ORGANIZATIONAL STRUCTURE, ORGANIZATIONAL DYNAMICS, AND ORGANIZATIONAL CULTURE: A RESEARCH FROM CROATIAN ENTERPRISES

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Abstract:
This paper is based on a recent empiric research carried on a sample of 73 large enterprises in Croatia. Different aspects of organizational culture, organizational structure and organizational dynamics have been examined through a survey, and the results of that survey are used in this research as a basis for deeper longitudinal analysis. The analysis has tried to find out correlation between characteristics of organizational culture, organizational structure and organizational dynamics.

Basic results show that the organizational culture in Croatian enterprises is not very developed – with an average mark of 3,17 (only slightly above the middle value on the scale from 1 to 5). Apparently, the 'soft' elements of organization have not been recognized (yet) in Croatian enterprises, leaving to the 'hard' elements of organization (primarily organizational structure) the position of decisive factor of organizational performance and success.

Although statistical significance has not be found, there are some indications that in enterprises that use more developed forms of organizational structure exist also more developed and stronger organizational culture. On the other hand, very clear and strong correlation has been found between organizational culture and dynamics of organizational change – indicating that enterprises whose employees show stronger adherence to organizational values have been more successful in business processes restructuring and improving. The third researched aspect – relationship between (the strength of) organizational culture and organizational (business) performance did not produce any significant indicator of correlation between those variables.

However, these results should not be interpreted in the way that good and strong organizational structure does not contribute to the enterprise results. On the contrary, results of this research confirm, directly and indirectly, the need and reason for continuous efforts on building and improving organizational culture in enterprises. Strong and proactive organizational culture, accepted by all employees, is an important precondition of successful functioning and good business results of an enterprise.

Keywords: Organizational culture, organizational dynamics, organizational structure

1. INTRODUCTION

Organizational culture, its importance for an enterprise functioning, and its relationship with organizational structure, have been for a long time in focus of the theory and practice of management. Organizational structure and organizational culture are considered crucial and complementary features of every specific enterprise, and key determinants of its performance. Still, empiric researches conducted over and over again all over the world, did not produce complete, clear and unbiased conclusions about the relationship between the organizational structure and organizational culture, and their dynamics.

While the organizational structure is the most prominent element of 'visible', formal organization, organizational culture is primarily connected with 'invisible', informal elements of organization. More and more authors (cfr. Sikavica, 2011) maintain that exactly organizational culture is the fundamental and decisive element of an organization functioning.

Design and redesigning of the organizational structure and organizational processes can be connected with organizational culture in a bi-directional relationship:

- Organizational culture can be an important factor for design and effectiveness of the organizational structure. Organizational culture can be favorable and enticing for continuous organization restructuring and improving, or it can be blocking, hampering and slowing down organizational changes;
- In the other hand, continuous changes and improvements of organizational structure and processes can be a factor stimulating development of an active and flexible organizational culture.

In any case, organizational culture is a complex phenomenon, functioning n a complex, indirect and often elusive way, interweaved with numerous other elements of organization – from organizational structure and strategy, to characteristics, motivation and behavior of employees. Only compatibility and synergy of all those elements can ensure successful work of an organization and, eventually, high business results.
This work will try to research some aspects of relationship between organizational culture and other key elements of organization, and their possible effects on business result.

2. RESEARCH METHODOLOGY AND SAMPLE

This paper is based on data collected through a broader research of organizational characteristics and processes in Croatian large and medium enterprises, carried on during 2011. A total of 83 companies were surveyed, but 10 cases did not give complete and reliable answers on items concerning organizational culture, so eventually 73 were used as valid for this research.

The instrument used for data collection (survey) consisted of 23 main questions, dealing with the areas of organizational structure, business processes, knowledge management, strategic orientation, organizational culture, motivation, use of information technologies, and human resources management.

