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The Effects of Organizational Culture on Business Management Performance in Palestine

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Organizational Culture is the set of shared values, beliefs and norms that influence the way employees think, feel and behave in the workplace. An organization's culture can have a pivotal impact on organizational management performance. This paper analyses the concept of organization's culture in manufacturing environment during the second Palestinian uprising (September 2000 – November 2004) against Israeli occupation. Israeli Defense Force (IDF) erected 648 check points that restrict Palestinians interlinks and the movement of their goods for security reasons. Palestinian economy was therefore in recession and businesses were feeling the pinch of reduced revenues. This empirical study draws upon a survey of 32 ISO 9000 certified manufacturing companies, which were asked to complete a questionnaire that focused on the means of encompassing aspects of organizational culture to guide employees' actions into emphasis on teamwork and sociality to foster loyalty and sense of tradition for business survival. This study has found that organizational clan (collaborate) culture type distinguishes the unique status of Palestinian organizations and in effect it places a premium on cohesion of teamwork participation and consensus. Clan culture has been effectively compatible with Palestinian organizational strategic objectives; it showed a strong source of motivation and behavioural control towards collective ends in economic crisis.

Keywords: Palestine, organizational culture; competing values, hierarchy, clan, spatial implications, cultural iceberg

Introduction

Organizational culture is a pervasive influence in organizations. Schein (1985; 2010) has defined culture as a collective assumptions and beliefs that pervade the organization about how business should be conducted and how employees should behave and should be treated. Culture is actually manifested in a set of shared values, thoughts pattern, beliefs and norms that influence the way employees think, feel and behave in the workplace (Hall, 1976; Burrell & Morgan, 1979). The concept of organizational culture became popular in the 1980s (Quinn & Rohrbaugh, 1983; Smircich, 1983; Schein, 1985; Whittingham and Holland, 1985; Barney, 1986; Lorsch, 1986). Duneier et al. (2007) and Arcangeli (2011) traced back its roots in the academic literature to early different theories and frameworks of human relations that drew inspiration from distinct disciplines of sociological and anthropological work on culture associated with groups and societies (Ibn Sina (980-1037), Immanuel Kant (1896-1980), Wilhelm Dilthey (1833-1911), Émile Durkheim (1857-1917), George H. Mead (1863-1931), Max Weber (1864-1920), Chester Barnard (1886-1961), Kurt Lewin (1890-1947), Jean Piaget (1896-1980), Talcot Parsons (1902-1979), Robert K. Merton (1910-2003), Jürgen Habermas (1929-). Anthropologists (AlfredL.

Kroeber (1876-1960), Clyde Kluckorn (1905-1960) take the interpretivist view and sees culture as a metaphor for organizations, defining organizations as being cultures (Burrell & Morgan, 1979; Eller, 2009). On the other hand, sociology takes on the functionalist view and defines culture, as something an organization possesses (Whittingham and Holland, 1985; Back et al., 2012). Despite the separate definitions of organizational culture, there seems to be a movement towards a general consensus.

Campbell et al. (1974) identified thirty-nine important indicators between the link of organizational culture and the effectiveness of organization. Quinn and Rohrbaugh (1983) has proposed two major dimensions that could account for linking culture and organizational effectiveness, creating a 2x2 matrix with four clusters (Figure 1).

The first values dimension corresponds to values of flexibility, discretion and dynamism pointing out at the other end with the stability, order and control. The second dimension corresponds to internal orientation, integration and unity at the end of scales with external orientation, differentiation and rivalry on the other. Cameron and Quinn (2006) have lately classified organization into four different culture types based on four quadrants, formed by combining the two value dimensions of Quinn and Rohrbaugh (1983) in which each quadrant

represent the basic assumptions, beliefs and values of culture. "Every culture is as good as every other" (Perry, 1998, p.80), but a culture might be more appropriate in specific context than others (Zazzali et al., 2007).

