Differences of Organizational Culture between Small and Large Enterprises

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Abstract

This research paper analyses the organizational culture of small enterprises and large enterprises, and highlights the common elements and the main differences. The results of the study show significant differences in terms of organizational culture between the two types of organizations. Employees working in small size enterprises are oriented towards innovation, whereas the ones working in large enterprises are more aware of social responsibility. In addition, small organizations are perceived to have a more supportive organizational culture than large enterprises. Furthermore, the study reveals differences in management and leadership styles when analyzing the small and large enterprises. Considering the flatter organizational structure of small enterprises, the managers have a personal relationship with the employees and they motivate them better and align their goals with the ones of the enterprise. In large organizations, the managers need to have a tighter control, as more procedures have to be followed.

Key words: organizational culture; small enterprises; large enterprises;
J.E.L. classification: M14;

1. Introduction

The recent scientific literature highlights the importance of organizational culture, but very little research has been conducted regarding the differences in organizational culture between small enterprises on one hand, and medium and large enterprises on the other hand.

Schein (1985, p. 225) showed that culture is a powerful and stable force in organizations and its implications on organizational performance and long-term effectiveness. In addition, organizational culture can be a great source of competitive advantage, if the company focuses on continuous development of the employees and on creating a learning organization (Barney, 1996, p. 656). In this manner, the company will adapt much quicker to the changes of the business environment and will have the capacity to innovate. As numerous scholars have shown, a strongly cohesive culture will increase the productivity and the increase the commitment of the employees. In addition, by implementing the best management practices, the employee morale and their attitude towards work can be improved to a significant extent. However, there are few studies that study the similarities and differences of organizational culture between the small and large enterprises.

Organizational culture has many functions, one of the most important being the fact that it creates distinction between one organization and the others. Furthermore, it creates a sense of identity for organization's members. Organizational culture also enhances the commitment of the employees to something broader than their own self-interest, holds the organization together by delivering standards for what employees should do and say, and it is a mechanism that shapes employees' attitudes and behavior.

While today more and more organizations decentralize, the role of culture is even more important, but in the same time establishing a strong culture has become difficult. In other words, when formal authority is reduced, culture's shared meaning guides every member in the same direction. Nevertheless, employees that work in teams may show more commitment to their team

values rather than to the values of the team as a whole. Establishing a common set of value is very difficult especially in virtual organizations, where face-to-face contact is not possible, so a strong leader that communicates frequently about common goals is essential for these innovative organizations.

Nowadays, companies with strong cultures offer a job or make promotions by taking into account the individual-organization fit. This concept reflects weather a person's attitudes and behavior are compatible with the culture of the organization, as the management wants to maintain their image and the level of effectiveness, while maintaining a positive climate.

2. Literature analysis

Generally speaking, there are many definitions regarding the organizational culture. On one hand, Schein (1985) defines culture in terms of artifacts, espoused values and basic assumption. The most visible layer of culture is represented by the artifacts, while the core of organizational culture and the most intangible layer is represented by the espoused values. Basically, Schein shows that organizational culture sets the norms that described which behaviors are accepted and which aren't allowed within the organization. In 2004, Schein offers the following definition for organizational culture "the set of shared, taken for granted and implicit assumptions that a group holds and that determine how it perceives and reacts to its various environments". According to this definition, organizational culture has three main characteristics, as follows: on one hand, organizational culture is passed down to new members through socialization, behavior at work is strongly influenced by the culture of the corporation and that organizational culture operates at different levels (Dorothy, 2008).

Christensen and Gordon (1999, p. 397) define organizational culture as "a set of beliefs, assumptions and values that are shared by a majority of those in an organization". If it were to sum everything up, the organizational culture really represents the essence an organization works. Taking into account that scholars have shown that performance-enhancing strategies (total quality management, downsizing, outsourcing or reengineering) are dependent on cultural change. Therefore, the need to accurately assess the culture of an organization is really a condition for increasing the overall performance. Cameron and Quinn (1999) note that the organizational assessment is an essential step before implementing the performance management practices, as the organization has to change while maintaining stability in the exterior environment.