In the field or organizational structure, focus of the research was not primarily on classification. The attention was primarily directed to the strength, clarity and distinctiveness of the organizational culture. In that sense, (see Sikavica, 2011, 738., Robbins, 1995, 255.), a strong organizational culture is the one where employees share strong common values, use specific symbols, patterns of work and eventually build strong shared identity.

Characteristics of organizational culture in surveyed enterprises have been researched through answers on five items:

A. Acceptance and adherence of all employees to values and desirable ways of behavior, as the indicator of strength and integrity of the organizational structure;
B. Importance of 'integration' of new employees into values and way of work compared to importance of education and experience – as the indicator of the importance that is given to the organizational culture as the factor of success in work;

C. Desirability of building specific identities, values, ways of behavior, etc. within particular (professional, work) groups – as possible indicator of preferring particular, professional cultures over the collective enterprise culture;
D. Desirability of friendly (private) relationships between employees even after the work – as one other indicator of importance given to the identification of employees with organization;
E. Organization of celebrations, excursions, sport competitions for the enterprise employees – as a way to increase internal homogenization and integration of employees.

3. BASIC CHARACTERISTICS OF ORGANIZATIONAL CULTURE IN SURVEYED ENTERPRISES

Asked about five abovementioned items characterizing organizational culture, respondents had to evaluate situation in their organizations on the scale from 1 to 5 (1 meaning the strongest disagreement and 5 strongest agreement with the statement). Basic values obtained for the 73 enterprises are shown in the Table 1.

Table 1: Descriptive statistics of the responses about organizational culture

STATEMENT[1]	N	Minimum	Maximum	Mean	Std. Deviation
A) All employees accept and adhere to the values and desirable ways of behavior	73	1	5	**3.21**	.942
B) It is more important the new employees 'integrate' into values and way of work than how educated and experienced they are	73	1	5	**3.11**	.936
C) It is desirable that particular groups (IT people, accountants) within the enterprise build their own identities, values, ways of behavior, etc.	73	1	5	**2.82**	.855
D) It is desirable that employees develop friendly (private) relationships, and that they socialize even after the work	73	2	5	**3.37**	.736
E) Celebrations, excursions, sport competitions, etc. are being organized for employees in the enterprise	73	1	5	**3.34**	.916
Average values of the composite index of the organizational culture characteristics	73	2.2	4.4	**3.17**	.547

It is interesting to note that the third question, which suggested preference of particular, professional cultures over common enterprise culture, received the lowest average mark (2.82), what suggest that respondents gave preference to building homogenous organizational culture in the enterprise.
Statement that suggested that "it is more important the new employees 'integrate' into values and way of work than how educated and experienced they were" received an average mark that just surpassed middle value (3.11), could indicate that in Croatian enterprises still quite little attention is paid to team work, shared values, and motivation oriented to common goals. Those 'soft' elements of organization and work performance have not been recognized yet, so formal, 'hard' elements of organization, including formal qualification, are considered to be decisive factors of work performance and success.

Summarizing the results about organizational culture, three main conclusions could be drawn:

1. First and fifth statement depicted the real situation in the enterprises. Responses to these questions showed quite clearly that organizational culture in Croatian enterprises is modestly developed and not very strong; something stronger in the manifest sphere (common behavior patterns), and something weaker in the area of common values and attitudes;
2. Third and forth statement were focused on respondents' attitudes towards (non) desirability of particular ways of behavior (that may significantly influence on development and strength of organizational culture). The results showed that respondents were aware of the importance of organizational culture for the enterprise's work and success;

[1] To save the space, statements will be represented in subsequent tables only with respective capital letters.

3. Second statement was dealing with the importance that organizational culture can have on the result of employees' work. Average value of the answers to this statement was very close to the middle value (3), that could mean that in Croatian enterprises ability of (new) employees to integrate into organization and accept organizational culture is seen as equally important as their knowledge and work experience.

