Impact on Organizational Climate trough Organizational Culture factors. Case Study of Latvia and Lithuania

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Abstract

Purpose of the article: The purpose of this paper is to investigate the impact of organizational culture on organizational climate in process of change. For solving this problem, it is necessary to identify the main factors of organizational culture in the change process. After exploring the impact of organizational culture on organizational climate through distinguished culture's factors, article examines how changes can be processed in different cultural environments.

Methodology: The research design is based on Yin (1994) methodology and consists of two main stages: data analysis and validation for case study and case study's methodology according to Yin (1994) (four steps: design the case, conduct the case, analyse the case evidence and develop conclusions). In the first stage an expert evaluation method was used to investigate the significance of organizational culture factors' impact on organizational climate. Different factors of organizational climate were explored in the paper. To affirm the results triangulation method was applied. To verify the results of the research mathematical calculations and case study were used. Within the research the most significant factors were stressed. During the second stage, the case study was carried out to validate the research results in specific companies. Comparison between medium-size companies was made. It is important, that in case Latvian company (A) capital holders are Latvian entrepreneurs and capital holders of Lithuanian company (B) are international.

Scientific aim: To distinguish organizational culture's factors that have an impact on organizational climate's change.

Findings: The results of the research confirmed that during the period of changes organizational culture has an impact on organizational climate through specific factors. Theoretical model how change organizational culture impacts organizational climate is developed. Research showed that stability, job satisfaction, team orientation, empowerment, core values, agreement, open communication, job autonomy and reward system are the most significant factors organizational culture influences organizational climate through. Moreover, the list of practical recommendations for companies, which are planning to implement changes, were developed.

Conclusions: This research gives managers an idea on how to deal with top-down approach to influence organizational climate. This research limits not to looking at factors in scope of organizational culture and climate classification and how they can influence shifts in between. Further research should be conducted to introduce in model characteristics of organization, culture and outcome in organizational climate change.

Keywords: change process, change agent, organizational culture, organizational climate

JEL Classification: M12, M14, M54

Introduction

Due to globalization, business markets are becoming more and more competitive. International companies shift production lines, outsource services to become more cost-effective. In these times, change is an inevitable consequence. Nevertheless that large organization have access to the same legal, economic, marketing or other consultant companies some organizations are more effective than others. Author's opinion is that one of the reasons is internal. How the organization internally can form organizational climate. Relations between employees, developing organizational culture, is key to success. Therefore, it is important to look into correlation between organizational climate and organizational culture. James and James (1989) define organizational climate as a multidimensional construct that encompasses a wide range of individual evaluations of the work environment. Glisson and Lawrence (2011) mention difference between psychological and organizational climate. As psychological climate is defined as the individual employee's perception of the psychological impact of the work environment on his or her own well-being, but when employees in a particular work unit agree on their perceptions of the impact of their work environment, their shared perceptions can be aggregated to describe their organizational climate.

Alteration in markets that occurred because of economic, political and cultural changes often makes it difficult for business organizations to adapt to new conditions (Soriano, 2012). Because of those, managing changes is an important process in any organization. In reality, change agent is required for organizations to be able to manage changes correctly, to be advanced and to follow new tendencies in business, to offer consumers the newest products and services as it is all required to succeed in nowadays' competitive environment. For instance, we need to look into change and role of change agents to manage interactions between organizational

culture and climate more smoothly. Avila *et al.* (2012) claim that change management is an instrument that helps to promote sales. According to Vora (2013), change management is vital when implementing areas for improvement to achieve success in business. In fact, change management and role of change agent might be considered as a method, which is used in assistance to change organization's policy and structure to avoid problems in the future. This is to say, change agent is a crucial process for organization's sustainability in long-term dimension. Hence, change impact on climate in organization is examined in this paper. What is more, in this article we look on pre-set agreed interpretation of organizational climate. Consequently, the object of the research is assessing the influence of change agent on climate in organization.

Therefore, the aim of the research is to find most influential organizational culture factors to change organizational climate. The following objectives are settled:
1) Develop theoretical model how change organizational culture impacts organizational climate.
2) Conclude which organizational climate factors are most important to help change agent smoothen transformations in organization.

1. Organizational climate

There are many available concepts of organizational climate. For purposes of this research from literature most appropriate concept would be one stated by Alvesson and Berg (1992) that a "considerable proportion of what is currently regarded as organizational culture could benefit from being characterised as organizational climate instead". So one of most important organizational climate aspects is organizational culture. James *et al*., (1990) mentions, that perception of organizational climate develop based on significance of the environment for individual values. Ali and Patnaik (2014) mentions that although

Table 1. Contrasting organizational culture and organizational climate research perspectives.

