Organizational Culture Power as a Factor of Governance Model Implementation

Angelina Dolgaya¹, Olga Kovbasyuk^{2,*}, and Varvara Altunina²

¹Kaliningrad State Technical University, Sovetskiy prospect, 1, 236022 Kaliningrad, Russia

²I. Kant Baltic Federal University, A. Nevsky, 14, 236041 Kaliningrad, Russia

Abstract. The field this research focuses on is the interrelation between organizational culture power and the level of leader's preferred management model implementation. The phenomenon of culture power has been defined by the authors, for the purpose of this research, as a coherence in perception of organizational culture by leader on one side, and employees, on the other side. The Total Quality Management concept has been applied in this research as a governance model. We discovered positive linear correlation between organizational culture power and the level of leader's preferred governance model implementation. The study presents management models of a number of company GC (group of companies) with more than 2000 employees in total and with 205 respondents participating in the research.

1 Introduction

In business environment, complexity exponential growth and speed of organizational reaction to it becomes a competitive advantage (Sadia, 2011; Kotter, 1995). However, adaptation of the organization to the fast change very often fails due to inefficient implementation of new models of management (Higgs & Rowland, 2000; Judge, 2011). Management model evolution driven by technological revolution (Bodrožić, Z., & Adler, P. S., 2018) is a process of spontaneous accumulated change, therefore one of the executives' mastery skill is an art of matching company internal operations with rapidly changing external environment situation.

In order to distinguish the notion of a management model from a business model, we refer to the existing definitions of them. According to Osterwalder & Pigneur, a business model is an actively discussed concept and has been generally accepted as "firm's money-earning logic" (Osterwalder & Pigneur, 2010). A management model is defined by Deming as a methodology of forecasting, planning, controlling and analysis, which is specific for each company, according to the theory of management (Deming, 1986), while other scholars identify a management model as a "managerial approach to design organizational structures and processes, assimilate conflicts, and integrate goals as an independent variable, and effective performance as a dependent variable" (Dwivedi, R. S., 1983).

* Corresponding author: OVKovbasiuk@kantiana.ru

In our research, we refer to one of the most popular management model, which is the Total Quality Management (TQM) (Baiyin Yang, Wei Zheng, & Viere, C. (2009). But in order to identify its two main activators: leader's vision of organizational culture values - the internal side and rapidly changing business technology - the external side, we use the notion of a governance model instead of a management model. As we hold, there may be a multitudinous range of variables effecting the framework of governance model including leadership style (Groves, K. S., 2016) and tools of emotional management (Thiel, C., Griffith, J., & Connelly, S., 2015).

To further develop one of the authors' concept of management system architectonic concept (Dolgaya A., 2014), we formulate the following hypothesis: organizational culture power is a tool of governance model implementation, preferred by the leader. By formulating this, we refer to the researches who equated organizational culture coherence with effective governance (Gregory B. Vit, 2006) along with strength and weakness of organizational culture (Gochhayat, J., Giri, V. N., & Suar, D., 2017). Despite high interest to measuring organizational culture dimensions and their impact on business performance (Ghosh, S., & Srivastava, B. K. (2014), no attempts have been made to link organizational culture power to the governance model implementation.

The purpose of the research therefore is to verify the hypothesis on correlation between the organizational culture power and level of leader's preferred governance model implementation. As we define the organizational culture power as a coherence of organizational culture perception by a leader and employees, we apply this notion to understand organizational culture as a management tool to govern an organization. Therefore, the hypothesis was developed in order to get the practical tool of the organizational culture development into the leader's tool box.

In the research, we firstly conducted the evaluation of organizational culture power and, secondly, we identified the correlation between existing organizational culture power and leaders' preferred governance model. Consequently, we detected the type and degree of linkage between these indicators. The research was undertaken within the group of companies (GC) which has been producing frozen gastronomy. The organizational culture and governance model were subjected for research in three business units – a semi-finished products plant (SPP), a broiler factory (BF) and a management company (MC). 205 employees of middle level were addressed as respondents. The GC President (Leader) and two business unit chief executives (CEOs) have become respondents too. Further in the article, they are named as Leader and CEOs, or just leaders when referring to the preferred governance level.

2 Materials and Methods

The research has been executed in two directions:

- organizational culture description according to the Cameron and Quinn typology;
- identification of leaders' preferred governance model and existing level of its implementation according to Dolgaya's (1) method.

