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Impact of Organizational Culture on Organizational Climate during the Process of Change

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Abstract

Purpose. The purpose of this paper is to investigate the impact of organizational culture on organizational climate in the process of change. After exploring the impact of organizational culture on organizational climate through distinguished culture's factors, article examines the importance of these factors and, what is more, presents the case study analysing organizational culture determinants impact on organisational climate based on the research of two Latvian medium-sized companies.

Methodology. The research design is based on Yin (1994) methodology and consists of two main stages: data analysis and validation for case study and case study's methodology. In the first stage an expert evaluation method was used to investigate impact and stress the significance of organizational culture factors' on organizational climate. To verify the results mathematical calculations and case study were used. Within the research the most significant factors were stressed. In this study comparison was studied between Latvian medium-sized companies with Latvian capital and companies with international capital.

Results. The results of the research confirmed that during the period of changes organizational culture has an impact on organizational climate through specific factors. Theoretical model how change of organizational culture impacts organizational climate is developed.

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Introduction

Due to globalization business markets are becoming more and more competitive, but it is obvious that some organizations are more effective than others. Many international researches confirmed that relations between employees and developing organizational culture, is key to success. Therefore, according to the authors' standpoint it is important to look into correlation between organizational climate and organizational culture described by thought leaders. James and James (1989) define organizational climate as a multidimensional construct that encompasses a wide range of individual evaluations of the work environment. Glisson and Lawrence (2011) mention difference between psychological and organizational climate.

Alteration in markets that occurred because of economic, political and cultural changes often makes it difficult for business organizations to adapt to new conditions (Soriano, 2012). For success of organizations, change agent is required to be able to manage changes correctly, to be advanced and to follow new tendencies in business, to offer consumers the newest products and services as it is all required to succeed in nowadays' competitive environment. For instance, we need to look into change and role of change agents to more smoothly manage interactions between organizational culture and climate. Avila et al. (2012) claim that change management is an instrument that helps to promote sales. According to Vora (2013) change management is vital when implementing areas for improvement to achieve success in business. No doubts, change management and role of change agent might be considered as a method which is used in assistance to change organization's policy and structure to avoid problems in the future. Hence, change impact on climate in organization is examined in this paper. The object of the research is organizational climate; the subject of the research is assessing the influence of organizational culture as change agent. Therefore, the problem of the research is what factors of organizational culture have impact on organizational climate. The aim of the research is to distinguish organizational culture factors having impact on change of organizational climate. The following objectives are settled:

- 1) develop theoretical model of organizational culture factors influencing organizational climate;
- 2) conclude which organizational climate factors are most important to help change agent smoothen transformations in organization.

1. Organizational Culture's factors influencing Organizational Climate. Theoretical Model

There are many available concepts of organizational climate, but most appropriate concept for fulfilling the research task would be one stated by Alvesson and Berg (1992) that a "considerable proportion of what is currently regarded as organizational culture could benefit from being characterized as organizational climate instead". Hence one of most important organizational climate aspects is organizational culture. Ali and Patnaik (2014) mention that although climate has usually been used to describe organizations, the term can also be used to describe people's perceptions of groups or job assignments in which they work.

Janićjević (2013) asserts the culture creates a frame of reference in which the organization management's considerations and reasoning circulate in the process of decision-making concerning the organizational structure model. When managing change in international business both national and organizational culture must be handled. In local markets more the efficiency of national culture should be examined. Schein (2004) claims that organizational culture is both a dynamic phenomenon that surrounds us at all times, being constantly enacted and created by our interactions with others and shaped by leadership behaviour. It is set of structures, routines, rules, and norms that guide and constrain behaviour. Ovidiu-Iliuta (2014) adds that main element that helps to attain good performance is to develop a strong organizational culture. Moreover, the culture can even represent a barrier when trying to implement new strategies.

Denison et al. (2004) suggested organizational culture model is supplemented by other elements and factors picked up from a literature (see Table 1).

