

Emerging Markets Queries in Finance and Business

## Diagnosing organizational culture for SME performance

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### Abstract

The purpose of this paper is to show the importance of organizational culture in achieving performance in Romanian small and medium enterprises SMEs. The method of research used was the survey. The instrument used was the questionnaire elaborated first on paper and then using Google Docs application. This application can become an important tool for any manager so that they become conscient of the culture of their organization. The main idea is that after the employees complete the online questionnaire the manager can receive a complete report about the answers, underlying the weaknesses and strengths of the organizational culture according to the answers. This evaluation is very important because they can compare the results with other companies in the field and can discover opportunities for competitive advantage. After this phase of the research if the manager wishes we can provide him with a set of strategies to mend the problems, the weaknesses. This step is very important because many researches regarding organizational culture just diagnose the type of culture but do not offer solutions for the problems. Along with the comparison regarding the strengths and weaknesses in the organizational culture the authors propose a comparison regarding financial performance indicators. In the end the authors try to find a relation between these performance indicators and the organizational features evaluated.

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### 1. Introduction

The authors wanted to present a software solution any manager could use, to rapidly assess some of the basic elements of organizational culture from his enterprise and get the best measures to address the weaknesses resulting from this analysis.

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It is not the first time this idea appears in researches. Many consulting firms have conducted surveys that were sent to firms to be completed online and then have made so-called cultural profiles, defining companies in a particular cultural group. However we notice that the researches are missing the other side, equally important to any assessment, the solutions for improvement. Also studies are often designed for large companies, the concepts used in speech too hard to understand, so the results are becoming less relevant for efficient analysis of the culture of an organization.

One of the most popular definitions of culture belongs to Schein. According to Schein, organizational culture can be defined as a “pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (Schein, 2004).

Every organization has a culture. The main components of an effective corporate culture are the organization's mission and goals, work environment, management style, organizational practices and policies, recruitment and career development, benefits and rights, Tohidi and Jabbari, 2012. In the fields of management and organizational theory, organizational culture is one of the most popular concepts. The reason of popularity is the significant relationship between organizational culture and organizational outcomes such as financial performance, gaining competitive advantage and firm effectiveness, Zenir and Ertosun, 2011; Denison and Mishra, 1995.

SMEs have a more organic culture than big organizations. A small number of people are usually united under common beliefs and values and that means that in SMEs changing organizational culture should be easier. The most influence on the organizational values and beliefs in SMEs has the owner. This was the main reason we focused our research on the SMEs in Romania. The recent economic crisis had a bad influence on the financial performances of the majority of the enterprises in Romania. But the most hit sector was the sector of small and medium enterprises SMEs. So in order to avoid future problems and to begin reconstruction organizational culture must be diagnosed and the change must begin with it.

Continuous performance must be the primary objective for any organization because only through performance organizations have the possibility to progress and evolve. When selecting to use financial performance indicators one of the motives was that using them is easier for a person outside the organization to evaluate performance using those indicators. And also the time did not permit us to make a more deeper analysis of the enterprise performance. Many researchers say that financial performance indicators are too historical in order to offer a clear image over the performances of an enterprise but looking objectively at the situation we can observe that the first thing that defines the state of the enterprise is the level of profit and the turnover, Henri, 2006.

## **2.Methodology**

The method used to collect data was the survey technique. The instrument used was a questionnaire.

The first 25 questions were dedicated to organizational features of SMEs. Some of the features considered were: the encouragement of initiative, attachment, the desire for continuous improvement, the concordance between what is stated and the true situation, the involvement of employees in taking the decisions, the trust in the management. The answers could be rated on a scale from 0 to 5. The second part of the questionnaire was dedicated to rank the organizations cultural components, the scale used was from 1 to 20. The components taken in consideration were: adaptability, stability, risk assumption, autonomy, corectitude, tolerance, competitiveness, good organization, performance, accent on quality, enthusiasm, innovation, responsibility, communication, team-work, motivation, opportunities, workplace security, accent on rules, ethics. In the end of the questionnaire they were asked a few questions about the organization such as: the year of foundation, number of employees, the domain of activity and how long they were working there.

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