

# THE ROLE OF ORGANIZATIONAL CULTURE IN THE PERFORMANCE OF CHOSEN COMPANIES

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**Introduction/background:** Organizational culture is a relatively new issue. This concept has started to take on a great importance in modern organizations based on knowledge and innovation. The researchers and managers were faced with the problem of how to introduce values into the organization, how to implement the company's mission and vision, how to “manage” employees' creativity, how to motivate and assign tasks to employees. Another important issue concerns measuring the impact of these soft factors on solid results. Is there a relationship between organizational culture and organizational performance and how to verify it?

**Aim of the paper:** The work deals with the topic of organizational culture in theoretical and practical terms. The aim of the work was to define the influence of organizational culture on the management performance.

**Materials and methods:** The work is based on literature studies, the results of literary studies from empirical research and own research of the author. Index methods were used to assess the condition of enterprises based on publicly available financial statements. The research supplements the opinions of employees of these companies.

**Results and conclusions:** In the surveyed organizations, values, relationships and cooperation are put in the first place. Employees work primarily in teams. The aim of this style of work is to improve internal communication, mutual learning and information exchange, as well as stimulating creativity. Regarding the ratio analysis, the good condition of both organizations should be noted: the financial analysis indicators did not deteriorate. It should be stated that organizational performance is influenced by both the dependent variable and the independent variable. They can be analyzed as soft factors and solid factors. The analysis of the impact of these factors can be done using financial measures. The complementary value is constituted by the relations in the organization and the values which make it possible to more effectively implement the company's strategy, mission and vision of the business.

**Keywords:** organizational culture, performance, management, ratio analysis.

## 1. Introduction

The considerations on the issue of organizational culture began in the 1920s, when this concept began to be analyzed within the framework of cultural anthropology (Frost, Moore, Louis, Lundberg, and Martin, 1985). The further progress of research was influenced by the belief that the organizational culture has a significant influence on the behaviour of individuals (e.g. employees), groups and entire organizations, including those of an economic nature (Avlesson, 2002).

Contemporary research on organizational culture raises new questions for scientists, e.g. What should be understood as culture in economic organizations? Can culture be deliberately managed? Does culture have to be studied with the tools of a phenomenologist or ethnographer? What are the measurable effects of adhering to the rules of organizational culture in economic organizations and how can it be tested, etc.? (Sułkowski, 2008; Gorzelany, 2020).

Organizational culture issues are widely discussed in the literature. Analyzes of this problem in terms of management processes, apart from Schein (2004) and Hofstede (1998), were also performed by Frost, Moore, Louis, Lundberg and Martin (1985), Ouchi and Wilkins (1985), Cameron and Quinn (2003), Schneider, Ehrhart, Macey (2013), Alvesson (2002), Penc (2010), Serafin (2015), Perechuda (2000), Sikorski (2002), Łucewicz (1999), Klincewicz (2016) and many others.

In the literature, there can be find various contexts and approaches describing organizational culture, corporate culture, corporate culture or organizational culture (Klincewicz, 2016). The differences in its perception are mainly due to the fact that it is the subject of research by scientists from many fields of science, including anthropology, sociology, social psychology, management, and economics (Ouchi, and Wilkins, 1985). The way of perceiving this topic will therefore depend on the subject of interest of the researcher and the purpose of the research. In most of these sciences, the initial definition is organizational culture as a certain process of building the identity of an organization (Hofstede, 1998; Sikorski, 2002). However, the approach to individual components of organizational culture will be different, i.a. due to the need to take into account the context and surroundings (Schneider, Ehrhart, and Macey, 2013).

The components of organizational culture were described by Schein (2004) in his well-known model. Some of the presented elements determine the level of awareness among members of a given organization, and some refer to the perception of these elements by an external observer (Schein, 2004; Ouchi, and Wilkins, 1985). Schein (2004) divided these elements into three levels: values, implicit assumptions, and artifacts. An extremely important component of Schein's model are values that concern the understanding and unity of goals of the members of a given organization. The values apply to the overall conduct of members of the organization, not only in the workplace. Artifacts adopted in a given company are

an important component, as well as hidden assumptions that result from the character traits or predispositions of the members of the organization.

