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Article

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BUILDING COMPETITIVE ADVANTAGE OF THE COMPANY BASED ON CHANGING ORGANIZATIONAL CULTURE

Hariz Muratović *

ABSTRACT

In the theory and practice of the organization and management in the developed countries, the organizational culture becomes more and more important source of discreet, obscure but powerful and long sustainable competitive advantage, if it is developed as especially effective and established to strengthen its content which enables value creation in accordance with the selected way of competing. In this sense, the need for developing suitable culture content i.e. maintaining organizational culture, is gaining in importance. The competitive value framework and methodology for diagnosing and changing organizational culture developed by Cameron K.S and Quinn R.E (1999), who provided a theoretical background for understanding, valid tools for diagnosing and systematic strategy for changing organizational culture, emerged as a useful tool which can help in establishing organizational culture and its adjustment to a selected way of competing. Our study conducted for the first time in this region using these instruments, speaks in favor of the above mentioned observations. Narrowing down a wider content of these studies, we present a comparative analysis of organizational culture that we conducted in two up-and-coming companies in domestic shipping industry – furniture industry. This analysis provides important data and secures suitable (transparent) background for guidelines and activities in further development and improvement (change) of culture which these

companies maintain, according to their selected ways of competing.

Key words: comparative analysis, changing organizational culture, competitive advantages.

JEL: M14

1. INTRODUCTION

Companies create value and competitive advantage through their activities. Organizational culture should support company value creation according to selected way of competing. The content of organizational culture must be congruent i.e. compatible with the selected way of shaping values in company's activities and processes.

Accordingly, (strategic) company's orientation in creating values for buyers, company itself and the development of competitive advantage demands suitable contents of organizational culture, so that this orientation could result in desired performance of the company. This implies creating, increasing, reducing or maintaining the content of organizational culture through concrete steps, effort and actions as well as comprehensive effort to change and improve organizational culture. The first systematic steps in this direction should be diagnosing the existing and desired organizational culture. The competing value framework and methodology for diagnosing and changing organizational culture developed by Cameron and Quinn imply exactly the above-mentioned. They

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allow the creation of company's organizational culture profile, existing and desired, and their interpretation, whereby various connections can be noticed and various comparison can be made which consequently create the basis for further steps in changing (improving) organizational culture.

Various comparative analyses, which in this sense can be conducted, show their usefulness and purpose. The comparative analysis of the two companies "Namještaj" Plc., Gradačac and Ltd. "Fis" Vitez presented in this paper¹ confirms all the above-mentioned.

2. THE REVIEW OF LITERATURE

2.1. Competitive Advantage

Competitive advantage can be defined in many ways, but here several definitions are provided:

Competitive advantage is something that a company does or possesses that gives it an advantage over its rivals (Schnars 1996, pp. 32).

Companies can create competitive advantage from many sources, such as superiority in quality, speed, security, design and reliability, along with lower costs, price etc. (Kotler 2004, pp. 62).

Competitive advantage essentially occurs from the value company is capable of creating for its buyers. It can occur in the form of lower prices for the same things in comparison to other rivals or in the form of providing unique benefits which more than neutralize premium price (Porter 2007, pp. 18).

Therefore, competitive advantage is considered a special trait which differentiates a company from its rivals, but which buyers esteem and by preferring its products (services) help the company to gain advantage

(better market position, profit etc.) over its rivals.

Competitive advantage has other names such as "Unique Selling Position", "Unique Selling Point", "Favorable Position", "Discrimination", "Differentiation" (Smith 2007, pp. 23).

Ansoff (1965) is considered the first author who developed the idea of modern comprehension of competitive advantage stating that it occurs from the search for "unique favorable opportunity ... which will provide a company with strong competitive position" (Ansoff 1965, pp. 110, as stated by Renko 2005, pp. 47). In 1985, Michael E. Porter gave the revolutionary contribution to this idea by writing the book concerning this topic titled: "Competitive Advantage: Creating and Sustaining Superior Performance". Essentially, according to Porter, competitive advantage can be established in two ways: by comparative advantage (cost advantage) and differential advantage. It should allow the company to generate greater profit in its branch. Porter finds the basis for this in creating sustainable competitive advantage, and the sustainability assumption is its strength and uniqueness, so that rivals cannot take it over or imitate it easily.

Today, most of the advantage is not that relevant, and few are sustainable. Advantages are temporary. Companies do not win only with one advantage, but with having one advantage after another over certain period of time (Kotler 2004, pp. 62).

The opinions of different authors (Porter 2007; Kotler 2004; Smith 2007 and others) suggest that in order to develop competitive advantage, a company should shape unique strategies (in focus of every business strategy should be one chosen general, basic or generic strategy while the functional and other strategies of the company should be compatible with the previous ones) so that it (competitive advantage) could be sustained

longer, taking into account that unique strategy cannot be fully imitated or duplicated, as well as competitive advantage as the product of its creation. Organizational culture should support, with its content, maintenance of existing and development of a new competitive advantage in accordance with the selected way of competing, through the development and strengthening of a company provided by its (unique) strategy.

2.2. Organizational Culture

There are many ways to define culture and due to this fact, there is abundance of definitions. The term culture was first introduced in 1871 by Edward Taylor. It was borrowed as a concept from anthropology and “put” in organization and management, where it received new attributes - “organizational” or “corporative”, and the phrase corporative culture is used with the same meaning. The book “Changing Corporate Culture” written by Jaques is considered to be the first book where this term is explained and used. It was published in 1952.