Although many studies have been done regarding the corporate culture in large organizations, small organizations haven't been studied to the same extent. One of the main reasons is that most scholars assume that the aspects that describe the large organizations are also applicable to the small and medium enterprises. However, other researchers consider that small enterprises function differently for many points of view. For example, (Mau, Lan and Chan, 2001, p. 123) claim that the main differences when comparing small to large enterprises are related to the organizational structures, leadership styles and the manner in which they define their competitive strategies and responses.

However, assessing the organizational culture of small enterprises is a sensitive topic, as in order to improve the organizational effectiveness, one need to assess the relevant dimensions of the culture. Without knowing these dimensions, cultural change cannot be accurately and efficiently implemented. In turn, without adapting the culture to the dynamic of the business environment, most small companies fail to survive on the long term.

According to EU legislation, a small enterprise is a company that has less than 50 employees and its annual turnover and total assets are no greater than 10 million euro. In addition, a medium enterprise must have no more than 250 employees, its annual turnover should be less than 50 million euro and its total assets should not exceed 43 million euro. In addition, EU legislation defines microenterprises as companies that have less than 10 employees and annual turnover less than 2 million euro.

However, in other countries the upper limit of employees varies extensively. Therefore, in USA the upper limit to define small enterprises is 100 employees. In the current study, the small enterprises had less than 50 employees and medium enterprises had less than 250 employees and large organizations had more than 250 employees.

For any economy, small enterprises are really important as they create employment, they innovate and on the long-term they sustain the economical growth. However, as small enterprises grow, they face many challenges, especially in term of organizational culture. Once the number of employees exceeds a certain limit, usually when they enter the medium-sized range, the climate of work deteriorates, the uncertainty increases, as well as the red tape within the organization. On the other hand, the level of trust between the members of the organization decreases, once the number of employees is larger than 250. (Alvesson, 2002).

On the other hand, small and medium-sized enterprises have several advantages as compared to large organizations. Therefore, the enterprises have better flexibility and decision-making process is a lot quicker, so that they can respond better to challenges and opportunities offered by the business environment. In opposition, the large enterprises score low at bureaucracy and to response to market threats and opportunities.

Small and medium-sized enterprises don't have a formal hierarchy in most of the cases, so the employees rely more and collaborate on a personal level. Taking into account the informal, flatter and more centralized structures of small enterprises, implementing changes to the culture of the organization may be a quicker and more effective process. In addition, taking into account the reduced number of employees, the managers have the opportunity to develop a close and direct relationship with the employees. In this manner, the manager can reinforce the organizational culture on the long term.

Over time there have been many empirical studies about the links between culture and organizational performance. Considering the academic acceptance of this concept, without much inherent skepticism or divergent opinions, organizational culture is very important in the current context. However, this doesn't mean researchers came to a consensus regarding the definition and scope of the concept. On the contrary, there is a very wide range of views on the essence and relevance of organizational culture. First, there are some researchers who believe that studying culture as a unitary concept reduces its usefulness as an analytical tool (Ogbonna and Harris, 2000, p. 766). The second divergence of views is the fact that there can be no equal sign between this concept and the power and the political climate (Denison, 2000; Schein, 1985). Thirdly, there are many opinions in terms of changing organizational culture and ease the process

The popularity of this concept is largely due to the belief that certain organizational cultures generate superior financial performance. Many researchers and people directly involved in the operational processes of companies claim that the performance of an organization depends on the extent to which cultural values are shared widely within the company (Denison, 1990).