Since all these statements researched, one or the other way, strength and characteristics of the organizational culture in surveyed enterprises, an integrative indicator that could be used as a global mark of quality (strength) of organizational culture has been calculated (as the arithmetic mean of all five values). As it can be seen from the Table 1, total value of this composite indicator for all 73 surveyed Croatian enterprises was 3.17 – just slightly below the average mark for the statement A). This indicator has high correlation with the average marks of individual statements (correlation coefficients from 0.475 to 0.685 – all significant at the 0.01 level).

4. RELATINSHIP BETWEEN ORGANIZATIONAL CULTURE AND ORGANIZATIONAL STRUCTURE

Particular types of organizational structure could (or even should) be connected with stronger, better developed organizational structure(s). That applies especially to 'organic' types of organizational structures, which their successful functioning build in a great measure on synergic work of employees based on internalization of common values. Even classical, 'mechanic' organizational structures could show some differences in that sense. Functional organizational structure features high formalization of roles, jobs, and duties, so such organizational structure its efficiency and effectiveness bases on strict following of formal organizational directions. Therefore, in such organizational structures, behavior of employees based on acceptance, interpretation of common organizational values has relatively low importance, so strong, and developed organizational culture is not very important. Organizational structures that stronger rely and stress common goals and team work on realization of those goals (starting with divisional, to matrix, project and process based structures), should encourage and ask for development of stronger organizational culture(s).

Enterprises included in this research had dominantly functional organizational structures: as much as 48 out from 73 enterprises had such type of organizational structure. Only 6 (8.2%) enterprises had product-oriented version of divisional organizational structure, while 4 enterprises (5.5%) had divisional organizational structure oriented by geographic areas. Remaining 15 enterprises had various mixed models of organizational structure, where most frequently elements of functional organizational structure were present.

Examining relationship between the question about the nature of basic organizational units of the enterprises (type of organizational structure) and the composite indicator of quality (strength) of organizational culture, the distribution showed in the Table 2 is obtained.

It is easy to notice that the enterprises with divisional organizational structure did not have composite index of organizational culture in the lower range (< 2.49). However, this simple and rough analysis could not be enough to draw the conclusion that types of organizational structure that move away from functional structure require or stimulate development of a stronger organizational structure.

Table 2: Nature of basic organizational units and the composite indicator of quality (strength) of organizational culture

		Average composite mark of the organizational culture			Total
		< 2.49	2.50< <3.49	3.50< <4.49	
Nature of basic organizational units	*Organized around functional tasks*	6	31	11	**48**
	Organized around specific products or product lines	0	4	2	**6**
	Organized around activities on particular geographic areas	0	2	2	**4**

	Combination of abovementioned criteria	2	9	4	**15**
Total		**8**	**46**	**19**	**73**

More sophisticated statistic analysis, presented in the Table 3, did not confirm existence of any significant correlation between the nature of basic organizational units of the enterprise (type of organizational structure) and indicators of quality (strength) of organizational culture.

Except for very weak correlation with the statement D) /*It is desirable that employees develop friendly (private) relationships, and that they socialize even after the work*/, there was no significant correlation with particular indicators, nor with the composite index of quality (strength) of organizational culture.

Table 3: Correlation between the nature of basic organizational units and the indicators of quality (strength) of organizational culture

		A)	B)	C)	D)	E)	Average composite mark of the organizational culture
The nature of basic organizational units	Pearson Correlation	.142	-.090	-.165	.263*	.120	.078
	Sig. (2-tailed)	.230	.450	.164	.025	.310	.513
	N	73	73	73	73	73	73

*. Correlation is significant at the 0.05 level (2-tailed).

Relation between the nature of basic organizational units of the enterprise (type of organizational structure) and indicators of quality (strength) of organizational culture has been tested also with Kruskal Wallis test, and the results are displayed in the Table 4.

