

Vysoká škola ekonomická v Praze
Recenzované studie

Working Papers
Fakulty mezinárodních vztahů

3/2010

**Can Organizational Culture
Be Managed?**
(retail case study)

Přemysl Průša – Lenka Drličková

**Faculty of International Relations
Working Papers**

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Volume IV



Vysoká škola ekonomická v Praze
Working Papers Fakulty mezinárodních vztahů
Výzkumný záměr MSM6138439909

Název: Working Papers Fakulty mezinárodních vztahů
Četnost vydávání: Vychází minimálně desetkrát ročně
Vydavatel: Vysoká škola ekonomická v Praze
Nakladatelství Oeconomica
Náměstí Winstona Churchilla 4, 130 67 Praha 3, IČO: 61 38 43 99
E 17794
Evidenční číslo MK ČR: 1802-6591
ISSN tištěné verze: 1802-6583
ISSN on-line verze: 978-80-245-1675-2
ISBN tištěné verze: Prof. Ing. Eva Cihelková, CSc.
Vedoucí projektu: Vysoká škola ekonomická v Praze, Fakulta mezinárodních vztahů
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Can Organizational Culture Be Managed?

Primary research based on a case study from the Czech retail sector

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Summary:

The management of a business organizational culture has already been an area of study for several researchers. Nevertheless, this working paper is unique due to the context in which the primary qualitative study was carried out. The paper is based on the retail sector and analyses one format of shop units belonging to an international retailer operating in other Central European countries as well as in the Czech Republic. The retailer, which we analysed, seems to manage its organizational culture in order to achieve a better standard of customer care. Its culture is basically transferred in a standardized form from the mother country. However, in the format dealt with here (i.e. a department store); the mother company was also able to absorb knowledge and experience from its Czech subsidiary. There are still obstacles which need to be overcome.

Keywords: organizational culture management, international retailer, primary qualitative research

Je možné řídit organizační kulturu?

Případová studie primárního výzkumu z českého retailového sektoru

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Abstrakt:

Management organizační kultury byl již centrem zájmu více výzkumníků. Avšak prezentovaná práce je významná svým kontextem, ve kterém byl primární kvalitativní výzkum realizován. Práce vychází z dat získaných v retailovém sektoru a analyzuje vybraný formát obchodních jednotek mezinárodního retailera aktivního v České republice. Zkoumaný retailer se jeví, že řídí svou organizační kulturu tak, aby dosáhl vyšší úrovně péče o zákazníka. Jeho kultura je v zásadě jednotně přenášena z mateřské země. Avšak v zde prezentovaném formátu (tj. obchodním domě) byla mateřská společnost schopna akceptovat vědomosti z české filiálky. Stále však přetrvávají překážky, které je nutno vyřešit.

Klíčová slova: management organizační kultury, mezinárodní retailer, primární kvalitativní výzkum

JEL: M12, M14, M16

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Introduction

There is a profound gap in the amount of research carried out in the retail sector which is focused on organizational culture as opposed to that carried out in the manufacturing or industrial sectors (however, see; e.g. Ogbonna and Harris 2002, Harris and Metallinos 2002 or Pioch 2007). Proceeding from the works of Harris and Metallinos (2002), and Pioch (2007); from there, developing further the functionalist view of organizational culture as presented by Smircich (1986), we tried to address the question of the role of organizational culture in an international retailer operating in Czech Republic. There are several scholars who articulate the importance of dealing with socio-dynamic issues within the cross-border acquisitions, not only before the merger/ acquisition, but also state their importance in the post-acquisition period. Among such socio-dynamic factors belongs organizational learning (Greenberg et al. 2005), trust between the merging partners (Stahl 2005) or knowledge transfer (Dawson 2007). Dealing with cultural diversity doesn't lag behind, either (Hofstede 1980, 2005; Schreyögg 2005).

The aim of this paper is to show, (1); whether there is an organizational culture identifiable in the Czech acquisition of the international retail company, by the use of the concepts of Martin (1992, 2002) and Schein (1984). If so, (2); whether and how the culture is managed, and for what reasons. The third question posed is to analyze the perception of, and reaction to, the specific organizational culture observed by the front-line employees (if there is one identified).

