

## **1.4. INTERRELATIONSHIP OF ORGANIZATIONAL CULTURE WITH ORGANIZATIONAL CHARACTERISTICS: THE GROUNDS FOR TYPOLOGY**

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### **Background to the research problem**

Both researchers and practitioners use the term organizational culture (OC) if they want to underline that like people, organizations have their peculiar characters. Trompenaars and Woolliams (2003) express it as follows: “Culture is to the organization what personality is to the individual – a hidden yet unifying theme that provides meaning, direction and mobilization that can exert a decisive influence on the overall ability of organization to deal with challenges it faces” (p. 364). The role of organizational culture is seen in various respects (see *The International Handbook of Organizational Culture and Climate*, 2001) and thus the knowledge of factors that cause differences in the organizational culture benefits a broader understanding of management of an organization.

Several theorists have pointed out that task-orientation and relationship-orientation of OC capture important aspects of the phenomenon (Smith, 1997; Harrison, 1995; Schein, 1992). These are

broad categories, which enable one to reflect on deep-seated processes within an organization.

The behavior patterns of a particular organization are moulded by its size and area of operation. For example, Jackson *et al.* (1989), comparing manufacturing- and service-based industries, exemplify it as follows: “Service organizations differ from manufacturing organizations in three ways: their “products” are intangible rather than tangible, customers are actively involved in the production of services, and the consumption of services occurs simultaneously with their production” (p. 730). Indeed, these differences lead to specific ways of training, control, performance appraisal, etc., resulting in a particular organizational culture and forming certain types of culture.

The overall aim of this article is to explore how organizational characteristics determine an organizational culture’s task and relationship orientations and whether these relations reveal the regularities that could be qualified as types of organizational culture. The paper is structured so that the first two sections describe the main concepts of this study—organizational culture and organizational characteristics as well as their potential interrelationship and how they can form types of organizational culture. The third section summarizes the empirical study, while the final section presents the discussion and implications of the results gained.

### **Organizational culture and organizational characteristics: potential relationships**

Thinking of genes as determiners of personality makes us ask the question: What determines organizational culture? Harrison and Carroll (1991) have shown in their extensive analysis of cultural transmission that some alleged behavioral effects of culture might be explained by demographical processes rather than by psychological reactions to cultural content. In other words, certain characteristics of an organization have a powerful role in the shaping

of the nature of organizational culture. Putting it metaphorically: there should be some genes which create a certain type of organizational culture. Industry and organizational size are considered to be such genes here. It is important to get an insight of these underlying issues because it may provide us with an understanding how to manage an organizational culture. Even though managers develop it to a certain extent, they definitely cannot fully control it.

Industry is mentioned as one of the forming factors of organizational culture. Trice and Beyer (1993) propose that the influence comes through a particular industrial ideology which prepares the ground for a particular organizational culture. The same was mentioned by Jackson *et al.* (1989) as well as by Hofstede *et al.* (1990) who found that cultural differences derive from the operating idea. Ogbonna and Harries (2002) term the industry “macro-culture” and argue that in food retailing the culture contributes to in-sector learning to a large degree.

Guerra *et al.* (2005) open one aspect of the functioning area when they show on the sample of service organizations that goal orientation of organizational culture moderates the effect of task conflicts in private, and support orientation in public organizations. In other words, task and relationship orientations have some distinct functions in public and private organizations.

The main impacts of the industry derive from the matter whether an organization deals with manufacturing or service. There are several aspects of organizational functioning which craft the differences between the organizational cultures in manufacturing and service. First, Chatman and Jehn (1994) point out that direct supervision is more difficult in the service sector than in the manufacturing sector because of the high frequency of off-site work, multiple engagements, and the high proportion of professional staff members. At the same time, they mention that formal control is stronger in manufacturing. These differences relay service more towards social control than manufacturing organizations.

