

Organizational Culture and Company Performance

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Abstract

This study aims to understand how an organization's values, norms and cultural habits influence operational efficiency, employee satisfaction and market competitiveness.

Among the main objectives of this study, there is the clarification of the notions of "organizational culture" and "company performance", as well as the identification of their different dimensions. Investigating how different aspects of culture contribute to the financial and operational success of the company is also another objective of this paper.

The paper also presents an analysis of Dufry UK's organizational culture, exemplifying how Dufry UK chooses to train its managers, based on the premise that the company's success lies in the manager's ability to organize and lead.

In conclusion, the paper will provide a broad perspective on how organizational culture can be an engine of performance within companies, highlighting the importance of cultural management as an essential part of business strategy.

Key words: organization, efficiency, satisfaction, performance, strategy

J.E.L. classification: L2

1. Introduction

Viewed from a historical perspective, management is found to be an integrative science, which has developed mainly due to the contribution of other fields and only to a small extent through its own evolution. Thus, industrial management has developed through the decisive contribution of engineers, bureaucratic administrative management through the contribution of sociologists, human resources management through that of psychologists, decision theory through that of mathematicians and economists, knowledge management through the contribution of computer scientists, and organization management through the contribution of specialists in systems theory (Horvath et al, 2007).

At the same time, organizational culture is a group of values, norms, belief systems and behaviours that work together to the unique environment of an organization. It has an extremely important role in shaping strategies, objectives, and attitudes specific to employee behaviours, having a significant impact on the overall performance of the company.

Starting from the above, this study aims to provide an insight into how organizational culture influences company performance.

In today's dynamic global economic landscape, organizational culture has become central to determining the long-term success and sustainability of companies. Another objective of this study is to explore and highlight the complex depths of how organizational culture contributes and influences a company's performance, focusing on the subtle interconnections that shape this relationship.

In a society where adaptability and innovation are vital to survival and prosperity, understanding the cultural nuances that govern organizational behaviour and strategic decisions becomes essential.

The study will investigate how leaders of organizations can shape and adjust company culture to improve overall performance, trying to demonstrate that organizational culture is not simply a peripheral aspect of corporate management, but a central pillar that can determine the level of excellence and performance of a company.

Exploring the link between organizational culture and company performance will provide valuable insight into how organizations can successfully navigate contemporary business challenges.

2. Literature review: Organizational culture from concept to performance

In the market economy, economic agents in the business sector – respectively enterprises or firms, know typical forms of organization, each of the forms corresponding to a certain economic and legal regime of operation. The choice for a form of organization rests with economic agents as entrepreneurs or owners. Of course, the subject will choose that form of organization which, in relation to the existing legal framework, appears to them as the most favourable for promoting interests in developing the respective business. (Ion et al, 2010, P273).

At theoretic level, organizational culture consists of a coherent set of values, meanings, behaviours, and organizational practices, representing the main criterion in interpreting organizational reality. Schein understood "organizational culture as a cognitive process of adaptation to the specific diversity of organizational contexts and integration within a reality (Hellriegel, Slocum, Woodman, 1992, p 503).

first typology in the organizational system is one of understanding organizational culture, of which each of us is part on an axis from "strong" cultures to "weak" cultures. Of course, on this axis there is a scene of variations, which we will talk about. Strong cultures are characterized by intense beliefs, values, and assumptions with a tendency to spread. They form substantial agreement and support from the majority of the organization's members, and therefore a strong culture ensures broad consensus on the question of "what is the organization about" and the motivation for its existence. Strong cultures demonstrate many advantages, with good coordination, financial success and supporting the organization's goals being the most important.

A controversial issue in the literature concerns the relationship between organizational culture and organizational climate. Some authors overlap them in whole or in part, while others consider them distinct (Ovidiu et al, 2001, p 290).

Analysing the subject from the point of view of the direct link to employee performance, a strong organizational culture contributes to increasing the level of employee engagement. Employees who feel valued and connected to company values are more motivated to contribute to its success. Moreover, a strong organizational culture creates a sense of community and belonging among employees. It is also well known that when people feel they are part of a group that shares common values and goals, they are more motivated to contribute to collective success.

Organizations with a strong culture clearly communicate their values and mission. This helps employees understand how their work contributes to the company's broader goals, thereby increasing their sense of purpose and job satisfaction.

