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The Relationship between National Culture and Organisational Culture: Case of Medium and Large Size Organisations in Iran

Alireza Nazarian* Peter Atkinson** and Lyn Greaves*
University of West London, London, UK*
Brunel University, Uxbridge, UK**

Abstract

This paper investigates the relationship between national culture and organisational culture in the context of medium and large size organisations in Iran. After discussing the theoretical framework of national culture and organisational culture, the paper highlights some managerial perspectives in Iran. Using survey methodology the national culture and organisational culture dimensions of several organisations in Iran were investigated. Questionnaires were personally administered as well as by email. 225 questionnaires were returned out of 626, of which only 221 were used for further analysis. Questions related to national culture were based on Hofstede’s national culture dimensions using the Dorfman and Howell (1988) scale and questions in the organisational culture section were directly borrowed from the Organisational Culture Assessment Instrument (OCAI). The analysis indicated that, in the case of medium size organisations, there is a significant relationship between national culture and hierarchy culture whereas, in the case of large size organisations national culture has a significant relationship with market culture. It is recommended that researchers should consider the firm size as a moderator for better understanding the linkage between organisational culture and national culture in the case of a developing country.

Keywords: National Culture, Organisational Culture, Iran

1. Introduction

This paper argues that managers from the same national background and culture make choices that lead to implementing different organisational cultures in different sizes of organisation. However, in the literature of organisational culture to date, the impact of managers’ national culture in different size organisations on choosing an appropriate organisational culture has been ignored for the most part and national culture has been taken for granted. Grey et al (2003) argue that there is a tendency in the literature towards arguing that organisational culture is independent of organisational size and factors that have influence on the organisational culture remain the same regardless of the size of the organisation. Many scholars such as Bhaskaran and Sukumaran (2007) and Nazarian and Atkinson (2013) warned of the negative and damaging impact of ignoring the effect of size of organisations on the organisational culture implemented. Although, there has been some attempt in recent studies to bring scholars’ attention to the importance of
such factors (Aidla and Vadi, 2007; Reino and Vadi, 2010; Nazarian and Atkinson, 2013) these studies have identified the gap that still exists in the literature on organisational culture which this study intends to address.

2. Literature review

The term “culture” has been derived from the Latin word cultura, meaning “cultivation” and also has the same root as the past participle of colere, cultus, meaning “to plough” (Skeat, 2010). For many scholars such as Deal and Kennedy (1982), Peters and Waterman (1982) and Kroebber and Kluckhohn (1952), culture consists of the norms, values and beliefs of a group of people. Culture is variously defined in terms of a number of commonly shared processes: shared ways of thinking, feeling, and reacting; shared meanings and identities; shared socially constructed environments; common ways of using technologies; and commonly experienced history, language and origins. Trompenaars (1993) highlighted the importance of culture as being as important as water for fish. He illustrated that “a fish only discovers its need for water when it is no longer in it.” (Trompenaars, 1997, p.11). He further argues that culture is something that we live and breathe. Hofstede (2001, p.90) defines culture as “… the collective programming of the mind which distinguishes the members of one group or category of people from another’ (Hofstede, 2001, p.9). Furthermore, Czinkota and Ronkainen (2007, p. 54) defined culture as “…an integrated system of learned behaviour pattern that are distinguishing characteristics of the members of any given society.”

There are many different perceptions of national culture which leads to the creation of a different national culture framework and dimensions such as, for example, Hofstede’s dimensions and Hall’s dimensions. However, what all these perceptions have in common are 1- people are exposed to culture at an early age by learning social behaviour, rules and regulations and 2- culture has different layers starting from individual culture to the societal layer. The literature acknowledges the importance of national culture for organisational development.

Based on the literature, there are different levels of culture and national culture, or societal culture, is the highest level (Trompenaars, 1993) since it corresponds to primary socialisation. He argues that, normally, cultural issues are identified at the organisational level or national level and cultural issues arising in other levels are ignored, such as the occupational and the individual. Although, there are countless studies on either national culture or organisational culture, there are only a few which highlight the significance of national culture to organisational culture (Ford et al., 2003; Loch et al., 2003; Rose et al., 2003) or explain the significance of organisational culture (Doherty and Doig, 2003; Huang et al., 2003). Trompenaars further argues that national culture itself has several levels according to a spectrum from explicit to implicit. The most explicit level of culture, or outer layer, which he termed “artefacts”, includes objects such as language, food, architecture and fashion. The second level, termed the “middle layer”, is norms and values. Finally, in discussing the core assumptions about existence that provide reasons the differences in values among cultures, Trompenaars (1993) states that, historically, this goes back to the core of human existence in which civilisations were fighting daily with nature.