Table 4: Differences in indicators of quality (strength) of organizational culture in relation with the nature of basic organizational units

Test Statistics[a,b]

	Average composite mark of the organizational culture	A)	B)	C)	D)	E)
Chi-Square	5.584	4.931	3.469	4.335	3.240	4.699
df	3	3	3	3	3	3
Asymp. Sig.	.134	.177	.325	.228	.356	.195

a. Kruskal Wallis Test

b. Grouping Variable: nature of basic organizational units

Since this way of testing did not confirm existence of statistically significant correlation between variables, it could be pretty clearly concluded that in the researched sample of Croatian enterprises there is no notable interdependence between the nature of basic organizational units of the enterprise (type of organizational structure) and indicators of quality (strength) of organizational culture. But, first reason for such results could be found in the fact (confirmed by numerous researches) that among Croatian enterprises functional organizational structure is dominant, and in such situation where there is no enough variability within one variable, it becomes impossible to statistically confirm existence of different relations.

5. ORGANIZATIONAL CULTURE AND MOTIVATION

Organizational culture and motivation have a lot in common. Motivation is always based on values, attitudes, and beliefs about desirable – primarily individual, but definitely connected and mediated with group values and attitudes – which means elements of organizational culture. In the other hand, influencing the motivation and through the influence of motivation it is possible to influence and change more durable patterns of behavior and values that stay behind them – which means building and changing organizational culture.

In the organizations with strong and well shaped organizational culture, different methods and models of employee motivation could be expected – from material rewards to seeking and accepting employee opinion on important issues for work and improvement of work in the enterprise Starting from these presumptions, This research tried to investigate the relationship between the quality (strength) of the organizational culture and activities connected with the motivation of employees.

As the variables indicating organizational culture, abovementioned statements A) and D), as well as the average composite mark of the organizational culture have been used. On the other side, to represent approaches to employee motivation, three aspect have been included in the survey: i) how frequently ideas and suggestions of employees are seek and used to improve business processes; ii) in what measure employees are involved in the activities and processes of organizational change; and iii) how developed are the methods of rewarding employees for participation in the activities and processes of organizational change.

Correlation results of this analysis are presented in the Table 5.

Table 5: Correlation between variables concerning employee motivation and the indicators of organizational culture

		Use of ideas and suggestions of employees to improve business processes	Involvement of employees in the activities and processes of organizational change	Methods of rewarding employees to participate in the activities and processes of organizational change
All employees accept and adhere to the values and desirable ways of behavior	Pearson Correlation	.181	.291*	.064
	Sig. (2-tailed)	.126	.012	.592
	N	73	73	73
It is desirable that employees develop friendly (private) relationships, and that they socialize even after the work	Pearson Correlation	.194	.041	-.163
	Sig. (2-tailed)	.100	.731	.169
	N	73	73	73
Average composite mark of the organizational culture	Pearson Correlation	.173	.101	-.051
	Sig. (2-tailed)	.143	.395	.667
	N	73	73	73

*. Correlation is significant at the 0.05 level (2-tailed).

It is easy to see that the analysis of the correlation between variables concerning employee motivation and the indicators of organizational culture in surveyed Croatian enterprises did not produce any compelling results. The only relation where some week statistically significant correlation was found was the one between the acceptance and adherence to the values and desirable ways of behavior and the extent of employee involved in the activities and processes of organizational change. Although very weak, this correlation could indicate that the enterprises with stronger identification of employees with common values and pattern of behavior, more intensive involvement of employees in the activities and processes of organizational change. This is completely consistent with initial (and general) presumptions, but the only surprising think could be such relatively low intensity of that relation.

No remaining researched relations produced statistically significant correlations, and that is pretty surprising. The most plausible explanation could be found in the abovementioned fact that enterprises in the sample did not show significant variations in the average values depicting organizational culture (Table 1), so significant relations with the approaches to motivation was technically difficult to discover.

6. ORGANIZATIONAL CULTURE AND ORGNAIZATIONAL CHANGE

As it has been said before, it could be expected that the activities of continuous change and improvement of the organizational structure and processes will positively influence on creation of a distinctive, flexible and strong organizational culture. Using variables observed in this research, we tried to check the relationship between some characteristics of organizational culture(s) and indicators of frequency, approach, and success of the organizational change processes/activities. These results have been presented in the Table 6.