Organizational culture is, therefore, a relatively young concept, which is associated with many definitions. Nevertheless, it can be said that an increasing number of authors accept and use the definition provided by Edgar Schein, who states that organizational culture is cultural scheme of mutual basic assumptions which certain group learned in overcoming their problems concerning external adaptation and internal integration. It proved to be good enough to be considered valid and therefore it is desirable that new members learn it as an example of proper understanding, thinking and feeling regarding this problem (Schein 2004, pp. 17).

According to Reichers and Scheinder (Schneider ed., 1990.), every theoretical concept in social sciences has three stages of development². The first stage is the stage of introducing and elaborating, when a new

concept is discovered, originally developed in certain area or borrowed, or transferred from other area: the concept of culture is borrowed from anthropology, the area in which it has been known for a century. In the first stage, the primary task of the researcher is its legitimization. Unlike the USA and Western Europe where this concept passed the first stage long time ago becoming legitimate and familiar, in our country we can say that it is still fighting for its legitimacy.

The second stage is critical analysis and evaluation/assessment of the concept and its connection to other concepts and its application in different problems. In the USA and Western Europe the concept “organizational culture” entered, in 1980, the second stage of its development.

The third stage represents the stage of consolidation and adaptation of concept. That is the stage when the concept is completely mature and fits in broader theories and models. In this stage the ways of operationalizing and using it practically are developed. The competing value framework and methodology for diagnosing and changing organizational culture developed by Cameron and Quinn, which was used in this paper, can be considered a contribution to the usage of the concept “organizational culture” in practice and in our case, for the purpose of supporting the existing and development of new competitive advantage of the company.

The concept “Competitive advantage” is, as stated by Janićijević, the framework where the relation between performance of a company and its content and strength of its culture has been explored recently in developed countries. He is one of the authors who state that organizational culture can, according to new understandings, be a significant source of competitive advantage of a company.³

2.3 Comparative Analysis

Comparative analysis, presented in this paper, represents the conclusion of a broader study of organizational culture content compatibility of the observed companies, with its orientations in competing. In this sense, the analysis generates very useful information which can help in the process of changing the culture of each company i.e. the culture improvement of each, and in its compatibility with company's orientation in maintaining and innovating the existing and developing new competitive advantage.

The methodology used in this paper made it possible to present, in a very transparent manner, the form of organization's profile and to spot differences in cultures between these two up-and-coming companies in the furniture industry. Also, what proved to be very useful in generating the information presented in this analysis is the comparison of cultures that these companies maintain and the most interesting profiles from the data base of Cameron and Quinn, the authors who created this methodology (1999). On the basis of the study conducted in more than a thousand organizations, gathering information from 40.000 managers, they formed some average profiles of the so far examined organizations.

3. CONCEPTUAL MODEL BASED ON A FRAME OF COMPETING VALUES

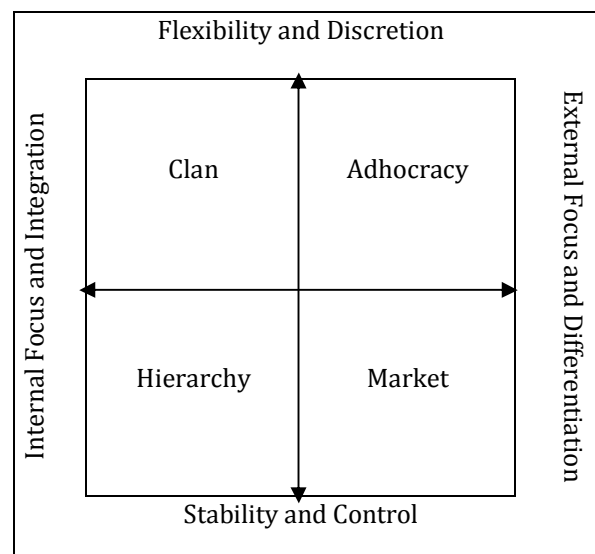
The methodology used in the study is based on the frame of competing values, which is drawn from the research of key indicators for organizational effectiveness. In the research of this model, the base ground was the wider spectre of indicators for organizational effectiveness (such as productivity, cost-effectiveness, motivation, job satisfaction, etc.), with the goal of finding a better approach of identifying these key factors. The statistical analysis of as many as 39 indicators opened the way for two main dimensions that

grouped the indicators in four main groups (Cameron, Quinn, 1999, pp. 30).

One dimension separates effectiveness by the criterion that emphasises the flexibility, discretion and dynamism, from the criterion that emphasises stability, order and control. The other dimension separates effectiveness using the criterion that emphasises inner orientation, integration and unity on the one side, which is opposite to the criterion that emphasises external orientation, differentiation and rivalry on the other. Together, these two dimensions form four quadrants in which every quadrant stands for an independent set of indicators for effective organisation.

These four sets of values represent opposite or competing assumptions that give name to this model of competing values (Figure 3.1). A characteristic name is given to each quadrant in order to differentiate its identifiable characteristics: clan, ad hoc, market and hierarchy. Each represents base assumptions, orientations and values that are content elements of organizational culture, that are identified as special types of culture, more specifically as four main types of culture in organisations.

Figure 3.1. The Competing Values Framework⁴



OCAI⁵ as a representative of this approach (frame of competing values) represents the instrument that enables us to diagnose the dominant orientation of every type on the basis of four types of culture. It also helps us to diagnose the strength of organisational culture, type of culture and cultural congruence.

