

The Impact of National Culture, Macroeconomic and Microeconomic Factors on Organizational Culture

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Abstract: The study is devoted to the interaction between organizational culture factors, macroeconomic and microeconomic nature. According to the researchers, microeconomic factors have a decisive influence on the culture of organization. Researchers carried out a comparative analysis of the culture of Russian and Argentine companies, through the use of different methods by which they identify the impact of national mentality and other characteristics on organizational culture and the culture of communications. The research study implies the need to introduce the term “regional culture” in relation to modern Russia. This study confirms the assertion that the type of activity and the nature of the competitive environment of the enterprise are the most significant factors in determining the type of the organizational culture of the firm.

Key words: Corporate culture, organizational culture, infocommunicative culture, regional culture, Russia

INTRODUCTION

It is generally accepted that the interaction of the organization with the external environment is by nature, an exchange of resources. Exchange of information resources (information flows) ahead, accompanies and actually determines the nature and structure of the flows of other resources. At the same time, information flows and in form and in content is largely determined by the characteristics of the organizational culture of the firm. Negotiating style, character and form of the concluded contracts, the degree of formalization of information and selection of channels of transmission, the amount of information required all this and much more is determined by the dominant type of organizational culture (Naumov, 1996). Therefore, in the current circumstances, there is the need to form a unified infocommunicative culture—a culture that defines the principles of interpersonal communication, the key characteristics of the exchange and processing of information as well as the principles and methods of use of information technology (Gates, 2001). Infocommunicative culture is a culture of working with information to find relevant information, its thoughtful use and interpretation for the formation of the current knowledge and continuously improve the level of education, idea generation and appropriate actions to

facilitate the early achievement of the organization’s goals. This culture devoted a separate study of the researchers.

At the same time, according to most researchers, having a clear image of national culture, it is possible to draw conclusions about any of the features of organizational cultures peculiar to most companies in this country. At most, the researchers attribute this to the mentality of the citizens and the differences with respect to employees and managers of the companies business processes in different countries. Obviously, the national culture defines substantial characteristics and features just an infocommunicative culture. How and to what extent the impact of national culture (national mentality) to the culture of a particular firm as a whole and particularly its infocommunicative culture? What will be crucial in the formation of organizational culture: the peculiarities of the microenvironment (type of activity, level of competition, the size of the firm) or the macroenvironment aspects (national mentality, the economic situation, the political regime)? Finally, is it possible to speak of a single national culture in relation to Russia, since different regions of Russia are people of different nationalities, religions have different source mentality? These issues tend to have no reasonable responses, therefore, the search for these answers became

the reason for this study. The main objective of the study was to analyze the organizational culture of the most similar to each other companies located in different countries. Moreover, for the reliability of the study results, it was important that these countries do not have geographical proximity or a common historical destiny as for example, the CIS (The Commonwealth of Independent States) countries. Also wanted to go beyond the usual practice of comparing Russian and American companies. It was decided to conduct a study of the Russian and Argentine companies.

STUDY METHODS CHARACTERISTICS

As a basis of the study, there were used two methods. The research method of Hofstede is widely known and commonly used for the study of national culture, although, the object of study is an employee of the company. Hofstede (2001) identified four features that distinguish national cultures one from another. These attributes and parameters are:

- Individualism-collectivism
- Power distance
- Uncertainty avoidance
- Masculinity-femininity

The “individualism-collectivism” characterizes the level of opposition of the personal interest to the collective interests (IDV). Individualism assumes that people act based on their own interests and the interests of the people closest to him (e.g., family, friends). Collectivism, in contrast, comes from the fact that each person at birth or by job belongs to a more or less cohesive group and can't consider himself free from it. It should be mentioned that the group cares about meeting the demands of the individual, requiring him in turn, a complete and unconditional submission.

The “Power Distance” attribute (PDI) will determine how much in this culture is great disparity between managers and subordinates. Power distance as an element of corporate culture is defined by the space within which the individual in the group is aware of inequality in the distribution of power and considers it a normal state of affairs. For example, if for any individual country criterion determining the limits of power distance is the level of income, the companies within this criterion includes not only financial benefits but also the attributes of the post (comfortable workplace, the possibility of direct communication with the head; taking part in ceremonies held by the company).