As we referred earlier, organizational culture profile comprising a set of company values was elaborated using the Organizational Culture Assessment Instrument (OCAI) given in the Cameron and Quinn (2005) typology. The questionnaire includes two parts: the evaluation of current culture profile by respondents and what they view as a preferred culture profile.

To examine a governance model, we applied the Total Quality Management (TQM) concept. In order to describe this model, respondents were offered to complete a survey developed by Dolgaya on the basis of TQM investigation (Thiagarajan, T., Zairi, M., 1998), conducted in Michigan University (USA). The researchers identified 21 elements of TQM

system. The GC Leader and CEOs of each business unit completed the survey estimating the value of each element of TQM system implementation. The level of the GC governance model implementation was revealed as a correlation between the leaders' estimation of the preferred model implementation and employees' estimation of currently existing model implementation.

In addition, we explored the level of influence of each CEO on their business units governance level as well as the level of influence of GC Leader on the company governance model in total to identify whose influence on the governance level turned stronger. In the next section, we discuss the proceedings and the results of the research.

3 Results and Discussion

As we mentioned earlier, organizational culture profiles have been created for each business unit, illustrating the existing set of values and the preferred one in each of them. Here we represent Fig. 1 and 2 illustrating the MC business unit cultural profile and the correlation between the GC Leader's and the business unit employees' perceptions of culture profiles, as an example.

Fig. 1. Existing organizational culture profile of GC leaders' and MC employees' perceptions

Fig. 2. Preferred organizational culture profile of GC leaders' and MC employees' perceptions

According to the Figs, GC Leader and MC employees estimate existing organizational culture profile and preferred organizational culture profile in a contrasting way. While GC Leader estimate both existing and preferred culture as a market one, MC employees estimate both kinds of culture profile as a more balanced one in all four dimensions. Similar studies have been conducted in SPP and BF business units as well as in the total GC. In such a way, 4 cultural profiles have been created with similar results discovered. In addition, the correlation between employees' and executives' estimation rates of cultural

profiles in each business unit was considered not only as an integral index, but also applied to each organizational culture dimensions, such as:

- cultural norms and principles;
- leadership style in organization (in each business unit);
- management methods applied in everyday practice;
- organizational clue;
- strategic goals, its shape and content;
- success criteria.

For example, Fig. 3 illustrates the analyses of SPP business unit. We can see the correlations between GC Leader’s perception of cultural dimensions and SPP employees’ perception of the same cultural dimensions (in blue), on one side, and between SPP Executive or CEO perception of cultural dimensions and SPP employees’ cultural dimensions (in red) , on the other side.

Fig. 3. Correlation level with SPP employees perception of organizational culture variables to GC Leader and SPP Executive (CEO) perception of organizational culture variables

As we see, there is a negative correlation between GC Leader ‘s and SPP’s employees’ perception of leadership type, and negative correlation between SPP executive’s and SPP employees’ perception of strategic goals and success criteria. This helps us to reveal a number of practically applicable tools to improve interaction between the GC Leader, business units executives (CEOs) and employees of these units. For instance, GC Leader needs to improve his controversial comprehension of SPP executive’s leadership style since he is supposed to shape cultural norms and principles of both business unit executives and employees. Although it is a side results of the research, it serves the main idea of this research – to enrich managers’ tool box. In the next section, we refer to the major outcome related to the hypotheses.

Interrelation between the investigated parameters

Correlation rates between the 4 parameters represented in the research are illustrated in the table 1. They are:

- preferred governance model (GM) actualization level;
- preferred culture profile implementation level;
- coherence (with employees’ averaged) in the existing culture estimation;
- coherence (with employees’ averaged) in the preferred culture estimation.

Table 1. Main research parameters

TOP MANAGER’S ESTIMATION	CORRELATION WITH EMPLOYEES	SPP	MC	BF
GC Leader	preferred GM actualization level	0,14	0,12	0,14
	preferred culture profile implementation level	0,11	0,41	0,00
	coherence in the existing culture estimation	0,31	0,25	0,05
	coherence in the preferred culture estimation	0,06	0,56	-0,09
SPP CEO	preferred GM actualization level	0,53		
	preferred culture profile implementation level	0,35		
	coherence in the existing culture estimation	0,46		
	coherence in the preferred culture estimation	0,43		
MC CEO	preferred GM actualization level		0,55	
	preferred culture profile implementation level		0,22	
	coherence in the existing culture estimation		0,69	
	coherence in the preferred culture estimation		0,40	