Therefore, the role of OCAI is to help in identifying the flowing organisational culture as the first step by which new groundwork is created for its improvement (change). In the second step, the same instrument needs to help in identifying the culture that, according to the members of the organisations, needs developing in order to adequately respond to the requirements of the environment, the challenges that the organization faces and creation of assumptions for strategy feasibility. In this strategy, the development of competing advantages takes the central importance. It is important to note that the way in which this instrument (OCAI) is used is different from the way in which data is collected with the help of common research such as surveys, questionnaires and interviews. Specifically, OCAI and

the overall methodology for diagnosing and changing organizational culture of which it is a representative, lays in the process of dialogue between persons who are responsible for initiating and managing of change in organizational culture. Managers from the sole top of the organisation are enrolled in this process, but persons from other levels of the organisation can also take their share in the process. It is predicted that these persons as members of this selected group, first need to individually fill out OCAI after which they meet together in order to come to mutual opinion (consensus) through dialogue.

This consensus is afterward recorded in the questionnaire OCAI, first about the current, and later about the retrieval and preferred

culture. These sorts of consensus opinions reflect the profiles of current and preferred culture of the organization that is observed. Their graphical representations, interpretation, analysis, and identification of differences as well as the generation of particularly useful data by means of comparative analysis create the groundwork for what should be taken as a base for latter development and improvement of the observed cultural organisations..

The precision of this procedure is confirmed by the attitude of one of the authorities in the organisational culture E. Schein who states, "Cultural assumptions cannot be seen with the help of the means for individual questioning, such are surveys, questionnaires and/or interviews. Groups are the ones that nurture culture, not individuals so they can only be diagnosed in groups. Optimum group can include ten to fifty people, selected in order to represent the cross-section of organizations in relation to addressing the current problem"⁶

4. RESEARCH METHODS

4.1. Sample

The research has been conducted on the sample taken from the two local companies in the furniture industry. One of them has been selected as a representative of older companies formed in the period of socialist economy, which have been developed over several decades in the frame of this system. They have also managed to complete the process of ownership transition after the war in the variable environment and are fairly successful in their business today. Unfortunately, due to the combination of different circumstances these two companies have gone through, especially war and transition changes with poor outcomes, very few companies in Bosnia and Herzegovina that are in the furniture industry operate with positive results. The second company has been selected as a representative of younger

companies (but old enough to be able to build recognizable culture), that, from the beginning of their establishment, have been under private ownership. This company has been formed almost after the war in Bosnia and Herzegovina (BiH), and up until today has recorded a fast growth, and is one of the strongest companies with all the qualities of leadership in traffic and furniture manufacturing and transport consumer goods.

Because of the practical reasons the company "Namještaj" Plc Gradačac is in the following text marked as the company X, and has been chosen to be the representative of older companies. The company has fifty years of history in shaping its culture which has been developed in the period of state and self-management socialism, where it reached its maximum growth. It survived the war period, it faced the loss of market and because of that the company has expanded its manufacturing program. In terms with that, the company has strengthened its competence by investing into new equipment, brought to an end ownership transition and finally faced the global recession. After all these changes, the company has remained as one of the rarest companies in furniture industry that has maintained its stability and has a relatively good business today.

The company "Fis" Ltd Vitez will in the following text be marked as the company Y. This company is half the age of the company X - 25 years. Since its establishment, the company has directed its attention to searching, identifying and successful creation of market opportunities, and suitable competitive offers that have been the source of growth of this company. With successful investment this company has gained the leading position in some business activities in BiH market.

The cultures of the researched companies are shaped on completely different ownership qualities since the company X has a longer

history of existence, and after the transition in 2000 the company is 60% in the ownership of funds and 40% in the ownership of workers and citizens. The company Y has since its beginnings been in the private ownership. Different styles of ownership, different goals and other elements led to different culture shapes of these companies.

The ways of competing of the selected companies are also different. The company X is an established manufacturer of kitchens with the reputation in this sort of manufacturing, which has in the last fifteen years developed new programs of oak solid and panel furniture manufacturing and thus expanded its production program because of the lack of the market. The company really grew in that part by investing into modern equipment and training people. The company's competing strategy is based less on price but more on forms of non-price differentiation (quality, specific products, etc.) in segments (determined by the lines of production) in which the company competes, so it could be said that the basic focal point in the market has a characteristic of the focus on differentiation in market segments for which the company is applying.

The company Y is a large company with a larger amount of business dealings, and larger production of panel, solid, bathroom, upholstery and other furniture. This company is primarily a large retail chain that sells the biggest part of these products, which is a significant competing advantage of this company (link between production and sales, and retail activities of the enterprise). In its basic orientation in terms of competitive strategy, this company is directed towards price differentiation. It is also orientated towards improving and enriching their offer by expanding into new manufacture and product programs by entering the new market niches and thereby spreading the competitive scope to more market segments. In this sense we could say that the basic competing strategy

of this company has a lot of focus on expenses (low sales prices) in more market segments, but some programs or lines of production of this company have the characteristics of best cost strategy (providing more value to customers than its competitors at the same price), while some have the characteristics of the focus on differentiation in their respective competition segments.

Respecting the views of the experts of the organizational culture (such as already quoted E. Schein) and their consistent methodology of Cameron and Quinn that we followed in this study, we have established in the participating companies, groups for diagnosis of culture. These groups were consisting of ten people ("Namještaj" Plc Gradačac) and twenty in the other company (Ltd "Fis" Vitez). Differences in the size of these groups were caused by the differences in the size of the researched companies. The groups were made of individuals from different parts of the organisation. People from the higher levels of company also participated (the CEO in the first case), other persons with different responsibilities and people who have the perspective of looking at the organisational culture of each observed company.

5. RESEARCH RESULTS

5.1. Profiles of Overall culture and Individual Elements of Culture in Company X and Company Y

Presentation of the results that are connected to the overall cultures of both companies X and Y, on the basis of the same organisational profile, creates the perception of their significant differences.