Differences	Organizational Culture literature	Organizational Climate literature
Epistemology	Contextualized and idiographic	Comparative & nomothetic
Point of View	Emic (native point of view)	Etic (researcher's viewpoint)
Methodology	Qualitative field observation	Quantitative survey data
Level of Analysis	Underlying values and assumptions	Surface-level manifestations
Temporal Orientation	Historical evolution	Ahistorical snapshot
Theoretical Foundations	Social construction; critical theory	Lewinian field theory
Discipline	Sociology & anthropology	Psychology

Source: Denison, 1996.

climate has usually been used to describe organizations, the term can also be used to describe people's perceptions of groups or job assignments in which they work. It can be used to describe non-work social systems, such as families, clubs, and dyadic relationships as well. Denison (1996) introduces contrast in different areas from literature analysis of organizational climate and organizational culture, as shown in Table 1.

Janićijević (2013) the culture creates a frame of reference in which the organization management's considerations and reasoning circulate in the process of decision-making concerning the organizational structure model. So regardless of participation in international markets or national markets organizations cultural aspects always should be taken into account. When managing change in international business both national and organizational cultural must be handled. In local markets, more the efficiency of national culture should be examined. Schein (2010) claims that organizational culture is both a dynamic phenomenon that surrounds us at all times, being constantly enacted and created by our interactions with others and shaped by leadership behaviour. It is set of structures, routines, rules, and norms that guide and constrain behaviour. Ovidiu-Iliuta (2014) adds that main element that helps to attain good performance is to develop a strong organizational culture. Moreover, the culture can even represent a barrier when trying to implement new strategies. Juetchter *et al.* (1998) propose that working on the employee's participation in the organizational success is a significant influence of employee's

organizational success. The implementation of good reward system and continuous motivation encourage the employee to do best to target achievements of the organization, instead of giving more focus on structures and policies.

Denison *et al.* (2004) suggest an organizational culture model which consists of four main factors and these four factors are affected by specific elements:
- Adaptability:
  - creating change;
  - customer focus;
  - organizational learning.
- Involvement:
  - empowerment;
  - team orientation;
  - capability development.
- Mission:
- strategic direction and intent;
- goals, objectives and vision.
- Consistency:
  - core values;
  - agreement;
  - coordination/integration.

In the study Denison *et al.* (2004) suggested organizational culture model is supplemented by other elements and factors picked up from the literature (see Table 2).

As shown in Table 2, there are five main elements that show the main directions for creating an organizational culture model. They are as follows: employees' satisfaction, adoptability, involvement, mission, consistency. To issue guidelines for organizational culture formation a change agent is needed.

Table 2. Organizational culture parameters.

Parameters	Authors
Employees' satisfaction: reward system; open communication/cohesion; job satisfaction; trust in supervisor; performance orientation; stability.	Fernandez-Perez *et al.* (2014); Vakola (2014); Farokhi and Murty (2014); Shahzad *et al.* (2013); Pritchard and Bloomfield (2013); Murphy *et al.* (2013); Schiuma (2012); Densten and Sarros (2012); Ertürk (2008).
Adaptability: creating change; customer focus; organizational learning; knowledge creation; customers' perception of service quality; customer service orientation; acceptance of IT and innovation.	Fernandez-Perez *et al.* (2014); Farokhi and Murty (2014); Shahzad *et al.* (2013); Schiuma (2012); Densten and Sarros (2012); Denison *et al.* (2004).
Involvement: empowerment; team orientation; capability development; employees' participation in decision-making process; job autonomy.	Farokhi and Murty (2014); Shahzad *et al.* (2013); Jaramillo *et al.* (2012); Schiuma (2012); Wang *et al.* (2011); Denison *et al.* (2004).
Mission: strategic direction and intent; goals, objectives and vision.	Denison *et al.* (2004).
Consistency: core values; agreement; coordination/integration.	Murphy *et al.* (2013); Denison *et al.* (2004).

Source: Designed by the authors.

2. Change agent

Change process in organization is a complex system. Process is very diverse and complex of its nature, there are different elements and participants involved. Each participants has its own role to play in the change process. One of key elements is a change agent. Generally, it could be referred as a person (inside or outside the organization) who helps an organization in the change process. Most commonly change agent focuses on matters as organizational effectiveness, improvement, and development. McNamara (2005) defines change agent as a person responsible for organizing and coordinating the overall change effort. According to Lunenburg (2010), change agent is changing the organizational structure to improve output and efficiency. The change agent uses operations research, systems analysis, policy studies, and other forms of analytical approaches to change the Organization's structure or technology.

Often change agent is a consultant and has different roles or tasks. Coskun and Krdzalic (2008) propose following competences for change agent: a person of great analytical skills, a person who is a good listener, person with great mediator skills, an excellent architect, a person with good teacher skills, a person who is a wise coach, person who has a good understanding of the goals to strive for, a person who has a good understanding of the activities to perform, a person who has a good understanding of the methods and the communications styles to use in a given phase of organizational development.

