

ORGANIZATIONAL OUTCOMES OF THE FITTING BETWEEN ORGANIZATIONAL STRUCTURE AND HOFSTEDÉ'S NATIONAL CULTURE INDICES

Milena NEDELJKOVIĆ

University of Novi Sad, Faculty of Technical Sciences, 21000 Novi Sad, Trg Dositeja Obradovića 6, Republic of Serbia. E-mail: milena.nedeljkovic3@gmail.com

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In this paper we investigated the fitting between organizational structure and national culture dimensions of an IT organization in Serbia and its organizational outcomes such as internal entrepreneurship, job satisfaction and internal motivation. The organization under investigation is a very competitive one on the global computer technology market and has long-lasting and successful business relationships with many world famous companies. The values of national culture indices of employees in this organization are similar to the values of national cultural indices of employees in USA. Organic and matrix organizational structure of the organization has a good fitting with national culture indices (low power distance index, high individuality index, low uncertainty avoidance index) which has organizational outcomes such as high levels of internal entrepreneurship, job satisfaction and internal motivation.

Keywords: matrix organizational structure, organic organizational structure, entrepreneurship, supervisor support, job satisfaction, internal motivation

INTRODUCTION

One of the focal issues in comparative management theory is the impact of culture on management (Hofstede, 1980, 1983, 2001). Culture, which might be described in terms of a "collective mental programming of people who share a similar environment" (Hofstede, 2001), is often difficult to alter: it changes slowly and only under the pressure of dramatic environmental shifts. In keeping with such a definition, it has been observed that business practices vary extensively as a function of culture, that management is culture-specific, and that managerial techniques must be tailored to fit local conditions. Recent dynamic changes in many countries in the transition, including Serbia, have altered hierarchies of values, needs, and norms of the society. Hence, it is important for foreign managers in Serbia to know about current preferences and perceptions of Serbian workers in order to adjust organizational culture and structure with work values of domestic work forces. This „fitting“ (adjustment) may help to managers of Serbian organizations to achieve two of the most important goals for every organization: a high level

of job satisfaction of employees and a high level of performance.

ORGANIZATIONAL STRUCTURE

There are many different definitions of the notion of organizational structure (Robbins and Judge, 2007). Organizational structure in one sense is the arrangement of duties used for the work to be done. Research has demonstrated that organizational structure interacts with a variety of factors to influence organizational performance. These factors include environmental change, organizational size, organizational production technology, organizational strategy and cultural values of employees (Robbins and Judge, 2007).

Fundamental dimensions of organization structure are:

- **specialization** - the division of labor within the organization, the distribution of official duties among a number of positions,
- **standardization** - procedures that occur regularly, are legitimized by the organization, have rules that cover circumstances, and apply invariably,

- **formalization** - the extent to which rules, procedures, instructions, and communications are written,
- **centralization** - „place” where the authority to make legitimate decisions that affect the organization is located.

The most prevalent distinction for describing fundamental differences in organizational structure is that of mechanistic and organic structural forms. Mechanistic structures are characterized as rigid, tight, and traditional bureaucracies. In mechanistic settings, power is centralized, communications follow rigid hierarchical channels, managerial styles and job descriptions are uniform, and formal rules and regulations predominate decision making. By contrast, organic organizations are characterized by flexible, loose, decentralized structures. Formal lines of authority are less clear, power is decentralized, communication channels are open and more flexible, and formal rules and regulations take a back seat to adaptability in helping employees accomplish goals. There is also the following typology of organizational structures:

- The **functional structure** is characterized by grouping people based on their expertise and skills.
- In the **divisional structure**, the divisions are formed based on an organization's product range, the specific markets the organization caters to, or the geographic locations in which it operates.
- The **matrix organization** tries to integrate the desired features of both the functional and divisional structures. In this structure, an employee reports simultaneously to two different supervisors. One of these supervisors represents a functional department and the other represents the division, product and market.

