A Review of Organisational Culture and Climate in Public Enterprises

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ABSTRACT

Organisational culture and climate are the natural forces, which leave an imprint on the organization. Both have a strong impact on the organizational performance, particularly during transformational change. This paper dwelt on the impact of these concept on public enterprises. A review approach was adopted and the findings shows that organisational culture and climate plays a significant role on the performance of public enterprises. The authors therefore conclude that public enterprises can perform better if the attitude as well as the behaviours of leaders towards the elements of organisational culture and climate are changed.

Introduction:

Organizational culture and climate have been, and still, are the central subjects of an ongoing academic debate in the field of organization and management. The similarities as well as dissimilarities between the concepts of organizational culture and climate are of importance in organizational behavior literature (Ashkanasy, 2003; Martin, 2002; Cooper, Cartwright & Earley, 2001, Ashkanasy & Jackson, 2001; Denison, 1996; Reichers & Schneider, 1990). Yet,

the shortcomings in defining the concepts of organizational culture (OC) and climate (OCT) have resulted with a number of difficulties in the measurement process (Hofstede, 2000; Lewis, 2000). What could be argued, as the most common remarks made by numerous scholars and academicians are about the nature of association between these two concepts?

The Culture and Climate of an organization are the natural forces, which leave an imprint on the organization. Both have a strong impact on the organization, particularly during transformational change. Leaders who introduce transformational change in to organizations are easily discouraged if they focus too much attention on culture alone. What is required is a more manageable task but which will affect cultural variables. The concept of organizational climate offers a more definable and measureable vehicle for adaptation at any time. To understand the two concepts lets start by examining the theoretical definition and conceptual approach in the light of previous research. The organizational structure produces an organizational climate independently from those individual properties received by members of the organization. In other words, climate is an objective demonstration of organizational structure that individuals experience and acquire.

Organizational Culture

According to (Reichers & Schneider, 1990), following (Smircich, 1983), there have been two distinct approaches to the definition of culture. While the first approach treats organizational culture as "something an organization is, the second one accepts culture as something an organization has" (1990). Although almost all of the academicians agree upon the second approach including Schein (1992), Killman (1985), and Hofstede (2000), the concept of culture has not yet been clearly defined and accepted.

In the light of functionalist approach, the development of organizational culture is related to the capability of organizations in solving their" external adaptation and internal integration problems," and the development of culture is "identical to the process of group formation" (Schein, 1992). In a similar manner, Hofstede states, "one can only define culture for a group of people... organizational culture is that which distinguishes the members of one organization from other people" It would also be beneficial to emphasize the

study of Verbeke, Volgering and Hessels (1998), which was based on the study of Sackmann (1991). Sackmann proposes three perspectives as conceptual variations of organizational culture: holistic, variable and cognitive.

Marcoulides and Heck (1993) introduce organizational culture as "... consisting of three interrelated dimensions: a socio-cultural system of the perceived functioning of the organization's strategies and practices, an organizational value system and the collective beliefs of the individuals working in the organization."

In his widely accepted and well-known definition, Schein (1992) defines culture as: "A pattern of shared basic assumptions that the organization learned as it solved its problems of external adoption and internal integration, to be taught to new members as the correct way to perceive, think and feel in relation to those problems."

Furthermore, Schein (1992) suggested that organizational culture is composed of three levels as artifacts (the visible level), values (not observable, at the mid-level) and basic assumptions (at the core of the formation). For Hofstede (1990), levels (or in his words) manifestations of culture have four categories -from top to deepest- as symbols, heroes, rituals, and values. He claims that symbols, heroes and rituals are considered as practices and are visible part of the cultures while values constitute its invisible part.

It would be also essential to mention about the 3-perspective theory suggested by Martin (2002) as "integration, differentiation and fragmentation." While the integration approach accepts organizational culture as a shared and unambiguous phenomenon, the differentiation approach suggests that there are a number of subcultures in organizations. The last approach defines organizational culture as purely ambiguous and not even known by the members of organizations.