It is interesting to see that out of all combination of variables, only the variable indicating "employees' acceptance and adherence to the values and desirable ways of behavior" showed to a significant correlation with the success of the organizational change processes/ activities (with the significance 0,002). That could indicate that enterprises whose employees have better absorbed common values and work behavior, and developed stronger organizational structure, are more successful in their activities of improving organizational structures and processes.

Table 6: Correlation between variables concerning activities of continuous change and improvement of organization and the indicators of organizational culture

		Scope of the organizational change activities	Frequency of the organizational change activities	Methodology of organizational change processes/ activities	Success of the organizational change processes/ activities
All employees accept and adhere to the values and desirable ways of behavior	Pearson Correlation	-.045	-.126	-.001	.355**
	Sig. (2-tailed)	.703	.607	.993	.002
	N	73	19	70	71
It is desirable that employees develop friendly (private) relationships, and that they socialize even after the work	Pearson Correlation	-.002	.243	.174	.045
	Sig. (2-tailed)	.986	.317	.150	.711
	N	73	19	70	71
Average composite mark of the organizational culture	Pearson Correlation	.113	.048	.033	.155
	Sig. (2-tailed)	.341	.844	.784	.195
	N	73	19	70	71

**. Correlation is significant at the 0.01 level (2-tailed).

Despite non-significant correlation results, it is interesting to note that the correlation of the variable indicating "employees' acceptance and adherence to the values and desirable ways of behavior" with first three variables depicting organizational change activities had a negative sign. That could indicate that in organizations with stronger organizational culture need for and use of organizational change activities/ processes is less present than in enterprises with weaker organizational culture. But, when they undertake such activities/processes, they are (more) successful.

7. ORGANIZATIONAL CULTURE AND BUSINESS PERFORMANCE

Good, strong and stable organizational culture should, in synergy with well designed organizational structure, ensure good and stable functioning of the enterprise and high business performance. This relation, of course, is not simple and unidirectional – processes that lead to high business performances are long and complex. One aspect that we tried to research was the correlation between indicators of organizational culture and variables indicating business results. Results o tested correlations are shown in the Table 7.

It is easy to see that none of the tested combinations has produced statistically significant correlation. All correlation coefficients have very low values, and significance coefficients are far from the levels that would suggest statistically significant relationship. Explanations for such results can lead in two directions:

1. Previous part of this work did not find significant correlations between characteristics of organizational culture and variables of organizational structure, processes/activities organizational improvements, and employee motivation. Since those should be mediators between organizational culture and organizational performance, it is logical that correlation between indicators of organizational culture and variables of business results was difficult to discover;
2. On the side, as it was already pointed out, relationship between organizational culture and business results cannot be simple and direct. Factors influencing business results are numerous and diverse, internal and external, so it shouldn't be expected that a relatively simple research as this one shows any stronger connections between business results and such a elusive phenomenon as organizational culture.

Table 7: Correlation between indicators of organizational culture and variables indicating business results

		Nett profit margin in 2010	ROE in 2010	ROA in 2010	Productivity in 2010	Turnover per employee in 2010	Total assets turnover in 2010
All employees accept and adhere to the values and desirable ways of behavior	Spearman's rho Corr. Coefficient	-.021	-.091	.052	.039	-.025	.045
	Sig. (2-tailed)	.864	.451	.669	.746	.839	.709
	N	71	71	71	71	71	71
It is desirable that employees develop friendly (private) relationships, and that they socialize even after the work	Spearman's rho Corr. Coefficient	.103	.170	.111	.084	-.081	-.018
	Sig. (2-tailed)	.393	.157	.357	.488	.502	.884
	N	71	71	71	71	71	71
Average composite mark of the organizational culture	Spearman's rho Corr. Coefficient	.100	.035	.068	.008	-.069	.080
	Sig. (2-tailed)	.408	.771	.572	.946	.570	.510
	N	71	71	71	71	71	71

Besides that, the design of this research was such that it allowed analysis only in one way – business results from one year (2010) which preceded the time of measuring organizational culture characteristics (in the year 2011). If the (main) direction of influence was from organizational culture towards the business results, then the time sequence of data should have been opposite, and even better would have been if data had been available for a period of time that would allow longitudinal analysis of impact of organizational culture (and its changes) on business results.