The “uncertainty avoidance” attribute refers to the ease with which a culture perceives changes and associated risks (UAI). This characteristic indicates the degree of people's desire to avoid situations in which they feel insecure. Uncertainty breeds fear. Social rules, regulations, codes of conduct intended to help members of the organization and society to reduce uncertainty and ambiguity. It should be noted that a culture devoid of perception of uncertainty, different activity, aggressiveness and intolerance. At the same time, culture, perceiving uncertainty characterized by greater reflection and less emotional.

For organizations weak tendency to uncertainty means the presence of small amounts of written rules, low standardization and specialization.

The “Masculinity-femininity” Attribute (MAS) is the basis for the opposition between “masculine” and “feminine” beginning. Masculinity index demonstrates how society favors male values compared with women. Synonyms of masculinity are assertiveness, success, material success, competition, ambition. Femininity, in contrast is defined signaling preference occupational safety, maintaining social contacts as well as quality of life. According to the results of their research, there has been developed a classification nations by Hofstede. He distributed the country between the eight groups on the basis of similarity of cultures. It should be noted that this classification Russia and Argentina belong to different clusters. The study by Hofstede (his followers): “Russians prefer to work in a team and avoid uncertainty. We can assume that both factors are aimed at ensuring social security have their roots in the communist past. Russia is characterized by the average degree of masculinity and high power distance, reflecting the greater social distance between workers and management”.

In contrast to the Hofstede Methods, the OCAI Method designed by K.S. Cameron and R.E. Quinn was made specifically for evaluating not the macrocultural environment in general but the culture of the individual firm. For the analysis of organizational culture adapted and applied the researchers modified version of the methodology OCAI. When using this option methodology for assessing organizational culture using three scales: “stability-flexibility”, “inner orientation-external orientation” and “collectivism-individualism”.

The “external-internal environment orientation” scale: This scale involves the assessment of organizational culture on its orientation. If the organization is primarily

interested in the issues surrounding it, if the values and attitudes predominantly orient staff to interact with external entities (customers, suppliers, competitors), the organizational culture focused on the external environment. On the contrary, if the organization is focused on domestic issues and it is advantageous interaction between employees, the organizational culture focused on the internal environment.

The “stability-flexibility” scale: If the core values of culture are to maintain order, the precise interaction, streamlined rhythm and saving the results achieved, we can talk about the high stability of the organizational culture. If the same key values are dynamism, innovation, initiative and willingness to take risks, the value of flexibility is high.

Scale “collectivism-individualism”: The prevalence of individual interests over the interests of the group (department staff, the organization as a whole) involves a high scale value individualism. Conversely, the advantage of the group’s interests over the interests of the individual determines the high value of collectivism.

According to the procedure OCAI, there are four cultural archetypes that define the organizational culture of a particular company: market culture as shown by studies, this type has a large spread in Russia nowadays especially among businesses operating in aggressive environment with sufficiently stiff competition (small manufacturing companies, trading companies, etc.). For this type of culture characterized by high scale value “individualism” and the preferred orientation of the external environment. Scale value “stability-flexibility” can be any.

Clan culture is much less common than many people think, it is typical for researchers and companies that act in much milder conditions. For this culture characterized by a high value of collectivism, the preferred orientation on the internal environment, it is also as market culture is indifferent to the value of the scale “stability-flexibility”.

Bureaucratic type of culture is also widespread among Russian companies, especially among large construction firms and enterprises producing industrial goods, operating in a relatively stable external environment and (or) the favorable market conditions. This type is characterized by a high value of the scale and stability of orientation to the internal environment, the importance of scale “collectivism-individualism” is not significant.

The fourth type of culture is not widespread, not only in modern Russia but also in other countries. This type involves flexibility and orientation of the external environment, being, like the previous, quite neutral to the value of the scale “collectivism-individualism”. This type is called adhocratic culture this type involves the formation of the very innovative environment which is now accepted to speak in Russian political circles.