Table 1. Organizational culture parameters

Parameters	Authors
Employees' satisfaction: Reward system; open communication/cohesion; job satisfaction; trust in supervisor; performance orientation; stability.	Fernandez-Perez et al. (2014); Vakola (2014); Farokhi and Murty (2014); Shahzad et al. (2013); Pritchard and Bloomfield (2013); Murphy et al. (2013); Schiuma (2012); Densten and Sarros (2012); Ertürk (2008).
Adaptability: Creating change; customer focus; organizational learning; knowledge creation; customers' perception of service quality; customer service orientation; acceptance of IT and innovation.	Fernandez-Perez et al. (2014); Farokhi and Murty (2014); Shahzad et al. (2013); Schiuma (2012); Densten and Sarros (2012); Denison et al. (2004).
Involvement: Empowerment; team orientation; capability development; employees' participation in decision-making process; job autonomy.	Farokhi and Murty (2014); Shahzad et al. (2013); Jarmillo et al. (2012); Schiuma (2012); Wang et al. (2011); Denison et al. (2004).
Mission: Strategic direction and intent; goals, objectives and vision.	Denison et al. (2004)
Consistency: Core values; agreement; coordination/integration.	Murphy et al. (2013); Denison et al. (2004)

Source: designed by the authors

According to the literature review presented in the Table 1, there are five main elements that show the main directions for creating an organizational culture model: employees' satisfaction, adaptability, involvement, mission, consistency. To issue guidelines for organizational culture formation a change agent is needed. According to Lunenburg (2010) change agent is changing the organizational structure so as to improve output and efficiency. The change agent uses operations research, systems analysis, policy studies, and other forms of analytical approaches to change the Organization's structure or technology.

For determination of organizational culture influence on organizational climate and for identification on place where changes should be implemented theoretical model has been developed by authors The proposed model shows where the change agent should be involved, factors and relations influencing organizational climate (see Fig.1.) in this model are listed from literature. According to this model a result is changed organizational climate, but in order to assess the significance of each mentioned factor, an empirical study has been carried out. With an aim to look into new ways how to more successfully manage change, authors concluded that impact of organizational climate is very critical, considering organizational cultural aspects. Parameters in the model are listed in alphabetical order.