Regarding Iranian national culture, Ali and Amirshahi (2002) argue that in recent years Iran has suffered greatly from the centralisation of power and authority. They explain that this centralisation has led to inefficiency in public institutions and lack of motivation, absence of participation, and centralisation of management practices in the private sector. In addition,
according to Ali and Amirshahi (2002) and Javidan and Dastmalchian (2003), Iranian and Arab management share many characteristics, such as being very formal, placing great emphasis on control and obedience, and making minimal plans for the future. Hofstede’s findings indicate that Iran can be categorised as a highly collectivist society which could indicate that Iranians cooperate well in a team. However, these findings have been challenged by scholars such as Tayeb (1979) who argues that Iranians should better be described as individualistic because team cooperation and group work do not fit well with other aspects of Iranian culture. Also, according to Hofstede’s findings, Iran scored highly in terms of power distance, which means Iran is a society in which the distribution of power is highly unequal. This characteristic can be traced back to the structure of the Iranian family, and particularly, ethnic minority families, where the father traditionally had ultimate power as the family leader. However, according to Thiebaut (2008), this has diminished as a result of a new relationship between mothers’ and their children caused by a general rise in the educational level of women. Thiebaut (2008) argues the new generation has become more individualistic, more resistant to totalitarianism and more in favour of modernity, demanding cultural, social and political change. The best example of this is the presidential election in 1997 and the surprising victory of Khatami over his conservative rival, also the last two presidential elections in 2009 and 2013 where the re-election of president Ahmadinezhad gave rise to opposition and sparked the creation of the ‘Green’, anti-government movement in Iran and the election of Dr Rohani came as a surprise for fundamentalists who were not expecting such a victory.

Although the author strongly believes that the national culture of every country is more powerful and stable (Hofstede, 1994) than organisational culture and, therefore, is more difficult to change, national culture is not static and can change over time (Myers and Tan, 2002; McCoy, 2002; McCoy et al., 2005). National culture not only has implications with regard to choosing organisational culture but can also have a major influence on organisational effectiveness. For the purpose of this study, the researcher used four dimensions of national culture (Hofstede, 1980; Trompennars, 1993) which are derived from three broad factors that the vast national culture literatures are based on, those three main factors are: (1) relationship to people: power distance, masculinity vs. femininity, individualism vs. collectivism; (2) relationship with nature: uncertainty avoidance; and (3) relationship with time: time orientation (past, present and future).

The dimensions of national culture that will be focused upon in this study consist of: (1) power distance which is the extent to which the less powerful members of institutions and organisations expect and accept that power is distributed unequally; (2) uncertainty avoidance which is how much members of a society are anxious about the unknown, and as a consequence, attempt to cope with this anxiety by minimizing uncertainty; (3) individualistic versus collectivistic which is how much members of the culture define themselves apart from their group memberships; and (4) masculinity versus femininity which is the value placed on traditionally male values such as assertiveness or female values such as concern about quality of life and modesty (as understood in most western cultures).

As Schein argues (2010), when considering organisational change, the organisational cultural aspect of change is probably the most difficult to gauge. Researchers in organisational studies all agree that organisational culture is a very difficult term to define. For example, the culture of a large, for-profit organisation in the private sector is quite different from that of a hospital in the public sector. He argues that organisational culture can be divided into three layers. Furthermore,
he also adds that some level of an organisation’s culture, “the outer layer”, is available to be understood through its physical manifestation such as in its buildings, offices, shops, and even the arrangement of its furniture and the people involved in the organisation while other levels are not easily understood from the outside since they consist of beliefs so deeply embedded in the culture that members are not consciously aware of them. Seeking knowledge through these means is similar to getting an intuition about someone’s personality (Peters and Waterman, 1982; Hofstede, 1991, 2001, 2007, Fang, 2010).