Schein's model, on which the analysis of the issue of organizational culture is often based, contains components that are difficult to measure. Hence, it is extremely complicated to analyze the impact of these factors on the effects of enterprise management (Cameron, and Quinn, 2003). Most often, a selection of factors is made, from among many, that allow to some extent to “measure” or evaluate the impact of these activities on the performance of the organization. Therefore, the strategic plan of the organization, company policy, mission and vision of the company can be taken into account (Serafin, 2015). Moreover, the management styles presented by managers, predispositions and their use in management should be included in the analysis, an attempt should be made to define the method of gaining authority and power and the principles of its criticism, and the application of methods and tools for employee motivation should be analyzed (Perechuda, 2000). Other important elements that make up the organizational culture are: the way of making decisions in the company (at its various levels), the possibilities of developing human resources in the organization, methods of group management and methods of solving conflicts in the group (Aniszewska, 2007). The following are also important in the company: a common conceptual framework and language, development and compliance with a code of business ethics, proper cooperation between departments in the company, the course of recruitment and employee recruitment processes, management of employees' creativity, as well as the effectiveness of internal and external communication processes (Sierpińska, and Jachna, 2004).

## 2. Methods

The considerations and conclusions contained in this article are based on literature studies, the results of literary studies from empirical research and own research, including the case study method. The aim of the research was to determine the spectrum of issues and problems faced by researchers and managers who analyze the impact of organizational culture on company performance.

The research was carried out in two ways. The first part of the research was related to the financial performance analysis for two economic organizations: the FAKRO Group and the Capgemini organization in 2015 and 2019. The study used commonly available data on the above-mentioned two companies, including financial data provided from financial reports. In order to examine the economic situation of enterprises, the method of ratio analysis can be used and the current indicators can be compared with the previous years (Łucewicz, 1999; Stańczyk, 2012). Selected measures were used in the study to perform an illustrative assessment of the condition of the organization, they were: *Cash Ratio*, *Quick Ratio*, *Current Ratio*, *Return*

*on Assets, Return on Fixed Assets, Debt Ratio and Debt to Equity Ratio* (Ejsmont, and Ostrowska, 2011; Wojtowicz, 2009).

Then the work was supplemented with the opinions of employees obtained in the online survey. These studies were not representative, but only served as a supplementary opinion to the case study. The survey was conducted on a group of 86 employees, including 40 FAKRO employees and 46 employees of the Capgemini organization. Employees of middle and lower management were asked to participate in the research. The questions concerned the comparison of selected management factors and methods in 2019 in relation to 2015. The article presents partial results of wider research conducted by the author in the field of analyzing and disseminating organizational culture.

### 3. Results

#### 3.1. Case study: values and relationships in an organization

The FAKRO company<sup>1</sup> is a leader in the production of windows in Poland and one of the leading manufacturers in this industry in the world. Since 2003, it has also been operating on the American and Chinese markets. The company was founded in 1991 in the south of Poland. The company's mission is to ensure living comfort all over the world through the production of safe, energy-saving and environmentally friendly windows. When it comes to building an organizational culture, the following values are important for the company: responsibility, credibility, employees development, environmental protection. In its activities, the company places particular emphasis on the development, quality and safety of products, as well as on environmentally friendly solutions, increasing the trust and satisfaction of customers. The company implements the assumptions of CSR understood as a certain comprehensive method of management. Additionally, a code of ethics was developed, defining consistent values, attitudes and rules of conduct. The code sets uniform standards for all employees that reflect the company's policy, mission and values. The implementation of these assumptions is to contribute to the achievement of strategic goals and making optimal decisions at each management level. Currently, the company employs over 4,000. people, including over 100 engineers, responsible for designing new solutions.