Second, Harrison and Carroll (1991) refer to the specific features of manufacturing organizations with regard to recruitment selectivity and management socialization when describing various organizational forms (e.g., the American manufacturing form). Harrison and Carroll (1991) say that in practice this form is characterized by lack of concern for both of these processes. It shows also the weaker role of human relations in the area of manufacturing. In the light of the abovementioned issues, one may expect the organizational culture of service industry to be more relationship-oriented than that of manufacturing.

There are also opposite opinions about the influential role of the industry sector. Some researches assert that the kind of industry does not create substantial differences in organizational culture. For example, Cooke and Szumal (2000) express it as follows: "...differences across industries – and across organizations with different environments and technologies – can be observed, but such differences are much smaller than those who embrace “contingency” theories of culture might predict” (p. 150). This is a rather exceptional understanding, while a vast majority of approaches emphasize the effect of industry type on organizational culture. It could be concluded by referring to Chatman and Jehn (1994) whose results offer empirical support to similarities between the cultures of firms in the same industry and to a link between the culture and industry characteristics.

In the first half of the previous century, Weber (1947) referred to organizational size as a major reason for bureaucratization. The operating area is often accompanied by another organizational characteristic – size, which is mostly defined as the result of a large number of organizational members and involves processes of certain kind (Astley, 1985). Manufacturing organizations generally tend to be larger than service ones. Rajan and Zingales (2001) argue that large, steep hierarchies predominate in physical-capital-intensive industries and flat hierarchies prevail in human-capital-intensive industries. Jackson *et al.* (1989) explain the

source of impacts of size on practices as follows: in large organizations jobs are generally more specialized than in a small organization, which means that larger organizations should require less diverse skills and, all in all, need less training.

The variation among manufacturing companies depends on their size as well. For example, Hermalin (2001) analyzes how the research of an industrial organization can complement an understanding of the importance of organizational culture by calculating the impacts which derive from the costs and benefits of a culture. He brings out that the variation from the size depends on how the benefits and costs of a culture vary with size. Thus, there is a need for the affirmative mechanisms for the culture when the organizational size changes, because smallness is a relative concept.

Astley (1985) exemplifies well how organizational structure resembles the growth of size and structure expressed in terms of workflow, hierarchy, administrative intensity, and mechanisms of control. He proceeds from the idea that organizations are smaller in their first stages of development and become larger as time goes by, and accordingly present new forms of structure, varying along the dimensions of mechanistic-organic or bureaucratic-non bureaucratic (Astley, 1985). Naturally, this wide scope of organizational structure issues is interrelated with culture. Wah (2001) confirms the dynamics in the relationship between organizational size and its culture. Namely, he argues that as the business grows from small to medium or large size, the Chinese family organizational practice will start to show its disadvantage, while in smaller organizations it still works well.

Smallness leads to closer identification of the organization with 'self' (Gibb, 2000), which explains the notion by Lazear (1995) that smaller firms tend to exhibit stronger corporate culture. It gives us the possibility to hypothesize that relationship orientation is more highly appreciated in smaller organizations than in their large counterparts.

Echoing the theme of the previous overview, the differences in organizational culture are discussed in various respects. It creates the background to asking the question about the regularities in those differences. If the task and relationship orientation of organizational culture could both appear in high and low amounts, we could create a matrix and relate its quarters to the types of organizational culture. Ashkanasy *et al.* (2000) explain that typology surveys use standardized instruments to yield discrete sets of organizational culture “types”. The types will allow respondents to understand the consequences of their type-category membership and also to compare their types with others, which is beneficial for tracking a cultural change in the organization.

To sum up, organizational culture depends on a particular organization’s size and industry – some circumstances render greater importance to task, whereas others require relationship orientation. This creates the framework for four types (based on possible combinations) of organizational culture, and the fifth could be in the middle of the conceptual field. We will conclude with a metaphor: the personality types are quite well-known and accepted, which encourages people to follow the same path in regard with the organizational culture types.