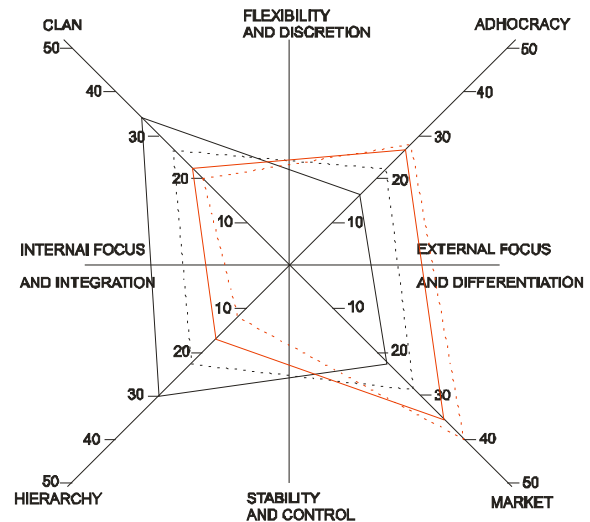


Figure 5.1. Comparison of organizational culture profiles of the companies X and Y

In Figure 5.1 the black line is used to represent the profiles of overall cultures, the company X (full line represents the current culture, and dotted the preferred culture) and the red line is used to represent the profile of the company Y (full for current, and dotted for preferred culture). The presented profiles of the comprehensive current culture of the companies X and Y clearly show basic differences between these cultures, related to their different orientations.

The company X is turned to internal focus and integration considering that the biggest power of its culture lies in clan (34.17 points) and hierarchical quadrant (30 points) which in total is almost two thirds (64.17%) of the overall power of this culture. Its external quadrants: market quadrant with 20,83 points and ad hoc quadrant with 15 points are entirely represented with slightly more than one third (35,83 %) of the overall power of the basic cultures of the company X.

On the other hand, the profile of the Y company reflects completely different emphasis on the quadrants with external focus which dominate in this profile, with the concentration of the largest power in the market quadrant (35.83 points) following ad hoc quadrant (26.67 points) of this company,

which is altogether almost two thirds (62.5% to be more precise) of the overall power of this company's culture. Its quadrants with internal focus: clan quadrant (20.83 points) and hierarchical quadrant (16.67 points) are weaker areas of the basic culture which altogether make little over one third (37.50%) of the overall power of this company.

According to this, the basic difference visible from the profiles of the existing cultures of these companies is in almost 2/3 concentration of the culture power of X company in its internal focus quadrants and in almost equal concentration of the culture power of Y company in its external focus quadrants.

Further on, in simple words, the power of the culture of X company lies in the quadrants of cooperation (clan contents) and control (hierarchical contents) while the power of the culture of Y company lies in competition quadrants (market contents) and creation (ad hoc contents) as they are also called in the literature.

The profiles of the general preferred culture of companies X and Y indicate preference towards additional external focusing and differentiation of cultures of both companies adding that the preferred changes of the culture of X company are bigger than those of Y company. This means that the members of X company culture are aware of the need that in order to increase the functionality and effectiveness of their culture, they should emphasize the contents of the market quadrant by 7.5 points (on the clan's expense) and ad hoc quadrant by 6.67 points (on the hierarchical expense).

The members of Y company culture also consider that for the same reasons, they should additionally emphasize the market quadrant by 4.17 points and ad hoc by 0.83 points on the expense of reducing hierarchical quadrant (by 4.17 points) and clan quadrant

(by 0.83 points). These preferences of the Y company are probably the consequence of the earlier dramatic success of this company during which the quadrants of the external focus were very much emphasized.

The profiles of individual elements of X and Y companies' culture also shows similar differences as the profiles of their overall cultures, which is visible from the following description:

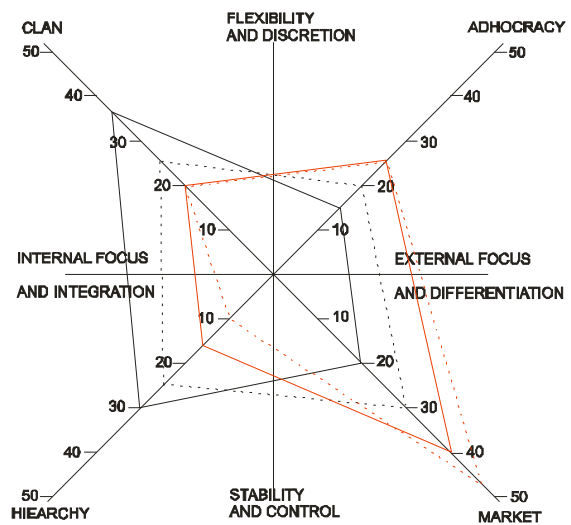


Figure 5.2. Comparison of the blueprint profiles of organizational characteristics of X and Y company

Comparative blueprints of the profiles of organizational characteristics of companies X and Y (Figure 5.2) reflect typical differences in guiding these cultures, internal for X company and external for Y company.

Therefore, in the existing profile of organizational characteristics of X company, 65% of its power is situated in the clan (35 points) and hierarchical quadrant (30 points) and the same proportion of power is situated in the market quadrant (40 points) and ad hoc quadrant (25 points) of the Y company.

The preferred profile of this element of the culture of X company shows desirability of its moving from clan to market quadrant by 10 points and from hierarchical to ad hoc quadrant by 5 points, while the desirable profile of this same element in Y company

should be moved towards market quadrant by 5 points, at the expense of hierarchical quadrant.

