

## **INTRODUCTION**

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### **The grounds and bounds of the organizational culture concept**

Economic life is often hindered by problems that can be successfully solved by tapping into culture concepts. Herein, culture unites peoples' behavior, but it may also create barriers between different groups and thus economy has to face the consequences of culture for various reasons nowadays. Donnan and Wilson think that the borders of cultures and identities are the least studied and understood phenomena of international borders (1999, p. 5) and admit that borders are always metaphors since they are arbitrary constructions based on cultural convention (1999, p. 40). Culture theory is based on the idea that something distinguishes a particular culture from outsiders or other cultures (Barnes, 2001). Thus, culture enables people to compare the similarities and differences of organizations and consequently, to analyze organizational life which plays an important role in economy.

Both states and organizations should often assimilate people who have divergent and often even conflicting perceptions of the world from what is generally thought in the local culture. For example, immigrants with an Islamic background accepted the American-style organizational culture, but in their everyday relations they preferred to retain the traditions of their national culture (Alkhazraji, Gardner, 1997). This latter case illustrates that or-

ganizational life and personal life could be conducted by different rules at the same time. It is easy to imagine that the organizational members' behavior patterns and cooperation may depend on the abovementioned twofold impacts, whereas the national diversity is growing elsewhere. Germany alone is facing the challenge of having to acclimatize more than six million people with a collectivistic background to the rather individualistic society (i.e. organizational practices). In this view, the cooperation of individuals, groups, and organizations is a vital issue for social entities but it depends on their cultural background.

As long as nearly 40 years ago Katz and Kahn (1966, p. 66) claimed in their seminal study that "just as a society has a cultural heritage, so social organizations possess distinctive patterns of collective feeling and beliefs along to new group members." Grieses (2000) argues that organizational culture has relatively recently focused on managers in organizations. Yet, special attention has been paid to the cultural perspective in the organizational studies since the 1980s, when the beginning of decade brought notable publications in the field (i.e. Ouchi, 1981; Peters, Waterman, 1982; Deal, Kennedy, 1982). One of the reasons for this derives from the developments in the wider context of society, because the organizational culture concept enabled tackling various topical problems of those days. When Schultz (1992) presented the postmodern pictures of a culture, she illustrated this notion by saying that culture had been reflecting the movements of the spirit of the times (i.e. excellence, efficiency, service, quality, the importance of human resources, communication, flexibility, internationalization, etc). This is a topical issue for understanding the developments in the use of the concept as well the role that it has in research and consultancy where it has served as an important framework for analyzing intangible issues. Organizational culture has been an integral part of thinking about organizations since the mid-1980s.

In regard to organizational culture it could be also mentioned that it was probably skilful marketing that created the mushrooming effect which led to the popularity of the concept. Alvesson (1995, p. 5) has explained it as follows: “The increasing interest in organizational culture is to some extent a consequence of the way in which the idea is marketed. Consultants, described by Czarniawska-Joerges (1988) as ‘merchants of meaning’, are especially important here – the management consultancy company McKinsey, for example, sponsored the best-selling book of Peters and Waterman (1982) and Deal and Kennedy (1982), apparently in order to improve its market position against competitors such as the Boston Consulting Group. In summary, the recent interest in organizational culture can be understood variously as a response to frustration over the dominance of positivistic approaches in American organization theory, a strategy confronting the marketing problems of management consultants, and a by-product of technological, social, and organizational change.” Again, the organizational culture concept is a child of the era and its trends. The abovementioned expression exposes the role of marketing in the development of organizational culture concept but Grievies (2000) warns against thinking that the study of organizational culture emerged as a result of popular writings. The renaissance of the culture concept resembled the tendencies in the wider social context, where modern society was opposed to the postmodern.

The culture concept is multifaceted by nature and characterized by a significant number of definitions which reflect various approaches to the phenomenon (for instance, Allaire, Firsirotu, 1984). The common aspect of culture theories is that culture belongs to a group of people. It is necessary to add how culture happens and the explanation by Grievies (2000) put the word-communication into the process. He argued that humans communicate with symbols in four basic ways: the first is spoken language, second written language, followed by the body language and communication through artifacts. In summary, culture is the product of semiotic communication and it is endemic in all

organizations. Culture provides a people-centered view of the organization and offers to explain the intangible side of organizations. A caring, effective manager uses the culture tool as an opportunity for the growth of all the facets of his/her organization, while avoidance of the phenomenon of organizational culture may lead to unexpected problems with quality, customer orientation, loyalty, and other troubles.