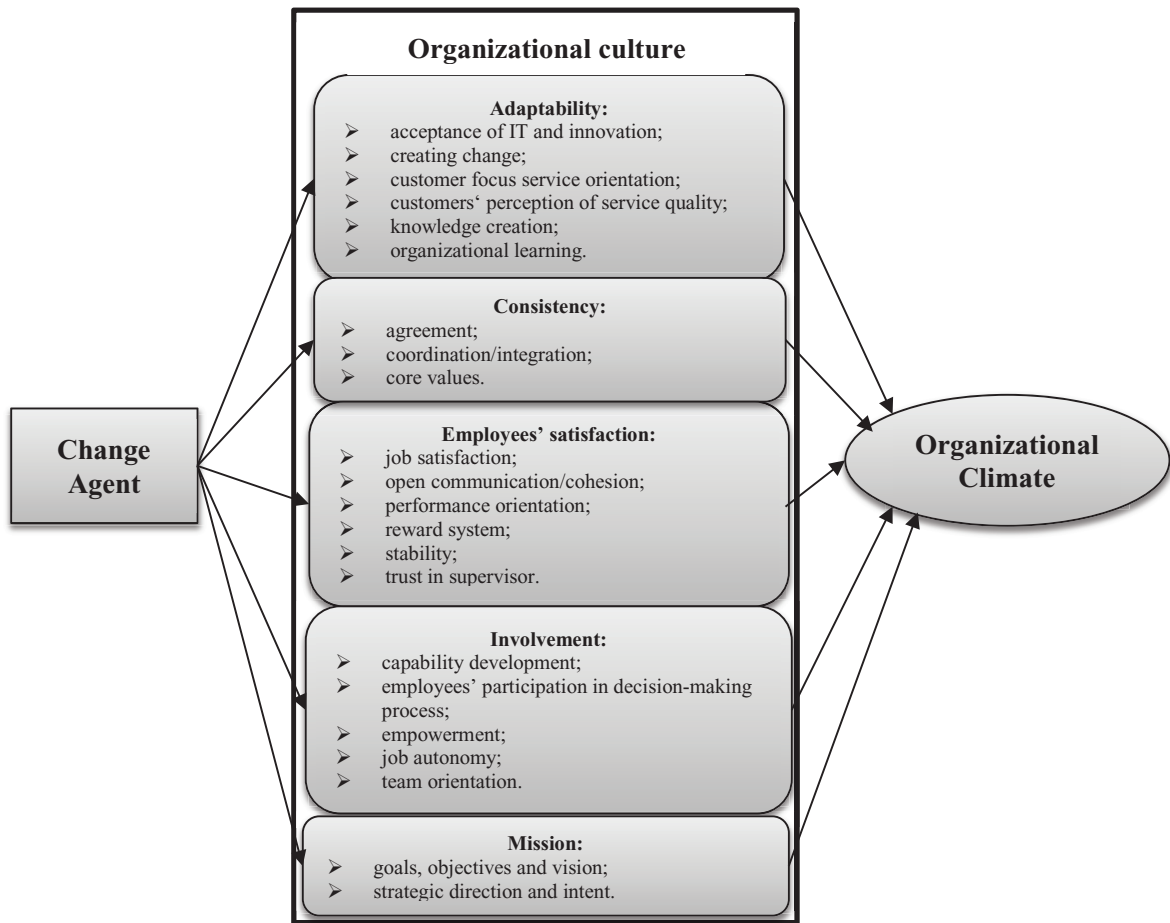


Fig 1. Theoretical model: Organizational culture factors influencing organizational climate
Source: designed by the authors

As we can see in Table one there are five main factors affecting the change of organizational climate. They are as follows:

- adaptability;
- consistency;
- employees' satisfaction;
- employees' involvement;
- mission.

In other words, organization's key managers who are planning to make changes in organization's climate should pay attention on these factors firstly.

2. Empirical research methodology

The method of expert evaluation was used to find out which organizational culture's factors have the most significant impact on organizational climate. 10 experts participated in the focus group discussion/survey. All the

experts had PhD degree in social sciences. What is more, the fields of their interests were change management, organizational culture, and organizational climate.

For statistical confirmation of research results Cronbach’s alpha was calculated. Results were confirmed with case studies. The expert evaluation method was implemented at the following steps: interview, verification of results, calculation of Cronbach’s alpha, calculation of Kendall’s coefficient of concordance, calculation of chi-square, testing the statement $\chi^2 > \chi^2_{tbl}$.

Cronbach’s alpha criteria are used to assess the reliability of the questionnaire. Kendall’s coefficient of concordance is used to assess the degree of agreement among experts participating in a survey. A high value of the Kendall’s coefficient of concordance would indicate that the experts have the similar view on researched elements. Conversely, a low value of the coefficient shows that experts do not have similar opinion about investigated elements. Kendall’s coefficient of concordance $W \in [0; 1]$. If $W = 0$ it means that there is no agreement between experts, if $W = 1$ means that there is an agreement between experts.

2.1. First stage: Empirical findings

The Cronbach’s alpha criteria was used for reliability testing. Cronbach’s alpha is 0,924 what means that the questionnaire created for the survey is reliable and it could be used for the most significant factors influencing an organizational climate determination. Kendall’s coefficient of concordance is 0,521. As it is not equal to zero, it could be said that experts’ opinions are quite similar.

Moreover $\chi^2 = 114,639$ and $\chi^2_{tbl} = 42,296$. This is to say that $\chi^2 > \chi^2_{tbl}$, what means that Kendall’s coefficient of concordance is significant and the experts do agree on the investigated criteria. See results in Fig. 2.