Although the research¹ was carried out within all four different formats of the retailer (i.e. department store, hypermarket, supermarket and a small convenience store), this paper is especially focused on the findings from within the department store. There is a prosaic reason for this. Firstly, space would not allow us to go into great detail and discuss the findings of all four of the visited formats in this paper. Secondly, during the research, a few particularities emerged, and these deserve more attention now, in the authors' opinion.

1. The Theoretical Background – Definition of Organizational Culture

The definitions of organizational culture follow the definitions of culture, in general, as developed by several authors, who have also studied the impact of national culture on organizational culture: Hall (1976, 1983 in Zdražilová 2004), Trompenaars and Hampden-Turner (2001), Hofstede (1980, 1984, and 2005).

¹ The research was supported within a project named “The Role of Organizational Culture in International Retail Organizations”, no. IG 3/08, by the Internal Grant Agency of the University of Economics, Prague.

In our text we will use mainly the definition of organizational culture which was developed by Schein (1984): “Organizational culture is a set of basic assumptions, discovered, invented or developed by a particular group of people through learning in order to cope with problems caused by the external adaptation, and the internal integration, of the group. These assumptions have been recognised as valid, and therefore transmitted to other members of the group/organization.” According to Schein (1984, 2004) organizational culture consists of three layers: at the bottom level we can find the basic assumptions of behaviour of the organization’s members, which are also called the “underpinning beliefs”. These are taken for granted, and thus not visible; therefore, it is very difficult to study them. In the second layer, there are the so called “collective values”, which deeply influence the behaviour of the members of an organization. At the top level we can find the symbol or “visible artefacts”, which represent the outer manifestation of the company’s culture such as its corporate identity (dress code, behavioural rules for the employees, etc.).

Culture (also organizational culture) cannot exist without the group of people who share it. These people must share problems for certain period of time, they solve these problems and judge their solutions – the solution may be either positive, or based on uncertainty avoidance (Schein 1984). The problems related to external adaptation consist mainly of target setting and choice of strategy, as well as finding the means of achieving the targets, including the design of several control mechanisms. The problems of internal integration are related to the agreement reached among the group members on the rules, power achievement, criteria for relationships, system of remuneration and motivation, etc. (Schein 1984).

The strength of an organizational culture depends on the homogeneity and stability of the group of people who share it, and on the length and intensity of their shared experiences (Schein 1984). However, in practise, organizational cultures are not very homogenous, and they embrace several subcultures. Therefore it is necessary to ask questions concerning the possibility of organizational culture management (Smircich 1983). According to Schein (1984, 2004), this is possible. However, according to Martin (1992, 2002), the organizational culture cannot be managed. Martin (1992) has identified three perspectives through which organizational culture can be perceived: the *integration perspective* (compliance of the whole organization with the basic assumptions and values, according to Schein (1984); the *differentiation perspective* (dichotomous differences in artefacts, values and/or basic assumptions among several organizational members); the *fragmented perspective* (the existence of several subcultures, which have different values and basic assumptions within one organization). According to Martin (1992), all three perspectives/situations can be observed in each organization, and the outcome depends on the point of view, from which we perform the research/observation. Whether we perceive

the organizational culture as integrated, differentiated or fragmented, depends on the position in the organization, where we conducted the research (thus, at top management level the organization appears to be integrated; while, at the level of the front line employees it appears rather fragmented (Harris, Ogbonna 2002)). Pioch (2007), has also discovered, that the point of view (perception) of the organizational culture is dependent on the time (duration) spent in the organization, and on the career aspirations of the employees whom we interviewed.

There was a lot of research conducted dealing with the impact of national cultures on organizational culture. However, little research was carried out in the service sector, especially in retailing. According to some authors (for example Arnold (2002)), the organizational culture is a big competitive advantage for retail companies. Furthermore, there are questions regarding the existence of a sector specific macro culture, which should be more important for managing international retail companies than just the country's culture. In fact the specific macro culture might form the behavioural traits of the employees of international retail companies to a greater extent than the country's culture.