It can also be added that companies with strong cultures support the professional development of their employees through training, mentoring and opportunities for advancement. This not only improves individual skills, but also demonstrates a commitment to staff growth, which can increase their loyalty. Promoting transparency and open communication also facilitates the exchange of ideas and constructive feedback between all levels of the organization. This can lead to improvements in work processes, innovation and efficient problem solving.

Feedback is the best way to participate in change both proactively and reactively. Feedback provides the tool to influence others.

Therefore, building and maintaining a strong organizational culture requires continuous and conscious efforts from company leaders. However, its benefits on employee engagement levels are substantial, leading not only to a more motivated and productive workforce, but also to improved long-term reputation.

The external perception of a company's culture can significantly damage its reputation, as a solid reputation can attract both new customers and top talent.

The link between organizational culture and company performance is clearly demonstrated through numerous studies and practical cases in the industry. Creating and maintaining a positive organizational culture requires constant effort and involvement from senior management, but the long-term benefits for company performance are undeniable. For business leaders, the key is to identify the core values of their organization and integrate them into all aspects of their daily operations.

A performance-oriented organizational culture will consider the fact that attention should be directed to employees and leaders, and leadership style has direct effects on the results of any company.

Research on power and influence shows that there are 28 skills associated with influence effectiveness. These skills fall into 4 categories: communication and reasoning, assertive, interpersonal, and interactive.

In terms of financial predictability, a culture that values stability can contribute to sound financial planning and prudent business decisions. This can help the company navigate through difficult economic times with minimized risks. Cultures that emphasize stability tend to have more expensive employee retention rates, leading to the accumulation of internal expertise and reduced costs associated with recruiting and training new employees.

Despite the obvious benefits of every aspect of the organizational culture mentioned, it is important to note that there is no one-size-fits-all solution.

The optimal mix of these elements varies depending on the industry, company size, business strategy and even the stage of development of the organization. For example, start-ups may benefit more from a flexible innovation-oriented culture, while established corporations may prioritize stability and efficiency.

To assess the impact of organizational culture on financial and operational success, companies can use various methods, including internal surveys to measure employee satisfaction, benchmarking to evaluate performance against competition, and case studies to identify industry best practices.

In conclusion, building a strong organizational culture that aligns with the company's strategic goals is essential for long-term success. By encouraging collaboration, innovation, and establishing a stable and secure environment for employees, organizations can create a sustainable competitive advantage that contributes to operational performance.

3. Research methodology

This work was carried out by using qualitative research methods to provide a complete picture of how organizational culture influences performance.

An analysis of Dufry UK's internal documents was also conducted to identify the type of organisational culture adopted by the company.

The paper was prepared through a detailed analysis of specialized studies in the field, and practical examples were provided after an analysis of Dufry UK's organizational culture, analysis that was possible by conducting an interview and studying the company's documentation.

Regarding the interview, the respondent was the Duty-Free manager at one of the UK airports.

According to official Dufry's website, Dufry Company is the UK's leading travel retailer, offering a wide range of premium brands in Duty Free stores in London Heathrow, London Gatwick, London Stansted, Manchester, Birmingham, Glasgow, Edinburgh, Bristol, Exeter, Bournemouth, Southampton, Liverpool, East Midlands, Newcastle, Robin Hood, Doncaster, Sheffield, Leeds Bradford, Aberdeen, Belfast City and Eurotunnel. Dufry's main global goal is to develop its people to be the best they can be, to support Dufry's position as a leading retailer.

The company culture is based on making customers feel special through a fun and world-class shopping environment. As brand values, the study can identify Solid (consistently performing and excelling in everything it does), Global (unmatched in scope and international reach), Delivery (executing its mission to achieve solid financial performance through operational excellence) and Focus (placing the customer at the centre of everything it does).

4. Findings

4.1. The Role of Leaders in Forming Organizational Culture

After analysing the data, we conclude that the role of leaders in shaping organizational culture is crucial and multifaceted. Leaders not only guide behaviours, values, and norms in an organization, but they are also role models for employees, directly influencing organizational culture through their own actions, decisions, and communication.

Moreover, leaders are essential in establishing and communicating the vision and values of the organization. They are fundamental to organizational culture because they provide a common framework that guides employee behaviour and decisions. By exemplifying these values in their daily behaviour, leaders reinforce these principles in the organization's culture.