Organizational culture scholars fundamentally disagree about what culture is (Alvesson, 2002). The complex nature of culture leads to multidimensional approaches (see for a review Detert *et al.* 2000; van der Post *et al.*, 1997; Lau, Ngo, 1996). Cooper (2000) differentiates between three kinds of definitions of organizational culture. First, definitions appear to reside in their focus on the way people think. Second, definitions may focus on the way how people behave. Finally, some focus on both the way people think and behave. Different insights on organizational culture show how broad the topic is and how many approaches can be found within the field. The culture concept opens the issues that became the focus due the developments in the social and economic world. The expression by Coffee and Jones (2001, p. 4) put together the shift of perspectives in the analysis of the organizational matters: “As the vertical and lateral contours of organizations altered, so the language of organizational analysis changed. Culture – or sometimes community – became the preferred metaphors and organizational relationships were increasingly mapped through “networks” or “clusters” rather than “hierarchies”.

To name an explicit definition, the specification by Furnham and Gunter (1993) could be mentioned. It says that organizational culture is based on the visionary ideas and appears to reflect shared behaviors, beliefs, attitudes and values regarding organizational goals, functions and procedures which are seen to characterize particular organizations. Schein (1992, p. 12) offers some reference marks which open the nature of culture in the organizational context. He says that culture is developed from a group’s

experience and the group sees it as valid, being a pattern how the group copes with the outside world, how the members should perceive problems, and how to teach new members. The latter definition focuses on the common experience, while Martin (1998) puts emphasis on the interpretation when presenting the idea that culture constitutes underlying patterns and configurations of interpretations from the perspective of different interests and ways these are enacted. This aspect is also stressed by Schultz who argues it in various respects; for instance: the culture approach is based on the assumption that it directs organizational members either by being general guidelines or in the shape of interpretations of events (Schultz, 1992, p. 20). All the abovementioned views encourage us to apply the organizational culture term when there is a need to analyze how organizational members think about and try to understand the reality. This is certainly important in the turbulent organizational environment, because the bureaucratic control is an inefficient tool for managing organizations. Management of organizational culture is especially topical in post-industrial societies where individuals who are more self-conscious and oriented towards self-realization might reject/avoid mechanistic work.

From the methodological point of research, the abundance of approaches to organizational culture should be mentioned (i.e. Lundberg, 2001; Schultz, 1995). Martin (1992) differentiates between three perspectives in the organizational culture approaches. First, the *integration* perspective assumes that “strong” culture is characterized by consistency, while it promises harmony, value homogeneity, and wide consensus. This is the most popular perspective, being at the same time least supported empirically. Second, the *differentiation* perspective which sees that organizational members have different interests, task responsibilities, backgrounds, experience, and expertise and therefore focuses on inter-group harmony and conflict, problems of boundaries, relationships with the environment, etc. Third, the *fragmentation* perspective defines the features of cultures in organizations and tries

to find the distinctness in the culture, – quite a challenging task, because many interpretations and ambiguities in the organization (e.g., clarity, consistency, and consensus) could be ideal frameworks for understanding the phenomenon.

The culture concept has twofold importance for the organizational world. First, it can explain the tendencies in the organization's external environment as the surroundings are influenced by the culture. Here the national culture comes into play. Second, culture explains important issues within the organization. These two aspects create a dichotomy which emphasizes that culture has a role both *in* and *around* an organization. The “in” issues could be turned to the organizational culture approach, while the “around” role could be attributed to the national culture. National culture could explain some unquantifiable and intangible factors by which all societies are governed, but which are often regarded as “natural” or “normal”. Culture is learned most intensively in the early years of life and has a continuing impact on every person's mind throughout his/her lifetime. Understanding of culture will help us predict the behavior of typical members of a culture under normal conditions. The influence of culture is widespread. As Geert Hofstede states it in his epoch-making book *Culture's Consequences*: “It includes the language in which we express ourselves; the deference we show to our elders, the physical distance from other people we maintain in order to feel comfortable, the way we perceive general human activities like eating, making human life, and the ceremonials” (1980).

This two-sided view – organizational culture and national culture – forms the framework for our book. There are many themes in regard to various connections between the concepts of organization and culture both in the narrow and broad meaning.

## The structure of the book

The book aims to view organizational culture through the lens of both national and international aspects. Two angles of vision make it possible to bind together various themes around organizational culture. The topics of our book are divided into three groups, because the national aspect is divided into two. The distinction between national and international aspects is made from the perspective of Estonia. Indeed, while this approach may seem ethnocentric it allows us to stress the special role of the articles which focus on the contexts outside Estonia (see Figure 1).



