

DIFFERENT INDUSTRIES – DIFFERENT VALUES: COMPARATIVE ANALYSIS BETWEEN THE ORGANIZATIONAL CULTURES IN FINANCIAL AND IN SOFTWARE COMPANIES

Snezhana Ilieva, Tsvetelina Panchelieva

*Bulgarian Academy of Sciences, Department of Psychology, Bulgaria, Sofia University “St. Kliment Ohridski”, Department of Social, Organizational, Clinical and Educational Psychology, Bulgaria
sn_ilieva@abv.bg
tsvetelina.ts.p@gmail.com*

ABSTRACT

The paper explores the topic of organizational culture in different industries. By applying a questionnaire based on the Competing Values Framework the cultures of two different companies are compared – one from the finance industry and one from information and communication technologies. Four types of culture are studied – market, clan, adhocracy and hierarchy and profiles of the values in each company are created. The sample consists of 300 participants from a bank and 124 participants from a software company operating in Bulgaria.

The predominant values in both organizations are competitiveness and goal achievement related to the market type of culture. However, in the bank the results are higher when compared to the software firm. In the bank institution, expectedly, the hierarchy culture has higher mean points and the adhocracy culture is more predominant in the software than in the bank organization. Only one company per industry is included in the paper and this provides opportunity for future and extended studies on the topic although the fact that we have one company per industry could be a limitation of the paper. The results from the different profiles of the value types are valuable for the practice of managers from different departments and can serve for the creation of organizational development programs, recruitment programs, employer branding campaigns, trainings and other activities that foster corporate effectiveness.

Keywords: Organizational development, culture, values, industry, bank, software

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1 THEORETICAL OVERVIEW

The dynamics and development of modern organizations pose different challenges to employers and employees from the state, private and non-governmental sectors. In times of mergers, acquisitions, rapid organizational change, new roles and other changes, organizations strive to keep and maintain their flexibility and effectiveness. Work projects become more complex, with more scope and less time to execute them. The combination of all these factors affects people and teamwork, leading to some difficulties in the workplace.

The organizational context influences both the way teams work and their results.

Organizational culture is one of the major factors for effectiveness of contemporary organizations. Culture can vary depending on the external environment and the internal processes of any organization and therefore any industry. It has an influence on teams due to its relationship to the values, norms and behaviors that are acceptable in an organization [1].

The influence of culture on the teams has been investigated by the researchers ([2], [3], [4]) and proves its effectiveness in practice. Contemporary studies emphasize that culture influences one other key aspect of any organization – its strategy and therefore its strategic

orientations. It is shown in various researches that culture defines the manifestations of strategic orientations ([5], [6]). Organizational strategy and management processes are related to the way teams work by influencing the following aspects:

- The creation and set of clear objectives and tasks for the team by the management;
- The encouragement of the match between team goals and organizational goals through the management processes and solutions;
- The management support for allocation of the necessary resources for the teams [4].

Various studies support the understanding that culture predetermines team processes [4], and according to Cameron and Quinn [1], the way in which teams are managed and operated and in line with strategic orientations can lead to improved company performance and increased organizational effectiveness. Culture explains to a large extent changes in the performance and financial results of organizations [7]. One of the models that explain the relationship between culture and performance is the Competing Values Framework and a questionnaire OCAI created by Kim Cameron and Robert Quinn [8]. The application of OCAI (Organizational Culture Assessment Instrument) is common in the literature and in practice for the study of the culture type in different industries. The framework distinguishes between four types of culture (clan, adhocracy, hierarchy and market culture), and the authors draw a specific profile of the type of culture by industry affiliation. The model is one of the most influential in business culture research. It distinguishes between two dimensions: “flexibility versus stability and control” and “external vs. internal orientation”, and defines four types of organizational culture: clan, hierarchical, ad-hoc, and market. The clan organizational culture is oriented towards supporting the intragroup members, encouraging participation and cooperation. The focus is on people, on development of mutual trust, team spirit and support and encourages the personality development. Hierarchy culture puts emphasis on authority, rationality, procedures and division of labor. Rules are important and respected, thus providing order and predictability for the organization. Adhocracy culture is characterized by the search for new information, creativity, openness to change, experimentation. A peculiarity of the market culture is the orientation towards the achievement of the goals. Tasks must be executed and completed, focusing on rationality, performance indicators, accountability and remuneration [1]. Fig. 1 represents the different cultures according to the Competing Values Framework.