Matrix management is a technique of managing an organization (or, more commonly, part of an organization) through a series of dual-reporting relationships instead of a more traditional linear management structure. In contrast to most other organizational structures, which arrange managers and employees by function or product, matrix management combines functional and product departments in a dual authority system. In its simplest form, a matrix configuration may be known as a cross-functional work team, which brings together individuals who report to different parts of the company in order to complete a particular project or task. The term "matrix" is derived from the representative diagram of a matrix management system, which resembles a rectangular array or grid of functions and product/project groups.

The first organization to design and implement a formal matrix structure was the National Aeronautics and Space Administration (NASA). NASA developed a matrix management system for its space program because it needed to simultaneously emphasize several different functions and projects, none of which could be stressed at the expense of another. The practice of matrix organizational structure is most associated with highly collaborative and complex projects but is also widely used in many product/project management situations. Even when a company does not label its structure as a matrix system or represent it as such on an organization chart, there may be an implicit matrix structure any time employees are grouped into work teams that are headed by someone other than their primary supervisor.

Within the matrix, each of the product groups would intersect with each of the functional groups, signifying a direct relationship between product teams and administrative divisions. In other words, each team of people assigned to manage a product group might have an individual(s) who also belonged to each of the functional departments, and vice-versa. Theoretically, managers of project groups and managers of functional groups have roughly equal authority within the company. Matrix structures are flatter and more responsive than other types of structures because they permit more efficient exchanges of information. Because people from different departments are cooperating so closely, they are eager to share data that will help them achieve common goals. In effect, the entire organization becomes an information web; data is channeled both vertically and horizontally as people exchange technical knowledge, marketing data, product ideas, financial information to make decisions. In addition to speed and flexibility, matrix organization may result in a more efficient use of resources than other organic structures. This occurs because highly specialized employees and equipment are shared by departments. For example, if the expertise of a computer programmer is needed in another department, he or she can move to that department to solve its problems, rather than languishing on tasks of low priority as might happen in a nonmatrix setting.

What determines organizational structure? Classics in the field of organization theory represent many different schools. Some believe that certain factor, such as size, environment, or technology, determine organizational structure. They argue that these factors impose economic or other constraints on organizations

that force them to choose certain structure over others. Some authors (Gibson, 1994; Krokosz-Krynke, 1998) investigated also the influence of the national culture on the organizational structure. Gibson (1994) considered four possible relationships between national culture and structure:

- Organizational structure as rational adoption of cultural rules.
- Organizational structure as manifestation of cultural values.
- Organizational structure as reflection of cultural enactment.
- Organizational structure as product of distal cultural moderators (associated with historical cultural systems).

Each of the perspectives concerning relationship between culture and structure can mutually coexist without negating one another. According to Hofstede the most influence on the organizational structure have two cultural dimensions: power distance and uncertainty avoidance.

HOFSTEDE CULTURAL DIMENSIONS

Hofstede's cultural dimensions originally introduced four cultural dimensions: Power Distance (PDI), Uncertainty Avoidance (UAI), Individualism (IND), and Masculinity (MAS). These dimensions, as pertaining to people outside IBM, have been proven reliable by correlating them with those of other researchers. Many research results based on Hofstede's ideas are published in the last two decades

Power distance is defined by Hofstede as "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally". The level of power distance cultural dimension has some organizational implications (which means "in most of the organizations"). Power distance low: less centralization, flatter organization pyramids (examples: Australia, Denmark, Sweden). Power distance high: member of the organization being subordinates much easier accept the power of decision making of their superiors, tall organization pyramids, more supervisory (examples: Mexico, Venezuela, India).

By Hofstede **uncertainty** is "the extent to which the members of a culture feel threatened by uncertain or unknown situations." In societies where there is a need for structure it is because there is a fear of uncertainty. Countries characterized by weak uncertainty (such as the United Kingdom) do not

perceive something different to be dangerous. Conversely, in strong uncertainty avoidance societies people will seek to reduce uncertainty and limit risk by imposing rules and systems to bring about order and coherence. This may be seen in organization structures: for example, where there is a need for rules and dependence there will be a pyramidal organizational structure. Some organizational implications of uncertainty cultural dimension are the following:

Uncertainty avoidance low: less structuring of activities, fewer written rules, greater willingness to take risks (examples: Denmark, Britain, USA):
 Uncertainty avoidance high: more structuring of activities, more written rules, less willingness to take risks, more ritualistic behavior (examples: Greece, Portugal, Japan, France).