Reading the Table, we see that the coherence of the GC Leader with employees in existing culture estimation recorded on the highest level in SPP unit (0,31) and on the lowest level in BF (0,05); the highest coherence of GC Leader’s preferred culture estimation with employees turned in MC business unit (0,56), while the lowest one -in BF business unit -0,09 and gravitating to zero - in SPP business unit – 0,06 . This interpretation reveals the fact that GL Leader impact on the existing culture estimation is the strongest in SPP business unit and the lowest – in BF business unit. Relating to the preferred culture estimation, GL Leader impact is strong in MC business unit and almost zero in BF and SPP. Thus, we can conclude, that the leader’s influence on the governance model is bound with the coherence level in preferred culture profile, as it is shown in Fig. 4. The trend shows the degree of linkage between the governance model implementation level and the preferred culture coherence with the correlation coefficient 0,44, which is considered as a moderate one, according to Chaddock scale.

Fig. 4. Dependence matrix of the parameters «Governance model implementation level/coherence with employees in preferred culture

Where:

L_{GC}(BF/SPP/MC) – Group of Companies’ Leader in compare with BF/SPP/MC employees,
CEO (MC/SPP) – chief executive officer of Management Company, Semi-finished Products Plant.

As Fig. 4 illustrates, there is a positive moderate linear dependence between the preferred organizational culture power and the level of leader’s preferred governance model implementation. Then, the correlation analysis of the existing culture power level and the governance model implementation level demonstrates much higher degree of dependence between these variables.. The correlation coefficient is 0,8 so we can evaluate the link between these two variables as a high one, according to Chaddock scale.

Fig. 5. Dependence matrix of the parameters «Leader’s governance model implementation level/coherence with employees in existing culture estimation»

This Fig illustrates the idea that if leaders and employees become coherent to each other in estimating the existing culture, the level of governance model implementation, preferred by leaders, become stronger.

4 Conclusion

As a result of the research, our hypothesis on interrelation between organizational culture power and governance model was confirmed. The correlation coefficient between these parameters turned high when leaders/ executives and employees estimate the existing organizational culture. In other words, a leader creates a governance model by forming organizational culture. In the architectonics of organization governance system there is a liner connection between organizational culture power and the level of leader’s governance model implementation. It is important to realize that the coherence between the leader and employees in estimation of the existing culture is the most productive way to create preferred organizational culture.

To summarize, according to the research results, the coherence between leaders and employees in estimation of the preferred organizational culture is much less significant for a leader than the coherence between leaders and employees in estimation of the existing organizational culture. The stronger the coherence between leaders and employees in

estimation of the existing organizational culture, its norms and values, the more efficiently the governance model, preferred by the leader is implemented.

References

1. A. Dolgaya, Modern economics: problems and solutions, **3**, 98 (2014)
2. B. Vit Gregory, Corporate Governance: The international journal of business in society, **6 (2)**, 203 (2006)
3. T. Thiagarajan, M. Zairi, Benchmarking for quality management and technology, **5(4)**, 291 (1998)
4. K. S. Groves, Journal of Leadership & Organizational Studies (2016)
5. C. Thiel, J. Griffith, S. Connelly, Journal of Leadership & Organizational Studies, **22(1)**, 5 (2015)
6. Z. Bodrožić, P.S. Adler, The Evolution of Management Models: A Neo-Schumpeterian Theory. Administrative Science Quarterly, **63(1)**, 85 (2018)
7. Baiyin Yang, Wei Zheng, C. Viere, Holistic Views of Knowledge Management Models. Advances in Developing Human Resources, **11(3)**, 273 (2009)
8. R. S. Dwivedi, Management by Trust: A Conceptual Model. Group & Organization Studies, **8(4)**, 375 (1983)
9. A. Osterwalder, Y. Pigneur, *Business model generation* (2010)
10. K. S. Cameron, R. E. Quinn, *Diagnosing and changing organizational culture: Based on the competing values framework* (2005)
11. J. P. Kotter, Harvard Business Review, **73(2)**, 59 (1995)
12. W. Q. Judge, *Building organizational capacity for change: The leader's new mandate* (2011)
13. M. Higgs, D Rowland, Journal of Change Management, **1**, 116 (2000)
14. M. Sadia, European Journal of Business and Management, **3(4)**, 191 (2011), www.iiste.org
15. J. Gochhayat, V.N. Giri, D. Suar, Global Business Review, **18(3)**, 691 (2017)
16. S. Ghosh, B.K. Srivastava, Global Business Review, **15(3)**, 583 (2014)