

Organizational Culture in Business, Public and non Profit Sectors

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Abstract

Paper examines some issues of organizational cultural in the business sector entities, public administration and non for profit organizations. Survey is conducted via five dimensional model of Geert Hofstede and the four descriptions of organizational culture made by Tromenaars – Turnrer. There is one assumption razed for further exploration, based on the cultural background the examined non governmental organizations seems to be more entrepreneurship orientated compared the representatives of the other sectors.

Keywords: *organizational culture, business, public institutions, third sector*

JEL classification: D23, D73

1 Introduction

Based on the funding source, each society functions via three main sectors – public sector, defined by low, market driven private sector, and Non for Profit Organizations. (Hristov, 2004)¹

The business sector is envisioned as a main source for profit, income and development in general. Both researches and practitioners constantly look for recipes to boost company performance. Thus, the quest for soft areas of study is well represented in the business. However, there is room for more exploration, to spread light on a) differences in performance in territorial aspect, b) the case in Bulgaria is that there are difficulties in the interaction between business and public entities. Exploration of the organizational culture would be useful for comparison with the other sectors.

The demand for exploration of the soft characteristics in the general management is not new, as it was mentioned. Those "qualitative aspects" of it have

¹ Hristov H. Public Sector Management. Sofia. 2004

been on the spot of researches in societies which have been exposed to the forces of our contemporary environment earlier. Recently, the public sphere has been put in the spot. There are arguments in favor of the unsatisfactory functioning of some organizations in the public area. Across Western Europe, states have introduced performance management regimes that seek to address perceived weaknesses of public service provision. (Andrews 2006)² The recent case in Bulgaria is not better. There is Administrative reform adopted in the last decade. Some researchers argue that the successful implementation of that reform could be measured via change in the Organizational culture.

Part of the Non Government Organization (NGO) sector is envisioned as social and economical partner of the public organizations. This sector has contributed to the positive change in culture, mentality, and successful lobbying, developing democracy and state development. For example, there are some negative effects like violence which non for profit sector approaches more efficiently, compared to the public sector. The third sector approves itself as an alternative and partner of the state. (Thoresen, 2005)³

However, there are some negative aspects of NGOs, particularly in Bulgaria. The vast majority of organizations (over 22 000 formally registered) do not function. The main reason for that huge amount of registrations is the willingness to meet the requirements of the funding sources coming from abroad, instead of the response to the real needs of the society. More or less this is an obstacle for the public to understand and appreciate the role of those organizations, and to identify them as a forum to voice their civil interests. (Market LINKS, 2007)⁴

Keeping in mind the NGOs operate in competitive environment, meet financial risks and are forced to be creative and high professional one could say that their environment looks like a business situation. Thus, we could assume that there could be common features in their organizational culture of Non for profit sector and the business, along with similarities between Soft features in the NGOs and the Public administration.(Pencheva, 2006)⁵ One question rises “Could we put NGOs in the role of corrective of the public sector for some common activities (like regional development, cultural and social problem solving, etc.) from the organizational culture perspective?” The answer is closely connected to the answer of another question “What kind of attitudes and adopted practices are wide spread among public administration and NGO staff?” The search for the answers leads to learning of “mental programming” of those organizations.

Business sector is more or less enlightened with different surveys. To some extend public administration is in the focus of deferent surveys on organizational

² Andrews R. George A. B and G. Enticott, 2006, “Performance Failure in the Public Sector” in *Public Management Review*, Vol. 8 Issue 2, 274

³ Thoresen, V. Awareness, “Action and Accountability”, in *Taking Responsibility*, CCN, ed.D. Doule. 2005, p. 7

⁴ Market LINKS, Image of Non Governmental Organizations in Bulgaria, qualitative survey, October, 9

⁵ Pencheva M. Public Sectors from the Organizational Culture Perspective, Rousse University Proceedings, ISSN 1311-3321, 2006

culture. However Non Profit Organizations recently emerges on the scene. They remain more or less away from researchers' focus. Often NGOs are more flexible, more entrepreneurship orientated and some times more efficient compared to the public organizations, which reveals them as a factor for regional development.

The overall objective of the article is to explore the "mental programming" of business entities, public administration and Non Governmental Organizations in the region of Rousse and to discuss its implications on management practices.

2 Organizational culture

2.1 Concept of organizational culture

The idea of "mental programming" belongs to Geert Hofstede. He uses analogy with computer programming and defines "culture" (comprises models of attitudes, feelings, and actions) as "mental programs". (Hofstede, 2001)⁶ He describes Organizational culture as collective mental programming, which distinguish the members of one organization from the members of another organization. To put it briefly, the organizational culture comprises the attitudes, experiences, beliefs and values of an organization. (Wikipedia)⁷ Some researches argues in favor of the idea that the organizational culture is the most effective and new managerial strategy. Others believe that she is more a prerequisite to determine a successful strategy, than a specific product. There is a third group of people who think that it is not "one size fits all". However, it is important to examine the core and the dimensions of the organizational culture, because it is a factor for organizational effectiveness, successful development and the communication among organizations.