Quadrants of the competing values framework (Figure 1) provides a diagnostic instrument with demonstrated validity and reliability: (1) Clan (collaborate) culture is an open and friendly working environment where employees share a lot of personal information, much like an extended family with high sense of tradition, loyalty, participation, consensus commitment, teamwork. The managers of the organization are seen as mentors and perhaps even parent figures. The organization emphasizes the long-term benefit of personnel development and it attaches great importance to staff cohesion and morale (Lund, 2003). (2) Adhocracy (create) culture is a visionary, creative, dynamic, entrepreneurial

working environment. The managers have high sense of innovation commitment that holds the organization together for strategic differentiation and risk-taking. The emphasis is on being aggressive on the leading edge for growth and new resources. (3) Hierarchy (control) culture is a very formalized and structured working environment. The employees have high sense of following the rules, process and procedures. The managers who are good coordinators, organizers and efficiencyminded for long term successful goals, are concerned with security of employment and predictability. (4) Market (compete) culture is a result-oriented working environment. employees have a high sense of competition and goal-oriented. The leaders are demanding, harddriving, productive and tough. The emphasis is on goal competitive advantage, measurements, involving both customers and suppliers and achieving market leadership.

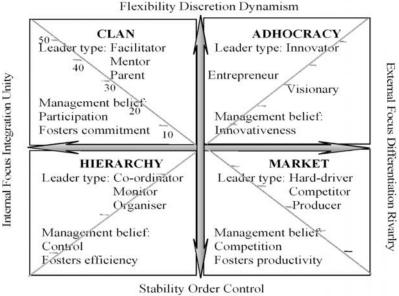


Figure 1. Quadrants of the competing values framework.

The Competing values framework's effective indicators represent what people value about an organization's performance. These divergent core value sets were gleaned from the identification of thirty-nine indicators for organization's critical dimensions. Adopted from: Campbell et al., (1974), Cameron and Quinn (2006).

Although organizations are rarely to acquire pure quadrant profiles, most of them fall into one dominant type of culture (Denison et al., 2004b; Tharp, 2009). The competing values framework is an effective instrument to know clearly the current organizational in terms of strength, weakness and direction in order to move forwards into a new organizational culture (Earley, 2002). Schein (1992) has developed a practical and simpler approach to competing value framework based on

three levels of culture that move from visible to the tacit or invisible (Figure 2-A). The levels are: (1) Artifacts provide visible facts such as symbols, myths, rites and stories. (2) Espoused values address formal statements, strategies, goals and philosophies of the organization. (3) Basic assumptions are shared underlying tacit assumptions that include ultimate values of beliefs, perceptions, thoughts and feelings.

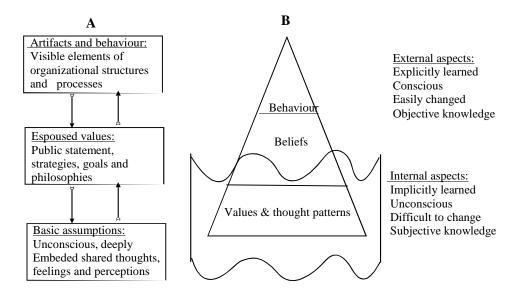


Figure 2. Three levels of culture. (A) Schein's model, (B) Hall's iceberg model. Source: Schein (1992).

Also, Hall (1976) has developed what is called the "iceberg" analogy of culture, whereby some external aspects are visible above the water, but the larger internal aspects are hidden beneath the surface (Figure 2-B). He categorizes cultures into high or low context depending on meaning and settings of exchanging words as well as he offers an affective process for examining cultural similarities and dissimilarities in perception and communication. Hall and Hall (1990, p.6) have defined the term context as "the information that

surrounds an event; it is inextricably bound up with the meaning of the event"; most cultures can be placed along a scale showing their ranking in this particular dimension (Table 1). So, a high context message or communiqué is one in which most of the information is already in the person, while very little is in the coded, explicitly transmitted part of the message; whereas a low context message or communiqué is the opposite in an explicit code (Hall, 1976, p.79).

Table 1. Cultures arranged along high-/low-context and dimensions of culture scales.

High-Context Cultures	Power distance	Individualism	Uncertainty avoidance	Masculinity	Long term orientation
Japanese	54	39	13	68	Orientation
Chinese	80	20	40	66	118
South Korea	60	18	85	39	75
Arab	80	38	68	53	
Greek	60	35	112	57	
Italian	50	76	75	70	
United Kingdom	35	89	35	66	25
French	68	71	86	43	
USA	40	91	46	62	29
Scandinavian ()	27	71	37	10	27
German	35	67	65	66	31
Swiss	34	68	58	70	
Low-Context Cultures					

Source: Adopted from: Hall (1976); Hofstede (1984) and Hofstede (2001).