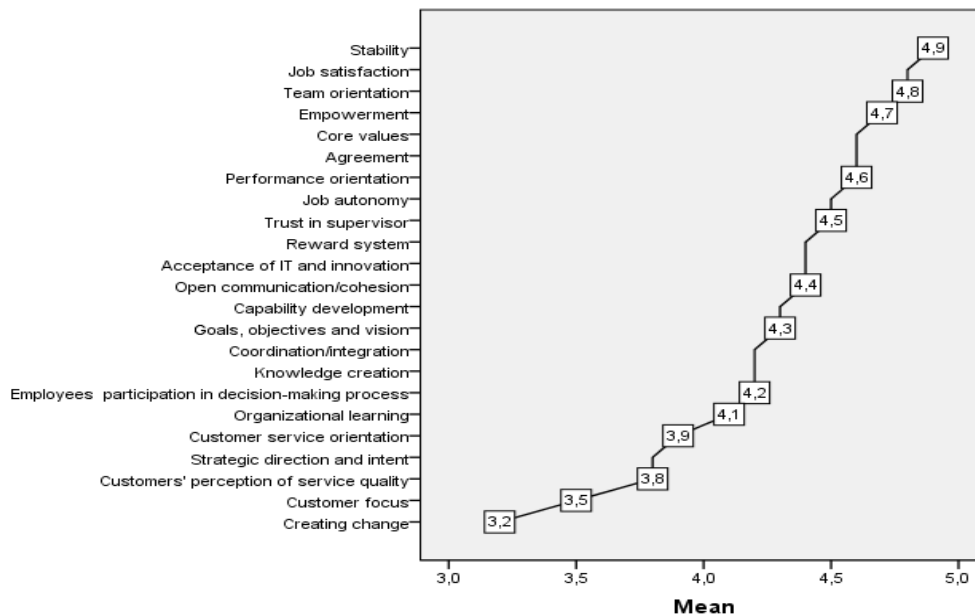


Fig 2. Importance of organizational culture factors for organizational climate development
Source: designed by the authors.

2.2. Second stage: Case study

Yin (1994) methodology was used with four steps: design the case, conduct the case, analyse the case evidence and develop conclusions. Obtained data was confirmed using mathematical calculations and a case study.

In second stage of result validation case study comparison between two companies which recently experienced reconstruction and changes due to market shifts. In study comparison was observed between Latvian medium-sized company (A) with Latvian capital and company with international capital (B). Both companies are manufacturing companies. Company A is manufacturing industry related equipment, but company B is manufacturing electronic components. In both companies number of employees range from 50 – 100 people, mainly labor is working in manufacturing, sales and administration. During the financial crisis in 2008 companies suffered from shifts in economy that resulted in need for market change in order to survive the crisis, therefore experience rapid change in organizational climate. Companies changed their focused more on exports, rather than pursuing local market or nearest EU markets to Russia, China and other developing markets. This brought new cultural perspective which they needed to handle.

Authors conducted qualitative analysis within both companies. Surveys were spread throughout randomly selected employees of main departments of companies. Actually, 22 employees from company A and 27 employees from company B took part in the research. All the employees have been working for the particular company at least for one year. Qualitative analysis was performed to gather data during interviews with employees, open questions were asked and factors which were mentioned by employees during the survey are presented in Table 2 in random order. All the factors presented in the table were mentioned at least two times. The factors mentioned only by one respondent are not included in the table.

Table 2. Summarized result comparison of organizational culture factors influencing organizational climate in company A and B.

Company A (Latvian capital)	Company B (International capital)
Stability	Reward system
Employees participation in decision making process	Empowerment
Coordination/integration	Agreement
Agreement	Stability
Open communication	Open communication
Job autonomy	Core values
Team orientation	Job satisfaction
Organizational learning	Acceptance of IT and innovation
Performance orientation	Team orientation
Core values	Trust in supervisor

Source: designed by the authors

Findings within the companies match the theoretically calculated mean factors. Difference between first ten mean values do not differ too significant (range 4.5 – 4.9), factors could vary from case to case. Both companies very strongly emphasized importance of *Stability*. Management and employees believe that success of change of organizational climate is due to the fact, that employees during the change process did not feel threatened, therefore did not resist the change. Summarizing other factors *employee's satisfaction* can be identified as the most important for changing organizational climate.

Conclusions

In this research organizational culture factors influencing organizational climate have been assessed and theoretical model has been developed.

Research results confirmed that stability, reward system, job satisfaction, team orientation, empowerment, core values and agreement are most important organizational culture factors influencing organizational climate. During transformation phase organizations must look into main organizational culture parameters and more actively work

with factors in each parameter group. The research showed that employee's satisfaction is one of the most important factors for making changes due to the fact that unsatisfied employees not support, but resist changes.

It is recommended for future researches to pay more attention to analysis of impact of each parameter on company climate and resistance to changes as well as their correlation among factors.

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