2.2 Cultural Dimensions

The concept of the organizational culture is "soft" area of study. However, there are specific models for exploration and measurable dimensions. We are going to use two of them. The first one is Hofstede's Cross Cultural Model. It comprises five dimensions:

Individualism/ Collectivism (I/C) - refers to the extent to which people are expected to stand up for themselves, or alternatively act predominantly as a member of the group or organization.

Power Distance (PD) - the degree to which a society expects there to be differences in the levels of power.

Uncertainty Avoidance (UA) - reflects the extent to which a society accepts uncertainty and risk.

Masculinity/ Femininity (M/F) - refers to the value placed on traditionally male or female values.

⁶ Hofstede G. Cultures and Organizations, Software of Mind. Sofia 2001, p.5

⁷ http://en.wikipedia.org/wiki/Organizational_culture 2008 January

Long Term Orientation (LTO) - describes a society's "time horizon," or the importance attached to the future versus the past and present.

Hofstede uses these dimensions for assessment on national level. However, there are arguments in favor of usefulness of the model on organizational level. Firstly, the model would reveal the broaden picture of peoples' attitudes in particular organization. Secondly, for the purposes of the correct comparison - there are previous researches, based on the model conducted in Bulgaria. Lastly, The Institute for Public Administration and European Integration has adopted the model for research in public administration in Bulgaria. Despite the model is popular, there are not significant results about public sector published.

The second block in the survey is Trompenaars-Turner's descriptions. There are four types of corporate culture.

The Family culture. The leader is in the high position, he/she knows better than the subordinates what should be done, and what works best for them. The atmosphere on the workplace looks like home. There are in - jokes, stories, traditions which are incomprehensible to non members. The leader is perceived like a „father”, who influences all situations no matter if he/she is aware of the problem. Power and differential status are seen as „natural”, they characterize the leaders by default no matter if they succeed or fail in doing tasks. He/she pays attention on the subordinates' wellbeing. The criticism is not common.

The Eiffel Tower. The division of labor is bureaucratically into roles and functions. They are coordinated from the top of the hierarchy. Each upper level performs the function to keep the subordinate levels. The role of the leader is to give orders. He/she possess the legal authority to oblige subordinates to fulfill his/her instructions and orders. If somebody does no do it, the system is malfunctioning. The leader plays a role. If the current person in charge disappear tomorrow somebody will take the place, and it will not make a difference either to the subordinate's duties or the reason of organizational existence. Little is left to the personal characteristic of the particular people.

The Guided Missile. The most important thing in your organization is the goals. There must be „no stone unturned” to achieve the strategic objective. Project teams or groups aim achievement of organizational goals. There is no hierarchy to determine that skills of A expert are better that those of B expert, because each of them is professional. Groups are temporary and the relationship lasts as long as the project is going on. Experts who contribute at most to the accomplishment of the overall outcome are valuable. Their assessment comes from their peers or subordinates, but the top of the hierarchy. Loyalty towards profession is stronger than towards organization.

The Incubator. Organization exists to work as an incubator for self-expression of the people. The objective is to set the employee free from their routine tasks to enable them to be creative. Team roles are very important, one criticizes, other – confirms, third one– search for resources and etc. The organization is entrepreneur orientated or it is grounded on creative team who has

quitted a huge company just before the final stage. People are intensively and emotionally devoted to their job, but to their colleagues.

These four metaphors illustrate the relationship of employees to their notion of the organization. (Trompenaars, Thurner 1998)⁸ The combination of the models would provide better understanding of research object and broaden perspectives on organizational culture implications.

2.3 Empirical findings

2.3.1 Research objective

An object of study is the employee attitudes toward their job – the developed dimensions of organizational culture. The survey is conducted among managers and staff, employed in business entities, territorial public administration and Non Profit Organizations in Rouse. To put it briefly, research object is managers and staff in the biggest municipality administration, one district administration, the smallest (rural) municipality administration, a portion of Non Governmental Organizations comprised of two business orientated NGOs, one social foundation, and one cultural development center, and a business companies bulk. Since the GDP in Rouse is delivered as follows: about 65% - industry and 32% - services, according to the current Municipal Development Plan, the business sample follows that structure. Results presented here are the outcome of the preliminary study. The preliminary sample is composed of three small representatives; three middle and three big enterprises. There are representative of a mobile operator, bank services, trade, hotel business, apparel industry, chemical industry, processed industry, and food and beverage area. Three of them are branches of foreign companies, the rest are local players.

