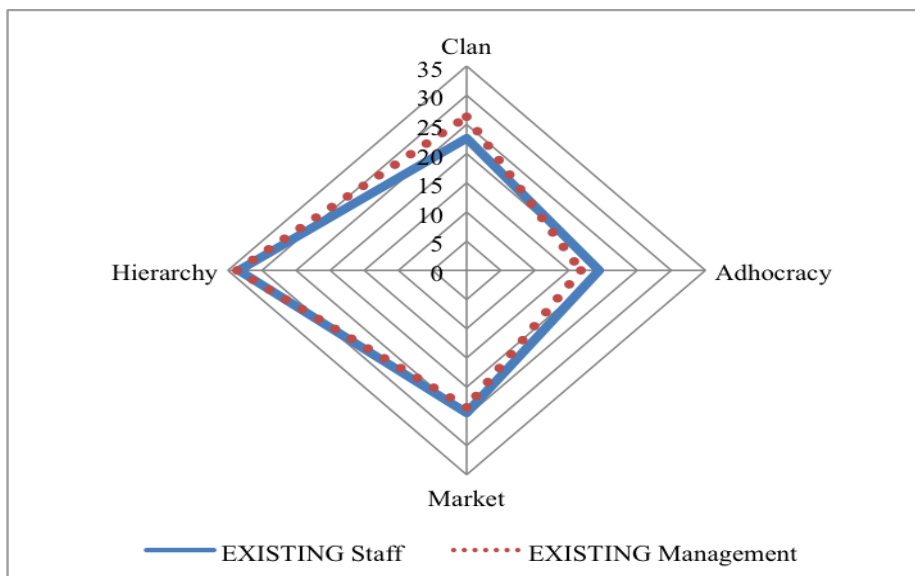| EXISTING		
	Staff	**Management**
Clan	22.63	26.32
Adhocracy	19.42	16.75
Market	24.42	23.45
Hierarchy	33.4	33.65

Source: own

Figure 4: Culture profile 3
Source: own

Analysis of the existing organizational culture show that both – staff and management see the dominating organizational culture type as the hierarchy culture (Table 4 and Figure 4). There is a difference in regards to the second dominating culture which management see as clan culture while staff see the market culture as second dominating. It shows that staff as well as management believe that the organization is based on stability, formal rules and policies. Mismatch between staff and management opinions is where management see the organization as a family of loyal and self motivated people while staff see it as a group of competitive and goal oriented people with tough and demanding leaders.There is a mismatch in regards to preferred culture between staff and mangement (Table 5 and Figure 5). Staff preferrs hierarchy culture while the management prefers clan culture. It shows that staff has accepted the existing dominating organizational culture type as the most suitable for orgaization in question. From management perspective clan culture should be dominating in the preferred organizational culture. Management would like the organization to be more people oriented and based more on trust than on control.

Table 5: Preferred organizational culture from perspective of staff and management subcultures

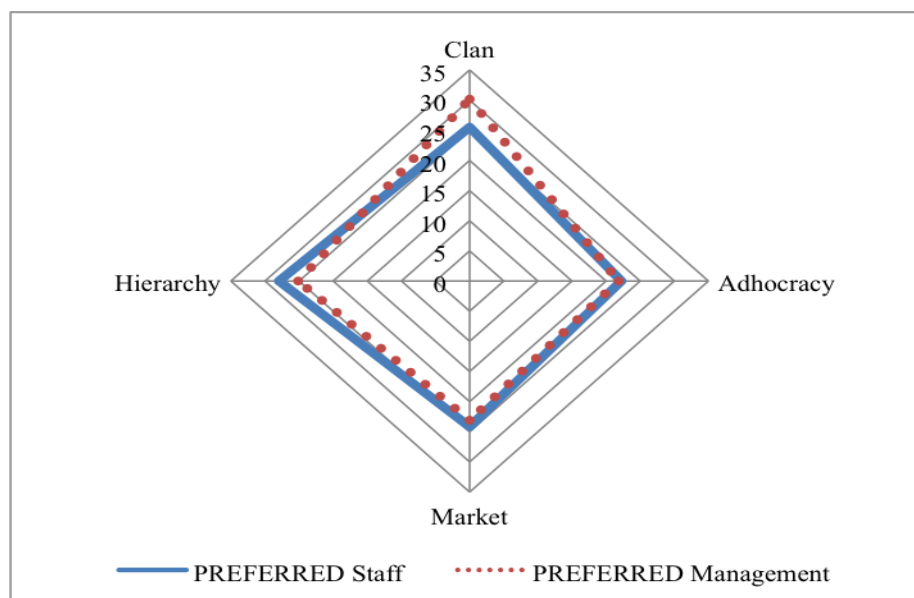| PREFERRED		
	Staff	**Management**
Clan	25.51	30.16
Adhocracy	22.24	21.84
Market	24.17	23.08
Hierarchy	27.95	25.13