In the classical typology used in the OCAI Method, the allocation of the four types of organizational culture is involved (bureaucratic, market, clan and adhocratic), there is a number of advantages over other classifications introduced in the literature:

- This classification is simple and clear
- It is based on the very system of values and not the external manifestations of organizational culture (even as important as the practice of personnel selection or conflict resolution)
- This classification aims to summarize the experience of many years of research in the field of management, avoiding, for example, the representation of all (or almost all) of the possible types of organizational culture as a species of the bureaucracy that is often found in studies of organizational culture including the Russian researchers
- This classification is associated with a relatively simple and valid method of assessing organizational culture

At the same time, this typology has some drawbacks. Some of them are essential and may even influence in practice, the results of the research.

Firstly, this classification has a pronounced historical slice. Bureaucracy is considered as the oldest form and adhocracy like the most modern. Secondly, the names used are themselves estimated. It’s no secret that the majority of managers concept of “bureaucracy”, “clan”, “market” bear some additional meaning, very few people want to see their organization such as bureaucratic as the very notion of a negative connotation. This is especially true for modern Russia. Third, the proposed name is not quite exactly match the selected researcher grounds of classification. While the system of values, the internal organization of the content of culture in our opinion are the most essential and accurate indication of its classifications used names such as the same bureaucracy or adhocracy have a direct association with a number of characteristics of the organization not directly related to

its values: the structure, management style, etc. However, this is not a purely terminological differences and desire of the researcher in another call already exists. Proposed OCAI terminology leads to the fact that bureaucratic organization is perceived as outdated and negative and therefore the organization's activities with such a culture must be clearly inefficient which does not coincide with the practice of many firms. Even more clearly manifested in the practice of the classifications of culture in which it is divided by bureaucracy (different species) and non-bureaucratic. This division can play a cruel joke with the researcher as bureaucratic organization can be much more effective than originally anticipated. Finally, having an idea of the coincidence of a certain type of culture (e.g., the above-mentioned "bureaucratic") and a specific type of structure-linear or linear-functional is in our opinion, a consequence of the erroneous use of concepts. As a result, the practical conclusions and theoretical foundations may be in considerable controversy and even put the researcher in deadlock.

Similarly, adhocratic culture by its name since Mintzberg (1983) who introduced this concept is associated with a certain kind of organizational structure a rapidly changing, decentralized as possible but such a structure is not always consistent with the structure of the investigated enterprises with this type of culture.

Get out of this vicious circle can only be realized that the relationship between organizational structure and management of organizational culture is much more complicated. Abandoning one correspondence of a certain type of culture, allocated on the basis of the internal system of values, a single type of organizational structure, it is necessary to abandon the applied methodology OCAI terminology.

How can it be replaced? To answer this question, it is necessary to define the core values of each type of culture, relatively speaking, the motto of which could be written on the emblem of the organization. Obviously, for the organization of the bureaucratic type (in accordance with the classical terminology) a central value is a sense of stability and order. Hence, it seems appropriate to call

the culture orderliness. Central values of the market type of culture is to win the competition, so let's call it triumphist. Clan type of culture as a central value professes devotional attitude and dedication to the company, so it is advisable to call it devoted.

Finally, the values of adhocratic type of culture are innovation and willingness to take risks, so we call this culture noveltish. The proposed classification allows in our view, a more precise and measurable learning tool of organizational culture.

THE RESEARCH OBJECT CHARACTERISTICS

There were selected two companies Russian and Argentine. They are combined by a number of parameters, the characteristics of enterprises surveyed are presented in Table 1. Both companies serve monopolies engaged in delivery of gas and have them stable long-term relationship. This provides a stable financial position of investigated enterprises and relatively favorable competitive environment.

It should also be noted that both in Russia and in Argentina there is a complex of "capital and the rest of the country". In other words, the features and the level of life of the capital are significantly different from similar indicators in other countries including the major cities. In Argentina, there is a definite contrast between the capital and the province capitals, similar by nature contrasting Moscow to St. Petersburg. Therefore, the location of the studied companies can also be considered as their similarities. The study used the tools in the native language of the respondents, thus, to eliminate possible problems understanding the questions or answers are possible to them, especially the Argentine respondents including the percentage of English proficiency proved worthless.