The second analyzed company is a multicultural Capgemini organization<sup>2</sup>, employing over 270,000 people in 50 countries. Since 1996, it has also been operating in Poland. Capgemini deals with consulting and technological and engineering services, including digital

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<sup>1</sup> Data on the FAKRO company was obtained from publicly available sources: [www.fakro.pl](http://www.fakro.pl), [www.SprawozdaniaFinansowe.pl](http://www.SprawozdaniaFinansowe.pl), [www.rejestr.io.pl](http://www.rejestr.io.pl).

<sup>2</sup> Data on the Capgemini organization was obtained from publicly available sources: [www.capgemini.com](http://www.capgemini.com), [www.investors.capgemini.com](http://www.investors.capgemini.com).

technologies. The organizational structure of the Capgemini group is highly developed. It includes, among others Board of Directors, CEO, shareholders and stockholders. In 2019, the group recorded worldwide revenues of EUR 17 billion. The organization has a developed vision and mission. They define the values that guide all members of the organization (*people matters, results count*). The organization is focused on people who create new technologies. Cooperation, which means joining the forces of experts, employees and customers, is also an important value. This approach has been called *Collaborative Business Experience*. The organization has developed the Code of Business Ethics that discusses the issues of business integrity, and defines the role of people, describes the correct nature of business relationships and CSR activities. The Code also specifies ways to build relationships with customers, shareholders, employees, partners and suppliers, as well as with the local community.

In the surveyed organizations, almost all surveyed employees (96%) knew the mission and vision of the company in which they worked. Over 60% of the respondents from both organizations considered cooperation and mutual respect for the most important values. Every third respondent indicated equality as the most important value. Other values, such as own development (career development opportunities), sustainable development or CSR, were indicated by 9% of respondents. Summing up, it can be concluded that the opinions obtained were dominated by those recognizing trust, loyalty and cooperation as the highest values in the company. More than two-thirds of the respondents indicated teamwork as a preferred and used model in the enterprise.

All respondents agreed that streamlining communication processes in the workplace results in increased work efficiency. The respondents assessed the effectiveness of internal communication as well as communication with the environment as good. Every fourth respondent indicated a further need for minor improvements in communication processes in the near future, especially when it comes to the development of organizational knowledge. Another important factor in building organizational culture is the relationship in the organization, which all respondents considered to be the key factor. Informal meetings, joint trips, good atmosphere at work, mentoring, training or empowerment are other examples of activities leading to building organizational culture.

### **3.2. An attempt to assess the situation of the surveyed enterprises**

The economic model of organizational performance contains components that can be measured and give an objective picture of a company in the industry. According to Abu-Jarad, Yusof and Nikbin (2010), these components can be divided into three groups: 1) "Characteristic of the industry in which the organization competed, 2) The organization's position relative to its competitors, 3) The quality of the firm's resources". Quantitative data and financial measures can be used to assess these three areas and obtain measurable results (Abu-Jarad, Yusof, and Nikbin, 2010). Financial indicators provide an objective picture of the company's condition,

being a measurable reflection of the effectiveness and efficiency of the organization's strategy implementation (Nassim, and Penman, 2001). Table 1 presents the results of the ratio analysis with the use of selected measures - for FAKRO and Capgemini in 2015 and 2019.

**Table 1.**

*The results of the ratio analysis for the surveyed enterprises – selected indicators*

Ratio indicator	Enterprise/Organization			
	FAKRO		Capgemini	
	2015	2019	2015	2019
<i>Cash Ratio</i>	0,11	0,14	0,18	0,19
<i>Quick Ratio</i>	1,02	1,09	1,32	1,26
<i>Current Ratio</i>	1,86	1,83	1,78	1,81
<i>Return on Assets (RoA)</i>	2,15	2,21	3,17	4,16
<i>Return on Fixed Assets (RoFA)</i>	3,13	3,20	4,92	6,52
<i>Debt Ratio</i>	0,62	0,73	0,71	0,54
<i>Debt to Equity Ratio</i>	0,92	0,87	0,88	0,69