Harris and Ogbonna (2002) performed a study, where they analysed two different (with a time difference of 10 years) attempts by two retail companies in the UK (belonging among the TOP 5 in the retail sector) to change their organizational culture in order to find out whether it can be managed/changed, and whether there exists some specific macro culture in retailing, which can be described and managed with the use of existing theories dealing with organizational culture. The results of their study are the following:

1. It was evident, that the theoretical and practical knowledge obtained during the previous attempts to manage/change organizational culture have been accepted and modified for future use in practice. Thus, changes in organizational culture in retailing are influenced by the theory of organizational culture.
2. In both the cases which were examined, the management of organizational culture appeared to be feasible in the long term. However, in some cases the change of values and basic assumptions was not complete and real, as it only proved to be the result of the use of coercive techniques by management on their front line employees.
3. A strong influence of the macro culture in retailing was discovered, which could be used for learning and inspiration for future cases of organizational culture changes. Customer care was identified as the main feature of the macro culture in retailing. However, a strong macro culture does not permit specific organizational cultures to develop, thus providing the competitive advantage for retail companies.

4. It is evident, that a good knowledge of organizational culture theory stemming from the case studies of real retail companies may contribute to an increase in the level of its control.

Elke Pioch (2007) performed a study on the organizational culture in retailing on the case of the acquisition of a local British retailer by an international retailer with following targets, using the theoretical framework based on Schein (1984), Martin (1992), Harris and Ogbonna (2002):

1. To find out how the organizational culture is managed.
2. To find out, whether there is a relation between the national and organizational culture.
3. To find out, whether there is an existing macro culture specific to retailing.

The management of the acquiring company has transferred the culture of their company to the acquired company through schemes, initiatives and structures, implemented on a daily basis. The instruments for the transfer of organizational culture were targeted on deepest level of organizational culture – on the change of the basic assumptions of all employees (Schein 1984).

According to the point of view of management, the process of organizational culture transfer was performed successfully, even if it was over the long term. Thus, at managerial level, the integration perspective has been observed (Martin 1992). However, among most of the front line employees only the transfer of shared values was identified, which was in compliance with the differentiation perspective (Martin 1992). In fact the situation was slightly more complicated, as the integration perspective was related, rather, to employees with high career aspirations. Moreover, at the level of the front line employees, the creation of several sub cultures was observed during the interpretation of the company's values (excellent customer service). This fact is related to the fragmented perspective (Martin 1992).

However, despite the existence of several subcultures, Pioch has identified a strong macro culture typical for the retail sector, which has the following features:

- The crucial value is excellent customer service.
- High mobility of front line employees.
- Familiarity among front line employees; friendly relationships among them.
- High level of informal communication.

Therefore, the question remains as to whether there might exist a unique organizational culture in retailing, which would serve as a competitive advantage (differentiating factor) for the respective companies.

2. Methodology

In our research we chose both the *deductive and inductive approaches*. Following Pioch (2007), our research was primarily based on the frameworks of Martin (1992) and Schein (1984). Thus, our aim was to test the data obtained from the field work against already existing concepts. On the other hand, we did not want to only “bind” the data but also to “let them speak” in order to see whether it is possible to develop any new phenomenon from them, and thereafter relate and add (if possible) the phenomenon to the existing concepts/theories in literature (Saunders et al. 2009: 61). Therefore, our approach was also inductive.

Our research strategy chosen was *case study*. In Saunders et al. (2009: 145) it is mentioned that Robson (2002: 178) defines case study as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”. The reason for the case study strategy lies primarily in the intention to be able to closely examine different sub-units within the case’s organization. In our case the subunits were employees in different positions and formats of the company’s structure hierarchy. They were represented by front-line employees, lower-level management, middle-level management (senior team in shop units), upper-level management (cluster managers) and head office managers in the Czech Republic. Such a type of case study is designated by Yin (2003) as *a case study with embedded units of analysis*.

The data sources we used can be divided into secondary and primary data. *Primary* sources consist of information gained from interviews and focus groups, visible artefacts observed during our stay on the shop floor, and in the background of the shop-unit (e.g.: employees’ clothing, behavioural habits or passive internal communication style through notice boards). As *secondary* sources, as gleaned from the “researcher’s desk” (Bártová et al. 2004), we basically perceived the company leaflets, web-sites, mission statements and annual reports as primary sources of information. These are all the ways the company presents and communicates part of its culture.

We tried to *triangulate* the primary and secondary sources which stand for using/analysing different kinds of sources in order to gain more points of view on the area under study.