Organisational culture is considered by many scholars to be the glue that keeps the organisation united and gives employees a sense of belonging and commitment (Hofstede et al, 1990; Martin, et al., 2006; Hofstede, et al., 2010; Alvesson, 2012). In another word, according to Hickson and Pugh (1995, p.90) culture ‘shapes everything’. Schein (2010), Martin (2004) and Trompenaars and Hampden-Turner (1997), argue that organisational culture is basically a pattern of shared values, assumptions and beliefs that has been developed by a group of people who work in the same organisation. Organisational culture has also been defined as the organisation and employees’ identity, sense of commitment, initiative, and method of communication and basis for stability (Lok and Crawford, 2004; Mathew and Ogbonna, 2009).

Scholars like Smircich (1983), Cameron and Ettington (1988) and Cameron and Quinn (2011) argue that those who investigate organisational culture can be divided into two groups: anthropologists and sociologists. Anthropologists look at organisational culture as something that organisations are, whereas sociologists look at organisation culture as something that organisations have. The fundamental distinction between these two roots, as Smircich (1983) and Cameron and Quinn (2011) argue, is that one defines culture as a metaphor (anthropology) and the other defines culture as an attribute or variable (sociology).

Deal and Kennedy (1982) argue that organisational culture is constructed of values, but also include in their definition the business environment, heroes, rites and rituals, and cultural networks.

- Values - there are non-specific feelings of good and evil, beautiful and ugly, normal or abnormal, and rational and irrational.
- Heroes - the people who control values; these are the people, alive or dead, real or imaginary.
- Rites/Rituals - routines of communication, which are identified as strong symbolic powers (Deal and Kennedy, 1982).
- The culture network or Symbols - informal local communication system or veiled hierarchy of power in the organisation.

Evidently, values are always at the centre of researchers’ attentions (White, 1998; Deal and Kennedy, 1982) when considering definitions of organisational culture. However, Hofstede (2001, 1999) argues that organisations are differentiated by their practices rather than values. He also mentions that there are differences in national culture, which relate to values. He further argues that values are something that people have learned and acquired from an early stage of their lives mainly from their family when their personalities were being shaped. These values normally contribute to the national culture of every country. However, organisational culture is based on the behaviour of people involved in the organisation in a later stage of their life. Although people working in organisations are being influenced by values formed in early life, organisational culture is also employees’ attitude toward the organisation and vice versa.
Hofstede believes that the organisational culture of organisations may not be visible to all employees. However, employees can learn from other employees within the organisation.

Researchers like Peters and Waterman (1982) argue that, in a strong organisational culture, employees would share the same set of values and basic organisational assumptions. Many scholars (Denison, 1990; Calori and Sarnin, 1991; Gordon and DiTomaso, 1992; Kotter and Heskett, 1992) suggest that there is a relationship between strong organisational culture and strong organisational performance. However, other researchers like Brown (1998), O’Reilly and Chatman (1996), and Wildeson, et al (2000) have criticised this idea, arguing that there is not enough evidence to show a clear connection between the strength of organisational culture and organisational performance.

There are many scholars (Weiss, 1998; Brown, 1998; Cameron and Quinn, 2011) who describe organisational culture in terms of a typology, for example, Hofstede’s model of organisational culture and Quinn’s Model of Competing Values Framework (CVF). CVF developed by Quinn and Rohrbaugh (1983) theorises organisational effectiveness by using Campbell’s (1977) study on effectiveness criteria. The Competing Values Framework (CVF) has been widely used by scholars around the world in a range of studies (Cameron and Freeman, 1991; Howard, 1998; Al-Khalifa and Aspinwall, 2001), such as the study of organisational culture (Cameron et al., 2006; Kott and Merwe, 2009,a,b), the study of organisational effectiveness (Quinn and Kimberly, 1984; Øgaard and Marnburg, 2005; Gregory, et al., 2009) or research on leadership style and effectiveness in for profit and non-profit organisations (Dastmalchian, et al., 2000; Duygulu and Özeren, 2009; Marandi and Abdi, 2011; Acar, 2012)