In this brief review of the concept of organizational culture, though not cited here, the author would like to put emphasis on the critics of Ashkanasy (2003) on the richness as well as the complexity of cultural terrain regarding the study of Martin (2002).

Culture can be divided into five components:

1. Values
2. Beliefs

3. Myths
4. Traditions
5. Norms

Values: - are the ways in which individuals assess certain traits, qualities, activities or behaviours as good or bad, productive or wasteful. High levels of service, for example, might be a core value of a particular organization. Its value might be reflected in such things as the organization's motto, response time, reliability or actual quality performance measurements.

Beliefs: - though frequently unstated-reflect individuals' understanding of the way the organization works and probable consequences of the actions they take. In some organizations, people may champion new services/product ideas in the belief that innovation is the way to get ahead. In other organizations, people adhere to rules in the belief that controlling risk is the way to get ahead. These generally held beliefs are rarely based on clear statements of values; more often they are based upon who are perceived to be "star" in the organization.

Myth: - are the stories or legends that persist within the organization. For example, there can be the myth surrounding the danger of taking initiative in presenting new ideas – considered to be welcome intrusions. Such a story is not a piece of trivial information but it is part of a body of clues or signals that transmit what new members can or cannot do and impacts any change efforts.

Traditions: - are repetitive significant events such as celebration, special awards, retirement parties and holiday dinners. These events inject predictability into the organizational environment and are a basic means of perpetuating cultural values, whether they honor tenure, advancement or appreciation of special accomplishment. They highlight what is held in high esteem in the organization.

Norms: - are organizational informal rules regarding communication processes, dress, work habits, work hours and implicit codes of interpersonal behaviour. Does the organization encourage open and honest communication with emphasis on the positive or does it allow rumors and gossips to prevail? These "rules of conduct" are not written down in any employee handbook, but accepted as "they way things are".

The above stated components of the organizational culture are difficult and almost impossible to measure and even harder for people to articulate but they are real and have to be managed as part of the process of changing the organization. Corporate culture in itself cannot be mandated. There are too many variables, too much out of the leaders control. It is like punching a pillow; a lot of energy is exerted but the results are transitory. Nothing seems to really change and it is difficult to determine the next best action.

It is observed that the consequences of corporate culture are more observable that the culture itself – through the organizational climate.

Organizational Climate

Organizational climate is, broadly speaking, related to the work atmosphere that covers ways and methods undertaken by organizational members for organizational functioning. It has been widely defined as the shared perceptions of employees regarding organizational functioning and practices. If the concept of climate were analyzed at an individual level, it would be named "psychological climate". "When aggregated the concept is called organizational climate" (Isaksen, Lauer, Ekvall & Britz, 2000).

Chinho Lin (1999) defines organizational culture as the shared assumptions and values by group members and climate as the shared perceptions about organizational conditions. Lin (1999) bases his definitions on Litwin and Stringer"s (1968) organizational climate questionnaire. This well-known measurement device covers nine dimensions of the concept of organizational climate: structure, responsibility, reward, risk taking, support, warmth, standards, conflict and identity.

Schneider, Brief and Guzzo (1996) define four dimensions of organizational climate as „nature of interpersonal relationships, nature of hierarchy, nature of work and focus on support and rewards". Though there is an ongoing debate among scholars to the relevance of the dimensions regarding the concept of organizational climate, these dimensions are considered as the overall perception of organizational operations and practices shared by members of the organization.

According to Taguiri and Litwin (1968) climate is "the relatively enduring quality of the total environment that (a) is experienced by its members, (b)

influences their behavior, and (c) can be described in terms of the values of a particular set of characteristics (or attributes) of the organization" (p.25). Moran and Volkwein (1992) examined the OCT by making four different approaches which were named as cultural, perceptual, structural and interactive are, in fact, complementary depending upon the viewpoint of researchers. In turn, Schein"s definition of the climate concept is "the feeling that is conveyed in a group by the physical layout and the way in which members of the organization interact with each other, with customers or with other outsiders."