2.3.2 Sample

Sample size is determined according the following formula:⁹

$$SS = \frac{Z_2 \cdot p \cdot (1 - p)}{c_2}$$

Z = Z value (e.g. 1.96 for 95% confidence level)

p = percentage picking a choice, expressed as decimal (5 used for sample size needed)

c = confidence interval, expressed as decimal (e.g., .04 = ±4)

Correction for Finite Population

pop = population

⁸ Trompenaars F, *Hampden-Turner Ch. Riding the Waves of Culture*. McGraw-Hill 1998; p. 162

⁹ <http://www.surveysystem.com/sscalc.htm> 2008 January

$$new_ss = \frac{ss}{1 + \frac{ss - 1}{pop}}$$

The sample size consists of 302 respondents in total: 132 from the Rouse Public administration, 6 NGO respondents, and the business respondents are 165.

The majority of NGO in the Rouse region are local players, e.g. they comprise of a few people thus they are smaller in scale compared to the other sectors. The all data is calculated as a bulk per sector. However, both the NGO and business data are not representative, but provide food for further exploration.

The survey form is a hard copy questionnaire composed of 41 questions.

2.3.3 Measures

The measurements of the five Hofstede's dimensions listed above are calculated according to Hofstede's methodology. Each dimension has specific score, based on formula calculations. The theoretical scope of the dimensions is as follows:

- I/C - (-172,25) to 222,75;
- PD - (-90) to 210;
- UA - (-150) to 230;
- M/F - (-147,2) to 240;

The four types of organizational culture, according to Trompenaars-Turner's model are determined based on descriptions.

2.3.4 The outcomes

Regarding the first block composed of the five dimensions, we can point out that the lowest scores of four dimensions (e.g. UA=-6.25, PD= 38.12, MF=-10.2, LTO=21.37) are registered by NGO respondents (look at Table 1). The lowest scores on IC (39.86) are produced by the representatives of the public administration.

The second block shows that the respondents of the public sector identify their organizations with the Eiffel tower, the Guided Missile comes after that and the Family culture takes the third place. The business representatives recognize their culture mainly as Eiffel Tower; Family culture comes next, followed by Guided Missile. The NGOs envision their organizations mainly like Family culture and Guided Missile.

**Preliminary results for the Organizational culture scores in business,
public and non for profit sectors in Rouse**

Table 1

Dimensions	Public administration	Business	NGO scores (Pencheva, 2008) ¹⁰
I block-UA	55.97	55	-6.25
PD	39.09	99	38.12
IC	39.86	55.7	43.43
MF	47.39	56.48	-10.2
LTO	41.21	36	21.37
II block-cultural type	Family culture – 10% Eiffel Tower – 66% Guided Missile – 23% Nullity - 1%	Family culture – 37.5% Eiffel Tower – 52.5% Guided Missile – 10%	Family culture – 37.5% Guided Missile – 37.5% Incubator – 12.5 Nullity – 12.5%

2.4 Discussion

The public sector ranks higher in two dimensions – UA and LTO, which applies in different rules, procedures and etc. but also in attitudes that suppose willingness for putting effort today and gain in the future. This dimension I typical for the countries developed under Chinese influence. It is not common for Bulgaria. We could look for an explanation in the educational degree of the respondents; they are mainly highly educated employees, which normally tend to be more future orientated. It is something to dig in the next stage of the survey. The interesting finding is the lowest score in IC.

Business sector also provides food for exploration. Surprisingly it scores higher at PD, IC, MF. These results suppose lots of procedures, authoritarian decision making, focus on the process and emotions instead of the results witch does not match the ultimate business goal for higher profit. It seems that the attitudes in the business organizations are not that entrepreneurship orientated.

The lowest ranks of four dimensions are examined in the NGO sector. Keeping in mind that this means that their representatives feel more comfortable with a new situations and risk, compared to the business respondents it rises up more questions than answers. What is more they are supposed to be significantly more goal/result achievement orientated, competitive than business itself (MF). NGOs are also lower in LTO, which means that they are short term orientated and not willing to put effort for future gain.

The last dimension that NGOs ranks lower is power distance, which means that they do not need and use hierarchy, and presumably the majority of them are involved in decision making. It is also shown in their preference for Guided Missile and Incubator culture.

¹⁰ Pencheva M, Organizational Culture in Public Sector and Non Profit Organizations, International Conference on Business and Economy, Constanta 2008

The main conclusion of these scores is that NGOs seems to have the most entrepreneurship attitudes of the representatives of the three sectors, which suppose flexibility and productivity. It could be a question of representation, but it could be also an interesting finding for future explorations. If this conclusion gets conformation in the next stage of survey, it gives ground for reconsider the current role of that sector. It could turn out that NGOs have a potential to be strategic partner for the public and business organizations.

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