Source: own

Figure 5: Culture profile 4
Source: own

E. J. Wallach survey results show similar organizational culture dominants on staff as well as managerial level.

Both staff and management recognize the bueraucratic organizational culture as the dominant with more than 26 points (Figure 6). The bueraucratic organizational culture is characterized as hierarchical. There are clear lines of responsibility and authority. Work is well organized and systematic. Such culture is usually based on control and power. It is also power oriented, cautious, established, solid, regulated, ordered, structured, procedural and hierarchical. A well trained staff and sound structure with efficient systems and procedures make it work. Strong bueraucratic culture is not likely to attract and retain creative or ambitious people. Second dominating culture in the organization in question is the supportive culture. It is characterized as a very warm place to work. It is almost like an extended family of friendly and helpful people.
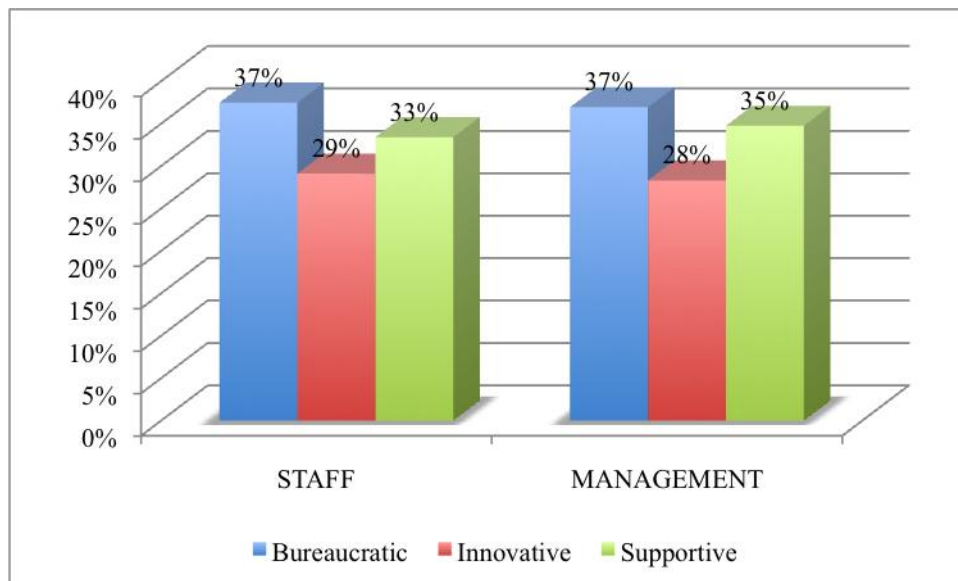

Figure 6: Organizational culture from perspective of staff and management subcultures
Source: own

There is no significant mismatch between the dominant organizational culture type from staff and management perspective.

5. Conclusions and implications

With a sufficient degree of certainty the study can argue that the dominant organizational culture type is hierarchical and market (Quinn, Cameron), or bureaucratic organizational culture dimension (Wallach), a discussion provoking is relatively high level of supportive organization culture dimension by E. J. Wallach research methodology.

Organizational culture (HRM environment) can be considered as effective as the degree of approximation of the existing and preferred culture in both (staff and management) subculture levels is high. In context of the specific research, we can conclude that an effective organizational culture promotes the organization's competitiveness.

In the perspective research base needs to be expanded for the assessment of the specific business sector in Latvia and in further perspective in the Baltic countries to promote human development and thereby enhance their competitiveness.

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