In fact, a study was carried out continuous employees of firms participating in the survey. Comparative structure of the respondents is presented in Table 2. The study was conducted almost simultaneously in November 2007.

Table 1: Compared attributes of the studied companies

Compared characteristics	Krona Ltd.	Termoelectrica Rio Chico
Activity sphere	Maintenance and management of gas transportation	Maintenance and management of gas transportation
Location	St. Petersburg	Rio Gallegos
Employees quantity	15	26
Level of competition	Low	Low
Organization structure	Project structure	Linear-function
Financial situation	Stable	Stable
Education and qualification standards of employees	High	Average

Table 2: Respondents structure

Compared characteristics	Krona Ltd.	Termoelectrica Rio Chico
The total number of respondents	14	14
Managers	28.57%	21.42%
Specialists	35.71%	35.71%
Executants	35.72%	42.87%
Graduates	64.28%	21.42%
Women	21.43%	21.43%
Mean age	47	43

STUDY RESULTS (HOFSTEDE METHOD)

Comparison of the results of the study of official Russia and Argentina Hofstede procedure is shown in Fig. 1.

Analyzing the graph, we can conclude that Russia has significantly higher power distance (actually 2 fold) than Argentina and a lower level of masculinity. Data for the other two scales is similar.

The hypothesis of the study: If the Hofstede Method study is valid and representative and the influence of the macro environment has a significant impact on the culture of the company, the results of the study of culture-specific business through the application of this method should be close to those shown in Fig. 1 and vary according to the results of scales and MAS (especially) PDI.

The study refuted this hypothesis. In the study of “Krona” and Termoelectrica Rio Chico, there were obtained evidences of a significant difference between the results of these studies presented in Fig. 1. It should be noted a significantly lower power distance and individualism significantly greater than in the submissions of research cultures of these countries (Fig. 2 and 3).

Moreover, as the results of the study are listed in Fig. 2-4, the results of applying the methodology of the Hofstede analysis show that two companies were much more similar to each other than expected.

The hypothesis refuted: What is the reason for this result? Let us state some assumptions. The first possible explanation: macrocultural characteristics do not have such a significant impact on the corporate culture as is commonly believed. The characteristics of the microenvironment are decisive. In this case, since this firm is very similar (Table 1), then the results of research have high similarity to each other rather than with the typical country culture represented in Fig. 1.

This seemingly simple explanation hides an internal flaw the fact that the results presented in Fig. 1, according to the Hofstede procedure are obtained by pooling the data out of the research of particular enterprises. If such a significant deviation is possible as obtained in our case,

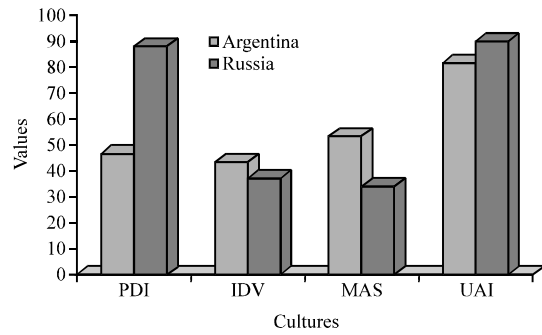


Fig. 1: Comparison of the cultures of Argentina and Russia on the basis of the methodology by Hofstede

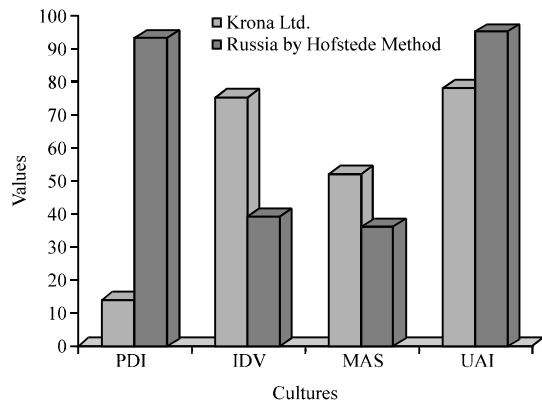


Fig. 2: Comparison of the results of the study of Russian enterprises within the Hofstede procedure and idea of Russia as a whole