The behaviour of leaders serves as a model for employees, given that if leaders demonstrate integrity, respect, and openness, these qualities are likely to be reflected in employee behaviour. On the other hand, if leaders display negative behaviours, they can also be adopted by employees, leading to a toxic organizational culture.

Another important aspect of leadership is that leaders play a key role in promoting open and transparent communication within the organization. This includes not only conveying the necessary information, but also listening to employee feedback. At this level, it can be concluded that effective communication helps create a work environment based on trust and mutual respect.

Investing in employees' professional development is another way leaders can influence organizational culture. By providing opportunities for learning and growth, leaders demonstrate commitment to valuing and supporting their team members.

Leaders have a profound impact on organizational culture through personal example, the policies they implement, the way they communicate and relate to the team. Organizational culture is not formed overnight but is the result of continuous efforts of leaders to shape an environment according to the vision and values of the company. Therefore, to develop a positive and productive organizational culture, it is essential that leaders are aware of their vital role and act intentionally to shape the desired culture.

Next, the study will present the training model of Dufry managers. Dufry

Dufry proposes a model of manager training based on a good understanding of needs, celebrating success, and encouraging staff to learn, develop and grow.

Regarding the Dufry "Lead Our People" program, it includes a series of questions that managers must answer and requires identifying solutions for a good organization, as follows:

Lead Our People

- Ensure your people understand what they need to deliver:
 - Do they understand the task?
 - Do they know when they need to complete it by?
 - Do they have the skills to do it?
 - What does good look like?
- Praise good performance, manage underperformance.
 - How do I monitor performance?
 - Do I tackle difficult issues?
 - Do I say well done straight away?
 - Do I coach people to get better?
 - Do I flex my style according to the individual?
- Encourage your people to learn and grow.
 - How do I pass on my skills and Knowledge?
 - What do I do to help my people to learn new things?
 - How do I encourage my teams to learn and grow?

Think Commercially

- Understand how we make money.
 - Do you understand how we make money?
 - What information could you use?

- How will you explain this to your teams so that they understand and how will you check that understanding?
- Focus on delivering objectives while staying within budget.
 - Do you know what your budget is?
 - Do you have sign off authority?
 - How to you explain/communicate targets/budget information to your teams?
 - Watch out for waste and stop it where you can.
 - Do you know what ECP stands for?
 - What kinds of waste are generated in your area?
 - How would you challenge waste?

Customer Obsessed

- Lead by example in how to interact with guests
 - What does lead by example mean?
 - Think about how you interact with guests – are you setting an example?
 - Look for great examples from your colleagues/manager.
 - Do you deliver feedback to a member of your team if you saw a great/not so great example?
- Seek guest feedback on ways to improve service.
 - How do you seek/invite feedback from customers?
 - Where would it be appropriate to ask for this feedback?
 - What do you do with the feedback you receive?
 - How will you encourage your team members to seek/invite feedback from the guests?
- Help the team to understand the importance of the guest and the part they (team) play.
 - Why is the guest important?
 - What will you do to help your team to understand?

At the same time, following the interview, we identified that the Dufry learning, and leadership model is structured as follows: 70:20:10

So, 70% by Experience, through day-to day tasks, challenges, and practice

- 20% by exposure, through social learning, in person or online
- 10% by Education, through formal learning including courses.

70:20:10 describes an ideal balance between different ways of learning and developing in the workplace.

It’s not a formula for certain success to be followed precisely, but a pointer to the kind of weight to give to each area.

The 70:20:10 model says that effective learning can take place anytime, anywhere and under anyone’s guidance, and that we need a mix of methods for people to learn optimal experience, exposure, and education.

Dufry also operates under a Growth Competency Framework designed to support performance globally.

This framework was created because of collaborative work across Divisions, aligning the leadership behaviours and competency frameworks across the Group. It’s called GROWTH framework – and the aim to develop talent to support Dufry’s growth strategy. This framework is based on the following competencies, which are explained as follows:

G- global mind set: Support Dufry’s strategy and global presence through enhancing standard ways of working, seeking the overall best practices and promoting efficiency and diversity across the business.

R- Results focus: Moves tasks and assignments towards successful closure by setting ambitious goals. Goes the extra mile to meet deadlines to provide high-quality outcomes in a timely manner.