In the case of IT industry, some studies have shown that small enterprises have a competitive advantage over large organization. Therefore, Engler (1999) shows that the employees working for small and medium enterprises have a better productivity and the level of red tape is much reduced. However, they don't benefit from the same resources as a in the case of large enterprises. In addition, the personnel don't have the same experience and the number of specialists is reduced, as compared to large organizations. In addition, the management teams are smaller and don't have enough experience and financial resources to focus on innovation, nor the economies of scale to reduce costs.

3. Research methodology

The main aim of the present scientific paper concerns the analysis of difference in terms of organizational culture between the small enterprises and the large enterprises. This research is based on non-probabilistic sampling, more specifically on rational theoretical guided sampling. I have selected employees working in IT field from Bucharest and used primary data collection, such as questionnaire and face-to-face interviewing.

The studied population is represented by personnel from privately-own IT companies located in Bucharest. As far as the application of the questionnaire is concerned, I used a mixed strategy. On one hand, I sent questionnaires by email to 82 persons working in the IT field, of which only 38 have been returned, 37 being valid. On the other hand, I went to the Chamber of Commerce and I identified several companies which are competing in IT market. I managed to fill in another 44 questionnaires. All the questionnaires were checked for validity, before numbering and loading

them in a SPSS 17, data processing software. The graphs and the frequency were generating using this software. Taking into account the objectives of the research and the nature of the variables, the main analysis used were frequencies, Chi Square Test and the Correlation Coefficient.

Out of the 81 persons that filled the questionnaires and whose answers were valid, 37 persons worked in small enterprises, 12 in medium-sized enterprises and 35 in large organizations. Out of the 81 respondents, 30% finished post graduate studies (master or Phd), with a slightly better proportion in the large organizations (40% compared to 35%). In addition, a larger proportion of the employees from small enterprises technical qualification, as compared to large enterprises (37% compared to only 17%). Moreover, 42% of the employees from small enterprises were working in the company for more than ten years, as compared to only 27% in the case of large enterprises.

The hypothesis (H1) of this study is that the small enterprises cultures are more supportive, competitive and have a greater focus on rewards.

4. The results of the research

After analyzing the data collected from the respondents, there were noticed significant differences in terms of organizational culture between the persons working in the small enterprises and employees from large organizations. First of all, at the most visible level of culture (artifacts) the study revealed significant differences between the two groups.

When testing the links between the type of the organization and the perception of the employees about the equipment, the layout of the workplace and the climate, it was noticed a relationship of high intensity (Correlation coefficient=0.785, Sig.=0.01) and statistically valid (Chi-Square statistics revealed that none of the expected frequencies are less than 5, so these results are statistically valid). Therefore, 83% of the persons working in small enterprises responded that they are satisfied with work climate, as compared to only 61% of the persons working in large enterprises. However, the study shows a medium correlation between the number of years spent within the organization and the perception regarding the perception of the climate at the workplace (Correlation coefficient=0.55, Sig.=0.01). On the other hand, the place in the hierarchy has a small correlation to their perception regarding the artifacts (Correlation coefficient=0.12, Sig.=0.05. Therefore, it is safe to say that the position within the organization has little influence on the work climate satisfaction, while the number of years spent within the company has a positive influence. The influence can be explained by the fact that over time employees get accustomed with the facilities and equipment offered and they becomes part of a routine. In addition, dues to the lower number of employees, small enterprises score better, as the interpersonal relationships are more close and the organizational structure more flat, thus creating a better work environment.

After analyzing the primary data, the study revealed that there are no significant differences between the size of the organization and how clear the mission, the vision and the values of the companies are to the employees (Correlation coefficient=0.12, Sig=0.78). In addition, there are significant differences in the perception regarding how well the organization fulfills its mission. While, 92% of the employees working in small enterprises consider that the organization attains their mission, only 78% of the employees from large enterprises have the same perception.

