

The Organisational Culture – An Integrator For Developing Intellectual Capital In Private Companies

Author: Anca Mandruleanu, Academy of Economic Studies
Bucharest, anca.mandrulanu@fabiz.ase.ro

The Intellectual Capital has promoted a new perspective of creating value by increasing the awareness of the intangible resources' importance.

The current paper seeks to find out if Romanian companies are aware of the organisational culture's influence on the company's Intellectual Capital, so that its generation and development to be analysed and improved. Taking into account the particularities of the Romanian Business environment, the external economic and social context and Romanian cultural values, the integrator Organisational Culture was selected for testing the hypothesis of the conducted quantitative research, as it proves to be a powerful integrator, because it reacts upon individual values and intelligence, generating positive or negative outcomes.

Keywords: Organizational Culture, integrator, Intellectual Capital, management

Literature review

The concept of "culture" has been constantly discussed and analysed by both academics and practitioners and there are different approaches to defining it. There is no standard definition and during time, various interpretations were associated: the implicit standars and values that develop in working goup (Homans, 1950; Kilmann and Saxton, 1983), the broad policies and principals that guide a group towards shareholders (Ouchi, 1981; Pascale and Athos, 1981), the implicit rules for getting along in the organisation, "the way to do things around here" (Van Maanen, 1976, Ritti and Funkhouser, 1982),

the ideas, feelings and image groups develop to characterise themselves (Schltz, 1991).

Advances in defining the concept led to perceiving the organisational culture as a set of processes and practices the organization develops around their handling people, values and credo of the organisation (Schein, 2004). Organisation identity is thus similar with organizational culture. Perceptions of the members that “an organisation stands for something positive and unique in terms of identity can increase the inclination to appropriate common organizational values (...) Distinct values, ideas and symbols can provide for a common identity (...)” (Alvenson and Sveningsson, 2008).

A strong organizational culture is a set of fundamental values, traditions, rituals, symbols, informal rules, attitudes, behaviors that indicated how people should act in a certain organisation. Companies who have developed their personality through values, heroes, customs and traditions might have a competitive advantage. These type of companies pass on values, not just profits of services.

The role of the organisational culture

The current paper seeks to find out if Romanian companies are aware of the organisational culture's influence on the company's Intellectual Capital (IC), so that its generation and development to be analysed and improved. If we put the IC in the middle of the big picture and we look at its roots instead of branches, we can argue that the value of the IC depends on certain mechanisms, called integrators (Bratianu, 2011). They have the power to bring together the primary elements and to integrate them in the company's IC, using synergy. By introducing the concept of integrator, new research horizons of the organisations IC's dynamics were open. The integrator represents a powerful field of forces, capable of combining two or more elements into a new entity, based on interdependence and synergy (Bratianu, 2011, p. 8).

The current research is part of a larger research conducted in the last three years, which focuses on the impact of integrators on the organisational Intellectual Capital's generation and development. Taking into account the particularities of the Romanian Business environment, the external economic and social context, the Romanian cultural values determined by the education system that starts to be oriented to the current market needs, redesigning curriculums and deliver the proper classes for skilled workforce

(Vasilache et al.,2012) the integrator Organisational Culture was selected for testing the hypothesis of the conducted research. The Organisational Culture is a powerful integrator, as it reacts upon individual values and intelligence, generating positive or negative outcomes. Significant negative reactions can appear if the fundamental values are based on fear and punishments or if there is a disagreement between the organizational strategic goals and the individual fundamental values (Schelegelmich and Chini, 2003).

Research methodology

The research conducted has two hypotheses, and in both cases, null and alternative hypothesis were considered:

Ho(i): In the companies analysed, the organizational culture' impact on generating and developing organisational intellectual capital is significant. The alternative hypothesis, valid in case of null hypothesis' rejection is:

Ho(ii): In the companies analysed, the organizational culture' impact in generating and developing organisational intellectual capital is not significant.