Table1 shows that Asian countries fall into the category of high-context cultures in which people are very homogeneous and share more contexts because of very little traditional change over time. These cultures have produced indirect and implicit consistent responses to consistent messages (Hall & Hall, 1990). As a result, most normal dealings on

daily basis do not require much in-depth background information, i.e. it is not necessarily contained in words. Information is therefore provided through gestures, status (age, gender, education, clan, affiliation, title) and individual's informal associates (Foster, 1992). In contrast, Western countries fall into low-context cultures in

which the population is heterogeneous that tends to compartmentalize interpersonal contacts. The verbal message tends to be direct and explicit that states most of the information and very little is embedded in the context, due to the lack of a large pool of common experience and unawareness of their environmental surroundings (Hall & Hall, 1990). Palestinians are Arabs whose culture category is shown to be of less high-context and the loyalty of individualists to a given group is strong. They belong to one group and they do not switch churches or mosques when it suits them nor they leave one employed for another (Goleman, 1990; Robertson et al., 2002).

Methodology

This exploratory research has been carried out in Israeli Occupied Territories of Palestine, and it focused on obtaining primary data on the effect of organizational culture to facilitate implementing management strategies in overcoming business economic crisis. This study also aimed at obtaining empirical evidence on management accounting applications in Palestinian context (Hajjawi, 2012a). There is hardly any local study that has been conducted in this area, though this study draws on a wide range of analogous studies (Campbell et al., 1974; Schein, 1992; Earley, 2002; Lund, 2003; Cameron & Quinn, 2006; Zazzali et al., 2007; Robbins & Judge, 2009; Lunenburg & Ornstein, 2012).

The exploratory research (Teddlie Tashakkori, 2009) of multidisciplinary major survey was aimed at gathering empirical business data to provide an overview understanding of current management accounting practices, strategic organizational learning, decision-making process and problem solving mechanisms in the aftermath of Palestinian second uprising crisis (September 2000- November 2004). A sampling frame of Pal-Trade registered firms was chosen from a CD-ROM members information data base all of which with well reputed trading practice. A population of 32 privately owned manufacturing firms that was selected for this study, was also accredited by Palestinian Standards Institute (PSI). The firms were of small, medium and large-sized in terms of number of employees, capital investment and sales turnover according to local classification of World Bank (1993). Many large firms in the sample operate through a divisional structure that are short of separate legal entities yet the divisions run what is equivalent to separate business units in terms of operational characteristics. Therefore, the sample design allowed the inclusion of different divisions,

subsidiaries, different sites of the same firm or within the same group of companies, provided they were engaged in different activities (Dubrin, 2012). As the survey subject material was of a specialist in nature, it was necessary to ensure that those who complete the questionnaire were properly qualified to hold an executive post with professional qualifications. The questionnaire that was aimed to elicit reactions, beliefs and attitudes, has included a host of management accounting techniques that are reflective of the stages of management accounting evolution. Each of 32 ISO manufacturing firms were contacted by telephone and an hour meeting was arranged to complete the questionnaire. The response rate was 100 percent of all firms included in the survey. All questionnaire replies were registered on database and the Software Statistical Package for Social Sciences (SPSS- version 17) was used to analyze data. The current study uses descriptive statistics to analyze phenomenological responses and other related characteristics of the sample; utilizing the mean, mode, frequency, and accumulative percentage.

Findings and Discussion

Table 2 that projects a mirror image of business decision-makers community in Palestine shows individual respondents' profiles in terms of gender, age, education, and work experience and job title. The demography questions are inclusively a common practice in relevant studies; the decisionmakers are a component of enterprise stakeholders who play a pivotal role in short, medium and long term business policies. All respondents (100%) were males. Females, who were often working in large, medium or small sized family owned enterprises, have not been seen at top managerial positions. Palestinians are of Eastern heritage that characterized by mechanistic organizational model, and both Muslims and Christians communities practice very conservative way of life in the holy land (Hofstede, 1984; Javidan & House, 2001). A 37.5% and a 31.2% of the individual respondents were 25-35 and 36-45 years of age, respectively. The levels of education that the overwhelming majority of individual respondents achieved were a bachelor degree (53.1%) and a master degree (25.0%). Most individual respondents had managerial experience of more than 10 years (59.4%) amalgamated with local cultural values that influence creative behaviour (Amabile, 1998). The leading job title of individual respondents was mainly general manager (40.6%) or accounting manager (31.3%) for thought processes traits and abilities.

Table 2. Characteristics of interviewees.

