

# ORGANIZATIONAL CULTURE AND COMPETITIVE ADVANTAGE: A Theoretical Review

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## **Abstract**

*Organizational culture relates to the values adopted by an organization in carrying out its activities. Habits, traditions, and general ways of doing things that exist in an organization today are the result or result of what has been done before in the past. And the human factor becomes important in implementing these values with full awareness and responsibility. The human element is an important element in the organization, which plays an active and dominant role in achieving organizational goals. In an effort to achieve organizational goals, an atmosphere and conditions are needed that can provide comfort to members of the organization so that they can carry out their duties properly. For this reason, a conducive organizational culture is needed to create enthusiasm in achieving organizational performance. However, to achieve a good organizational culture is not easy, efforts are needed how to unite the members of the organization as a solid work team and have the same motivation to work in order to have strong competitiveness.*

## **Introduction**

Organizational culture has recently come to the fore and has become the subject of discussion and study, both among practitioners and scientists. Many discussions and seminars are held by various parties who seek to reveal matters relating to the creation and development of organizational culture. These symptoms simply show that organizational

culture is felt to be important and of course it is felt to have direct or indirect benefits for organizational development. Like the cultures in an area, organizational culture also has taboos that regulate the organization's actions towards fellow members of the organization and towards people from outside the organization's members, so an organization also has a culture that regulates how its members behave. This is called organizational culture, by knowing the organizational culture we can find out how the organizational culture affects employee attitudes and behavior, where the organizational culture comes from, and whether the organizational culture can be regulated or not.

According to Richard West and Turner in their book Introduction to the theory of communication analysis and application, Organizational culture in the context of communication is a scope of symbols. communication, (actions, routines and conversations) and the meanings people attach to the symbols. In the corporate context, organizational culture is considered as a strategy in achieving goals and power. If the organizational culture is considered as a symbolic set that is communicated to organizational members for organizational control, then the communication symbols (actions, routines and conversations) can be interpreted as the formation of understanding, the communication process itself becomes the main focus of attention, because this process is the formation of that meaning. .

Organization is symbolic behavior, and its existence depends on shared meanings and on interpretations obtained through human interaction. Organizations “depend” on the existence of a common mode of interpretation and shared understanding of experience that allows daily activities to become routine or so. When groups encounter new situations, new interpretations must be formed to maintain regular activities (Rohim, 2002: 150). Based on this background, this paper aims to discuss the urgency of organizational culture in building competitiveness.

### **Organizational culture**

Organizational culture relates to the values adopted by an organization in carrying out its activities. Habits, traditions, and general ways of doing things that exist in an organization today are the result or result of what has been done before in the past. And the human factor becomes important in implementing these values with full awareness and responsibility. The human element is an important element in the organization, which plays an active and dominant role in achieving organizational goals. Humans are planners, actors, as well as determinants of the realization of organizational goals. An organization consisting of various groups of individuals who work together and interact with each other, will form a habit that will eventually shape the organizational culture in the organizational system. Organizational culture is an integrated pattern that results from individual behavior in the organization including thoughts, actions that are learned and taught to the next generation.

The term organizational culture emerged from the general concept of culture rooted in anthropological, historical, sociological and psychological perspectives. Kroeber & Kluckhohn (1952) released a list containing 160 different definitions of culture as an indication of the diversity of concepts of the term culture. The importance of culture for a leader is emphasized by Schein (2010) with a statement “The bottom line for leaders is that if they do not become conscious of the cultures in which they are embedded, those cultures will manage them. Cultural understanding is desirable for all of us, but it is essential to leaders if they are to lead.” It is said that the basic thing for leaders to know is that if they are not aware of the culture they are in, it will govern them. Cultural understanding is expected by all of us, but it is very important for leaders if they are to lead.