The CVF gained its popularity and validity among organisational studies scholars through addressing three main issues in organisational culture studies: how to describe organisational culture, how to identify dimensions of organisational culture by looking at similarities and differences across cultures, and how to measure organisational culture (Cameron, et al., 2006). It has been acclaimed as one of the forty most important models in the history of business and has been used in more than one thousand organisations to predict organisational culture (Cameron, et al., 2006; Cameron and Quinn, 2011). The Organisational Culture Assessment Instrument (OCAI) is a tool to measure organisational culture developed by Cameron and Quinn (1985, 2011). Following the study by Quinn and McGrath (1985) on organisational culture, they developed the OCAI based on the CVF, in order to produce an overall profile of an organisation’s culture. The reason CVF was chosen for studying organisational culture in this study was the methodological advantage that this framework provide to researcher to investigate organisational culture.

The CVF is defined by two axes in which one axis represents flexibility versus stability and the other axis represents an organisation’s focus on internal or external matters. These two axes create four different quadrants in which each one represents one specific organisational culture type: clan, adhocracy, market, and hierarchy culture. ‘Clan Culture’ or ‘Group Culture’ is characterised as having the feel of an extended family with a friendly atmosphere, where leaders are considered mentors. A ‘Hierarchical Culture’ is characterised as a formalised and structured place of work where people are governed by procedures and rules. Leaders of such an organisation are likely to consider themselves good coordinators and organisers. ‘Adhocracy Culture’ or ‘developmental culture’ is dynamic, with innovative leaders, and is a culture where people take risks. Finally, ‘Market Culture’ or ‘Rational Culture’ is characterised as being very
customer orientated where leaders are tough, demanding and focussed on achieving good final results (Cameron, et al., 2006; Cameron and Quinn, 2011).

Soon after the Islamic revolution, the government forced organisations to use Islamic leadership styles, which are characterised as justice, equality, and support and safeguarding employees. Furthermore, there is also a traditional management style that empathises traditional philosophies are maintained through adopting structures including hierarchies, family networks, and nepotism (Namazie, 2003). Also, since values and the structure of families are considered to be an important component of national culture, management and leadership style is influenced by the structure of families. Iranian families are organised with the father as the head of the family and the same culture and leadership style is adopted by organisations (Mortazavi and Karimi, 1990; Mortazavi and Salehi, 1992). In organisational cultures where the organisation is regarded as the family, employees tend to consider the manager to be like a father or sibling (Latifi, 1997). These elements can be crucial in human resource management as it defines the subordinate’s expectations of his boss as well as the boss’s expectations of his subordinate. Studies on organisational culture in Iran are very limited and mostly are based on the public sector or small size organisations in the private sector and there is lack of studies on the impact of national culture on organisational culture in medium and large size organisations in Iran. Therefore, based on this literature, this study proposed these hypotheses.

Hypothesis-1: There is a relationship between national culture and organisational culture

Hypothesis-2: There is no effect of size on the relationship between national culture and organisational culture in range of medium and large size organisations.

3. Methodology

This study adopted a deductive-quantitative survey methodology using the convenience sampling method for collecting data. Although it was evident that convenience sampling would result in a lower response rate the researchers accept this risk and adopted the convenience sampling method because of restrictions imposed by the Iranian government on researchers for the collection of data from Iranian organisations. Data was collected from the management level of medium and large size organisations in the private sector in Iran. For the purposes of this study, a self-administered questionnaire was developed which was mostly borrowed from existing studies. The main reason for choosing a questionnaire was that this study needed a large number of respondents who were geographically dispersed. Additionally, a questionnaire is much more resource efficient than semi-structured interviews.

The questionnaire was designed in three sections: the first section was demographic, the second consisted of national culture questions and the third section consisted of organisational culture questions. The national culture questions were based on the four dimensions of Hofstede’s model using the Dorfman and Howell (1988) individual level scale. Dorfman and Howell (1988) designed 29 questions which measure national culture from an individual perspective; however, this study only adopted the first 22 of those questions which are based on the four dimensions of Hofstede’s original model. The organisational culture questions were directly borrowed from the Organisational Culture Assessment Instrument (OCAI) which was developed by Cameron and Quinn (2011) based on the Competing Values Framework (CVF). The OCAI includes 24 questions which measure organisational culture from an individual perspective.
In total, 626 questionnaires were distributed among managers of medium and large size organisations in private sector organisations in Iran out of which 225 were returned. However, only 221 of those returned questionnaires were used for analysis and the other 4 were either incomplete or were completely blank. In general, the response rate for this study of 35 percent can be considered as a good response rate for a mail survey (Pearce and Zahara, 1991; Wiess and Anderson, 1992).

