



ORGANIZATIONAL CULTURE OF ENTERPRISES IN THUA THIEN HUE PROVINCE WITH DENISON MODEL

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Abstract: Nowadays, businesses recognize that organizational culture has played a particularly important role in the organization's success. This study aims to identify the cultural traits of enterprises in Thua Thien Hue province by applying the Denison organizational culture model. The results show that the organizational culture of enterprises in Thua Thien Hue province is an internal focus and in a stable and flexible balance. In addition, "Involvement" is the strongest trait, and "Adaptability" is the weakest trait of Thua Thien Hue's enterprises. Among the 12 indices of the Denison organizational culture model, the index "Team orientation" has the highest score, while "Creating change" and "Agreement" have the lowest. These are important findings for managers to identify the strengths and weaknesses of the organizational cultural system. They can set priorities for adjustment to improve the organizational culture and enhance the competitiveness of enterprises in Thua Thien Hue province.

Keywords: organizational culture, Denison model

1 Introduction

Organizational culture has been studied for more than three decades because it affects the success of a business. There were many studies on organizational culture in the early 1970s, but until the 1980s concepts of organizational culture were used widely in management science [12]. Denison [8], Coyley [6], and Schein [18] showed positive relationships between aspects of organizational culture and operating results of a business. Understanding the organizational culture helps researchers and business leaders know the strengths and weaknesses of organizational systems. Therefore, they can make adjustments to strengthen and develop the organizational culture, as well as improve the performance and competitiveness of enterprises.

Thua Thien Hue, a province located in central Vietnam, has been identified as one of five provinces in the key economic zone in this region. The economic structure of Thua Thien Hue province is moving in the right direction, in which industry and tourism – services account for about 78% of GDP. According to the information from Thua Thien Hue Association of enterprises, most of the enterprises are still not aware of the importance of corporate culture. Many businesses do not have a cultural handbook, mission statement, and core value system of the enterprises. Understanding organizational culture is important for enterprises, customers,

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investors, as well as the local government to have an insightful view of the organizational culture of the enterprises. Therefore, they can give adjustments to strengthen and develop an organizational culture that contributes to improving the performance and competitiveness of enterprises.

2 Literature review

2.1 Definitions of organizational culture

The concept of organizational culture is relatively recent in terms of applications in the field of organizational behavior. Deal and Kennedy [7] reported that a strong organizational culture is a powerful tool to influence employees' behavior and improve performance. Understanding an organizational culture is important for dealing with people, activities, actions, and changes and for pursuing common goals. Indeed, the importance of organizational culture in organizations has been discussed extensively by numerous researchers [13, 14, 22].

Organizational culture is defined differently by each researcher. However, this is a very broad concept in many fields. According to Cameron and Quinn [5], organizational culture includes complex factors, overlapping and ambiguous. Most definitions of organizational culture comprise the same characteristics as shared values, beliefs, assumptions, relationships, and behavior. It is necessary to learn and share key issues of organizational culture [23]. Organizational culture exists at three different levels: physical structures, values statement, and the default values [18]. Tangible structures are visible elements of culture, such as architecture, costumes, and layout. The declared value represents the standards or criteria that companies use to assess the situation, actions, objects, and people. Finally, the core of the culture is the basic assumption that people share social relationships and relationship between businesses and their surroundings. Organizational culture is a system of shared values and beliefs that interact with people, organizational structure, and control system to create behavior standards [25].

It is a complex system including the existence of the enterprise and the values and beliefs it feels [15]. Organizational culture reflects the values and beliefs that are the core of the organization. The values and beliefs promote leadership and people management with standard behavior with employees [8]. Organizational culture is the set of characteristics that describes an organization and distinguishes it from other institutions [10]. Organizational culture as values and behaviors is believed to lead the enterprise successfully and thus to pass on to the new members [19]. Employees often try to understand the business and to be an active member, so culture is one of the strength and stability of the business power [20]. When culture is widely accepted, there is less conflict and more positive interaction; therefore, it is necessary

to assess the organizational culture to analyze the difference between the values and beliefs, norms and values current, beliefs and norms to change the enterprises successfully.

Although organizational culture has been defined differently by various researchers, most of them agree that corporate culture can be referred to as a set of values, beliefs, and behavior patterns (Table 1). These straits form the core identity of organizations and the set of management practices. They are consistent with the Denison definition. The values and beliefs that underlie organizational culture probably reflect what is most important to the company's leaders. They are responsible for the vision and purpose of the organization and reinforce the core values and beliefs through their own behavior. In this paper, we follow this concept, especially the Denison cultural model, to measure the multidimensional aspects of the organizational culture of Thua Thien Hue enterprises.