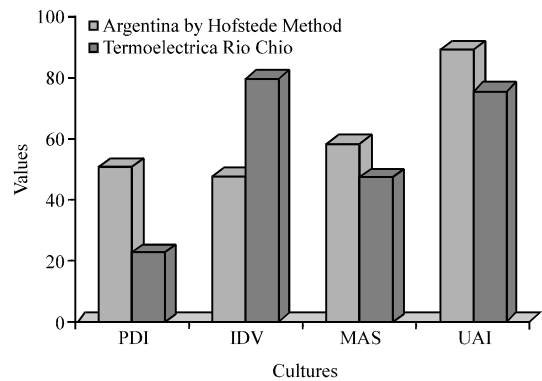


Fig. 3: Comparison of the results of research on the Argentine company with the Hofstede methodology and presentation of Argentina as a whole

is it appropriate to talk about the representation of a typical Russian culture by the Hofstede Method in general?

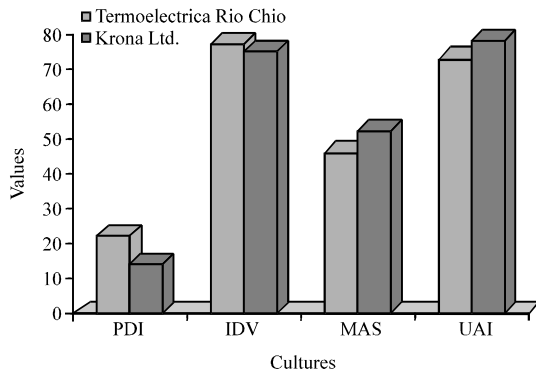


Fig. 4: Comparison of the results of the study of Russian and Argentine company by the Hofstede procedure

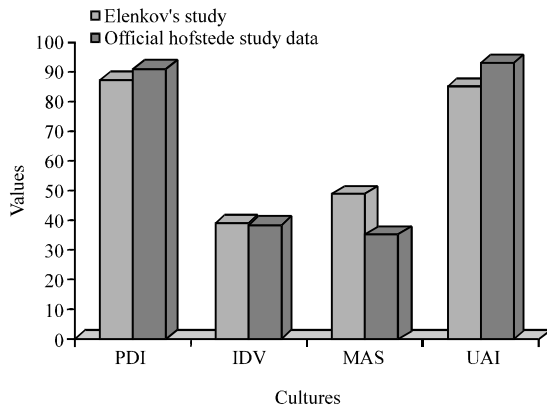


Fig. 5: Comparison of the results of Elenkov and Hofstede researches

The second possible explanation: The Hofstede study is insufficiently representative. This statement at first glance looks seditious because many researchers actually use the results of the Hofstede Method as a kind of reality not to be questioned. However, in favor of this explanation there are some few facts. As is well known, Hofstede (2001) researched the staff at IBM but the representation of the company are as a rule, in the nation's capital. Perhaps culture and characteristics of the country represented by Hofstede characterize not the country as a whole but only the capital? This thesis is indirectly confirmed by the comparison of the results obtained and (Elenkov, 1997) with the use of the Hofstede procedure (Hofstede, 2001), shown in Fig. 5. These results are virtually identical but only Elenkov only explored the Moscow enterprises (Elenkov, 1997).

The results of the Hofstede is some contrasts with the performance of some domestic researches conducted

by his method, according to which for example, power distance index of Russian respondents differed from Hofstede study data (Naumov, 1996). But as noted by the study researchers, "it is still too early to draw final conclusions because of unrepresentative results for the small sample size and its non-randomness. The results obtained are only a group of Russian respondents and not to the entire population of the country".

Researchers' caution is understandable. But perhaps still it is time to raise the question of the principal possibility of forming a single view of Russian culture and Russian companies in general using the technique of Hofstede or whatever. Aren't the average figures too evil in this case and how valid is the transfer of research results of enterprises in Moscow or even several metropolises all over the country? On the basis of the available material of culture studies of the Russian companies by Hofstede Method we can assume that the results of the case studies are very different from each other depending on the territorial (regional) location of the firm. This is due to the fact that Russia is a multinational and multi-confessional state, moreover, a significant role is played by the backlog of some Russian regions in economic and social development.