We used several *techniques* associated with qualitative research to analyse the data obtained from the primary and secondary sources. According to Bryman and Bell’s (2007) terminology, they are as follows:

- *Participant observation* – while doing interviews and waiting for the subsequent interviewee or focus group, we had the chance to chat with employees, observe the working environment and atmosphere. As the objects of the research were shop units, we also spent some time *incognito* on the shop floor of the shop units we examined.
- *Qualitative (in-depth) interviewing* – we adopted styles as: structured and *semi-structured* individual or in-group interviews. Individual interviews were conducted at management level.
- *Focus groups* – these group interviews focused on the topic under research and were rather structured. Focus group interviews were carried out at shop units among the front-line employees. Employees were chosen according to department/position at the shop unit, in order to gain a representative sample of employees within each unit we observed. Focus group interviews, usually consisting of 4 to 8 people, were executed with front-line employees.
- Partly also *Language-based approaches to the collection of qualitative data* – as Strauss and Corbin (1990: 92–93) remind us, one should “never take anything for granted”.

We started with *documentary analysis* by investigating web-sites and publicly accessible documents in order to gain some basic knowledge on the Czech retail market’s background. To understand the message which the company under study is presenting to its employees and customers, we also looked into its public reports, documents and web-pages.

To better penetrate the meaning of the vision, mission and the company’s shared values presented, we followed up with in-depth interviews. The aim was to address a *cross-sectional sample* of the interviewees within the company (meaning interviewing employees from head office management to shop front-line employees).

The average duration of an individual interview with a manager from headquarters or cluster level was approximately one hour. The typical duration of an interview with a person from the shop-unit senior management team, or with one focus group was about 20–30 minutes. Nine focus groups with 32 front-line employees (out of app. 350) were processed within the department store. Researchers spoke to 15 division leaders and special role coordinators/supervisors out of, roughly, forty. Seven individual interviews (including the director) with managers of the senior team in the shop-unit were conducted. This represented almost 90% of the shop-unit senior team at the time the research was carried out. One interview with a regional recruiting manager was executed, as well as one individual interview with the department store format HR manager.

After completion of the interviews, they were all transcribed verbatim, and double checked. After transcription, analysis of the primary data collection started. For the analysis we chose the tools of the *grounded theory strategy* approach. “The grounded theory approach is a qualitative research *method* that uses a *systematic* set of *procedures* to *develop* an inductively derived grounded *theory* about a *phenomenon*. (...) The purpose of the grounded theory method is (...) to build a theory that is faithful to, and illuminates, the area under study” (Strauss, Corbin 1990: 24). As Goulding (2005) adds, the knowledge of existing literature and theories in the field of study is perceived as support “to the emerging, data grounded concepts”.

The first reason for the decision to use the grounded theory tools stems from the qualitative context specific type of collected data. For this kind of data we found the iterative method, meaning the search procedures and interpretative approach of the grounded theory, to be appropriate. The second reason was the ability of this method to explain “a broad range of behaviours and their determinants” (Pettigrew 2000). Thirdly, the grounded theory has the advantage that its procedures are fairly rigid, predefined, which aids one very well in overcoming his/her biases (Strauss, Corbin 1990: 45).

However, the method has also its limitations, of which the most apparent is the time consuming nature of the analytical process, and the difficulty of correctly anticipating “an accurate time scale for the research” (Goulding 2005). Another, even more prominent and growing issue is the fact that this kind of analysis can only bring a *substantive, context specific outcome*, in the best case. Thus, it is quite hard, if not impossible, to generalize the findings on a more general level (Goulding 2005). On the other hand, our case study is supposed to contribute an additional database of information to the ongoing international research on organizational culture transfers. Therefore, the findings from this case study would, hopefully, be able to increase the amount of empirical knowledge in this field – which, finally, the grounded theory tools should help to do.

Strauss and Corbin’s (1990) grounded theory description gives rise to the following: there are several steps to accomplishing the analysis by using the tools given by this method. Our first step was the so called *open coding*. This term refers to giving *labels to observed phenomena* – events. During this coding we broke down paragraphs, examined and categorized information (grouped in a new way).

