

# Organizational culture and culture of an organization in management

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**Abstract:** Most approaches towards management seem to aim at the most economical use of resources during the accomplishment of a pre-determined goal. Different types of capital (physical, intellectual, social) are elementary in achieving the goal. The role of the different types of capital has changed through time, with increasing emphasis on intellectual and social capital. In this context, this paper presents the main features of organizational culture and corporate culture and their impact on the organization's management.

*Keywords:* organizational culture, culture of an organization, management, social capital  
JEL: J24, M11, M14

## 1. Introduction

Contemporary organizations (companies, institutions) use modern dynamic approach to management. The literature of the subject includes a dozen or even several dozens of forms of dynamic approach to management. In my opinion most of them come down to Lean Management, i.e., the most economical use of resources during the accomplishment of a pre-determined goal.

The use of resources for the accomplishment of a goal is simply the application of a certain type of capital in the production process. Thus, what is capital? There are plenty of definitions but one could describe capital as an economic resource enabling its owner to achieve

added value. Obviously, an economic resource may take the following forms: tangible, non-tangible, cash and/or financial.

Additionally, an economic resource does not necessarily have to be physically stable, i.e. it can create value and “disappear”, as is the case with all kinds of services. Capital may be divided into (Noga 2012):

- a) physical
- b) intellectual
- c) social

Physical capital is usually divided into man-made capital and natural capital including environmental resources. Intellectual capital includes:

1. Human capital, understood as knowledge, experience, professional skills of employees, etc.
2. Structural (organizational) capital owned by the company and including:
  - the organization's knowledge,
  - organizational culture,
  - proprietary knowledge, all intellectual property rights,
  - inventions, databases, software, etc.

Social capital includes networks of shared ideas, norms and values that make cooperation easier.

According to OECD and the World Bank, the following elements form parts of social capital:

- social groups and social networks
- trust between people
- cooperation skills
- low level of social exclusion
- information and communication.

The past two centuries witnessed a change in the role of the above types of capital in economic development and in the operation of businesses. If in the entire 19th century and in the first half of the 20th century economic growth relied mainly on physical capital, the second half of the 20th century witnessed an increase in the significance of intellectual and social capital. Therefore, this paper presents the main features of organizational culture and corporate culture as well as their impact on the organization's management.

## 2. Organizational culture

Structural capital, also referred to as organizational capital is the property of the company and includes the organization's knowledge, its organizational culture, proprietary knowledge including intellectual property as well as inventions, databases, software, etc. Organizational culture will be the subject of special interest in this paper. Before I define organizational culture, I would like to remind the definition of capital given in 1965 by D. Dewey, according to which capital includes (Dewey 1965: 23-24) „... all that is useful in production: skills of human beings, their personal integrity in business transactions, cut flowers, land, raw materials, roads, bridges, buildings and even the stability of social order.” This very interesting definition of capital undoubtedly puts structural capital and *eo ipso* organizational culture on an equal level with physical capital and treats them as determinants of economic growth.

Kopczewski et al. (2012) write that the term *organizational culture* was first used in the theory of organization and management in 1951. It was connected with anthropological research looking for answers to the nagging question about the reasons of people's actions. One could risk a working definition of *organizational culture* as shared values, ideas, a set of norms shared by people working in a single organization (company), demonstrated through symbols (e.g. logo, brand name), stories (anecdotes), slogans and rituals (Kopczewski et al. 2012: 929). Obviously, the literature of the subject includes more than a hundred definitions of organizational culture which are accompanied by the following terms: organization culture, corporate culture, culture of an organization which will be discussed in Section 3.

In my opinion, both the above a hundred or so definitions of organizational culture and similar new terms do not add anything to the working definition proposed above but merely place stress on different issues.

Edgar Schein (1997) has differentiated several levels of organizational culture:

- Artefacts, i.e., artificial products of a given culture: language artefacts – language, myths, legends; behavioural artefacts – ceremonies, rituals; physical artefacts – art, technology, tangible items.
- A. The next, lower level of organizational culture is made up by norms and values (they are more stable than artefacts and harder to observe) and can be found in: company's goals,

image, behaviours for which employees are rewarded or punished, company's strategy, properties of organizational structure, management style, stereotypes and subculture.

- B. Basic underlying assumptions are the third and in the opinion of Schein most important level of organizational culture. They may be invisible and are often below employees' awareness and at the same time they are the most permanent ones and the most difficult to decipher. They constitute the foundation of organizational culture and refer to: human nature, interpersonal relations, organization itself, nature of the environment, relation between nature and environment.

As Schein (1997) correctly notes, the main factors influencing culture are:

- a) type of environment: national culture, system of values shared by the society, system of values shared by the community of the region, local system of values.
- b) type of organization: market situation, products and technology, industry sector.
- c) properties of the organization: history, size, leadership, administration system, structure.
- d) properties of participants: values, attitudes, education, sex, age, life experience, emotional ties.

In my view, the features and properties of organizational culture include elements of structural capital embracing both human capital and social capital. Although it is not very sharp and precise, the above understanding of organizational culture is not an obstacle whatsoever to claiming that culture is an important factor not only for macroeconomic growth but also a growth factor in the production of goods and services by companies and institutions.