Organizational culture is generally understood as a set of key values, assumptions, understandings and norms shared by members of the organization and taught/inherited to new members of the organization as the right thing (Daft, 2005). Organizational culture is an important factor that managers can use to direct training in their companies (Smircich, 1983). The study of organizational culture includes several aspects including based on its level (visible, expressed values, assumptions used), strength (strong or weak), and adaptability (adaptive or non-adaptive). Organizational culture can be assessed with many dimensions although conceptually it seems different but basically has similarities with regard to the models and theories used. For example, culture can be categorized in several ways as

adaptability/achievement/clan/bureaucratic (Daft, 2005), clan/adhocracy/hierarchy/market (Cameron and Freeman, 1991; Quinn and Cameron, 1983; Quinn and Rohrbaugh, 1983), and communal/fragmentation/network/mercenary (Goffee and Jones, 1998). Wallach (1983) views that organizational culture is a combination of three categories, namely bureaucratic, innovative and supportive with different degrees. This study adapts Wallach's (1983) framework. Wallach (1983) states that the organizational culture index (OCI) describes the profile of organizational culture with the dimensions of stereotypes and organizational image can be described from the combination of these three dimensions. Bureaucratic culture is characterized by the following characteristics: hierarchical, cross-departmental relationships, organized, systematic and has clear lines of responsibility and authority in the organizational structure. An innovative culture has the following characteristics: creative, results-oriented, and a challenging work environment. A supportive culture is characterized by teamwork and people-oriented (relational), encouraging employees to take action and a trusting work environment. An employee can be more effective in his current job and realize his best potential when there is a match between individual motivation and organizational culture. This has significant implications in the processes of recruitment, management, motivation, development and retention of employees (Shadur et al., 1999). Effective leaders act as cultural builders and creators of market orientation (Narver et al., 1998). The importance of the leadership role in transforming organizational culture and creating market orientation is clearly emphasized by Senge (1990) in Narver et al., (1998) by stating "Top management plays a critical leadership role in changing a culture in general, and in creating a market. orientation in particular. Building an organization's culture and shaping its evolution is the "unique and essential function of leadership"

### **Dimensions of Organizational Culture**

According to Denison and Neale William S (1996), organizational culture is defined as the values, beliefs and principles that serve as the basis of an organization's management system and a set of management practices and behaviors that help and reinforce these basic principles. Four characteristics of organizational culture that characterize the framework of Denison et al., (2003), namely, first, Involvement includes organizational capabilities that effectively empower organizational members, build organizations around teams and develop

the capabilities of organizational members at all levels. Second, consistency, namely the organization tends to be effective because it has a strong culture that is very consistent, well coordinated and well integrated. Third, adaptability is the organization's ability to translate the pressures of the business environment into action. Fourth, mission which is a meaningful long-term direction for the organization. This shows that successful organizations have clear goals and directions and express a vision of how the organization will be seen in the future. According to Schein (2010), organizational culture is the values and behavior of people who are considered as tools leading to the successful achievement of organizational goals which can be found at three levels, namely, first, surface-level artifacts of culture that can be seen such as dress style, language and member behavior. organization. Second, the exposed values in the form of strategies, goals and organizational philosophy. All of these things reflect the values that exist within the organization and become the beliefs of members of the organization in dealing with one another in carrying out their duties and authorities. Third, basic assumption values, culture is difficult to understand because it is at a subconscious level. Basic assumptions are the key in understanding organizational members to do something. The basic assumptions guide the behavior of organizational members.

There are many dimensions that differentiate culture. This dimension influences behavior that can lead to misunderstanding, uncertainty or even conflict. The concept of culture originally came from the field of anthropology and got its place at the beginning of the development of organizational behavior science, by Morrey and Luthans 1987. Luthans (1998) in Sopiah (2008:129-130), mentions a number of important characteristics of organizational culture including; (1). Rules of behavior: In the form of language, terminology and rituals used by members of the organization (2). Norms: Standards of behavior that include instructions on how to do something. Furthermore, in society we are familiar with religious norms, social norms, moral norms, customary norms and others. (3). Dominant Values: The main values that are expected from the organization to be carried out by members, such as high product quality, low absenteeism, high productivity and efficiency, and high work discipline. (4). Philosophy: An organization's belief in policies about what its employees and customers like, like you is our hope. Consumers are King.(5). Rules: Strict rules of the organization. New employees must learn these rules so that their existence can be accepted in the organization. (6). Organizational Climate: The overall

feeling that includes physical things, how members of the organization interact and how members of the organization control themselves in dealing with customers or outsiders of the organization.