The second hypothesis refers to managers and employees' perception:

H₁(i): Managers' perception on the role of organisational culture that generate and develop intellectual capital is similar to the employees' perception.

H₁(ii): Managers' perception on the role of organisational culture that generate and develop intellectual capital differs from the employees' perception.

In the last years, the small and medium enterprises (SME) have been the core of the economies of the most important European Union's member states and Romania is not an exception. During the recent financial and economic crisis, Romanian SMEs have been struggling to maintain the organisational performances in terms of financial results and even to survive, by carefully controlling the liquidities, liabilities and receivables. As many Romanian SMEs were forced to decrease the number of employees or their salaries, the impact of financial rewards diminished significantly and the real motivation became embedded in the organizational culture.

The current research analysis 120 Romanian companies, with a number of managers ranging from 1 and 7 and a number of employees ranging from 10 to 250. The main indicators taken into account when identifying the subject

companies were: the nationality of the shareholder (the company should have at least one Romanian shareholder), the size of the company (it should be a small or medium firm with the number of employees ranging between 10 and 250), the geographical settlement of the company and the industry in which the companies activate. The main criteria for stratifying the sample of respondents managers were: age, the seniority within the company and within the industry, the last graduated studies. The completion ratio was 4:1 and the total number of valid answers received from managers was 152 and 700 from employees.

The average age of the respondents was 38.5 and most of them (74.5%) own a bachelor degree. The respondents were predominately seniors in the field of work, most of them having worked more than 10 years and they have been with their current company on an average of 7.85 years.

Participants were asked to participate in a 20 minutes, online (web-based) survey, containing a predetermined set of questions designed to capture data from the respondents. When measuring the concept, numbers were assigned to variables according to a metric Likert scale. This scale from 1 to 5 measured to what extent the respondents agree or disagree each statement included in the questionnaire (Hair et al, 2007).

Findings and results

Although it is difficult to measure the extent to which collective work satisfaction is driven by a strong positive organisational culture and leads to organisational performance, the following analysis identifies a range of factors within the company that can significantly influence it: social networks, supportive work environment, managers' attitude, knowledge sharing process.

For an accurate check up of the assumptions raised, the data obtained from self-completion questionnaires, was introduced in two separate databases: one for employees and one for managers. The total number of valid questionnaires from the employees was 700 and from the managers was 152.

Analysing employees' answers

Table 1: Descriptive statistics for the integrator Organisational Culture

	N	Min	Max	Mean	Standard Deviation
The employees of the organisation are capable of making competent decisions, without compromising the good development of the activity of the company.	699	1	5	4.03	.881
The experienced employees help and guide the new-comers.	698	1	5	4.22	.878
The employees are well informed in what concerns the way in which the activity of the company is performed.	700	1	5	4.04	.789
There are situations in which the managers of the organisation delegate the power and competence of decision-making to the employees.	698	1	5	3.53	.954
The organisation supports and encourages team-work.	700	1	5	4.32	.850
The company organizes team-buildings, discussions and informal meetings for its employees.	700	1	5	3.17	.815
Inside the company there is an open communication between the departments and between the employees and managers.	700	1	5	4.12	.942
All the employees get involved in reaching the goals of the organisation.	700	1	5	3.97	.915
The values promoted by the company are accepted and applied by all the employees.	698	1	5	4.03	.938
Valid	693				

The fourth column (Mean) represents the answers mean and varies between 3.17 and 4.27. The majority of the answers' means approach the maximum value (4 or 5), except for three variables with values lower than 4. The standard deviation (column 5) has values lower than 1, which means the employees have similar opinions regarding the culture of their organisation.

Following the values of table 1, we can conclude that the employees of the analysed organisations have common values, principles and beliefs, get involved in reaching the goals of the company and are well informed about the way its activity is running. Also, inside the company there is an open communication between departments and between employees and managers. Once people within the organisation realise the meaning of the information they acquires within a company and this becomes shared, a knowledge network has been created (Hannah and Lester, 2009).