And finally, maybe the most important, the enterprises surveyed were not homogenous by their industries, markets they operated, and other characteristics, do their business results were difficult to compare. The sample was also too small to allow analysis that would eliminate influences of the industry, market conditions, enterprises' characteristics, and other factors.

Therefore, the results presented in the Table 7 cannot be used to maintain that there is no influence of organizational culture on business results – they show only that this research could not confirm existence of such influences.

8. CONCLUSIONS

Researching relationship between organizational culture and different aspects of enterprises structure and behavior, this research demonstrated that Croatian enterprises (or at least those enterprises in the sample for this research) do not have strong and well developed organizational culture (average mark of 3.17 is just slightly above the mean value on the scale from 1 to 5). It could be inferred that manifest aspect of organizational culture (celebrations, excursions, sport activities …) are more emphasized than values and attitudes. That, connected with direct answers about desirable characteristics of organizational behavior, leads to the conclusion that in Croatian enterprises an understanding about importance of organizational culture does exist, but a systematic and efficient work on improvement and development of all elements of organizational culture. A general conclusion could be offered – 'soft' factors of organization and work success have not been recognized enough in Croatian enterprises, so formal, 'hard' elements of organization are treated as decisive (and more important) factors of organizational performance.

This research confirmed, once again, dominance of functional organization structure in Croatian enterprises. Moreover, it could be said that active use of organizational structure as the instrument to achieve organizational goals is still neglected in Croatian enterprises. New, different, innovative, and flexible organizational structures that could produce more efficient way of functioning of the enterprise, suitable for its specific situation and needs, are not used. When the previous conclusion that the organizational culture in Croatian enterprises is not well developed, is added to this one, resulting conclusion could be that Croatian enterprises do not use well (or at all) organization, in its 'hard' and 'soft' aspects, as the instrument for better work and tool to achieve higher individual and organizational performances. Organization seems to be considered, in most enterprises, just a necessary formality and even inconvenience. Although statistical significance was not found, the research gave some indications that enterprises that used more developed forms of organizational structures had also stronger and better developed organizational culture. That would certainly speak in favor of need for more active attitude towards development of suitable organizational structures and cultures in Croatian enterprises.

Use of motivational elements in surveyed Croatian enterprises did not show significant connections with characteristics of organizational culture. Indeed, it did show that in enterprises with stronger identification of employees with common values and behavior patterns, more intensive involvement of employees in the initiation and work on organizational changes was present, but the strength of that correlation was pretty weak. The other interesting result was the one that in enterprises with stronger identification of employees with common values and behavior patterns, processes of organizational development and improvement are more successful. Therefore, good and strong organizational culture contributes to development of better and more successful organizational structures. If that conclusion is correct, that could be one of the reasons why Croatian enterprises were not particularly successful in their work over last 20 years.

And finally, the try to detect connection of the (strength of) organizational culture and business results did not produce any result, i.e. none statistically significant correlation has been found. Is would be overstated to draw from that conclusion that good organizational culture does not contribute at all to the business results. Main reasons for such 'failure' could probably lay in the design of the research and the structure of the sample, which did not allow to identify clear relationships. Moreover, it at the end of this work, it could be concluded that all the results of this research indicate, directly or indirectly, to the need and reason for investment of continuous efforts and resources in development and improvement of organizational culture in enterprises. Strong and proactive organizational culture, embraced by all employees, is an important precondition for successful functioning and good results at all levels. The fact that Croatian enterprises do not fare very well in that sense indicates clearly the area and direction where stronger efforts should be made.

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