Characteristics	Categories	Number	Percentage
Gender	Female	0	0.0% (50.7% of population)
	Male	32	100.0% (49.3% of population)
Age	Under 25 years	0	00.0% (65.1% of male population)
	25-35	12	37.5% (14.8% of male population)
	36-45	10	31.2% (08.9% of male population)
	46-55	7	21.9% (04.6% of male population)
	56-65	3	09.4% (03.2% of male population)
	Over 65	0	00.0% (03.4% of male population)
Education	Secondary school	5	15.6%
	Undergraduate	2	6.3%
	Graduate	17	53.1%
	Postgraduate	8	25.0%
Job title	Financial Controller	4	12.5%
	Accounting Manager	10	31.3%
	Chief Accountant	5	15.6%
	Accountant	0	0.0%
	General Manager	13	40.6%
Work experience	Less than 2 years	0	0.0%
•	2-5	7	21.9%
	5-10	6	18.7%
	Over than 10 years	10	59.4%

Note: Data had drawn from Questions 1 (gender), 2 (age), 3 (level of education), 4 (job title) and 5 (work experience). Population Data from PCBS (1997).

Hofstede (1984) and Brewer (1998) claim that Asian people and Arab people (Javidan and House, 2001) have the characteristics of high-powerdistance and collective societies. They would prefer team-based work to individualized work (Brewer, 1998) and accept a superior's views (Javidan and House, 2001), as well as what a "boss" needs. Table 3. shows the mean scores of organizational culture that is seemingly tribal Arabism in terms of individualism, masculinity, Confucian dynamism, power distance and uncertainty avoidance (Javidan and House, 2001). It was apparent that individual respondents' function to carry out supervisor's instructions (mean scores = 5.56), and in order to have their plans work; they have to fit their work plans with the desires of powerful people (mean

scores = 5.25) and also their ideas are controlled by powerful others (mean scores = 5.25). These results are consistent with the Eastern cultures findings by Hofstede (1984), Brewer (1998) and Javidan and House (2001). It is also consistent with clan corporate culture where people share a lot of themselves (Cameron and Quinn, 2006). However, the studying of the relationship between culture, cost management accounting, and management control systems is very broadly defined i.e. the clusters of parallel of intuition that all UK, European, Asian, African and Arab countries should share some cultural similarities. However, relying upon these clusters to generalize that all "UK" or all "Arabs" cultures are entirely the same would be naive.

Table 3. Descriptive statistics of extent of organizational culture.

Organizational culture	N	Minimum	Maximum	Mean	Standard Deviation
A. To worry about expressing disagreement with superiors.	32	1	7	4.84	2.02
B. To carry-out superior's instructions	32	1	7	5.56	1.58
C. Ideas are controlled by Powerful others.	32	1	7	5.25	1.93
D. To fit work plans with desires of "bosses".	32	1	7	5.25	1.93
 E. To worry that ideas and opinions are not accepted by powerful others. 	32	1	7	5.15	1.85

Note: A seven-point scale (1= 'strongly disagree', and 7= 'strongly agree'). Date had drawn from Question 6 (organizational culture).

Palestinians have to entwine inherent social and religious constraints with the external environment economic constraints (Hajjawi, 2012b). Vroom and Yetton (1973) have described different ways in which leaders can make decisions and guides leaders in determining the extent to which subordinates should participate in decision making. Also, Robbins and Decenzo (2005) have explained that people in organizations make decisions under three environmental conditions: (1) certain environment that offers complete information on possible alternative actions and their consequences, risk environment that lacks complete information but offers "probabilities" of the likely outcome for possible action alternative, and (3) uncertain environment that lacks so much information that it is difficult to assign probabilities to the likely outcomes of alternatives. So, people display quite different approaches or "styles" in the way they deal with problem situations. They are: (1) problem avoiders who are inactive and ignore information that would otherwise signal the

presence of an opportunity or performance deficiency, (2) problem solvers who are reactive in gathering information and responding to problems after they occur, and they are willing to make decisions and try to solve problems, but only when forced to by the situation, and (3) problem seekers who are proactive, forward thinking and actively processing information and constantly looking for problems to solve or opportunities to explore. An other distinction in the way manager's approach decisions contrasts toward (a) "systematic thinking" which is approaching the problem in a rational and analytical fashion, and (b) "intuitive which is focusing on long-term objectives while being flexible in dealing with short-term problems (Anderson, 2000; Williams & Miller, 2002). Table 4 shows the organizational structure and internal control mechanisms. Most respondent enterprises gave much importance to formalized structure (mean score = 4.00), vertical (mean score = 3.91), and centralized (mean score = 3.72).