### **3. Culture of an organization**

According to Deal and Kennedy (1982; quoted in Cameron, Freeman 1991), two criteria characteristic for the operation of a company are needed to describe its organizational culture:

- 1) level of risk (high-low)
- 2) feedback/reward (rapid-slow)

By combining the above criteria, Deal and Kennedy created four types of organizational culture

- 1. Tough-guy macho culture which has rapid feedback/reward.
- 2. Bet-the-company culture which prefers dynamism, planning and consistent action
- 3. Work-hard, play-hard culture – high-speed action leading to high speed recreation.

4. Process culture – everything within the organization is focused around procedures and processes.

The fifth type of organizational culture is proposed by Ouchi and Wilkins (1985) and is described as a kind of transaction that ties the person with the company, in which both parties exchange goods and services and both parties benefit in the sense of congruence.

The presentation of the above views on organizational culture allows the following conclusions. Firstly, one can make a differentiation between organizational culture and corporate culture but it will not be a very sharp differentiation because the two terms are strictly connected. Secondly, organizational culture is more individualised and refers primarily to all employees of the organization, while corporate culture relates mainly to the organization of the company/institution as a whole, united into a single organism. Thirdly, organizational culture determines competitive advantage.

Economic competition is a competition between entities aimed to achieve benefits connected with business activity on the domestic and international market. Under conditions of global competition, the benefits derived by a country (national economy) may be of the following types: financial, efficiency-related, technology-related, income-related, supply-related, stimulating business activity and employment, increasing entrepreneurship, increasing innovation (Bossak, Bieńkowski 2004: 34), reducing economic risk. Competition may take place between: companies, industry sectors, countries, regions (Europe, Asia, America), economic groups (EU, ASEAN, NAFTA, etc.).

When analysing competition (especially between countries) one should take into account institutional conditions under which this competition takes place. In accordance with the research conducted by the Polish Heritage Foundation, the quality of institutions determines international competitiveness of countries (The Polish Heritage Foundation of Canada).

Thus, institutional competitiveness of an economy is based on the interaction of several factors influencing economy under the conditions of globalization. The above means that in order to examine international competitiveness of an economy it is necessary to make an in-depth analysis of the basic spheres of the social and economic system, i.e., the metasphere, the macrosphere, the mesosphere, the microsphere.

From the point of view of the main purpose of this paper, i.e., analysing the impact of culture on economy, management and development of economic theory, the crucial role is played

by metasphere. According to Bossak and Bieńkowski (2004: 62), the metasphere includes: system of values, social, political and economic system, degree of economic freedom and competition, degree of privatization of the economy.

The metasphere defined as above includes first of all cultural factors, which implies a strong influence of culture on the process of gaining international competitive advantage by national economies and by companies. As demonstrated in the research by the Polish Heritage Foundation, in practice, a country's competitive advantage does not result from the excess of export over import but depends on the quality of institutions, compliance with law and protection of basic civil rights, economic freedom, quality of fiscal policy, monetary and exchange policy and the degree of economic equilibrium. The above factors clearly indicate that it is culture which is the *spiritus movens* of gaining competitive advantage by countries and businesses. Obviously, there is a wide range of intermediate elements, such as (Noga 2004: 68-77):

- growth rate of total factor productivity (TFP),
- investment attractiveness and level of direct foreign investment (DFI),
- effects of technology spillover, i.e., the effects of reaping the benefits of technological, scientific, organizational as well as information and communication technology (ICT) progress by other economy sectors and the effects of catching-up by developing economies with developed ones thanks to their higher GDP growth rates,
- efficiency of market mechanisms,
- ownership structure of the economy,
- society's education system with special stress on economic awareness of the society,
- innovation of the economy,
- organizational culture and corporate culture,
- looking for roads of modernity in the European communication space"

#### 4. Concluding remarks

Management of a contemporary company cannot be limited to the gaining of funds, patents, know-how, etc. but it must be based on intellectual and social capital. Organizational and corporate culture forms part of the above types of capital. As demonstrated above, gaining of competitive advantage on the market by companies and institutions will rely more and more on the organizational and corporate culture discussed in the present paper.

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***Kultura organizacyjna oraz kultura organizacji w zarządzaniu***

***Streszczenie***

Większość podejść do zarządzania wydaje się być ukierunkowanych na jak najbardziej ekonomiczne wykorzystanie zasobów podczas realizacji ustalonych z góry celów. Dla ich osiągnięcia podstawowe znaczenie mają różne rodzaje kapitału (fizyczny, intelektualny, społeczny). Rola różnorodnych form kapitału zmieniała się w czasie z rosnącym naciskiem na kapitał intelektualny oraz społeczny. W tym kontekście artykuł prezentuje główne cechy kultury organizacyjnej oraz kultury organizacji i ich wpływu na zarządzanie organizacją.

***Słowa kluczowe:*** kultura organizacyjna, kultura organizacji, zarządzanie, kapitał społeczny