## **Empirical study**

### **Sample**

In order to find connections between industry, size of organization and the type of its organizational culture, the authors conducted an empirical study of Estonian companies. The research was conducted in 58 Estonian organizations with more than 2000 respondents. The companies were selected in a non-random manner, as the organization registers do not have a solid basis for random sampling, because only a fraction of the registered enterprises are

active in Estonia. The aim was to get a sample structure similar to the economic structure of Estonia.

As only 58% of the 100 companies selected agreed to participate in the survey, we did not get a structure exactly comparable with reality: nevertheless a variety of industries was represented in the study: 24.1% of the respondents were from sales organizations, 17.2% from the production sector, 15.5% from transportation, 10.3% from telecommunications, and 5.2% from banking. The respondents from the public sector amounted to 17.2%. Some companies refused to participate because of the time it takes or they just did not find it beneficial. Bigger companies with foreign ownership refused because of the large number of surveys already conducted in the organization. There were also companies who did not explain the reasons behind their refusal.

As the majority of organizations in Estonia are very small, a lot of small companies participated in the study. Only 34% of the companies in this sample employed more than 100 employees, 21% between 50 and 100, 45% even less.

### **Measures and results**

The task and relationship orientations seem to be vital aspects of organizational culture. There has been developed an instrument that would enable measuring the two aspects in a reliable way (Vadi *et al.*, 2002). The contents of the statements in the latter are connected with the cohesiveness orientation of culture, or in other words, the strength and weakness of the culture, and the members' support to their organization. In our questionnaire the respondents were asked to estimate the statements on a 10-point scale, where 10 indicates absolute agreement with the statement and 1 expresses total disagreement with the statement about a particular organization.

The authors grouped the sorted data into four quadrants and differentiated also the median part of the scores (see Table 1).

**Table 1.** The types of organizational culture (statistical data)

Type/pane	TO	RO	Excluding
WC/ 1.	TO ≤ 5.61	RO ≤ 6.19	3. WBC
TC/ 2.	TO > 5.61	RO ≤ 6.19	3. WBC
RC/ 4.	TO ≤ 5.61	RO > 6.19	3. WBC
SBC/ 5.	TO > 5.61	RO > 6.19	3. WBC
WBC/ 3.	TO > 4.71 & TO < 5.99	RO > 4.73 & RO < 6.69	

*Notes:* TO – denotes task orientation, RO – relationship orientation, WC – weak culture, TC – task culture, RC – relationship culture, SBC – strong balanced culture, WBC – weaker balanced culture

Consequently, there are five panes which present five types of organizational culture. First the mesian pane was determined according to the 25% and 75% line. This pane represents the *weaker balanced* culture (WBC), where the value of both task and relationship orientation is near the average. After that the other four panes were determined according to the 50% line. From these panes, organizations belonging to the WBC type were excluded. The culture with low task and low relationship orientation is called a *weak culture* (WC). The culture with high task and high relationship orientation is called a *strong balanced* culture (SBC). There are also a *task culture* (TC), having high task and low relationship orientation; and a *relationship culture* (RC), with low task and high relationship orientation. The mean scores of each pane are presented in Table 2.

The following analysis was made to differentiate between organizations on the basis of their industry and size. The organizations were classified according to their location in the panes of task and relationship orientations scores (see Table 3).

**Table 2.** Mean scores and standard deviations of task and relationship orientations in the five panes

Type	Pane	Relative importance		TO		RO	
		Number	Per cent	Mean	SD	Mean	SD
WC	1.	17	29.3	4.45	.62	5.53	.37
TC	2.	5	8.6	6.16	.28	5.62	.46
WBC	3.	18	31.0	5.56	.37	6.20	.28
RC	4.	4	6.9	5.01	.54	7.01	.34
SBC	5.	14	24.1	6.29	.45	6.95	.44
Total		58	100	5.42	.86	6.19	.69