Table 4. Organizational internal control mechanism.

Organizational structure	N	Minimum	Maximum	Mean	Standard Deviation
Centralized	32	1	5	3.72	1.17
Vertical	32	2	5	3.91	0.96
Formalized	32	2	5	4.00	0.92
Other	0				

Note: A five-point scale (1= 'not at all' and 5= 'extremely') Data had drawn from question 16 (organization structure).

Schein (1992) has argued that corporate leadership today is essentially the creation, management and at times the destruction and reconstruction of culture. This concept is very relevant to the nature of formal/vertical Palestinian organizational control mechanism (Table 4) where leaders have the ability to understand and work within culture to pull through the economic crisis. Table 5 shows the organizational structures of respondent enterprises. Also, the respondent enterprises gave more importance to organizational hierarchy by function (100.0%), products/services (96.9%), strategic

business (78.1%), and by geographical areas (53.1%). The functional structure puts together employees based upon the functions of specific jobs within the organization. Hence, this is in accordance with the ability of Palestinian organization leaders to utilize cultural synergy in management hierarchy competency as an integral part of findings in Table 4 (Griffin & Pustay). The high formalization in an organization creates predictability, orderliness and consistence (Miller & Lee, 2001), i.e. a strong culture serves as a substitute for formalization.

Table 5. Arrangement of organizational structure.

Organizational structure	Number	Percentage
By function	32	100.0%
By products/services	31	96.9%
By geographical areas	17	53.1%
By strategic business units	25	78.1%

Note: Data had drawn from Question 17 (arrangement of organizational structure).

Table 6 shows Mann-Whitney test, Chi-Square test and frequencies for budget importance in the functions of the enterprise. Chi-Square was highest for 'operation' (13.500), 'decentralization' (12.375), 'cost control' (10.750), 'compensation' (9.563), and 'performance evaluation' (4.938). Since the critical

p-value of significance is 0.05, the statistical results that show there is a significant difference between "operations" responses (p=0.004), "cost control" responses (p=0.013), "decentralization" responses (p=0.015), "compensation" responses (0.048) and "performance" responses (p=0.085).

Table 6. Mann-Whitney (NPar), Chi-Square and frequencies statistics for importance of budget in different functions.

Features	Observed	Expected	Residual	Chi-	df	Asymp.
	N	N	N	Square a,b,c		Sig.
Cost control:				10.750	3	0.013
little important	3	8.0	-5.0			
moderately imp	4	8.0	-4.0			
very important	11	8.0	3.0			
critically imp	14	8.0	6.0			
Total	32					
Performance:				4.938	2	0.085
moderately imp	5	10.7	-5.7			
very important	15	10.7	4.3			
critically imp	12	10.7	1.3			
Total	32					
Compensation:				9.563	4	0.048
not important	2	6.4	-4.4			
little important	4	6.4	-2.4			
moderately imp	10	6.4	3.6			
very important	11	6.4	4.6			
critically imp	5	6.4	-1.4			
Total	32					
Operation:				13.500	3	0.004
little important	1	8.0	-7.0			
moderately imp	5	8.0	-3.0			
very important	13	8.0	5.0			
critically imp	13	8.0	5.0			
Total	32					
Decentralization:				12.375	4	0.015
not important	3	6.4	-3.4			
little important	1	6.4	-5.4			
moderately imp	7	6.4	0.6			
very important	12	6.4	5.6			
critically imp	9	6.4	2.6			
Total	32					
Valid N (listwise)	32					

Note: Data had drawn from Question 35 (budget importance).

Therefore, clan corporate culture demonstrates characteristics of cohesiveness, participations, teamwork and essence of family (Harrison and Stokes, 1992; Denison et al., 2004a), "operations" creates a strong bond among employees who crave the traditions to make the Palestinian organization pulls through the crisis.