Climate
Climate is the label used to describe the dimensions of the work environment that can be measured with relative precision. In these regards a variety of factors determine the climate of an organization and these determining factors are as follows:

1. Leadership
2. Organisational Structure
3. Standards of Accountability
4. Standards of Behaviour
5. Communication
6. Rewards
7. Trust
8. Commitment
9. Vision and Strategies
10. Organizational Connectedness

Leadership: - is the single most important determinant of organizational climate that is the day-to-day leadership style of the leader. The leader has a powerful influence on the expectations and behaviours of everyone in the organization.

Optimally, knowing how to anticipate, lead and manage change is an art form. Leadership needs to strategize as much about change needed to compare in the future as well as the best ways to engage everyone in the organization to gain buy-in and commitment. To the degree that a leader and his/her management team address these dynamics will be reflected in exponential gains made.

Organizational Structure: - is an equally powerful determinant of climate in organizational arrangements – the formal/informal ways in which is accomplished. How the organization organizes itself is a direct reflect as to what it considers critical to its success and speaks volumes with regards to its commitment and value of its employees. Much written about streamlined structures and cross-disciplinary teams.

Historical Forces: - have a strong impact on its culture that develops overtime and impacts on the climate. The circumstances surrounding the organization's founding; the manner in which crises were faced and resolved; the organization's role models influencing the ease and/or difficulty of change transformation. If highly innovative individuals to provide leading edge services founded an organization, these circumstances may continue to influence cultural values and a climate characterized by high levels of creativity. On the other hand, if organization has neglected innovation and resisted change, priding itself on its ability to maintain the status quo, it is predictable that when change is introduced, the impact on the organization's culture and climate will be dramatic and most likely results in fallout of individuals unwilling or unable to let go.

Standards of Accountability: - measure the ways in which individuals take responsibility and are held accountable for both what they do (performance) and how they do it (behaviours).

Standards of Behaviour: - are best defined in terms of what will be observed and heard. Leaders can mandate acceptable behaviours and reinforce those behaviours through performance measurement processes. For example, a desired behaviour may be treating each other with mutual respect. A violation of that behaviour may be observed through statements made to others; shouting; lack of cooperation. Adhering to holding people accountable for both job performance and behavioural measurements and the encouragement to dismiss those who do their job but violate the organization's values, sends an important message and puts "teeth" towards the desired climate.

Communication: - is an important of desired behaviours, measured by the organization's communication pattern. Acceptable behaviours are reflected in direct, constructive and timely feedback; open communication; mutual respect; and use of conflict (differences) as an asset. Lack of acceptable behaviours such

as blaming others; focusing on problems rather than solutions; allowing rumors, gossips and criticisms to prevail and corrupt the corporate climate.

Rewards: - measures competencies in tangible ways. Reward systems characterized by a balance of task and behavioural competencies, which are seen as powerful massages. Ongoing constructive feedback offered on a quarterly basis helps reinforce the seriousness of purpose in building results and values-driven organization. Anything less sends a message that there are real consequences

Trust: - reflects the prevailing feelings of mutual respect and support within an organization. Trust is high when individuals sense that their inputs is valued; their actions backed by others; and support is direct and constructive. Trust diminishes when individuals break agreements; miss deadline impacting others; and do not give each other the benefit of doubt. The resultant disappointments damage trusts; making it difficult to rebuild. Over time, the lack of trust has profound negative impact on the organization's climate and its ability to achieve its goals.

Commitment: - reflects individuals' sense of pride in belonging to the future of organization. Strong feelings of commitment are associated with high levels of productivity, energy and actions. Low levels of commitment make change efforts difficult. Individuals feel disengaged; compliant and unwilling to participate.

Vision and Strategies: - are statements of the organization's desired future. They set the context and focus for the organization. If an organization has chosen an aggressive, far-reaching vision and has aligned successfully its strategies, goals, priorities and resources with its vision, the organizational culture and climate will, over time, reflect the same.

Organizational Connectedness: - of all parts of the organization is complex. Individuals tend to affiliate within their professions and occupations; departments and teams. As such, powerful subcultures can be develop cutting across the organization and bringing into alignment individuals with different points of view which can be essentially healthy to the organizational climate. This can be done with cross-functional team projects and/or other strategies, which drive inter-dependence.