3. Theoretical model and research's methodology

To determine the influence of organizational culture on organizational climate and where the change should be implied theoretical model has been developed by the authors. In Fig. 1 factors and relations influencing organizational climate are listed from literature, model also shows where the change agent should be involved. Result is changed organizational climate, but in order to assess the significance of each mentioned factor an empirical study has been carried out. Therefore, when looking into new ways how to more successfully manage change, impact on organizational climate is very critical, considering organizational cultural aspects. Authors have developed the model (Fig 1) from literature analysis, based on findings in Table 2. Additionally, according to Denison *et al.* (2004) organizational culture parameters, it shows input from change agent and output to organizational climate. Therefore, relations between organizational culture and climate in change process is explored.
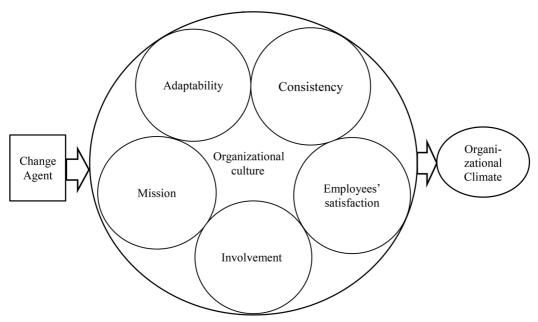

Figure 1. Organizational culture factors influencing organizational climate.
Source: Designed by the authors from literature analysis.

The method of expert evaluation was used to find out which organizational culture's factors have the most significant impact on organizational climate. In fact, 10 experts known to the authors participated in the survey. All the experts hold a PhD in economics or management and worked at universities of Lithuania and Latvia. To verify results of the paper triangulation method was applied, where Cronbach's alpha was calculated and results were confirmed with a case study. This expert evaluation method was implemented at the following stage:

- interview;
- verification of results;
- calculation of Cronbach's alpha;
- calculation of Kendall's coefficient of concordance;
- calculation of chi-square;
- testing the statement $\chi^2 > \chi^2_{tbl}$.

Cronbach's alpha criteria is used to assess the reliability of the questionnaire. The questionnaire is reliable when Cronbach's alpha is more the 0,6.

Kendall's coefficient of concordance is used to assess the degree of agreement among experts participating in a survey. A high value of the Kendall's coefficient of concordance would indicate that the experts have the similar view on researched elements. Conversely, a low value of the coefficient shows that experts do not have similar opinion about investigated elements. Kendall's coefficient of concordance $W \in [0;1]$. If $W = 0$ it means that there is no agreement between experts, if $W = 1$ – there is an agreement between experts.

In the presented research, number of criteria (n) is nine. Actually, when $n > 7$ to test the null hypothesis that Kendall's coefficient of concordance W is equal to zero or not, χ^2 should be calculated and compared to χ^2_{tbl}. If $\chi^2 > \chi^2_{tbl}$ it means that Kendall's coefficient of concordance is significant and it could be asserted that experts' opinions are similar. All the calculations are made with SPSS.

4. Empirical findings

Firstly, it is necessary to check the reliability of the questionnaire. The Cronbach's alpha criteria is used for reliability testing. Cronbach's alpha is 0,924 what means that the questionnaire created for the survey is reliable and it could be used for the most significant factors influencing an organizational climate determination.
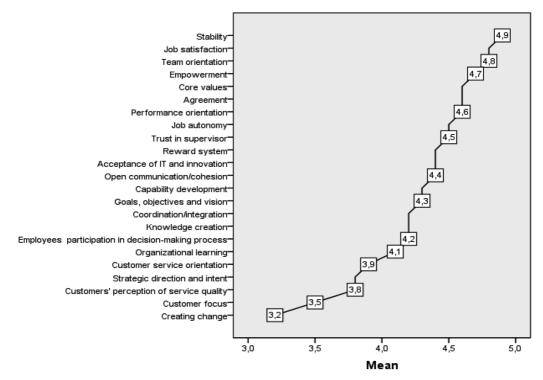

Figure 2. The importance of organizational culture factors for organizational climate development.
Source: Designed by the authors.

Table 3. Test Statistics.

N	10
Kendall's W[a]	0.521
Chi-Square	114.639
df	22
Asymp. Sig.	0.000

a. Kendall's Coefficient of Concordance

Source: Designed by the authors.

Kendall's coefficient of concordance is 0,521 (see Table 3). As it is not equal to zero, it could be said that experts' opinions are quite similar.

Moreover, $\chi^2 = 114,639$ (see Table 3) and $\chi^2_{tbl} = 42,296$ This is to say that $\chi^2 > \chi^2_{tbl}$, what means that Kendall's coefficient of concordance is significant and the experts do agree on the investigated criteria.