Table 1. Definition of organizational culture

Author	Year	Definition
Forehand and von Gilmer [10]	1964	The set of characteristics that describe an organization and distinguish it from others.
Tichy [24]	1982	The normative glue that holds an organization together.
Uttal [25]	1983	A "system of shared values and beliefs that interact with a company's people, organizational structures, and control systems to produce behavioral norms".
Schein [18]	1985	The enduring assumptions, values, and beliefs that are shared by members of an organization, who operate unconsciously and define in a basic "taken-for-granted" fashion an organization's view of itself and its environment.
Maehr and Braskamp[15]	1986	A complex system of norms existed within a certain organization and the underlying values and beliefs of an organization as perceived by its employees.
Schein [19]	1990	Values and behaviors that are believed to lead to success and are thus taught to new members. What a group learns over a period of time, and such learning is simultaneously a cognitive, behavioral, and affective process.
Pham Xuan Nam [3]	1996	As a system of meaning, beliefs, perceptions, and ways of thinking of all members of an organization with consensus and influence, to a large extent, how each member acts.
Denison [9]	2000	The underlying values, beliefs, and principles that serve as a foundation for an organization's management system, as well as the set of management practices and behavior that both exemplify and reinforce those basic principles.
Nguyen Hoang Anh [1]	2004	An expression of doing business. It includes elements drawn from national culture, what members of society use in their business operations and also values, philosophy, etc. that are created in the process of doing business.
Duong Thi Lieu [2]	2008	The whole spiritual values of each enterprise that affect the emotion, thought, and behavior of all members of enterprise.

Source: Compiled by author

2.2 Denison organizational culture model

The Denison model has been developed starting from the Schein approach to organizational culture [18]. Therefore, the core of the model is represented by the underlying beliefs and assumptions. At a more surface-level, there are the values and the artifacts (symbols, heroes) and the behavior. In this model, the comparison between organizations is made according to the surface-level values and their manifest practices. The Denison classification is based on four traits that describe the main organizational culture features. This classification allows us to consider a large number of factors that determine the current position of enterprises. According to Denison, there are four traits of organizational culture [9].

Mission: Defining a meaningful long-term direction for the organization. A mission provides purpose and meaning by defining a social role and external goals for the organization. It provides a clear direction and goals that serve to define an appropriate course of action for the organization and its members. The indices of the Mission trait are Strategic direction and intent, Goals and objectives, and Vision.

Involvement: Building human capacity, ownership, and responsibility. Organizational cultures characterized as "highly involved" strongly encourage employee involvement and create a sense of ownership and responsibility. They rely on informal, voluntary, and implied control systems, rather than formal, explicit, bureaucratic control systems. Receiving input from organizational members increases the quality of the decisions and improves their implementation. The indices of the Involvement trait are Empowerment, Team orientation, and Capability development.

Consistency: Defining the values and systems that are the basis of a strong culture. Consistency provides a central source of integration, coordination, and control. Consistent organizations develop a mindset and a set of organizational systems that create an internal system of governance based on consensual support. The indices of the Consistency trait are Coordination and integration, Agreement, and Core Values.

Adaptability: Translating the demands of the business environment into action. Organizations hold a system of norms and beliefs that support the organization's capacity to receive, interpret, and translate signals from its environment into internal behavioral changes that increase its chances for survival, growth, and development. The indices of the Adaptability trait are Creating change, Customer focus, and Organizational learning.

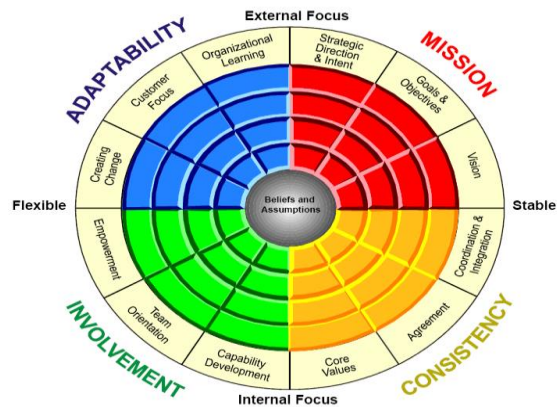


Figure 1. Denison Organizational culture model

Source: Denison [9]

Denison studied organizational culture within the frame of two dimensions:

Dimension 1: internal focus when attention is given to what is going on inside the organization and external focus when the attention is devoted to what is happening outside the organization;

Dimension 2: stability and control, namely, interest in maintaining the existing situation and flexibility and freedom of action, namely, interest in changes and development.