**Figure 1.** The structure of the book mirrored by the articles' main keywords.

First, we present selected peculiarities of organizational culture. We consider under ‘peculiarity’ that organizational culture itself is a focal phenomenon and this part enables distinguishing between the qualities and characteristics of organizational culture. There are both specific and common aspects, while this twofold nature is also reflected in the articles involved. Second, there are manifestations of organizational culture in the following part which comprises themes about how organizational culture plays an important role in respect of some other organizational issue. In addition, the abovementioned parts have the common roof – the national perspective – and it means that the international perspective on organizational culture is excluded, as these matters are featured by the third part. International indicates here that the articles of this part deal with more than two nations or some non-Estonian perspective.

Metaphorically speaking, the book reminds us of a mosaic composed of a wide selection of pieces and organized into three domains or parts.

### **The first part: peculiarities**

Four articles present some peculiarities of organizational culture in this book. The following short descriptions of the articles present the basic ideas discussed more thoroughly in the first part.

1. The article titled *Critical issues in the formation of organizational culture: a case study of Estonian companies in the energy sector* by Anne Reino, Elina Tolmats and Pille Mõtsmees is a case study that aims to bring out the critical issues in the organizational culture formation process of spin-off organizations. Two organizations operating in the energy sector are in the focus of the study. The organizations share ownership, general environment and day-to-day business contacts, but they have different ranges of business goals and specific environments. Although the authors expected the organizational culture of the organizations to be dif-

ferent, the study revealed a striking resemblance between them. An analysis revealed the most relevant factors influencing the formation of spin-off companies' organizational culture. These are the origin of the organization in terms of continuity and traditions, the time lag, and organizational members. The authors also conclude that not all the factors known from the theory have equal importance in the organizational culture formation process; the latter highly depends on each particular case.

2. Krista Jaakson names her paper *Exploring university core values with the critical incident techniques: an example of students' perceptions at the University of Tartu*. Her article is triggered by the changes that have taken place in Estonia since it joined the European Union and the fact that the principle of a single market has been applied also to education. It follows that together with the emergence of local private universities since the early 1990s the environment of Estonian higher education has changed dramatically. The universities that only recently had enjoyed an oligopoly are now looking for ways to cope with increased competition and retain their position. Therefore, the question about what makes a university attractive to potential students is highly topical in Estonia. It is argued in this paper that a university could enhance differentiation – not in terms of what is offered to society, but how it is offered, because in the fields where price-competition fails (or is highly regulated), more emphasis is laid on strong corporate culture and identity. Key ingredients for the latter are organizational values. The aim of the study is to uncover the core values of one public university in Estonia – the University of Tartu – as perceived by its students and discuss the lessons and opportunities that this knowledge may provide to the organization. The critical incident technique is used to accomplish the aim and the promises and setbacks of the method are examined. As a result, the following core values for the University of Tartu emerged: *the quality of education, traditions and continuity, and the academic community*. The differences in perceptions between

male versus female students, state-financed versus fees-paying students and the impact of the study time are also discussed.

3. Gerli Hämmal and Maaja Vadi present the article *Organizational culture through the connections between metaphors and orientations*. The organizational culture phenomenon is complicated in the perspective of measurement, it is necessary to find possibilities to characterize it. One way to capture organizational culture is to combine different approaches. On the one hand, culture can be viewed through task orientation and relations orientation where organizational culture is converted into a variable; and on the other hand, it can be viewed through metaphors. In this light, 134 employees from schools for children with special needs were included in the survey. Significant connections to both orientations of organizational culture came out in the case of the machine vs. living being metaphor. The educational level and the machine vs. living being metaphor differentiated the strength of task and relationship orientations of culture. People with a higher education preferred living being as the metaphor for their organization and considered task orientation of organizational culture more important than did those respondents who preferred the machine metaphor and had high school education.

### **The second part: manifestations**

Four articles address the theme of manifestations of organizational culture. The common characteristic for the articles is that they all reflect a means for organizational culture manifestation besides the phenomenon itself.