The above explanations of the research results obtained by applying the Hofstede methodology are not contradictory. It would be useful to emphasize that the purpose of this study is not to give definitive answers to these questions and formulate them and invite researchers to a possible discussion. In any case it is necessary to correlate the results obtained using the Hofstede Method with the results of using the OCAI Method.

OCAI METHOD STUDY RESULTS

The hypothesis of the study: As investigated companies have largely identical characteristics (Table 1), organizational culture of these companies should have significant similarities. Such characteristics of the enterprises as a stable external environment and a stable financial position, long-term strategic partnership with natural monopolies also allow to make the assumption that in both cases the high impact of the bureaucratic culture.

In order to more accurately describe each of the evaluated types of organizational culture in order to verify the hypothesis, we denote each of the scales using the Latin alphabet:

- The “external-internal environment orientation” scale: we denote the orientation of the external environment with the letter A with a large letter will meet the high expression of this trait, small letter-the average manifestation. Focus on the internal environment is denoted by the letter I (large and small). In that case, if it shows immaterial signs, we denote it by zero (0)
- The “stability-flexibility” scale: we denote the high and medium manifestation stability of large and small letters S, high and medium manifestation flexibility denote, respectively the large and small letter F. If the value of this scale are insignificant, we define them as zero (0)
- Scale “collectivism-individualism”: we denote the high and medium manifestation of collectivism letter C (large and small) and high and medium expression of individualism the large and small letter P. If the value of this scale are insignificant, we define them as 0

According to the technique used, the maximum possible value for each scale is equal to 85 points, so a high value (high expression of the characteristic), we assume a value >50 points and the average value in a range from 30-50 points. Expressed orderliness type can be designated as IS0. At the same time, the culture may be recognized orderliness and the following combination of characters: IS0 and IS0 but if there is a combination IS0, we can talk about high enough, though perhaps not the dominant presence of the culture.

Expressed triumphist type of culture can be described as AOP to this type of culture can be attributed and is described as AOP and AOP. In the event that a culture can be represented as AOP, we can talk about the significant influence of the triumphist culture but not dominant.

Pronounced devoted culture can be described by a combination IOS. Devoted type includes culture which corresponds to a combination IOS and IOS. Meaning IOS can talk about an important but not the dominant influence of this culture.

Finally, expressed noveltrish culture describes a combination AF0. Noveltrish type can also be recognized by the culture described by the combination of AF0 and AF0. In that case, if the culture is described by a combination AF0 can speak of a substantial effect of this type of culture.

To verify the above conjecture comparable values of the reduced variables and profiles of organizational cultures of enterprises surveyed. As seen from the above table (Table 3), the culture of the Argentine company can be clearly assigned to orderliness type (bureaucracy as enterprise really are two types of specified crops but orderliness culture still has a few more impact.

Domination of the bureaucratic type of culture in a culture of Argentine enterprises (Fig. 7) is unique. Informative as is the comparison of organizational cultures of these enterprises (Fig. 8), indicating the absence of conflicts of cultures but significantly more pronounced dominance bureaucratic culture in the Argentine company. As shown in the tables and figures, culture of these firms do have significant similarities. In the case of the Argentine company can be considered fully confirm the hypothesis of the study as orderliness culture is clearly dominant for the enterprise. At the same time in the culture of the Russian enterprise impact of this crop is significantly lower, although, it prevails. The reason in our opinion, may be:

- Firstly, the established team of Russian enterprises, existing together for a long time includes highly qualified staff with a high level of education which could help to strengthen the influence of the clan culture which occupies the second most important place in the organizational culture of “Krona Ltd.” (Fig. 8)
- Secondly, peculiar to Russian companies in general a certain weakness of culture as shown by previous studies in a large part of the Russian enterprises no dominant type of culture
- Thirdly, it could be the difference in the environment of the macro culture of these firms