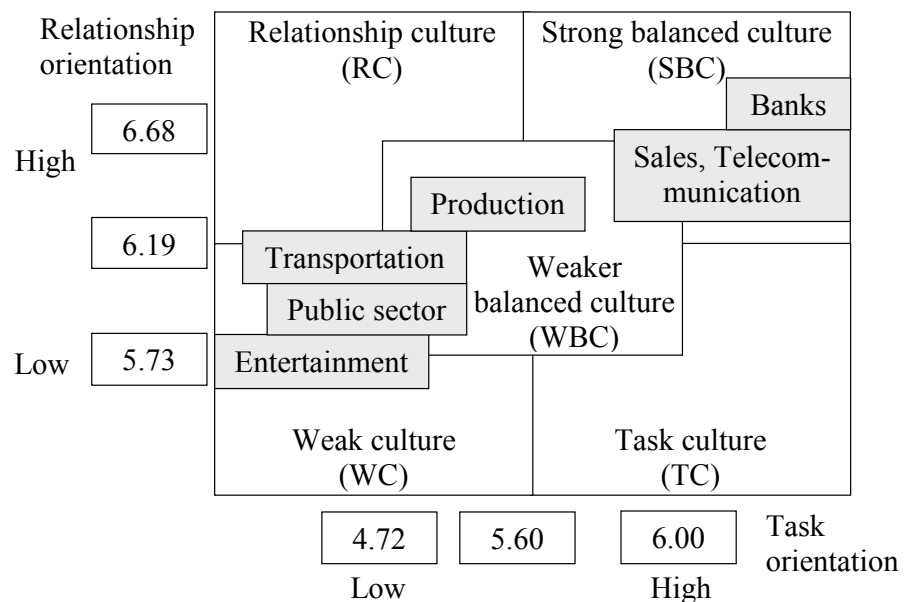
*Notes:* TO – denotes task orientation, RO – relationship orientation, WC – weak culture, TC – task culture, RC – relationship culture, SBC – strong balanced culture, WBC – weaker balanced culture

**Table 3.** Distribution of organizations in panes according to size and industry

Characteristics	Type of organizational culture					Total
	WC	TC	WBC	RC	SBC	
<b>Size</b>						
N < 25	3	2	4	1	3	12
25 > N < 50	1	1		1	3	6
50 > N < 100	5		5		3	13
N > 100	8	2	9	2	5	26
Total	17	4	18	4	14	
<b>Industry</b>						
production	3		3	1	3	10
sales	2	3	5		4	14
consultation	1		1		1	3
banking		1			2	3
Telecommunication	1	1	2		2	6
entertainment	2					2
Public sector	5		3	2		10
transportation	3		3	1	2	9
Hotel			1			1
Total	17	5	18	4	14	58

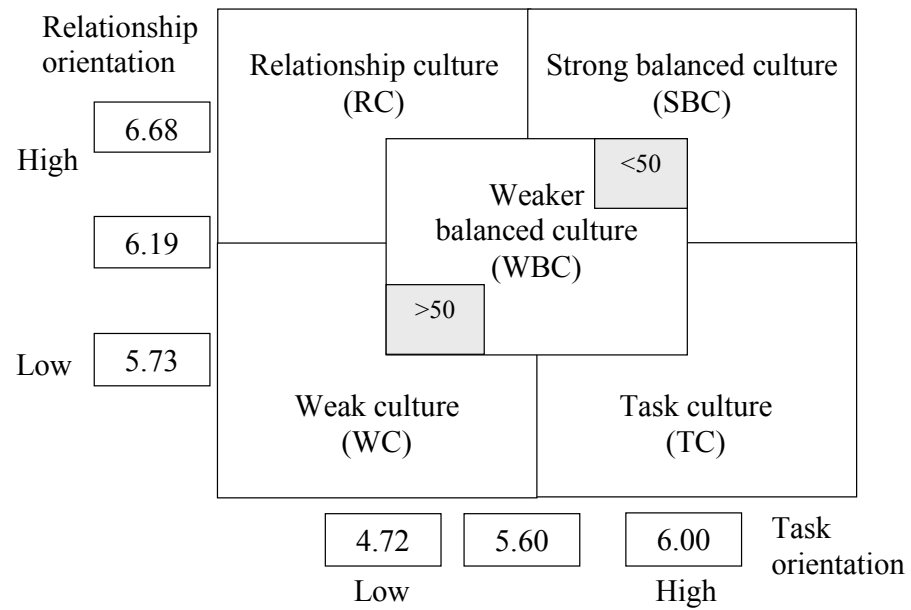
Table 3 shows the distribution of organizations in panes according to their size and industry (these merges are indicated in Figures 1 and 2). The information in the figures was reduced and hotels as well as the consultancy companies were left out due to an overly small number of observations.