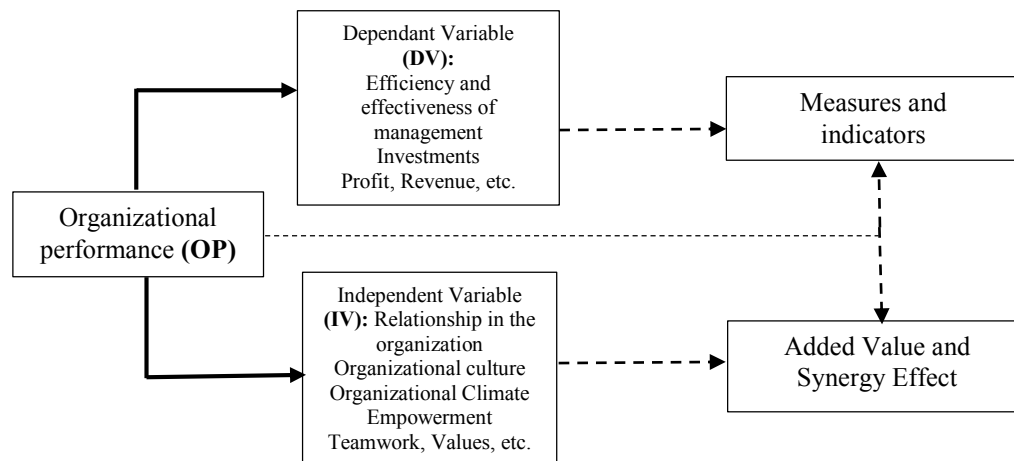
Source: own elaboration based on financial statements.

The ratio analysis for the surveyed companies in 2015 and 2019 shows that they have not changed significantly. Both companies did not record a deficit of cash on their account, which means that they maintained proper financial liquidity (*Cash Ratio*). A similar conclusion can be drawn when it comes to the *Quick Ratio* indicator. The level of this indicator is correlated with investments carried out in the company. The value of the *Quick Ratio* index obtained for the FAKRO company indicates ongoing development investments. Based on the analysis of profitability ratios (*ROA*, *RoFA*), it can be concluded that the surveyed organizations managed their assets effectively. The values of the ratios describing the financial liquidity of the organization in the surveyed companies did not change significantly in 2019 compared to 2015, which indicates their stable situation in the business industry. More differentiated values were achieved by the profitability ratios, the growth of which is favorable for the enterprise. This was the situation in the Capgemini organization. The debt ratios taken into account (*Debt Ratio*, *Debt to Equity Ratio*) illustrate the sustained level of debt due to ongoing development investments, especially in FAKRO.

The results of the analysis indicate that in 2019 the financial situation improved in both organizations compared to 2015. While the financial liquidity ratios remained at a similar level, there was an increase in the values of the ratios determining the company's profitability and a visible improvement in the ratios describing the debt level.

To obtain a more complete picture of the relationship between organizational culture and organizational performance, the model of nonfinancial measures from both objective and perceptual sources should be included (Abu-Jarad, Yusof, and Nikbin, 2010). These measures include i.e. human relations, organizational culture, job satisfaction, organizational commitment, employee turnover, empowerment, etc. Chien (2004) determined five factors influencing organizational performance: “1) Leadership styles and environment, 2) Organizational culture, 3) Job design, 4) Model of motive, 5) Human resource policies”.

Figure 1 presents the most important factors influencing organizational performance and their relationships.



**Figure 1.** An example of a relationship between factors influencing organizational performance. On the base of “Diagnosing Organizational Cultures: Validating a Model and Method; Denison Consulting Group” by Denison, D.R.; Janovics, J.; Young, J.; Cho, H.J.: Carlisle, PA, USA, 2006 and “The Relationship Between Organizational Culture, Risk Management and Organizational Performance” *Cross Cultural Management Journal*, Vol. XXI, Iss. 1, pp. 13-20 by Abuzarqua R.