At the same time, the participant employees consider that their efforts to contribute to the success of their organisation are recognized, valued and rewarded by the management when reaching a goal.

The 3.17 value (row 6) tells us, however, that the employees do not consider that companies they are working for organize sufficient team-buildings, discussions and informal meeting in order to improve their internal communication.

Table 2: Cronbach Alpha Analysis - validity of the statistics

Cronbach's Alpha	No of items
.753	9

The value of the index Cronbach Alpha presented above is 0.753, a value above 0.7, so we can conclude that the chosen set of variables is linearly correlated and measures a latent unidimensional construction. The high value of this test shows that the selected variables are consistent among them, and also in relation with the integrator Organisational Culture, built on them.

Statistics of items

Table 3: Statistics of the items for the integrator Organisational Culture

	SMOW	SVOW	ITC	CAIW
The employees of the organisation are capable of making competent decisions, without compromising the good development of the activity run by the company.	31.39	24.182	.472	.726
The experienced employees help and guide the new-comers.	31.20	24.243	.465	.727

The employees are well informed in what concerns the way the activity of the company is run.	31.38	23.013	.393	.739
There are situations in which the managers of the organisation delegate the power and competence of decision-making to the employees.	31.89	24.112	.317	.751
The organisation supports and encourages team-work.	31.10	24.272	.483	.725
The company organizes team-buildings, discussions and informal meetings for its employees.	31.26	22.962	.343	.751
Inside the company there is an open communication between departments and between the employees and managers.	31.30	23.602	.499	.721
All the employees get involved in reaching the goals of the organisation.	31.45	22.638	.555	.710
The values promoted by the company are accepted and applied by all the employees.	31.39	23.848	.470	.725

SMOW - Scale mean if one item is waived; SVOW - Scale variance if one item is waived; ITC - Correlation of items; CAIW - Cronbach Alpha if one item is waived

Following the values obtained in the first column of Table 3, we observe that the strongest correlation with the scale is achieved by the item „*There are situations in which the managers of the organisation delegate the power and competence of making decisions to the employees*”, which means this item is the one that sets the tone of the entire analysis. Therefore, we can conclude the integrator Organisational Culture largely depends on the measure in which the managers delegate the power and competence to their employees in the decision making process. Also, inside the companies, the endeavours to contribute to the success of the organisation is recognised, valued and rewarded by the management.

Table 3 also shows us, following the values of the last column, Cronbach Alpha analysis if one item is waived. The values are lower than 0.753 obtained previously, so we can conclude that the initially chosen items (“*The employees of the organisation are capable of making competent decisions, without compromising the good development of of the company’s activity*”, “*The employees are well informed in what concerns the way the activity of the*”

organisation is performed”, “The experienced employees help and guide the new-comers”, “There are situations in which the managers of the organisation delegate the power and competence of making decisions to the employees”) are relevant for the present analysis. This value indicates that the elimination of any of the selected items translates into a loss of information in analysing the results.

Table 4: ANOVA test
 ANOVA

Between groups		Sum of squares	df	Mean square	F	Significance
		2232.720	692	3.226		
In groups	Between Items	730.423	8	91.303	114.545	.000
	Residual	4412.688	5536	.797		
	Total	5143.111	5544	.928		
Total		7375.831	6236	1.183		
Mean =						
3.94						

We can observe that the value of the significance test is 0, which means that there is no significant variance between groups, meaning between the employees’ and the managers’ opinions.