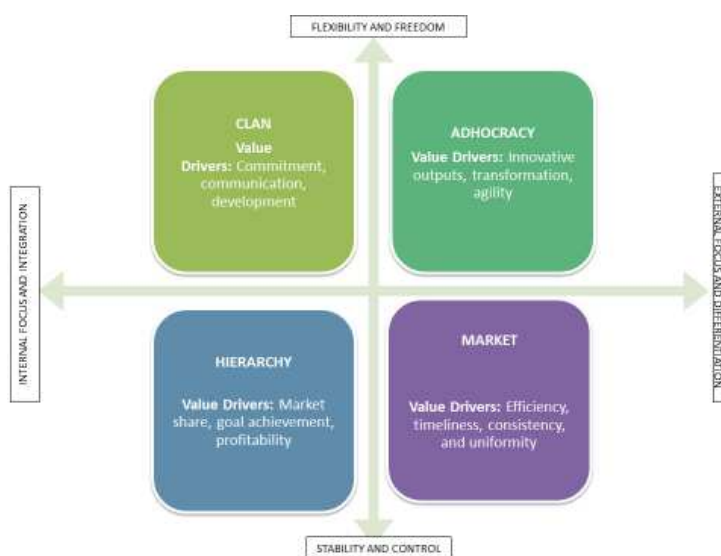


Fig. 1. The Competing Values Framework

When studying the culture in technological companies it is good to take into consideration a research done recently in the Netherlands. In this study of organizational culture in a technology company in the Netherlands, the hierarchical culture results to be the most common, followed by clan, ad-hoc and market culture [9]. The company's goal with this research was to change their current culture and achieve a strong drive towards innovation and customers. In Bulgarian socio-cultural environment, there are several examples of studies of the profiles of organizational culture with Cameron and Quinn's methodology in various industries ([10], [11], [12], [13]; [14]). A questionnaire based on the Competing Values Framework was applied in Bulgarian bank institution and shows that the bank's organizational culture is a balanced combination of the four types of organizational culture – market, hierarchy, adhocracy and clan. However, there is a little preference towards the market culture [13]. Bank institutions are usually a workplace that is characterized by efficiency and stability. Reliability is important, as well as rules and policies. In the literature, we can find different results for the culture of financial institutions. Survey made by Belias and Koustelios of organizational culture in the banking sector in Greece shows that the prevailing current organizational culture is hierarchy, followed by the market, clan and adhocracy while the desired future culture is the clan followed by adhocracy, market and hierarchical [15]. In a research of Bremer it is stated that in US banks the prevailing current culture is market, followed by hierarchical and clan. The desired future culture is adhocracy, followed by clan, market and hierarchy. Most preferred is adhocracy [16]. On the contrary, results from a research in Bulgarian bank show a balance between the four types of current organizational culture. However, the tendency is to prefer more the market culture followed by hierarchy, adhocracy and clan [13]. In order to deepen the understanding of the organizational values in Bulgaria and to find whether there are similarities or difference in the culture profiles and values of companies from different industries, we decided to conduct surveys and to compare the cultures of a financial company and a software company.

2 RESEARCH METHODOLOGY

For the purpose of the study, we applied quantitative research method by using Questionnaire for organizational culture. It is created by Meschi and Roger [17] and is based on the Competing Values Framework of Cameron and Rohrbaugh [18], Cameron, and Quinn [8]. It distinguishes between four types of culture – clan, hierarchy, adhocracy and market.

The scale of Meschi and Roger [18] contains 16 items rated with a 5-degree Likert scale (1=Totally disagree, 5=Totally agree). The scale is standardized for Bulgaria and has good psychometric results with Cronbach's alpha $\alpha=0,731$ [19]. For the purposes of the current study, the original English version [18] of the scale is applied as well as the Bulgarian standardized version.

The psychometric characteristics of the scale for reliability and validity for the current study are tested with factor and item analysis. The overall reliability of the scale with the 16 items for the software companies is very good with Cronbach's alpha equals to 0,87. For the sample from the bank, Cronbach's alpha is 0,731.

3 RESEARCH RESULTS AND ANALYSIS

In order to identify the profile of the organizational culture in the different companies and industries that they operate, we applied exploratory and confirmatory factor analysis, correlation analysis between the subscales of the questionnaire, and descriptive analysis. The results from the factor analysis confirm the structure of the Questionnaire from its original creation [18]. For the analysis described the statistical program SPSS, version 22 is applied.

The profiles of the software and the bank organizations are compared are presented in Fig. 2.

Overall, the results for the software company have small differences between the means of the four types of culture. The leading culture is market ($x=15,35$), followed with a small difference by the adhocracy culture ($x=15,10$). This type of organizations positions themselves in the external environment. They do not rely so much on the traditions, which is understandable about the IT sector and the relatively recent creation of most companies in it.

Innovation, entrepreneurship, creativity is valuable. Of particular importance to the sector are the achievement of goals, the drive for excellence and the establishment of worldwide organizations. It is important for employees to be inspired for more and more achievements; however, the internal environment becomes rather debilitating and stressful. The second result is for the adhocracy culture. In the IT sector, people willingly take risks, experiment and want to be first. Success means using cutting-edge technologies and developing new products and services [1]. IT encourages personal initiative and freedom, which is even visible in artefacts (office space, logos, dress code, etc.) and workspaces in the sector. The informal environment is predominant, but combined with work and initiative to achieve the goals. It is important in software companies to be different, creative, proactive and risk-taking. Change is a rule, not an exception. The leading values are creation of novelty and speed. On a third place is the clan culture ($x=14,80$), which is associated with the family type organization. Values supported in clan-type culture are trust, decentralization, which is typical for technological sectors, given the flat organizational structures. The sense of equality is important. The clan-type culture definitely complements the strong external focus and values of the market and ad-hoc cultures. However, the third place for clan culture indicates that probably there is a lack of empathy, communication and team interaction in the software company. The hierarchy culture has the lowest results ($x=13,21$). The possible explanation is that the order and the control are not well accepted. Quality control through measurement and reporting, also process control is lacking, as well as the detection of errors. The lack of knowledge transfer and good processes could be an issue when working on projects and in different teams.