1. The article *Interconnections of emotional intelligence and organizational culture: based on the example of two business sectors in Estonia* by Elina Tolmats and Anne Reino. They argue that in the modern management literature the topic of emotional intelligence (further on *emotional intelligence*) is increasingly emphasized, but the relationships between this concept and other

management topics have not been sufficiently empirically investigated. Since organizational culture is considered to be an emotional phenomenon, the issue of the importance of emotional intelligence in the organizational context emerges. The aim of the current article is to find the interconnections between emotional intelligence competences and types of organizational culture in two business sectors in Estonia. Emotional intelligence is measured by the Emotional Intelligence Test in Organization, and organizational culture is investigated by the Competing Values Questionnaire developed on the basis of the Competing Values Framework launched by Quinn and Rohrbaugh (1983). The results of the study show that employees with a low emotional intelligence level gave lower estimates to organizational culture and those with high emotional intelligence gave higher estimates to organizational culture. Furthermore, such emotional intelligence competences as identification and managing of own emotions and empathy are positively related to the organizational culture types that emphasize the complexity of manifestation of individual features in organizational context.

2. Anne Aidla and Maaja Vadi present the article *Relationships between organizational culture and performance in Estonian schools with regard to their size and location*. They point out that previous research has shown that organizational culture has a considerable influence on employees' behavior and work results. The aim of the article is to explore the relationships between the organizational culture estimations and actual school performance vis-à-vis the size and location of Estonian secondary schools. The empirical study (n = 398) was conducted in the year 2003 among the personnel of Estonian secondary schools. The sample included representatives of school administration, teachers and support personnel. The organizational culture estimations were measured by the organizational culture questionnaire (Vadi, Allik, Realo, 2002) which reveals task and relationship orientations of organizational culture. For measuring performance, the national examination results were used. The results show that managing and improving of

the organizational culture could contribute to the performance of schools.

3. *Interrelationships of organizational culture with organizational characteristics: the grounds for typology* is the title of the article by Maaja Vadi and Ruth Alas. They follow the idea that organizations serve different functions and are collective creations involving a variety of people. In this light it could be asked: What kind of impact do the organization's characteristics have on its functioning? The differences between organizations could be viewed from a cultural perspective, allowing us to compare organizations in a meaningful way. Organizational culture is characterized by task and relationship orientations (Vadi *et al.*, 2002) which may accordingly serve as a framework for drawing comparisons between organizations and their cultures.

In order to elaborate on the characteristic features differentiating organizational cultures, an empirical investigation was conducted on a sample of more than 2000 employees of 58 organizations in Estonia. Two aspects of organizational characteristics were focused on – size and industry. The regularities in the differences enable the authors to propose the types of organizational culture. The results are discussed from the perspective of managing organizational culture.

4. Gerda Mihhailova and Kulno Türk's article *Charismatic aspect of transformational leadership and its role in creating organizational culture* explores the essence of charismatic leadership and its links with organizational culture. In current business practices; charismatic leadership is losing momentum, however, it has an important role in introducing changes into an organization. Charismatic leadership is most effective when introducing change to organizational culture in the stages of maturity and decline and is also important during the foundation stage of a company when its organizational culture is first established. The aim of the article is to examine the links between charismatic leadership and

organizational culture. The approach to organizational culture is mainly based on the theory by E. Schein.

5. Natalia Karotom examines organizational culture and individual work strategies in her article *Organizational culture and individual strategies*. Environmental changes, and above all, strong competition on the market and moving towards task-orientated work, as well as the changed work paradigm and individualization have affected the performance of organizations and the behavior of employees. A growing number of employees are considering their organization to be a place for the realization of their own individual goals. We know quite a lot about organizational culture and its role in shaping the behavior of employees, but do organizational cultures keep pace with the changing environment and growing individualization? Task-oriented organizational cultures enhance changes in organizational structures and favor the spread of horizontal relations, but this, in turn, ensures not only solidarity, but also individualization. Changed work values and attitudes towards their jobs have transformed employees' behavior. Today the interaction between employees and the employing organization depends not only on the organization in which they are working, but also on the behavior of their competitors operating on the labor market, and the individual work strategies of employees. The data of quantitative and qualitative research show that organizational cultures have mechanisms to appeal for organizational commitment and loyalty, but their effective use depends on the art to match them with the expectations of employees. From that point of view, this is a challenge for organizational cultures, especially considering that the history of the majority of Estonian organizations is fairly short.

### **The third part: international aspects**

This part contains articles studying more than one nation and the issues of organizational culture pertaining to the relations between

nations. As mentioned above, we look at this theme through the Estonian perspective. Four articles introduce various topics on the international aspects of organizational culture.