4. Method of analysis

The data analysis was divided into three stages. After finalising the data and entering it into SPSS software and in order to analyse the data in the first step was to check the reliability of the questionnaires using the Cronbach alpha method. The second stage of analysis was to produce the descriptive statistics, as well as running exploratory factor analysis. In the final stage, correlation coefficients as well as regression analysis were conducted. Correlation coefficient was produced to estimate the degree of association between pairs of variables. Regression analysis conducted to predict the extent to which predictor or independent variables in the study (national culture dimensions) serve as significant predictors of specific outcomes (organisational culture). The regression analysis conducted first for the entire sample and second specifically on the cases relating to medium and large size organisation separately.

5. Results

5.1. Descriptive Statistics

In the first stage of data analysis descriptive statistics for the data collected conducted (Table 1) which indicates that the 54 percent of participants were male and 46 percent were female. Furthermore, majority of respondents (around 67 percent) were between 35 and 54. Moreover, the results indicate that the majority of the respondents were from middle and senior management which was predictable and also, apart from 1 respondent, the rest of the sample had some sort of university awarded qualification which could indicate Iranians value education.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Gender</td>
<td></td>
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<tr>
<td>Male</td>
<td>54</td>
</tr>
<tr>
<td>Female</td>
<td>46</td>
</tr>
<tr>
<td>Age</td>
<td></td>
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<tr>
<td>Under 25</td>
<td>0.4</td>
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<tr>
<td>25-34</td>
<td>12</td>
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<tr>
<td>35-44</td>
<td>31.6</td>
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<tr>
<td>45-54</td>
<td>35.4</td>
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<tr>
<td>55-64</td>
<td>18.6</td>
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<tr>
<td>&gt; 65</td>
<td>2</td>
</tr>
<tr>
<td>Education Level</td>
<td></td>
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<tr>
<td>PhD</td>
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</tr>
<tr>
<td>Post-Graduate</td>
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<tr>
<td>Under-Graduate</td>
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<tr>
<td>Pre-University</td>
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<tr>
<td>Position</td>
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<tr>
<td>Chief Executive</td>
<td>10.1</td>
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<tr>
<td>Senior Management</td>
<td>31.3</td>
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<tr>
<td>Middle Management</td>
<td>40.3</td>
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<tr>
<td>Junior Management</td>
<td>18.3</td>
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5.2. Reliability of the constructs

In order to measure the reliability of the questionnaire, the researcher measured internal consistency using Cronbach’s alpha as this instrument has been widely used to measure the reliability of scales. Although Bryman (2012) suggests that an acceptable Cronbach’s alpha is around .80, De Vaus (2002) proposed that 0.6 should be considered as indicative of acceptable reliability. Also, according to Sekaran (2003), the reliability of scales increases as alpha approaches 1.0. In general, an alpha less than .6 would be considered as indicative of poor reliability, with 0.7 considered acceptable, and above 0.8 considered high. The results indicate that all dimensions of national culture and organisational are highly reliable and above 0.7 thresholds, apart from adhocracy for which the Cronbach alpha is 0.65.

5.3. Hypothesis Testing

For the purpose of this research, hypotheses were tested through the use of multiple regression analysis. This method is widely used and accepted for investigating the relationships between one dependent variable and several independent variables according to underlying statistical theory (Hair et al., 2010).

In order to test hypotheses 1 a series of multiple regressions were conducted and the results show that UAI (B=0.438, P<0.01), REVIDV (B= 0.357, P< 0.01) and PDI (B= 0.321, P< 0.01) are significantly predicting clan culture, whereas MSI (B= 0.034, P> 0.05) shows no significant relationship with clan culture. Moreover, the value of R-square of 18.9 percent calculated which implies that in general national culture is a good predictor of clan culture. Furthermore in order to
add strength to the analysis, a series of correlation coefficients were also calculated between these measures and the results indicate that all dimensions of national culture are significant predictors of clan culture (IDV (r (351) = .208, p <.001), PDI (r (351) = .200, p < .001), UAI (r(351)=.345, p<.001)), apart from MSI= .018, p >.05.