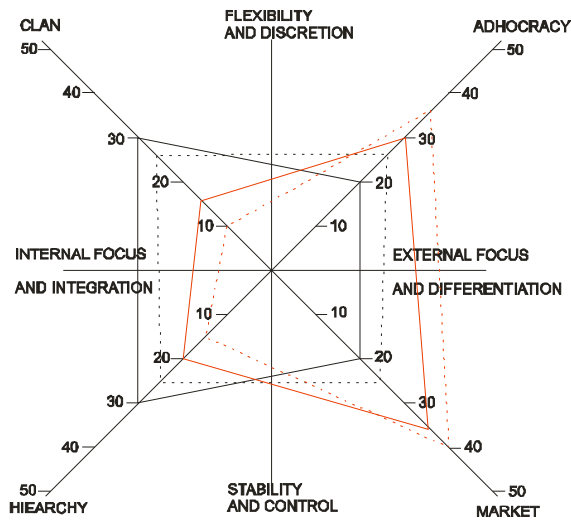


Figure 5.3. Comparison of the blueprint profiles of organizational leader of X and Y company

Differences in profiles of organizational leader of X and Y company are also evident in the previous description, and are very transparently depicted. The management of X company equally represents by 30 points the clan (most often representing mentorship) and hierarchical contents (taking care about coordination, organization, achieving efficiency gradually) where ad hoc and market quadrant are less by a third (they have 20 points respectively.)

On the other hand, the leadership of Y company mostly reflects and supports market contents with estimated 35 points (representing and taking into consideration competitiveness in work, focusing on results etc.) and ad hoc contents with 30 points (reflecting enterprise, innovation, taking risks etc.) while hierarchical (with 20 points) and clan quadrant (with 15 points) are less expressed aspects in the leadership style of this company.

The preferred profile of organizational leader of X company shows that the content of each of four quadrants of basic cultures is

desirable, balanced and equal to $\frac{1}{4}$ respectively (25 points) so this management could become more effective and have a more useful influence on reshaping the culture of X company in a desirable way.

The preferred profile of organizational leader of Y company shows preference in further emphasis of market and ad hoc quadrants by 5 points respectively, on the expense of reducing clan and hierarchical quadrant in the same amount, which is definitely the result of positive experiences in emphasizing these quadrants of the management of Y company in the earlier period.

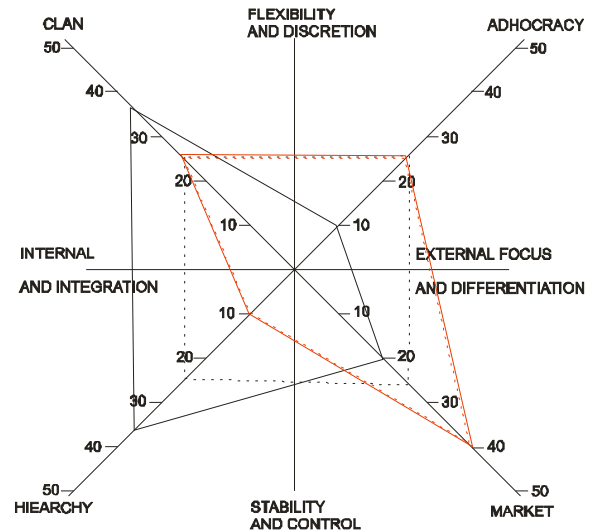


Figure 5.4. Comparison of blueprint profiles of employees management of X and Y company

With the presented profiles of employee management in the existing profile of X company, we notice the smallest grade given to ad hoc quadrant (10 points) where clan and hierarchical quadrant are equally graded with high 35 points and market quadrant with 20 points.

This means that in this profile, the least graded characteristics of employee managing style are related to individual risk taking, innovation, freedom, and uniqueness. The preferred profile of employee managing of X company particularly wants to emphasize the change in this quadrant (an increase of up to

15 points considered desirable) but also wants to increase the market quadrant (by 5 points) thus reducing clan and hierarchical quadrant (by 10 points).

The profile of employee managing of Y company shows the dominance of market quadrant with 40 points, clan and ad hoc quadrant are graded with 25 points each and the smallest number of points, which is 10, is given to hierarchical quadrant.

The specificity of this element of culture lies in the fact that in the evaluation of the preferred profile it was equated with the current one.

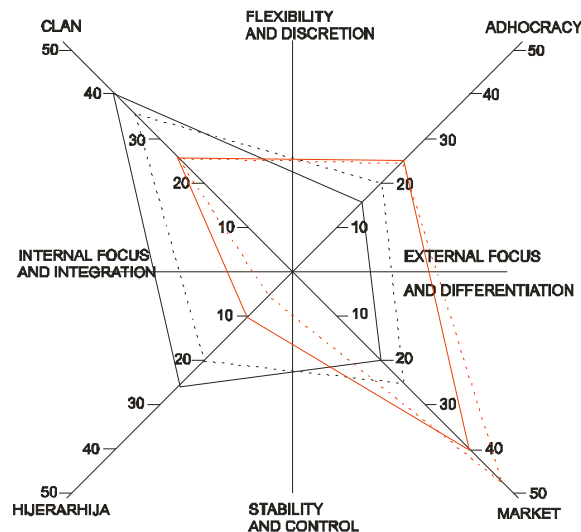


Figure 5.5. Comparison of blueprint profiles of organizational "glue" of X and Y company

In the example of the organizational "glue" which is very notably expressed in the previous description, there are contrarities in terms of this element of culture distributed across the diagonals of competitive values of the analyzed companies on the relation clan-market and hierarchy-ad hoc.

Namely, the current profile of organizational "glue" for X company shows dominance of clan quadrant with 40 points, while for Y company the dominance holds its opposite market quadrant with the same number of points. With X company, the next in the line of dominance is hierarchical quadrant with 25 points while with Y company it is the ad hoc

quadrant with the same number of points on the opposite side of the same diagonal. The market quadrant of X company is graded with 20 points and on the other side, on the same diagonal, 25 points is given to clan quadrant of Y company, while the smallest grade is given to ad hoc quadrant of X company with 15 points, and on the opposite side the smallest, 10 points, in this element is given to hierarchical quadrant of Y company. This means that the cohesive contents which integrate these companies are completely different and of opposite values.