Analysing managers’ answers

Table 5: Descriptive statistics for the integrator Organisational Culture

	N	Min	Max	Mean	Standard Deviation
The employees of the organisation are capable to make competent decisions, without compromising the good progress of the company’s activity.	152	1	5	4.06	.739
The experienced employees help and guide the new-comers.	152	1	5	4.37	.716
The employees are well informed in what concerns the way the activity has to take place.	152	1	5	4.18	.887

There are situations in which the organisation's managers delegate the power and competence of decision-making to the employees.	152	1	5	3.72	.970
The organisation supports and encourages team-work.	152	1	5	4.56	.752
The company organises team-buildings, discussions and informal meetings for its employees.	152	1	5	3.36	.852
Inside the company there is an open communication between the departments and between the employees and managers.	152	1	5	4.60	.729
All the employees get involved in reaching the organisations' goals.	152	1	5	4.01	.910
The values promoted by the company are accepted and applied by all the employees.	152	1	5	4.15	.812
Valid	152				

The fourth column (Mean) represents the answers' mean and varies between 3.72 and 4.56. The majority of the answers' means approach the maximum value (5), except for two variables whose values are lower than 4. The standard deviation (column 5) has values lower than 1 that means the employees have similar opinions regarding the organisational culture.

Following the values of the Table 5, we can conclude that the managers of the analysed organisations have common values, principles and beliefs, that the values promoted by the company are accepted and applied by all the employees and that they are capable of making competent decisions without compromising the good progress of the company's activity. The 3,36 value (row 6) shows us, however, that the managers admit the fact that more team-building activities, discussions and informal meeting for the employees are needed and should be encouraged.

Table 6: Cronbach Alpha Analysis - Validity of the statistics

Cronbach's Alpha	No of items
.704	9

The value of the index Cronbach Alpha is 0.704, a value greater than 0.7, so we can conclude that the chosen set of variables is linearly correlated and measures a latent one-dimensional construction. The high value of this test shows that selected variables are consistent with each other, and also in relation to the integrator Organisational Culture, built on them.

Table 7: Statistics of the items for the Organisational Culture macro-variable

	SMOW	SVOW	ITC	CAIW
The employees of the organisation are capable of making competent decisions, without compromising the good development of the activity performed by the company.	32.94	39.579	.335	.669
The experienced employees help and guide the new-comers.	32.63	39.532	.356	.667
The employees are well informed in what concerns the way the activity of the organisation is performed.	32.82	38.350	.374	.654
There are situations in which the managers of the organisation delegate the power and competence of decision-making to the employees.	33.28	37.555	.301	.658
The organisation supports and encourages team-work.	32.44	39.321	.356	.665
The company organizes team-buildings, discussions and informal meetings for its employees.	33.64	36.231	.361	.639
Inside the company there is an open communication between departments and between the employees and managers.	32.40	19.129	.196	.634
All the employees get involved in reaching the goals of the organisation.	32.99	37.437	.447	.639
The values promoted by the company are accepted and applied by all the employees.	32.85	39.467	.306	.670

Following the values obtained in the first column of Table 7, we observe that the strongest correlation with the scale is achieved by the items: „*The company organises team-buildings, discussions and informal meetings for its employees*” and “*There are situations in which the managers of the organisation delegate the power and competence of decision-making to the employees*”, these two items being the ones that give the tone of the analysis. The weakest

correlation with the scale belongs to the items: “Inside the company there is an open communication between departments and between the employees and managers” and “The organisation supports and encourages team-work”.

We can conclude that the integrator Organisational Culture largely depends on the measure in which the managers delegate the power and competence to the employees for decision-making. Also, the managers have to be aware of the importance of open communication between departments and between themselves and the employees.

In the same table (Table 7), we can analyse the values from the last column *Cronbach Alpha analysis if one item is waived*. The values are much more lower than that of 0.704 obtained previously, therefore we may conclude that all the items which were initially chosen („The employees of the organisation are capable of making competent decisions, without impeding the good run of the activity of the company”, „The experienced employees from the company support and guide the new comers”, „The employees are well informed about the way in which the activity of the company is run”, „There are situations in which the managers of the company delegate the power and competence of decision-making to the employees” etc.) are relevant for the approached analysis. This value also indicates that the elimination of any of the selected items leads to a loss of information in analysing the results.