3 Research methodology

3.1 Sample and questionnaire design

According to Hair [11] and Schumacker [21], for quantitative research using the structural equation model, the sample size in a range of 150–400 is suggested. Therefore, this study chooses the sample size of 400 from 3227 enterprises (according to the data of Thua Thien Hue Statistical Yearbook 2016 [4]) and use Quota sampling to get the survey sample. The questionnaires were distributed to the leaders of three types of enterprise, including state owned enterprises, non-state enterprises, and foreign investment enterprises. The survey was conducted for nearly 4 months from February 2018 to May 2018, collecting 339 valid questionnaires to the analysis.

Respondents completed sixty items measuring twelve indices and four underlying traits. Responses to all items were measured on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Seven items were phrased negatively and the answers were reversed in the analysis. The questionnaires with missing data on any of the sixty core items were excluded from this analysis.

3.2 Exploratory factor analysis

The exploratory factor analysis (EFA) is used to reduce data to a smaller set of summary variables and to explore the underlying theoretical structure of the culture assessment. The Kaiser-Meyer-Olkin value of four traits of the Denison organizational model ranges from 0.940 to 0.951 and Bartlett’s Test of Sphericity is statistically significant at 0.000 level. The factor eigenvalues greater than or equal to 1 with factor loadings greater than 0.5 are reported. The factor analysis reveals four traits of organizational culture, which account from 51.9% to 84.2% (>50%) of the total variance. To test the reliability and internal consistency of each factor, Cronbach’s alpha was determined. The results show that the alpha coefficients range from 0.755 to 0.904. Therefore, it demonstrates that all factors are accepted and reliable as recommended by Nunnally [16].

3.3 Confirmatory factor analysis

A second-order confirmatory factor analysis was conducted using the 60 culture survey items as observed variables with 12 indices as first-order factors and 4 traits as second-order factors. The results from this analysis are described first in terms of the pattern of factor loadings and inter-trait correlations, and then by the indicators of fit for the model. The factor loadings of each of the 60 items on their respective factors are generally in the 0.60–0.75 range, indicating considerable shared variance within those items intended to measure the same underlying concepts. The loadings between-factor correlation is at the highest level of the model. These values range from the low 0.70s to the mid 0.90s, indicating an overlap in the variance explained by first-order factors and strong relationships between second-order factors.

The chi-square and fit indices for this model are shown in Table 2. In general, the fit indexes indicate a close fit for the specified model with RMSEA (0.045) and CFI (0.914) values. They exceed common guidelines for a good fit. The GFI (0.886) and AGFI (0.876) values closely approach them. These results suggest that the specified model closely approximates the observed pattern of the organizational culture model assessment.

Table 2. Model fit indices for second-order CFAs

Model	Chi-square/Df	RMSEA	GFI	AGFI	CFI
	1.691	0.045	0.886	0.876	0.914

Source: results of data analysis 2018

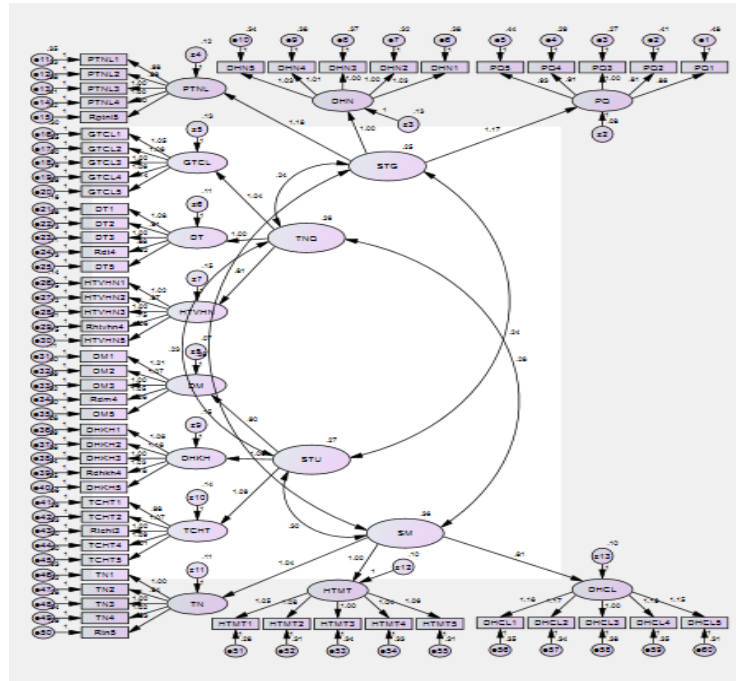


Figure 2. Second-order CFAs of organizational culture of enterprises in Thua Thien Hue province