O- Ownership & Accountability: Assumes responsibility for decisions, actions, and outcomes. Shows dedication to get things done. Has the ability to foresee challenges, own them, and find the right solutions. Acts with integrity and builds trust.

W-Winning Customers: Builds and maintains effective working relationships with both internal and external customers. Maximizes personal contribution by defining and delivering outstanding service, the highest value and best experience for customers.

T- Teamwork: Works collaboratively with others to achieve company goals. Has the ability to build and maintain productive relationships with others. Communicates constructively and clearly. Keeps team members informed and treats others in a respectful and supportive way.

H- Having Impact & Being Innovative: Contributes to the company's growth by introducing best practices and innovation. Effectively communicates, influences, and drives continuous development.

The above definitions are an overview and are further detailed as behaviours relevant to different communities in the organisation:

- Executive Leaders
- Managers
- Employees
- Shop Supervisors
- Sales Associate Communities

4.2. Challenges in Maintaining a Coherent Organizational Culture

Maintaining a coherent organizational culture is a constant challenge for leaders and managers of organizations, regardless of their size or field. Organizational culture, being the sum of values, norms, language, customs, and practices shared within an organization, plays a crucial role in the long-term success and sustainability of any entity.

Modern organizations are often diverse in cultural, ethnic, generational and value orientations. Effectively integrating these differences into a unified organizational culture can be difficult, but essential to creating an inclusive and productive work environment.

Maintaining open and effective communication is essential for a strong organizational culture. Challenges arise when messages are not conveyed clearly or when they do not reach all team members, leading to misunderstandings or lack of alignment with the values and goals of the organization.

To address these challenges, it is important for leaders to be aware of the impact of their actions on organizational culture and prioritize transparent communication, inclusion, adaptability, and continuous employee development. It is also important to invest in training leaders who are aligned with the values of the organization and able to pass them on to their team.

Maintaining a coherent organizational culture requires constant efforts and long-term commitment from all members of the organization. By carefully navigating these challenges and adopting proactive and adaptive strategies, organizations can build a strong culture that supports the achievement of their strategic goals and improved employee satisfaction.

5. Conclusions

The paper clearly highlighted that there is a deep connection between organizational culture and company performance. The strongly positive culture, which promotes values such as integrity, innovation, responsibility, respect, and collaboration, helps increase employee satisfaction, improve operational efficiency, and strengthen customer loyalty.

It was emphasized that company leaders play a crucial role in shaping and transmitting organizational culture. Through personal example, open communication and management practices congruent with the values promoted, leaders significantly influence how culture manifests and perpetuates itself within the organization.

An organizational culture that encourages innovation and adaptability is essential for the long-term survival and prosperity of companies in a dynamic and competitive business environment. Cultures that support experimentation, calculated risk-taking, and learning from failure facilitate continuous innovation and adaptation to market changes.

Also, cultures that value transparency, recognition of merit and professional development contribute to increased job satisfaction, reduced staff turnover and improved overall company performance.

Finally, the focus of the study will be on providing recommendations on how companies can effectively evaluate their current culture and implement strategies aimed at improving the cultural aspects that are most closely related to financial and operational performance.

Strategies to improve organizational culture to drive performance are essential for the long-term success of any organization. Organizational culture directly influences employee motivation, satisfaction, and ultimately performance.

Proposed effective strategies that can help cultivate a performance-friendly organizational culture:

- Clear and concise explanation of the organization's vision and core values - this creates a sense of common purpose and directs behaviours towards the goals of the organization.
- Encouraging open communication between different hierarchical levels, as well as between departments - this can increase trust and reduce misunderstandings.
- Implementing a reward and recognition system that reflects individual and team contributions to the success of the organization – this can increase employee motivation and loyalty.
- Creating continuous training and professional development facilities - this not only improves skills, but also shows that the organization is concerned about increasing its staff.
- Establish a system through which employees can receive regular constructive feedback on their performance, as well as a channel through which they can provide feedback to management.

All employees should feel valued and respected regardless of their background. A diverse work environment encourages innovation and creative approaches to problems.

Giving employees more control over how they perform their tasks, as autonomy can increase job satisfaction and drive innovation.

Implementing these strategies requires time, patience, and a concerted effort from the management team. However, the positive effects on an organization's performance can be substantial, leading to an improvement in morale, an increase in productivity, and ultimately to the long-term success of the organization.

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