Therefore, the software company can develop better processes and policies as well as programs for better communication and team interaction. The results from this technological company differ from other similar studies. A study by Abbink [9] states that the leading type of culture in a Dutch technology company is the hierarchical, followed by the clan. When comparing research on culture with innovative teams [20], where the focus is on the internal focus, the results of our study differ. Differences are also observed in the comparison of results for the IT sector in Bulgaria since 2014 [21] when there is a leading market, clan, hierarchical and, lastly, ad-hoc culture.

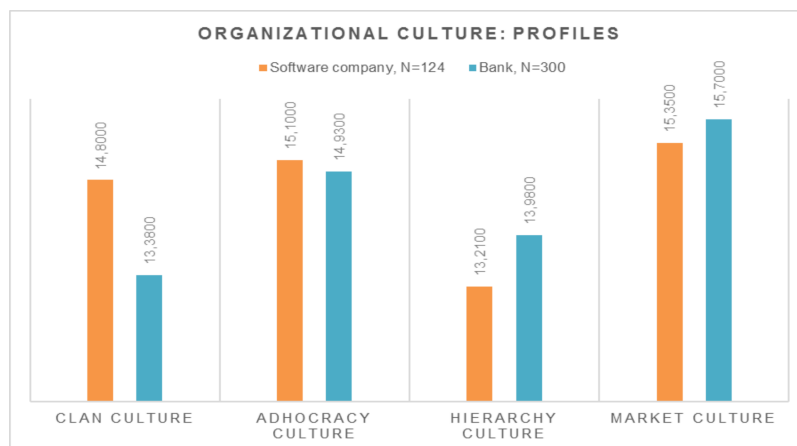


Fig. 2. Organizational culture profiles in software and in bank companies
Source: Authors' analysis in SPSS

The results from the descriptive analysis reveal the specifics of the Bank and are partially in line with the results from a study of financial institutions. According to a research done with the OCAI questionnaire [1] the Market and the Clan Culture are the predominant ones in the financial institutions, and are followed by the Hierarchy and respectively Adhocracy Culture. The discrepancy of the profile of the bank with the profile of other banks is in the area of the adhocracy culture that scores better results compared to the hierarchy culture in terms of results in this study. According to the assessment of the participants the leading bank culture is market oriented ($x=15.07$). The leading values of the bank are related to the positioning in the external environment, dynamics, competition, achievement of results, customer orientation. Productivity and profitability are of high importance. The leaders are ambitious, dominant and insist on fast performance and competitiveness. The mean points of the adhocracy culture are 14.93 and this result makes it second most popular among the participants. According to adhocracy values there is a dynamic environment in the bank that encourages entrepreneurship and creativity. For the adhocracy company risk, flexibility, experimentation, individual initiatives and modern thinking are important. Lower results when compared to the first two types of culture has the hierarchy culture ($x=13.97$) where the values are compliance with rules and procedures, work requirements and job assignments.

With these results for the hierarchy culture, we can assume that the existence of control, structure, careful planning, operations, standard rules and stability are not a priority for the bank employees. Generally, in the hierarchy culture success goes hand in hand with the rules, the completion of the tasks according to the deadlines. The hierarchy leaders are like coordinators – they monitor the work process. Based on the average mean points in the current study, such characteristics are not so popular in the organization. The clan culture ($x=13.38$) has the lowest results. It seems that values such as loyalty, ethics, traditions and the feeling that the employees are part of the same organization are not so popular in the bank.

Some of the characteristics of the clan culture are teamwork, managers who act as mentors and protector figures. However, based on the result for this type of culture in the current study such behaviours are rarely seen.

4 CONCLUSION

When comparing the two profiles – of the software and of the bank company, we can outline that finance and technology are similar in market culture results and adhocracy.

Therefore, for both type of organizations achieving goals and working with cutting-edge technologies and innovations is highly important. However, the biggest discrepancies are found in clan and hierarchy culture. Both companies can promote loyalty, improve communication and put focus on consensus and common goals and values. Collaboration and mentoring can be encouraged with trainings and special programs from the HR and management. Smooth processes related with the hierarchy culture could also improve the internal environment, foster traceability and effectiveness. The study has its limitations such as limited sample. Possible improvement could be to conduct the study in more companies and to include factors for team effectiveness. The results from the current study could be useful for HR managers, team leaders and C-level managers to shape their strategy for people management, to plan programs for trainings, to boost attrition levels and to encourage talent acquisition practices.

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