By Hofstede (2001) "**masculinity** pertains to societies in which social gender roles are clearly distinct; femininity pertains to societies in which social gender roles overlap." In a masculine society (Hofstede gives the United Kingdom as an example) there is a division of labour where the more assertive tasks are given to men. There is a stress on academic success, competition and achievement in careers. In a **feminine** society such as France (Hofstede, 2001) there is a stress on relationships, compromise, life skills and social performance. The last 10-15 years have seen enormous changes - a 'feminisation' process - to the behaviour of Western democracies. It has been said that the emergence of developing countries is as much about feminisation as it is about harder business and economic realities. Organizational implications of femininity and masculinity cultural dimensions are the following:

Femininity high: gender roles minimized, more women in more qualified jobs, soft, yielding, intuitive skills rewarded, life quality important (examples: Thailand, Scandinavia).
 Masculinity high: gender roles clearly differentiated, fewer women in more qualified jobs, aggressiveness, competitiveness, decisiveness rewarded, stress on careers (examples: Japan, Italy, Mexico).

Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. **Collectivism** as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive in groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty." Organizational implications of

individualism and collectivism cultural dimensions are the following: Collectivism high: organization as family, organization defends employee interests, practices based on loyalty, sense of duty, group participation (examples: Venezuela, Taiwan, Greece). Individualism high: organizations more impersonal, practices encourage individual initiative, task prevails over relationships (examples: USA, Britain, Netherlands).

Thirty years ago Hofstede investigated cultural dimension in former Yugoslavia and Serbia and obtained the following results (the possible ranges are from 1 to 100): former Yugoslavia: PD-76, UA-88, IND-27, MAS-21, Serbia: PD-86, UA-92, IND-25, MAS-43. Hence, at that time Serbian culture was characterized by high power distance (PD), high uncertainty avoidance (UA), low individuality (IND) and low masculinity (MAS).

METHODS

In this paper we investigate connections between indices of cultural dimensions of employees, supervisor support (as one of the proxy of the organic organizational structure), job satisfaction and internal motivation of employees in the organization under investigation. Internal entrepreneurship, job satisfaction and internal motivation are increasingly becoming extremely important ideas to understand, in order to achieve high level of the competitiveness on the global market. This is especially important for IT market which changes very fast. There is a consensus in the literature that internal entrepreneurship, job satisfaction and internal motivation are among essential elements to organizational success. In this paper we tested the hypothesis:

H: The perception of supervisor support is a moderator for the correlation between job satisfaction and internal motivation of the employees.

Sample

The organization under investigation is located in Vojvodina (the north province of Serbia) which is the most developed part of Serbia. It is a very competitive organization on the global computer technology market and has long-lasting and successful business relationships with many world famous companies. Organizational structure is of the matrix type. By interviewing employees and top management we conclude that some of the characteristics of the organization are: high rate of

new product introduction, continuous production improvement, risk-taking and active opportunity search. Rapid growth is a dominant goal. By setting up a structure in which failure is tolerated and risk taking is encouraged, the company took a big step toward becoming a learning organization. The organization is highly oriented to internal entrepreneurship.

1. **Organizational size:** the number of full-time, paid members of the organization is 160.
2. **Formalization** The organization has a very small number of written rules and policies. A "rules and procedures" manual does not exist. A complete written job description for most jobs in this organization and a formal orientation program for most new members of the organization also do not exist.
3. **Centralization:** This organization can be characterized as lowly centralized.

Hence, the organization under investigation has an organic organizational structure. Sample data were obtained from 130 employees which are male and 90% of them are younger than 40 years of age. The employees are experts from the field of computer science.