Individual respondents were asked to indicate the means they used for adjusting their enterprises to the conditions of Palestinian economic crisis as a result of the second uprising (September 2000-November 2004) and the introduction of 100s of

Israeli army check point. All enterprises' participants (32) claimed that employees of their enterprises had understood the changes in the external environment of the economic crisis. Table 7 shows Chi-Square 'performance improved' (26.759), 'training received' (24.500), 'solutions generated' (21.250), 'behaviour altered' (15.438), 'problems analyzed' (14.313), 'external environment understood'. (13.188), (11.313), and "enterprise "policies changed" restructured" (10.750). The expected N was 10.7 for "policies changed", "external environment understood", "enterprise restructured", "problems

 $^{^{\}rm a.}$ 0 cells (0.0%) have expected frequencies less than 5.The minimum expected frequency is 8.0

b 0 cells (0.0%) have expected frequencies less than 5. The minimum expected frequency is 10.7

 $^{^{\}rm c}$ 0 cells (0.0%) have expected frequencies less than 5.The minimum expected frequency is 6.4 At the 0.05 level of significance.

analyzed", and for "behaviour altered", $8.0~{\rm for}$ "solutions generated" and for "training received", and 6.4 for "performance improved". The statistical results that show there is a significant differences and similarities between "policies

(p=0.003),"enterprise restructured", responses and "problem analyzed" "external environment" "behaviours altered", responses (p=0.001),"performance improved", "training received" and "solutions generated" responses (p=0.000).

Table 7. Mann-Whitney (NPar), Chi-Square and frequencies statistics for enterprise adjusting to the changed conditions since the Palestinian economic crisis.

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Note: Data had drawn from Question 66 (adjusting to Palestinian economic crisis).

a. 0 cells (0.0%) have expected frequencies less than 5.The minimum expected frequency is 10.7 b. 0 cells (0.0%) have expected frequencies less than 5.The minimum expected frequency is 8.0

c. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected frequency is 6.4 At the 0.05 level of significance.

It is very clear that Palestinian organizational measurable performance and tangible elements of culture are integrally related, in which a corporate clan culture influences and drives proactive behaviour in the workplace (Parker et al., 2006). It is also importantly implied that people, processes, systems and organizational structure have to be an

integral part of change initiative in managing business transition (Kluyver & Pearce, 2006). In conclusion, Palestinian business is dominantly of clan (collaborative) culture (Figure 3) that tends to be an extended homogeneous family (Cameron & Quinn, 2006).

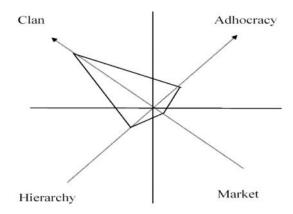


Figure 3. Palestinian organizational cultural schematic profile.

It emphasizes employees' premium teamwork, empowerment, autonomous, cohesion, common beliefs, goals and even demographic characteristics. Organizational decision-making process is by common agreement which is an endowment for traditional loyalty and commitment; it is also a recipe for a significant effect on performance of self-managed business teams survival (Hughes & Beatty, 2005; Zafft et al., 2009), as immense Israeli army check points complicate Palestinians employees redeployment strategy (Appendix 1) in the mist of Palestinian economic crisis.

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Appendix 1

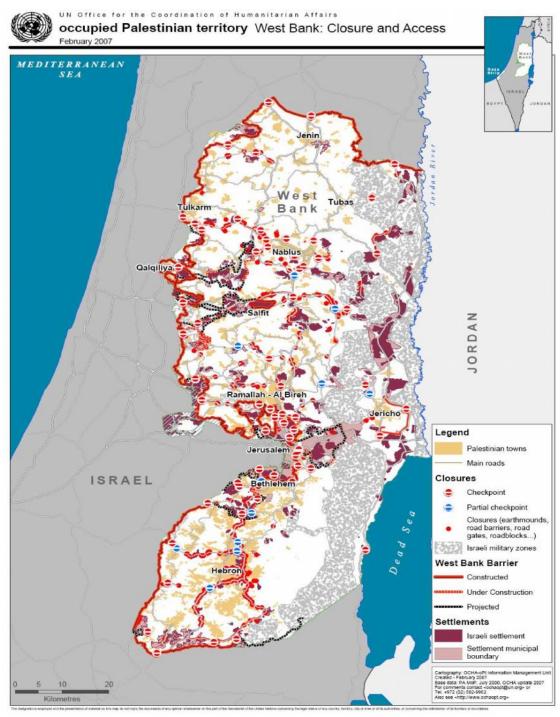


Figure 4. Israeli settlements, IDF barriers and checkpoints in untransitory Palestine. Source: UN Office for the Coordination of Humanitarian Affairs (2007).