Table 8: ANOVA

		Sum of the squares	df	Mean square	F	Significance
Between groups		725.556	151	4.805		
in groups	Between items	190.282	8	23.785	9.972	.000
	Residual	2881.273	1208	2.385		
	Total	3071.556	1216	2.526		
Total mean= 4.11		3797.111	1367	2.778		

We may notice that the value of the significance test is 0, which indicates that there is no significant variation between groups, meaning the employees’ and the managers’ opinions are similar. Due to a strong organisational culture, employees are involved in the company’s development and permanently pursue to achieve the strategic objectives set. The perception of the employees regarding the type of communication inside the company is clear: they believe the exchange rate of information and knowledge is high,

their relationship with the management is very good and they work together for improving the performance of the company.

Conclusions

Viewed from the perspective of Intellectual Capital, the Organizational Culture integrator significantly influences two of its three components, the Human Capital through: good relations between employees, experienced employees help newcomers to adapt quickly, a strong process of knowledge sharing, as well as Relational Capital (informal meetings and discussions, teambuildings, teamwork).

Analysing the results, hypethesis Ho is validated as in the companies analysed, the organizational culture' impact on generating and developing organisational intellectual capital is significant. As for the second hypothesis H₁, the results validate it too, since managers' perception on the role of organisational culture that generate and develop intellectual capital is similar to the employees' perception.

Both categories studied, the employees and managers, recognise the lack of teamwork activities and informal meetings outside the company, factors that can significantly increase the communication inside the company and represents an important pillar of any company's organisational culture. Still, results have shown managers are aware of the fact that a strong organisational culture acts as an integrator for Human Capital, therefore new actions and measures for strengthening the organizational culture will be implemented in most of the analysed companies.

References

- [1] G. Homans, *The human group*, Orlando, Fla: Harcourt Brace Jovanovich, 1950.
- [2] R. H. Kilmann, M. J. Saxton, *The Kilmann-Saxton Culture Gap Survey*, Pittsburgh: Organizational Design Consultants, 1983.
- [3] W. G. Ouchi, *Theory Z*, Reading, Mass.: Addison-Wesley, 1981.
- [4] R. T. Pascale, A. G. Athos, *The art of Japanese Management*, New York: Simon&Schuster 1981.
- [5] J. Van Maanen, "Experiencing Organizations" in J. Van Maanen (ed.), *Organizational Careers: Some new perspectives*, New York: Wiley, 1976.

- [6] R. R. Ritti, G. R. Funkhouser, *The ropes to Skip and the ropes to Know*, Clumbus, Oho:Grid, 1982.
- [7] M. Schultz, *Transition between symbolic domains in organizations*, Copenhagen Business School Papers in Organizations, Denmark: Copenhagen Business School, 1991.
- [8] E. Schein, *Organizational Culture and Leadership, second edition*, Josey-Bass Publishers, San Francisco, 2004.
- [9] M. Alvenson, S. Sveningsson, *Changing organizational culture: cultural change work in progress*, Routledge: Taylor&Francis Group, London, 2008.
- [10] C. Bratianu, "A new perspective of the intellectual capital dynamics in organizations", in Vallejo-Alonso, B., Rodriguez-Castellanos, A., Arregui-Ayastuy (eds.), *Identifying, measuring, and valuing knowledge-based intangible assets: new perspectives*, Business Science Reference, Hershey, New York, 2011, pp.1-21.
- [11] S. Vasiache, T. Jozsef, A. Dima, "Higher education reforms in Eastern Europe. A Hungarian-Romanian case study", *Management Marketing Review*, no. 2/2012, p. 318.
- [12] B. Schlegelmilch and C. Chini, Knowledge transfer between marketing functions in multinational companies: a conceptual model. *International Business Review* 12, 2003, pp. 218 – 220.
- [13] J. F. Hair, A. H. Money, M. Page and P Samouel, *Research Methods for Business*, John Wiley & Sons, West Sussex, England, 2007, p. 171.
- [14] S. T. Hannah and P. B. Lester, „A multilevel approach to building and leading learning organizations”, *Leadership Quarterly*, 2009, pp. 38.