External Environment also influences an organization's culture and climate. These factors such as government regulations, economic conditions, competitive industry forces and ongoing changes create pressure on the organization. These factors manifest themselves in measurable different culture and climate profiles.

Organizational Culture and Climate in Public Enterprises

In most developed or developing countries of the world, public enterprise has long been an important part of public sector. In other words, besides the civil services there has been, in virtually every modern state the emergence and development of public enterprises that combine the characteristics of public administration with some key attributes of a private enterprise. These entities are usually created because of the desire to infuse more flexibility and more efficiency in the organization of some government activities (Laleye, 2002). Another reason for establishing public enterprises, especially in developing countries, has been to stimulate and accelerate national development under conditions of chronic shortage of capital and structural defects in capital markets. Under these conditions private ownership would necessarily mean foreign ownership. Therefore, in an attempt to preserve their independence, national pride and sovereignty, these countries foreclosed market liberalization option and adopted centralized planning using the vehicle of public enterprise. The need to establish large-scale and complex bureaucracies in form of public utilities, corporations, and commissions became self- evident and inescapable. Organisational culture and climate can be used to find answers to questions about the return on the investment in various public enterprises, the opportunity costs and priorities in view of new economic realities. From the stand-point of 'return on investment', there is sufficient evidence that in the main, public enterprises have proved a massive failure compared with results from similar investment in the private sector. In terms of their social objectives, including the provision of employment opportunities and the modernization factor, their general inefficiency has made it almost impossible to achieve any meaningful result. One thus finds scattered across the country the skeletons of general government companies whose birth-days were marked with fun-fare several

years earlier. This is a result of poor attitude towards public goods by all stakeholders.

Again, poor leadership, organisational structure and standard behaviour in public enterprises results into inability to live up to expectation in terms of their physical and financial performance. This has created a crisis of confidence which has been one of the reasons for the call for public enterprises' institutional reforms. In fact, the cumulative effects of this crisis, illustrated by the poor quality of services and financial losses earlier mentioned, have kept industrial growth and socio-economic development much below what is attainable by the economy (Iwayemi, 1990; Ayodele, 1996). Therefore, the need to improve the performance of public enterprises underpins the privatisation and commercialisation policy embodied in the public sector reform programmes under various administrations.

Finally, there are cases of large-scale mega corruption in most of these enterprises. This is direct result of lack of trust, commitment and the five components of organisational culture – values, beliefs, myths, traditions and norms help in making officials of public enterprises collude with political executives to engage in corrupt practices. For example, in 2014 it was alleged by the Governor of the Central Bank of Nigeria (CBN Governor) that out of $67 billion worth of crude oil shipped by the NNPC between January 2012 and July 2013 only $47 billion was recorded by the CBN, leaving $20 billion unaccounted for.

Conclusion

Organizational climate and culture offer overlapping perspectives for understanding the kinds of integrative experiences people have at work settings or in any organizational settings. The constructs address the meaning people attach to their experiences of how the organization works (process climates), the strategic foci the organization has (strategic climates), and the values they attribute to the setting (culture), all in attempts to make sense of their experiences. The climate literature has focused on the culture-embedding mechanisms of organisations, the tangibles enacted by leaders by which they express their values and basic assumptions. These were found to have significant impact on the overall performance of public enterprises. The

processes and activities of organisational culture are designed to yield behaviours that pursue organizational goals and objectives, and it is these behaviours that come to characterise whole organisations and subcultures within them.

Culture and Climate scholars have for the past 25 years been dealing with more tangible policies, practices, and procedures as the causes of the experiences people have, focusing their efforts on understanding how workers experience the strategic initiatives of management (e.g., service, safety, innovation) and the internal processes accompanying them (e.g., fairness, ethics, inclusion). Progress has now been made in understanding when people do not agree on those climates (i.e., climate strength), but there is not much work at all on conceptualising and understanding how multiple climates in organizations interact and/or even conflict with each other.

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