As shown in Figure 1, organizational performance is influenced by both dependant variable and independant variable. They can be analyzed as soft factors and solid factors. The analysis of the impact of these factors can be done using financial measures. The complementary value is constituted by the relations in the organization and the values which make it possible to more effectively implement the company's strategy, mission and vision. Thanks to teamwork and appropriate knowledge management processes, a synergy effect is achieved, which affects the effectiveness and efficiency of management. Goals and tasks can then be achieved faster and conflicts can be avoided (or resolved effectively). Building relationships with employees and verifying their predispositions also allow managers to better choose the management style and use the capabilities of employees.

#### 4. Discussion

Investigating the influence of organizational culture on the effectiveness and efficiency of management is extremely difficult. The issue of organizational culture falls in soft terms in the management science (Łukasik, 2018). Organizational culture is based on values, and values are separated from profit, budget, efficiency (Kamińska, 2012). Despite this, researchers try to determine the impact of organizational culture on the measurable effects of activities, primarily by looking for a method, model or methods of measurement (Wojtowicz, 2009).

The first step in such research is data collection. Questionnaire methods are most often used to obtain data on organizational culture. The questions included in such a survey must relate to the adopted set of people and team management practices used in a given organization. Łucewicz (1999) in her works uses the methods of statistical analysis, including grouping method based on cluster analysis. In turn, Stańczyk (2012) points to the significant importance of the triangulation method in the study of organizational culture. Its purpose is to make cultural research reality and to give it a more “measurable” dimension. Wojtowicz (2009) refers to various diagnostic methods applicable both to an external researcher and to a manager who wants to analyze an enterprise for decision-making purposes. For an outside researcher, these include analysis of available documentation, visit to an organization, observation of meetings, conducting standardized surveys, supplementing information with in-depth interviews, etc. (Wojtowicz, 2009).

Modeling methods are also used to study the structures of organizational culture and its impact on other areas of the organization. Marcoulides and Heck (1993) propose the LISREL model. This method allows you to test a model concerning how an organization's culture affects organizational performance. However, studying the relationship between organizational culture and the effectiveness of management and obtaining measurable benefits is extremely difficult. As Lim (1995) points out, *despite the assumptions about the existence of a relationship between these two phenomena, it still remains unclear and difficult to measure. There is a further need to improve these diagnostic concepts and methods. It is proposed to consider methodological issues in future research, as well as the influence of moderating variables on this phenomenon.*

The results of research conducted in this area in Poland with the use of various cognitive methods indicate that the level of organizational culture in Polish enterprises is still too low. According to Szcześniak (2006), Polish employers assign employees too little role in the company's operations and success. The reason for this is still too low level of awareness of entrepreneurs. Greater activities are necessary to popularize knowledge about the role of organizational culture in running a business, including the popularization of organizational values and business ethics (Zbiegień-Maciąg, 2013; Czerska, 2003).

Based on the conducted own research and literature studies, it can be concluded that there is a positive relationship between the organizational culture and economic results achieved by the enterprise. A friendly atmosphere in the organization, empowerment, employee development and good relations between them certainly contribute to achieving a competitive advantage. It is extremely important to indicate to what extent the organizational culture contributes to the achievement of financial benefits. Developing a universal tool is difficult due to the soft nature of these issues. Nevertheless, according to Abu-Jarad, Yusof and Nikbin (2010), *it has been very important for managers to know which factors influence and organization's performance in order to take appropriate steps to initiate them.*



## 5. Summary

The article discusses selected factors that may contribute to building an organizational culture, based on the example of two companies. Most of these factors are based on communication and relationships within the organization, hence the transformation of these factors into measurable values causes a lot of trouble for scientists and managers.

The conducted research and analysis of the literature allow to draw the thesis that organizational culture is not the only key to financial success, however, it constitutes the basis for building good relations in the organization and creates the organizational climate. This, in turn, affects the implementation of tasks and goals set in the company's strategy. However, studying these dependencies and their impact on each other is extremely difficult. The problem is much more complex, as the analysis of management effectiveness requires taking into account many different factors, both solid and soft. No single measure of performance may fully explain all aspects of the term. Therefore, it is important for managers to familiarize with these measurement methods and tools, as well as to realize the need for a holistic view of the company.

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