Measures

Indices of cultural dimensions are measured by Hofstede questionnaire (VSM 94) (<http://www.geerthofstede.nl/research--vsm.aspx>). General job satisfaction is measured by an item: generally, how are you satisfied with your job (Lickert scale from 1-very dissatisfied to 6-very satisfied). Inner motivation is measured by the questionnaire introduced by T. Amabile. Items are: I enjoy to find solutions to complex problems, I enjoy to present new ideas connected with our products, I enjoy to be active in the analytical thinking, I enjoy to create new procedures in solving work tasks, I enjoy to introduce innovations in the current products (Lickert scale from 1-strongly disagree to 5-strongly agree). Cronbachs alpha is 0.782. One of the possible proxy for the estimation of the presence of the organic organizational structure can be the level of supervisor support of employees. Namely, in organic organizations the supervisor takes into consideration the ideas of the employees which open the doors to create teamwork among employees. Supervisor support is measured by Downs and Hazen communication satisfaction questionnaire. Some items are: supervisor trusts me, supervisor is open to ideas, supervisor listens and pays attention to me (Lickert scale from 1-strongly disagree to 10-

strongly agree). Cronbachs alpha is 0.939. In the continuation of our study we use the following notations: M is the level of inner motivation, JS is the level of general job satisfaction, SS is the level of supervisor support.

FINDINGS

The values of cultural indices are the following:

PDI \approx 56, IDV \approx 93, UAI \approx 63, MAS \approx 47.

The correlation between M and JS in the sample is 0.282 and it is statistically significantly different from zero. We investigated the moderator influence of the variable SS on the correlation between the variables M and JS. The methods for investigation of the moderator effect of one variable (in this case SS) and on the correlation between two variables (in this case M and JS) based on the following procedure. First, two subsamples are formed based on the values of the potential moderator variable (for example, in the first of the subsamples the values of the variable SS are over the average value and in the second one the values of the variable SS are below the average value) and then correlation coefficients are compared between M and JS in the two subsamples. If these coefficients are statistically significantly different then SS is the moderator. We obtain that in the first subsample the correlation coefficient is 0.332 and is statistically significantly different from zero, and in the second subsample is 0.127 and it is not statistically significantly different from zero. This proves that SS moderates the correlation between job satisfaction and intrinsic motivation in the sample.

DISCUSSION

An explanation for the moderator effect of the variable SS on the correlation between variables M and JS may be that a high level of individualism and a low level of power distance may be causing a high level of expectation from supervisor support by creative staff of the organization. If the an employee perceives a lack of supervisor support this may produce a constrain for the development of a high level of intrinsic motivation. In this case the rise in the level of job satisfaction is not followed by the rise of the level of intrinsic motivation in a significant way. A low level of uncertainty avoidance has a good fitting with the matrix and organic organizational structure (Robbins and Judge, 2007). According to the theory of person-organization this may influence high levels of job satisfaction and internal motivation, which is the

case in this organization. High level of individualism foster corporate entrepreneurship (Moris et al., 1994) which is one of the most important characteristics of the organization under investigation. On the other hand a high level of femininity foster good relationships between employees which enhance team work in the organization. The obtained results may help to the management of the organization to pay a greater attention to the supervisor support of the staff, which may produce better results by the organization in the future.

CONCLUSION

“The key is to balance the need for individual initiative with the spirit of cooperation and group ownership of innovation. This balance occurs over the entrepreneurial process, not all at once, and as micro-level innovation evolves into macro-level organizational change. Individuals are needed to provide the vision, unwavering commitment, and internal salesmanship without which nothing would be accomplished. But as the process unfolds, the entrepreneur requires teams of people with unique skills and resources“(Morris et al., 1994). Hence, it seems that one of the main reasons for the competitiveness of the organization under investigation is its matrix and organic organizational structure, which has a good balance between a high level of individualism, a high level of femininity and the orientation to an internal entrepreneurship. It would be interesting to investigate individual level of the perception of internal entrepreneurship and its correlation with job satisfaction and internal motivation of employees in different parts of Serbia.

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