### **The Urgency of Organizational Culture in Building Competitiveness**

Starbuck and Holloway (2008) suggest that there are at least four factors that can influence OCB, namely: Cultural factors, namely that employees or staff will be more likely to take actions that go beyond their work responsibilities, if they: (a) have been satisfied with their work, (b) can receive fair and caring treatment from supervisors, (c) believe that they are treated fairly by the institution or organization. Furthermore, organizational culture can be the cause of the quality of OCB development in an organization. In a positive organizational climate, employees or staff will feel more willing to do their work more than what is required in the job description, and will always support the organization's goals if they are treated by superiors with sportsmanship and with full awareness and believe that they are being treated fairly by the organization (Araujo, et al. 2013).

It is said that top management plays a very important leadership role in changing organizational culture in general and creating market orientation in particular. Building organizational culture and shaping the evolution of organizational culture is an essential and unique leadership function. In line with Senge, Schein (1983) found that the three most powerful mechanisms for uniting and transforming culture are the manifestations of leadership, namely (1) providing role models, teaching and training; (2) the role of leaders in measurement and control; and (3) the leader's response to organizational incidents and crises. The theory and findings of Jaworski and Kohli (1993) confirm the importance of top management leadership in creating market orientation. Thus it can be emphasized that leadership is very important in realizing and maintaining successful cultural change in an organization. Without proper leadership, it is absolutely impossible to create a market orientation.

Fekete & Bocskei, (2011) research results in the manufacturing industry in Hungary stated that hierarchical culture has a negative influence on performance, because hierarchical

culture described by internal efficiency, stability, coordination and control is still weak in emphasizing security of ownership and compliance with norms and regulations. . In contrast to that, Calciolari et al., (2017) found that hierarchical culture has a positive effect on financial performance as long as the company is able to focus internally and enforce rules or regulations that affect the way the organization works. Research by Kotter and Heskett, (1992) showed that a strong organizational performance improvement culture or a strong culture increased organizational revenue by 756% between 1977-1988, and only 1% increase over the same time period; companies without a performance improvement culture. This is because the company has a culture that emphasizes the involvement of all major managerial constituents, namely customers, shareholders and employees (Santoso et.al. 2019).

### **Conclusion**

The importance of building organizational culture, especially with regard to efforts to achieve organizational goals. Organizational culture consists of relatively stable characteristics. This culture has been developed over the years and is rooted in strong values that employees believe in so that they get high commitment. Furthermore, there are a number of forces constantly working to maintain that culture. There are policies that shape organizational beliefs about how employees and/or customers are treated. There are also strict guidelines regarding the achievement of goals. Newcomers must learn existing techniques and procedures in order to be accepted as members of a growing group. It is the overall “feeling” conveyed by the physical setting, the way participants interact, and the way organizational members relate to external customers and individuals. Organizational culture greatly influences performance where in an organization employees form an overall subjective perception of the organization based on factors such as risk tolerance, team pressure, and support. In fact, this overall perception becomes the culture or personality of the organization. These favorable or unfavorable perceptions then affect the performance and satisfaction of its members, with a greater impact on cultural reinforcement.

Organizational culture refers to the system of shared meanings held by members that distinguishes the organization from other organizations. This system of shared meaning,

when examined closely, constitutes a key set of characteristics that the organization values and maintains. The culture in an organization is characterized by the existence of an observable way of acting from all members of the organization, the existence of norms that contain standards of behavior from members and the existence of certain rules and regulations that bind all members of the organization. Organizational culture is characterized by the existence of an organizational climate, which is an interaction that affects each other between individuals and their environment, both the physical environment and the social environment. This environment will be perceived and felt by the individual, giving rise to certain impressions and feelings. Habits, traditions, and general ways of doing things that exist in an organization today are the result or result of what has been done before. This leads to the highest source of an organization's culture, namely its founders.

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