Figure 1 gives an overview of the panes with regard to industry. The Figure illustrates that entertainment, public sector and production organizations are most often located in the sector of weak culture, having quite low scores on both the task and relationship orientation scales, whereas banks, sales and telecommunication organizations show the opposite tendency, being highly task and relationship orientated.



**Figure 1.** Organizations according to industry in the model of organizational culture.

Figure 2 summarizes the results vis-à-vis the organizational size.



**Figure 2.** Companies according to their size in the model of organizational culture.

On the basis of Figure 2 we can conclude that small organizations with less than 50 employees have either a strong balanced organizational culture or a weaker balanced culture. Their larger counterparts (especially those having more than 50 organizational members) most often have a weak or a weaker balanced culture.

If we take all the results together, it appears that the industry sector and organizational size can serve as the differentiating factors for estimating the importance of task and relationship orientations of organizational culture. Even more, we can see some regularity within our sample, which enables us to propose the idea about the existence of types of organizational culture.

## Discussion

Organizational culture impacts on organizational practices. As asserted by Fisher and Randall (2000), regardless of the size, sector, industry, or age of a business, culture affects performance.

On the other hand, Silvester *et al.* mention that *organizational culture is a popular but elusive concept* (1999), and this investigation shows that organizational characteristics contribute to the vagueness of the phenomenon because organizations are probably not aware of the importance of those aspects which Jackson *et al.* (1989) call external factors. Hatch and Schultz (1997) have shown that the internal and external contexts of an organization play a role in the relationships between organizational culture, identity and image. However, the opposite direction of impacts also exists, because these relationships function as a two-way road. If we know what kind of impacts derive from the organizational characteristics, we will be able to manage organizational culture, or in other words, precisely target our own cultures for specific results.

It should be mentioned that on the one hand, organizational characteristics may influence the effectiveness of employees and organizations; but on the other, the characteristics would create barriers to organizational changes, because industry and size issues have worked out and endorse certain types of behavior.

Dickson *et al.* (2000) likewise propose that the nature of the industry influences organizational culture through the constraints it places on the behavior of all persons in the organization, instancing the source of impacts, when discussing what “long-range” means in different industries (p. 461), by saying that two years would be a very long time for the computer industry, while 20 years in the same industry is much too far in the future to plan with any degree of certainty. This notion suggests that the differences deriving from the nature of the industry involved may be very essential.

We designed the types of organizational culture on the basis of the given information. Despite the high variation of organizational culture dimensions (see, for example, van der Post *et al.*, 1997), the literature does not abound with typologies (Ashkanasy *et al.*, 2000; Trice, Beyer, 1993). It could be explained by the following view: “The emic approach attempts to uncover what is unique about each culture, and so largely eliminates possibilities for generalizing empirical findings to other circumstances” (Trice, Beyer, 1993, p. 42). This notion creates a cautious attitude towards the idea of types. We chose not to be cautious about it, after all, because: “Nonetheless, typing is advocated primarily because it provides a global description for organizational members of what the culture of the organization is like” (Ashkanasy *et al.*, 2000, p. 138). According to the types, we can draw some managerial implications.