92% of the employees from small enterprises chose Performance Orientation as a characteristic of their culture, as compared to 65% in the case of the large enterprises (Correlation coefficient=0.78, Sig=0.05). In addition, 85% of the respondents working in small enterprises chose Emphasis on Rewards as a characteristic of their culture, as compared to 75% in the case of large enterprises (Correlation coefficient=0.76, Sig=0.12), thus showing a strong positive correlation between the dependent and independent variables. In addition, 72% of the employees from small companies chose Innovation as a dimension of their culture, as compared to 64% in the case of large enterprises (Correlation coefficient=0.71, Sig=0.22). On the other hand, 93% of the employees working in large enterprises choose Social Responsibility as compared to only 65% of the members of small enterprises (Correlation coefficient=0.79, Sig=0.1).

After studying the questions regarding the leadership style, the study revealed that there are significant differences between the two study groups. Therefore, after analyzing the mean of the variables, the results show that the management style in small enterprises is diplomatic and transformational. In these organizations, the managers enhance the motivation, morale and

performance of the employees by fostering the employees' sense of identity with the organization. In addition, the manager is seen as a role model that inspires the members of the organization. The members of these enterprises take greater responsibilities. In addition, the managers in small enterprises understand the weaknesses and the strengths of the employees and help them align their goals and tasks with the company's objectives and thus enhance performance. After computing the mean of the variable for the large companies, the result still qualifies them for diplomatic and transformational management, although they score lower in this regard as compared to small companies. Because of the complex organizational structures, in large organizations, managers focus more on supervision and group performance. In addition, these managers don't adapt that quickly to changes in the business environment and want to keep things the same. This leadership style has the advantage of giving the manager a better control on a specific project, especially when certain procedures need to be followed. Both types of organizations, irrespective of their size allow the access to relevant information and value the opinions of the employees, although the percentage is better for the small enterprises (84% compared to 68% in the case of the large enterprises).

The data analysis showed an average-intensity relationship (Correlation coefficient=0.312, Sig.=0.01), between the two groups when it comes to the perception regarding how supportive the management is. The results indicated that small companies are perceived to be more supportive than large organizations. Therefore, the employees will involve more in their tasks. One possible explanation could be that in small organizations the employees trust each other more and feel their opinions matter when decisions are taken.

There is a weak relationship between the perception regarding the job security and the size of the organization (Correlation coefficient=0.12, Sig.=0.41, Chi-Square statistics revealed that none of the expected frequencies are less than 5). Therefore, 72% of the respondents from the small enterprises consider their jobs are secure, as compared to 84.8% of the employees from large enterprises.

Moreover, 73% of employees from small enterprises are satisfied with the level of their payment, as compared to 82% as compared to employees from large enterprises. The results obtained are consistent with previous studies, as Brown et al (1990) showed that workers from large enterprises have better financial rewards, enjoy better job security and have better wages as compared to employees from similar position in small enterprises.

5. Conclusions

This study studies the differences in terms of cultural dimensions between the small and medium sized enterprises, on one hand, and the large enterprises, on the other hand. The results of this paper show that small enterprises are perceived to be more innovative, performance oriented and supportive than large enterprises. On the other hand, the enterprises having more than 500 employees are perceived to be more socially responsible. Both small and large enterprises are oriented to innovation, but this result can be explained through the nature of the businesses that were studies (IT). One of the most important findings of this study is that it clearly shows small enterprises can be successful even if they do not imitate the large enterprises. Large enterprises have the advantage of higher resources, better economies of scale and more stable organizational culture, while small enterprises can adapt quicker to market shifts. In addition, the work climate in small enterprises is perceived to be better, as the communication between the manager and the employees is more personal and direct.

Last but not least, large enterprises could use these findings to gain a better reaction to business environment changes. Thus, large business could create small business units, in order to combine the advantages given by the economies of scale with the advantages given by a flatter and smaller organizational structure.

The limitations of this research are about the number of respondents and their location, as the primary data were collected from employees working in several IT companies located in Bucharest. I intend to extend my future researches to investigate the link between performance management and organizational culture, in other regions of Romania.

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