1. The article *The relationship between organizational culture and individual values: a comparative study of Estonia and Finland* by Jatta Kankaanranta-Jännäri opens the third part of the book. She argues that despite the fact that cooperation between Estonia and Finland is constantly increasing, there are relatively few studies comparing these neighboring cultures in the area of management studies. Therefore the aim of her study is to find out and compare the relationships between organizational culture and individual values in Finland and Estonia. Individual values were studied with modified Rokeach's Value Survey. The methodology of M. Vadi was adapted and applied to explore the dimensions of organizational culture. The sample involved 177 members of Finnish and 111 members of Estonian organizations. The findings of the study showed that the individual values of Finnish and Estonian respondents were significantly similar (e.g., *respect to family* and *security*), but the individual values' relationship to organizational culture differed. The results of the study are discussed, and managerial implications are also presented.

2. Janita Andrijevskaia and Maaja Vadi in their article *Measuring organizational culture in Germany* explore the modern culture of German organizations. On the one hand, since World War II, the Federal Republic of Germany has enjoyed a long period of economic prosperity; but on the other, the country was divided into two separate parts until the beginning of the last decade. These issues create an interesting context for studies because organizational culture is related to the organizational environment. The article aims to examine organizational culture in Germany from the perspective of two organizational culture orientations. Special attention is paid to the adoption of the organizational culture measurement tool, which is based on a questionnaire having already reliable scales in Estonian, Russian, and Finnish.

Differences in organizational culture are presented in the framework of various characteristics (i.e. the respondents' age, position, gender, industry of an organization). Finally, these results are discussed vis-à-vis earlier cultural studies in Germany; and the conclusions are presented about possible applications of the organizational culture measurement method.

3. Ilona Baumanė and Ērika Šumilo's article *Concepts of cross-cultural orientation: a comparison of Latvian and German business cultures* aims to reveal the general features of Latvian business culture, compare them with German business culture and work out practical recommendations and guidelines for German businessmen, who until now have been dealing in an unknown environment. The article investigates Latvian business culture by means of a complex qualitative analysis derived from the methodology devised by F. Trompenaars. The main framework of the study was adapted from Trompenaars' two main dimensions of organizational culture – Power priority versus Role dominance and Task orientation versus Person orientation. Following these dimensions a number of interviews with Latvian managers from various private enterprises were held. As a result the study provides findings that can be generalized and transferred to future quantitative analyses aiming to conduct more specific research into Latvian business culture. Besides some significant differences in both dimensions of organizational culture, this research reveals several similarities between Latvian and German business cultures.

4. The third part and the whole book conclude with the article "What does 'integrity' actually mean?": *Handling ambiguity in MNCs' global core value initiatives* by Susanne Blazejewski, Wolfgang Dorow and Roksana Sopinka-Bujak. They argue that the issue of shared or integrated organizational culture in geographically distributed organizations such as multinational corporations has since the 1980s been addressed by two different – and still largely unconnected – streams of research. Alongside

Bartlett and Ghoshal's 1989 classic on "The transnational solution", the international business literature often sees the creation of a shared, transnational MNC culture as a viable option to supplement more formal MNC coordination and control mechanisms, such as standardized regulations, processes, and reporting systems. This dominant functionalistic approach to organizational culture, however, stands in sharp contrast to much of the organizational studies or intercultural management literature which strongly questions not only the chances to actually create a mutual organizational culture across national divides but also casts doubt onto the value of such a homogenizing approach to culture in view of the innovatory potential of cultural diversity in MNCs.

In practice, the MNC is stuck right in the middle of these conflicting perspectives: despite the manifold evidence regarding acculturation barriers from the organizational studies research, MNCs in fact increasingly commit substantial resources to the creation of e.g. mutual MNC-wide value catalogues. By using three empirical cases, the article demonstrates that large European-based MNCs indeed follow different pathways in trying to develop some cultural coherence across their heterogeneous sub-units and thus encounter different obstacles and resistances among their different local constituents. The study is mainly based on 80 in-depth interviews conducted in the MNCs headquarters in Central Europe as well as in their Japanese and US subsidiaries.

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The present book seeks to document, analyze, and interpret problems connected with organizational culture in regard to a wide variety of themes. It is important for Estonian organizations to understand what constitutes organizational culture at both national and international levels. We believe that not only for Estonian organizations but in a broader context, too, the understanding of different perspectives is vitally important nowadays. Thus, the pieces of the mosaic can be put into a kaleidoscope and a dynamic

perspective will emerge. Schultz (1992) has repeatedly referred to the kaleidoscope metaphor in her explanation of postmodern pictures of culture. This book offers to the reader building pieces for a kaleidoscope.

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