Also, the results show that all the dimensions of national culture significantly predict adhocracy culture UAI (B=0.238, P<0.01), REVIDV (B= 0.243, P< 0.01) and PDI (B= 0.351, P< 0.01) and MSI (B= 0.334, P< 0.01). The value of R-square of 16.6 were calculated for these constructs which indicate that national culture is a good predicator of adhocracy culture. However, a series of correlation coefficients were conducted which show mixed results between national culture dimensions and adhocracy culture. The results indicate that only two dimensions are significant predictors of adhocracy culture (IDV (r (351) = .308, p <.001), PDI (r (351) = .222, p < .001), whereas the other two UAI (r(351)=.045, p>.05 and MSI= .018, p > .05 show no significant correlation with adhocracy culture.

In the third step, multiple regression analysis was conducted in order to test whether national culture dimensions significantly predict market culture. The results indicate that all dimensions of national culture significantly predict hierarchy culture UAI (B=0.268, P<0.01), REVIDV (B= 0.343, P< 0.01) and PDI (B= 0.251, P< 0.01) and MSI (B= 0.234, P< 0.01). The value of R-square of 20.6 was calculated which indicates that national culture is a good predictor of hierarchy culture. Furthermore, a series of correlation coefficients were conducted which also provide some extra support for this relationship (IDV (r (351) = .308, p <.001), PDI (r (351) = .222, p < .001) UAI (r(351)=.345, p<.01 and MSI=.318, p <.01.

The final set of regression analyses were conducted to test whether national culture dimensions are significant predictors of market culture and the result indicates that all dimensions of national culture, apart from MSI, significantly predict market culture UAI (B=0.328, P=0.01), REVIDV (B= 0.365, P< 0.01) and PDI (B= 0.2781, P< 0.01), however, MSI (B= 0.034, P> 0.05) is not.

In order to test the hypothesis 2 the data was split into two sections based on size. In the second step, the organisational cultures of both medium and large size organisations were analysed. The results indicate that medium size organisations are dominated by hierarchy culture followed by market culture, whereas large size organisations are dominated by market culture followed by hierarchy. Therefore, from the first stage of analysis for hypothesis 2 it has been realised that the size of an organisation has some impact on the organisational culture. In the second round, it was decided to take organisational size as moderator and test the impact of organisational size as moderator on the national culture and organisational relationship. In order to test the moderating impact of organisational size, multiple regression analyses were conducted which incorporated interaction effects between national and size in order to determine whether company size serves as a significant moderator of the association between national culture and organisational culture. The results indicate that national culture dimensions only achieved statistical significant in the regression with clan culture, which indicates that there is significant moderation with regard to company size between national culture dimensions and clan culture. The moderation analysis between national culture and other organisational culture types have not achieved statistical significance, indicating that there is no significant moderation interaction between national culture dimensions and the other organisational culture dimensions.
6. Discussion and Conclusion

This study aimed to investigate the relationship between national culture and organisational culture in the context of medium and large size organisations in Iran. Hypotheses were tested with national culture as an independent variable and organisational culture as a dependent variable.

The results of this study confirmed the findings of previous studies that there is a relationship between national culture and organisational culture and this finding holds for medium and large size organisations in the same way. The results also show that there was a difference in the relationship between national culture and organisational culture in that they were moderated differently by organisational size. In the case of medium size organisations, the organisational culture is dominated by hierarchy culture followed by market culture, whereas in the case of large size organisations they are dominated by market culture followed by hierarchy.

This paper makes two significant contributions: firstly, a theoretical contribution to the literature on national and organisational culture and secondly a practical contribution which will help managers to adjust organisational culture with its appropriateness to the size of the organisation in mind. This study has demonstrated that size is a significant moderator of the relationship between national culture and organisational culture which has received limited attention in the past (Nazarian and Atkinson, 2013). The consequence of this insight for practitioners is that organisational culture must be allowed to have different priorities in organisations which have different sizes.

References