The desirable profile of organizational "glue" of X company shows preference in moving towards market and ad hoc quadrant by 5 points each on the expense of clan and hierarchical quadrant in the same amount, and the desirable profile of organizational "glue" of Y company shows preference towards further emphasis of market quadrant on the expense of hierarchical quadrant by 5 points.

Parallel blueprints of profiles of strategic emphasis (Figure 5.6) show typical differences in the focuses of these companies. Therefore, X company emphasizes internal focus with 35 points in clan and 30 points in hierarchical quadrant and the distribution of the other 20 points in market and 15 points in ad hoc quadrant. On the other hand, Y company emphasizes its external focus with equal share of 30 points each in market and ad hoc quadrant and with equal share of 20 remaining points in clan and hierarchical quadrant.

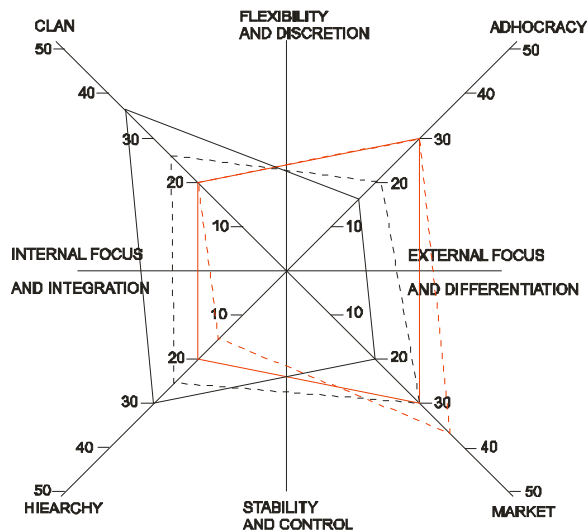


Figure 5.6. Comparison of blueprint profiles of strategic emphasis in X and Y company

The preferred profile of strategic emphasis of X company shows the need of moving this existing profile by 10 points from clan to market, and 5 points from hierarchical to ad hoc quadrant and the preferred profile of Y company shows the need of moving from hierarchical to market quadrant by 5 points.

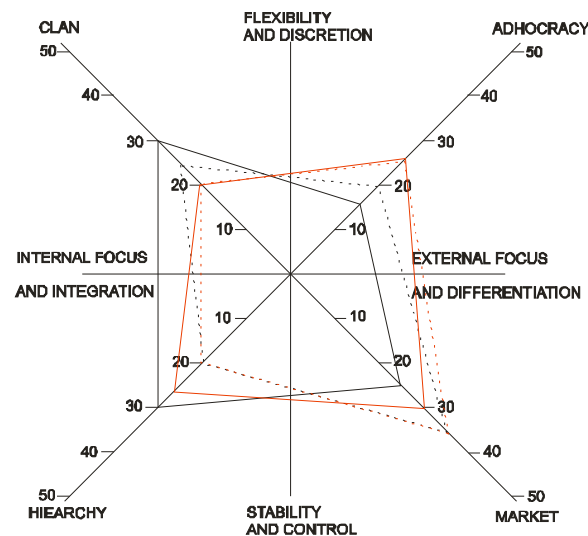


Figure 5.7. Comparison of profiles of success criteria in X and Y company

With the profiles of success criteria (Figure 5.7) X company emphasizes quadrants of internal focus, clan and hierarchical with 30 points respectively, while the remaining 25 points are given to market and 15 to ad hoc quadrant. The Y company presents a fairly

equal proportion of power of four basic cultures, better than in any other element of culture. However, market quadrant dominates with 30 points following ad hoc and hierarchical with 25 points each and clan quadrant is given the smallest grade of 20 points.

The preferred profile of success criteria of X company shows that moving of the existing profile towards market by 10 points and towards ad hoc quadrant by 5 points is desirable, on the expense of reducing hierarchical quadrant by 10 points and clan quadrant by 5 points. The preferred profile of success criteria of Y company shows the need for further emphasis of market quadrant by 5 points on the expense of reducing hierarchical quadrant in the same amount while the values of clan and ad hoc quadrant would remain the same.

5.2 Profiles of Overall Culture of X Company, Overall Culture of Y Company and Average Profiles of Companies Investigated so far

After the research conducted in more than thousand organizations, collecting data from 40,000 managers who represented them, the authors of the research (and the methodologies used in this paper) Cameron and Quinn, according to the data from the basis of findings collected this way, have created a blueprint of the average profile of culture of all these organizations as well as the blueprints of average six elements of culture created from the same database. Profiles designed this way are only average profiles of different organizations from different industries (branches of economy) from public and private sector and from different geographical areas of the world. ⁷

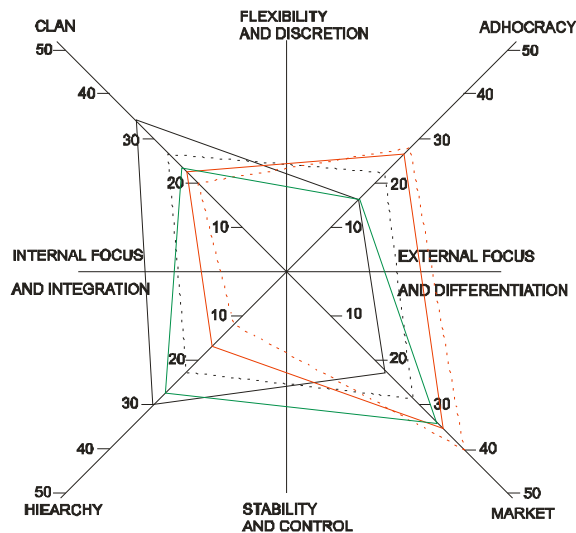


Figure 5.8. Comparison of blueprints of organizational culture of X and Y company with blueprint of average culture profile for more than 1000 companies investigated⁸

The research involved very good companies (perhaps the best) as well as those whose success is questionable.