Table 3: Comparison of culture of russian and argentine companies

Attributes	Mean numbers	
	Krona Ltd.	Termoelectrica Rio Chico
C	31.54	20.63
A	15.77	9.93
P	20.14	8.54
S	36.80	61.35
I	36.13	32.43
F	22.69	9.69

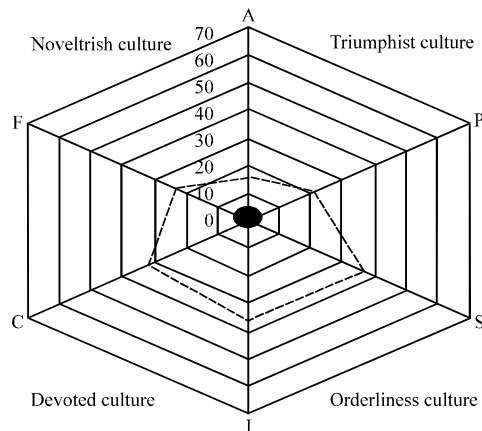


Fig. 6: Profile of culture of the Russian company

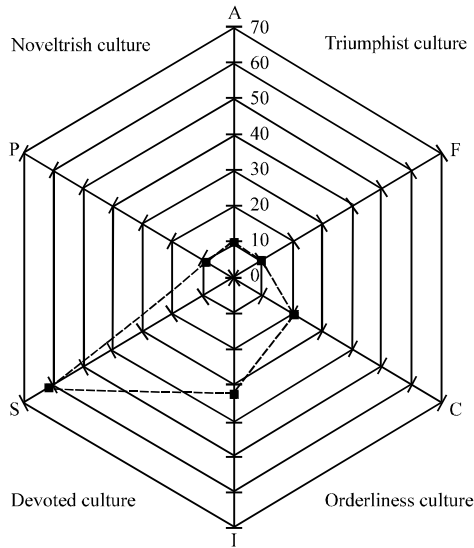


Fig. 7: Profile culture Argentine company

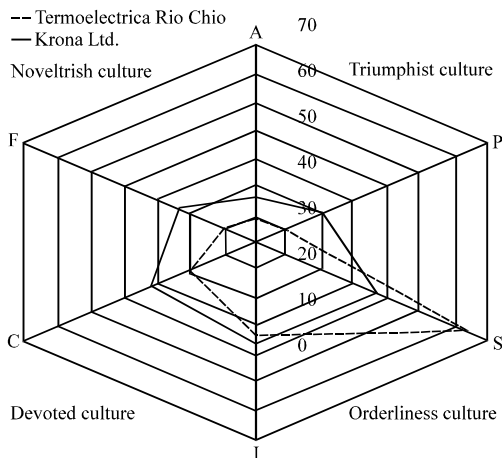


Fig. 8: The OCAI technique comparison of culture of the Russian and Argentine companies

In general, the result of applying the methodology OCAI was much more predictable and possible to obtain in our opinion, more accurate and measurable results. But not in that in this case was not intended to go beyond the internal environment?

CONCLUSION

This study has allowed in our view, generally worded confirm earlier assertion that the type of activity and the nature of the competitive environment of the enterprise

are the most significant factors in determining the type of the organizational culture of the firm. Culture according to the criteria of similar enterprises in different countries was close and even identical in their key characteristics and its type. At the same time, the results obtained and the material collected by Russian scientists of earlier studies allow researchers raise the question of the applicability of the fundamental Hofstede techniques to form a unified representation of the Russian culture. In our opinion, speaking of the Russian management should introduce the concept of the regional culture the culture of a particular region or group of regions. Another problem which reveals our study is the formation of methodology for assessing the impact on the macro cultural environment organizational culture and in particular infocommunicative culture. Currently, this technique is not available and the application of the method is limited by the above Hofstede challenge and its applicability. At the same time, the establishment of such a technique would be of great value in line taken by the state and society efforts aimed at improving the social responsibility of business and the formation, so to speak of entrepreneurship with a human face. However, these efforts will be unsuccessful if the prescribed ethical norms and rules will not organically part of the culture of the company will not be part of it. To solve this problem, it is necessary to define the mechanism of assessing the impact of external factors on the culture of the firm. Creating an effective infocommunicative culture is impossible without solving this problem.

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