5. Case study

Yin (1994) methodology was used with four steps: design the case, conduct the case, analyse the case evidence and develop conclusions. Obtained data was confirmed using mathematical calculations and a case study.

In second stage of result validation, case study comparison between two companies which recently experienced reconstruction and changes due to market shifts. In the study, comparison was observed between Latvian medium-sized company (A) with Latvian capital and Lithuanian medium-sized company with international capital (B). Both companies are manufacturing companies. Company A is manufacturing industry related equipment, but company B is manufacturing electronic components. In both companies number of employees range from 50–100 people, mainly labour is working in manufacturing, sales and administration. During the financial crisis in 2008 companies suffered from shifts in economy that resulted in need for market change in order to survive the crisis, therefore experience rapid change in organizational climate. Companies changed their focused more on exports, rather than pursuing local market or nearest EU markets to Russia, China and other developing markets. This brought new cultural perspective which they needed to handle.

Authors conducted qualitative analysis within both companies. Surveys were spread throughout randomly selected employees of main departments of companies. Actually, 22 employees from company A and 27 employees from company B took part in the research. All the employees have been working for the particular company at least for one year. Qualitative analysis was performed to gather data during interviews with employees, open questions were asked and factors, which were mentioned by employees during the survey, are presented in Table 4 in random order. All the factors presented in the table were mentioned at least two times. The factors mentioned only by one respondent are not included in the table.

Findings within the companies match the theoretically calculated mean factors. Difference between first ten mean values do not differ too significant

Table 4. Summarized result comparison of organizational culture factors influencing organizational climate in company A and B.

Latvian company A (Latvian capital)	Lithuanian company B (International capital)
Stability	Reward system
Employees participation in decision making process	Empowerment
Coordination/integration	Agreement
Agreement	Stability
Open communication	Open communication
Job autonomy	Core values
Team orientation	Job satisfaction
Organizational learning	Acceptance of IT and innovation
Performance orientation	Team orientation
Core values	Trust in supervisor

Source: Designed by the authors.

(range 4.5–4.9), factors could vary from case to case. Both companies very strongly emphasized importance of *Stability*. Management and employees believe that success of change of organizational climate is due to the fact, that employees during the change process did not feel threatened, therefore did not resist the change. Summarizing other factors employee's satisfaction can be identified as the most important for changing organizational climate. This factor goes into correlation with the situation in workplace, if employees find themselves satisfied with conditions and workplace, they tend to be more involved in change process, therefore affecting organisational climate. Authors recommend potential change agent to oversee how job satisfaction could be increased within the change process as it would results in climate changes. Results also indicated if employees are involved in change process by empowerment or team orientation that would have positive influence on organizations climate. To motivate bottom up approach employee participation is crucial, mainly for two reasons. Firstly, if employees feel that they are part of process, they do not feel threatened. Secondly, if they accomplish results together as a team, by generating short-terms wins, it unites employees.

6. Discussion

Some specialized organizational consulting companies state, that change in an organization calls for its leaders to recognize and balance both culture and culture and climate dimensions. Their approach of defining main climate change factors, based in organizational culture are Values, Beliefs, Myths, Traditions and Norms. The viewpoint of defining climate trough these factors may give alternative view how organizational climate could be defined in change process. Schneider *et al.* (2013) in his work Organizational Climate and Culture argues, that there still exists lack of integration between both and climate and culture offer overlapping perspectives of integrative experiences people have in any organizational settings. Deeper integration between both are needed to better understand the change process.

This research gives managers, at least in case in Latvia and Lithuania, who are not only project oriented, but realize the importance of changing organisational culture. This gives an idea on how to deal with top-down approach to influence organizational climate, nevertheless different organizations may have some deviations in between factors on proceeding with change.

It is recommended for future researches to pay more attention to analysis of impact of each parameter on company culture and resistance to changes as well as their correlation among factors.

As organizational climate is perception of organizational culture and is easily adopted behaviour of individual organizational members could be further explored. Organizational climate could be differently characterized, for example, people-oriented, rule-oriented, innovation-oriented. It is most important to explore how the characteristics are influenced by organizational culture factors and which factors can influence shifts between the characteristics.

7. Conclusion

In this research, organizational culture factors influencing organizational climate have been assessed and theoretical model has been developed.

Research results confirmed that stability, reward system, job satisfaction, team orientation, empowerment, core values and agreement are most important organizational culture factors influencing organizational climate. During transformation phase, organizations must look into main organizational culture parameters and more actively work with factors in each parameter group. Research showed that Employee's satisfaction is of main importance is due to fact that threatened employees resist the change, not support it.

It is recommended for future researches to pay more attention to analysis of impact of each parameter on company climate and resistance to changes as well as their correlation among factors. Another important aspect of further research is to identify which organizational climate aspects are most commonly influenced by mentioned factors and model should be developed to create inter-factor relations.

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