First, organizations from the public, production, entertainment and transportation sectors have to explain more issues than were captured on the task orientation scale if they want to balance the task and relationship orientations. Many HR strategies can be used for influencing organizational culture. For example, one possibility for achieving employee commitment to new values is through their communication as a ‘philosophy’ of business which embraces a new way of viewing, treating and managing the employees, or by creating the visibility of managers in work environment, etc.

Second, the growth of an organization, indeed, requires that more activities should be addressed towards task and relationship orientations, because larger organizations tend to have a weaker organizational culture, while small ones have a strong balanced organizational culture. De Geus (1997) argues that large, long-lived companies tend to be very cohesive and have definite “personas” (i.e. strong cultures), so that their employees feel to be part of one entity despite their organization’s size. Our results show something else.

Third, in the context of organizational change, task-orientation could influence people's attitudes by establishing clear goals and developing values, which could help the achievement of these goals at all levels of the organization. But achieving employee participation in the beginning is not enough; ensuring that the change process would not reverse and building more effective relationships between peers are also necessary (Landau, 1998). Relationship-orientation could influence people's attitudes toward change through informal structures and communication (Salancik, Pfeffer, 1978). In the context of this survey the authors see organizational culture from a functional perspective as an adaptation mechanism which helps an organization to adapt and survive in a changing environment.

### **Limitations**

Organizations seldom have the same composition as our sample. It is naturally a limitation to our study that we were not able to measure all possible characteristics influencing organizational culture. Obviously, the variation within organizations is higher than these results have revealed. We have to be very careful in applying the findings to organizations' everyday life. Accordingly, it leads to the importance of studying different organizational characteristics (size, industry sector) in order to get a deeper understanding of Estonian organizations.

Finally, we are aware that the number of organizations from some sectors was too small and needs additional investigation. This study confirms that there could be regularities in the manifestation of organizational culture with respect to an organization's size and industry.

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## KOKKUVÕTE

### **Tegevusvaldkonna ja suuruse mõju organisatsioonikultuurile: organisatsioonikultuuri tüpiseerimise alus**

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Organisatsioonid koosnevad erinevatest inimestest ja neid luuakse erinevatel eesmärkidel, mille tulemusena võib öelda, et organisatsiooni karakteristikud võivad olla väga mitmekesised. Selles valguses võib organisatsioonidevahelisi erinevusi iseloomustada organisatsioonikultuuriga, sest organisatsioonikultuur väljendab koosluse eripära. Organisatsioonikultuuri iseloomustavad ülesande- ja suhteorientatsioon (Vadi *et al.*, 2002) ning need moodustavad käeoleva uurimuse raamistiku. Vaatluse alla võetakse, kuidas organisatsiooni suurus ja tegevusvaldkond on seotud organisatsioonikultuuri orientatsioonide avaldumisega ning kuivõrd nende

seoste ilmnemisel võib välja tuua seaduspärasusi, mis on väljendatud organisatsioonikultuuri tüüpidega.

Empiirilises uurimuses võetakse vaatluse alla 58 organisatsiooni rohkem kui 2000 vastaja arvamusel ning selgub, et ülesande- ja suhteorientatsiooni kombinatsioonide madal ja kõrge ilmnemise määr võimaldavad esitada organisatsioonikultuuri tüübid. Väiksemates organisatsioonides, pankades ning müügi- ja telekommunikatsiooniga tegelevates organisatsioonides on kõrge ülesande- ja suhteorientatsioon ehk tugev tasakaalustatud organisatsioonikultuuri tüüp. Suuremates ning meelelahutusega tegelevates organisatsioonides ilmneb vastupidine tendents ja see seostub nõrga kultuuriga. Organisatsioonikultuuri tüüpide määramine võimaldab kujundada soovitusi selleks, kuidas organisatsioonikultuuri suunata.