Comparing the blueprints of profiles of the overall culture of X and Y company with the blueprint of the average profile of the overall culture for more than 1,000 organizations investigated, was presented in the previous description. Black color was used to represent the blueprints of profiles of overall (current and preferred) culture of X company, and red color was used to represent the blueprints (also current and preferred) of the culture of Y company and green color was used to represent the average profile for more than 1,000 organizations being under research.

By comparing these drawings, we notice the basic differences that are related to different orientations of these cultures. Apparently, the drawing of the average profile of more than 1,000 organisations is oriented towards lower quadrants (below the x axis) of stability and control, with two thirds of power in market-oriented and hierarchical quadrant.

The design of the overall existing culture of Y company is oriented towards the external focus and differentiation (right side of Y axis)

with approximately the same power (about two thirds of their total power) in quadrants of the external focus, market-oriented and ad hoc, while approximately the same power (somewhat more than the given amount) is situated within the internal focus quadrants and company X integration (left side of Y axis).

Similar basic notions are imposed within comparisons of profile drafts of the current cultures of companies X and Y with the design of average profile of industrial production grouping culture. Namely, Cameron and Quinn's database enabled them creation of average profiles of organization culture for industrial groups. Among these average profiles of industrial groups for our comparison, the most interesting is the profile of industrial-production group, which is based on the data of 388 companies studied from this group. Comparison of this (marked in yellow) and other two culture profile designs (company X and Y) is provided in Figure 5.9.

Here, we can primarily state that by comparing the average drawings, profiles of industrial production groups (Figure 5.9) and culture profiles of more than 1,000 organisations researched (Figure 5.8), a large similarity in forms of these average profiles is perceived. Differences can still be perceived in sense that while production groups have a bit more highlighted market-oriented quadrant and less highlighted ad hoc quadrant, at the expense of less reduction of hierarchical quadrant and barely perceived reduction of clan quadrant.

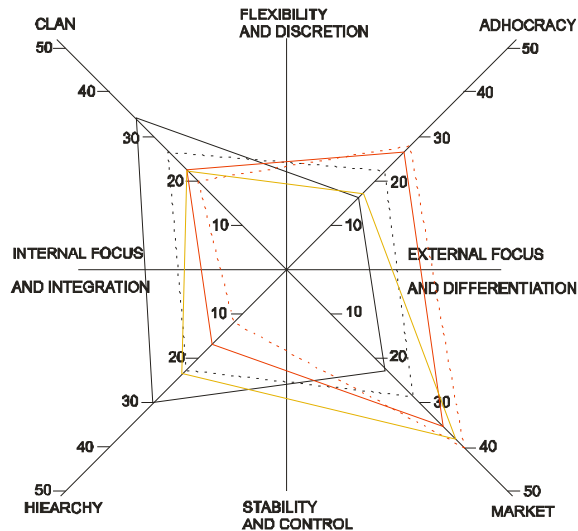


Figure 5.9. Comparison of organizational company profile of X and Y with the drawing of average profile of culture of industrial production culture (N=388) ⁹

Due to similarity of these average profiles (over 1,000 researched organisations and production groups), differences in orientation of observed (company X and Y) and average over 1,000 organisations (Figure 5.8), look similar to differences that can be identified by comparing culture profile of X and Y companies, with average profile of culture of industrial production groups (Figure 5.9).

6. DISCUSSION AND IMPLICATIONS

By comparing the overall culture profile of companies X and Y, as well as by comparing their single culture elements, differences between these cultures are represented transparently. They have shown completely different accentuation in types of basic cultures of these companies, which confirmed the presuppositions that in this case different companies are involved, that is, very different cultures of these companies.

By introducing average profiles into analysis as representatives of more than 1,000 researched organisations and 388 companies of production group, and by observing them as certain type of standard (for a large number of studied companies from all over the world), and by comparing these with the

companies that are subject of this analysis, we notice obvious differences in their orientation. With almost two thirds of their culture power, company X is oriented towards the internal focus and integration, and company Y is with approximately the same power, oriented towards the external focus and differentiation, and parallel average profiles are with approximately the same power oriented towards stability and control. Differences in these orientations are, in fact, a consequence of differences in emphasising the different basic cultures on opposite sides of organisational profile diagonals, specifically on one diagonal of differences related to the company X, and on the other differences related to the company Y, which generate differences in orientation in relation to these parallel profiles.

In this way the basic differences between the profiles of company X and parallel average profiles (over 1,000 researched organisations and production groups) extend on a diagonal that moves on the relation clan-market. Company X mostly emphasises clan quadrant and parallel average profiles emphasise market-oriented quadrant, which makes obvious difference in emphasising these cultures with different values. Noticing this difference can be understood as another indicator that these (clan) contents in the company X are more dominant, and that at the same time it lacks enough power in market-oriented quadrant. This perception is, as it seems, already recognised and incorporated in the preferred culture profile of this company, so that the notified difference in the parallel analysis with average profiles, can be understood as a specific confirmation of correct identification of preferred orientations in improvement and development of company X culture.