4 Results and discussion

The data in Figure 3 show that the trait “Involvement” receives the highest score with the total of 241. This means that the enterprises in Thua Thien Hue province have strong people’s involvement in achieving the mission. In other words, these firms succeed in engaging and aligning people, creating a sense of ownership and responsibility. It can be also seen in Figure 3 that the index “Team orientation” receives the highest score (84). We can infer that the enterprises in Thua Thien Hue province mostly rely on the team effort to get work done. The value is placed on working cooperatively toward common goals for which all employees feel mutually accountable.

“Adaptability” is the weakest trait of enterprises in Thua Thien Hue province with the total scores of 226. It can be said that these enterprises have difficulties responding to customers, competitors, and employees with new ideas. Managers seem to spend their time controlling the organization and managing short-term business, rather than leading changes or thinking for the long term. The weakest indices are “Creating change” and “Agreement” in the total 12 indices of the Denison model. These are probably the most common weaknesses of enterprises in Thua Thien Hue province. They have not found effective methods to create adaptive ways to meet changing needs. They need to read the business environment, quickly react to current trends and anticipate future changes. Moreover, these organizations find

difficulties to reach agreement on critical issues. This includes both the underlying level of agreement and the ability to reconcile differences when they occur.

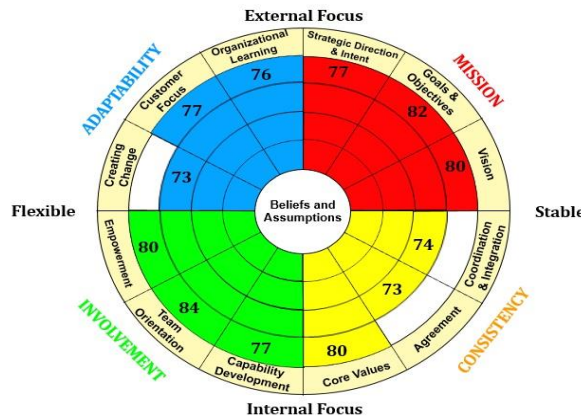


Figure 3. Organizational culture of enterprises in Thua Thien Hue based on the Denison model.

Note: 1- point in the Likert scale is equivalent to 20-points in the Denison model

Source: authors' calculation from survey data

Concerning the frame of dimensions of the Denison organizational culture model, there are two dimensions. Dimension 1 (horizontal line) implies whether enterprises are externally or internally focused. The total scores of traits "Involvement" and "Consistency" (468 points) are higher than the total scores of "Mission" and "Adaptability" (465 points). This means that enterprises in Thua Thien Hue province are internally focused. We can conclude that these enterprises tend to focus on internal competition rather than external competition, innovation, and customer orientation.

Dimension 2 (vertical line) shows whether enterprises are stable or flexible. It can be found that enterprises in Thua Thien Hue are flexible because the total scores of "Adaptability" and "Involvement" (467 points) are 1 point higher than those of "Mission" and "Consistency" (466 points). However, this trend has not been clearly shown. Enterprises seem to balance stability and flexibility. They deal equally with maintaining the current situation and changing their business to get on well with different scenarios. Because most of the enterprises in Thua Thien Hue province are service organizations, they tend to be more flexible in operating their businesses.

5 Conclusion and policy implication

The study examines the organizational culture of enterprises in Thua Thien Hue province on the basis of the Denison model. The results indicate that the strongest trait of the enterprises is

“Involvement”, followed by “Mission” and “Consistency”, and the weakest trait is “Adaptability”. From this overall picture of the organizational culture of enterprises in Thua Thien Hue province, the manager of each enterprise has a clear view of organizational culture and gives appropriate policies to adjust and improve cultural development in their desired way.

In terms of the 12 indices of the operational culture model, “Team orientation” achieves the highest score, and this is really the greatest strength of enterprises in Thua Thien Hue province. “Agreement” and “Creating change” have the lowest score, showing that enterprises still have difficulties in reaching agreements on important issues. At the same time, enterprises have many limitations concerning innovation to adapt to the business environment. These are the weaknesses and vulnerabilities of the organizational culture of enterprises in Thua Thien Hue province. Therefore, managers need to take timely actions to improve and reinforce these indices. This is important to strengthen the organizational culture in order to contribute to the success of enterprises in Thua Thien Hue province.

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