The most significant differences between profiles of company X and parallel average profiles extend, however, on the other diagonal on the relation hierarchy-ad-hoc,

where ad hoc quadrant of company Y is larger by more than half of the same quadrant of the first and second average profile, but its hierarchical quadrant is significantly smaller than parallel average profiles. Having in mind that researchers (Cameron and Quinn) concluded that ad hoc culture gets the least number of points, which is confirmed in the two presented average profiles, significantly larger emphasizing of this quadrant of Y company is interpreted through dynamic, entrepreneurial and innovative culture of this company prone to experimenting and risk taking, as well as other similar markers of ad hoc quadrant, which certainly in that sense, as presented parallel profiles show, go beyond averages of other research organisations in the world. But it is evident that growth and position strengthening of this company on the market also shows significant, above average results. Therefore, we can state that significant above average emphasising of ad hoc quadrant of company Y showed here extremely successful and crucially important condition of expanded growth of this company and its stronger position on Bosnian-Herzegovinian and regional market.

The overall profile of the preferred culture of X company as well as the preferred profiles of its single elements, in comparison to similar profiles of the existing culture of this company show larger disagreements, than it was the case with the company Y.

A better balance between X company's basic cultures would be established by expressing the preference of these profiles in emphasizing mostly market, and then ad hoc culture, at the expense of decrease of traditionally emphasised clan and hierarchical culture. This would increase its functionality and effectiveness, making it prepared and capable for competition, and establishing that way better preconditions and for developing competitive advantages of this company.

Due to very positive experiences of Y company, related to its effectiveness and growth in the past, preferred culture profiles of this company (overall and single elements) do not show large disagreements when compared to its parallel profiles of the existing culture. Furthermore, as many as five out of six single culture elements of this company, showed the same values in clan and ad hoc quadrant, both, in preferred as well as the existing culture. Still, the preference of smaller increase of market is expressed as desirable, with the same level decrease of hierarchical quadrant, as well as slight increase of ad hoc and the same decrease of clan quadrant in the preferred profile of the overall culture of this company.

Although the stated preferences in change of Y company culture are not high, we suggest caution and attention with any further decrease of hierarchical (as well as clan) quadrant, because of possible negative consequences of further decline of this company's culture power within these quadrants.

7. CONCLUSION

The conducted research has led to the results that indicate the following:

There are very significant differences between the profiles of the overall cultures of the studied companies, as well as with the profiles of their single culture elements.

Analysis of X company's culture profile suggest to the conclusion that older Bosnian-Herzegovinian companies in the branch of furniture, founded in the period of developing socialist economy within the Social Federal Republic of Yugoslavia, although they conducted a process of ownership transition, still show certain contents of culture related to development in the earlier period until their foundation. It is realistically to expect that over-emphasis of clan contents, that include the dysfunctional ones, together with

over-emphasis of hierarchical contents, as seen in the example of X company, could characterise culture contents of other companies developed in the period of socialism, although they completed the process of ownership transition. At the same time, such companies, as X company, could show insufficiency of ad hoc culture contents (initiative insufficiency, individual enterprising spirits, risk taking, creativity etc.) and especially the lack of competition culture power (stronger focusing on aims, results, competitiveness, victory, requests towards employees etc.)

The analysis indicates that younger companies, such as Y company, established after the war in Bosnia and Herzegovina or immediately after completed reforms at that time, have the characteristics of certain culture emphasis that make them different when compared with older companies in the same branch (furniture). Thus, X company is dominant, with almost two thirds of its overall culture power oriented towards internal focus and integration, while Y company with approximately the same power is oriented towards external focus and differentiation. Although each culture is separate, some of these differences in their characteristics are typical for older, that is, younger companies in the furniture branch.

This observation is confirmed by the comparison of overall culture profiles of X and Y companies with the average profiles of more than thousand studied organisations and 388 companies from the production branch. This comparison reveals over-emphasis of clan quadrants and insufficiency of power in market-oriented quadrant of X company, as well as more than half stronger ad hoc and significantly weaker hierarchical quadrant of Y company, when compared to the same quadrants of these average profiles. Significantly larger strength of Y company in ad hoc quadrant is considered to be the result of expansive growth of this company, which

probably exceeds the growth of "average" companies that are represented by these average profiles.

It must be emphasised, which is visible from our examples which indicate differences between the desirable and existing culture of studied companies, that each culture can be integrated with its chosen way of competing and its own strategies in establishing competitive advantages. While doing so, it can use the same instruments, scope of competitive values and methodology for diagnostics and changes of organizational culture which enable the analyses like those used within our research.

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¹ The paper is a part of a wider research presented in author's MA thesis (2011) titled "Influence of Organizational Culture on Developing Company's Competitive Advantage".

² Taken from: Janićijević N. (1997) *Organizaciona kultura, kolektivni um preduzeća*, Ekonomski fakultet, Beograd, pp. 28.

³ See in Janićijević, N., o.c., pp. 23.

⁴ Cameron, K.S., Quinn, R.E. (1999) *Diagnosing and Changing Organizational Culture, Based on the Competing Values Framework*, Addison Wesley, USA, pp. 32.

⁵OCAI is an abbreviation of the English title Organizational Culture Assessment Instrument (instrument for assessing organizational culture), which is used as such in this paper.

⁶ E. Schein's quote taken from the text entitled: How to prepare for a change in organizational culture, published in the book Senge P.: *Dance of the changes and challenges in the development of learning organizations*, Mosaic Books, Zagreb, 2003, pp. 272.

⁷ The biggest number of companies is from the USA, then West and East Europe, Canada, South and Central America, Africa, Australia and Asia.

⁸ The figure of blueprint of average profile culture from more than 1000 organizations investigated is taken: Cameron K.S., Quinn R.E., o.c., pp. 66.

⁹ The drawing of average profile of culture of industrial production culture (N=388) is taken from: Cameron K.S., Quinn R.E. pp. 68.