The second stage was *axial coding*. In this type of coding we re-compiled the information in new different – systematic ways. We purposely constructed conditions for the existence of the events observed. During the coding process we were proposing relationships of categories, and checking for evidence of these relationships.

There might be inferred several categories. However, because of the complexity of the reality, we focussed on four or five of them. By doing so, one continuously proceeds to *selective coding*, and defines a core category – “a central phenomenon around which all the other categories are integrated” (Strauss, Corbin 1990: 116).

3. Results from the Two Layers

The company which we researched belongs to an international retail chain whose home country is the United Kingdom. The international retailer operates across three continents (Europe, USA and Asia) and belongs to the top 5 retailers in the world. It acquired its first shop units in the Czech Republic in 1996. The company has been expanding continuously in the Czech retail market through acquisitions of other retail chains leaving the Czech Republic, or by opening new retail units. Nowadays it has more than one hundred shop-units across the whole country, and belongs usually to the three most visited retailers in the Czech Republic. The company has more than 13,000 employees and so is considered to be one of the biggest employers on the Czech market.

Four categories of problems emerged from our primary qualitative research, and they are as follows. All of them have been analyzed with the use of the models of Martin (1992), and Schein (2004). However, the model developed by Schein could not be used entirely, as at the time of writing this paper (since the qualitative analysis of the research is still in progress), the data of the research were not analyzed completely, especially at the deepest level of basic assumptions (underpinning beliefs). Therefore, the results are sorted, described and analyzed only at the level of visible artefacts and collective values within the organization.

3.1 Organizational Culture and its Values

The company has two core values expressed as follows: “No-one tries harder for customers” and “Treat people as we would like to be treated”.

Both core values are transferred from the company’s central office in the UK and communicated to its central offices in the Czech Republic and Slovakia. The central office for the Czech Republic and Slovakia adopts the main vision from the UK, and elaborates a strategic plan which is further transmitted to the so called “implementation team” – composed of the format managers. The local store managers and directors represent the executive force of the core values. This means, that the way of the core values transmission is unified, however, their implementation is different according to the store format.

As regards the first core value “No-one tries harder for customers”; it is fully accepted by the management of the department stores in the Czech Republic,

and the management makes great efforts to communicate this value to their subordinates. New employees are always trained before they start working and the training is repeated at least once a year. Nevertheless, according to the managers there is a problem in that they cannot motivate their employees sufficiently, because the company does not provide salaries dependent on performance. This view is supported by store department managers, who mostly act in compliance with the core values, but they also see the problem of insufficient numbers of front line employees, as well as the motivation problem. The same opinion is also held by the front line employees, who expressed their willingness, and make great efforts, to serve their customers as much as possible. In addition, the majority of them regard this value as a basic behavioral assumption, mostly also supported by the fact that they have been working for the respected department store for more than 15 years.

It appeared, that the value of the finest customer service is perceived very deeply at all the levels of the organization (integration perspective), (Martin 1992). Nevertheless, this value is not always performed completely, especially at the lowest level of the organization, due to the lack of human and financial resources, as well as the lack of financial motivation.

The second core value “Treat people as we like to be treated” appeared to be a little more problematic. The management of the department store regards this value as fulfilled; however, the front-line employees have proven to be, to a great extent, dissatisfied with their working conditions and with the way, the management in which was dealing with them. Therefore, this core value cannot be regarded as a shared value in the whole organization, and it is an example of the differentiating, or even fragmented, perspective (Martin, 1992).

3.2 Working Environment, Training, Career and Development

One of the company’s values states that all the employees are equal; everyone has the same chance to grow in the company, and thus build their career.

As regards working conditions; different opinions came to light. The management of the department stores, as well as the department managers expressed their satisfaction with the working environment, as well as with the career possibilities and personal development. In particular, the so called personal development plan was pointed out, which enables growth and promotion within the company hierarchy for every employee, at any level of the organization. Promotion is granted subject to recommendation by the supervisor. From there, the chosen employee has to pass through an assessment centre, examinations and a special training successfully and, finally, wait for the appropriate vacant position in the company organization. The promotion option is highly appreciated by the senior managers and department managers.

However, the front-line employees are not very convinced of the usefulness of this mechanism – most of them say that it does not work in reality.

In general, the employees in management are more satisfied with the working environment than the department managers and front-line employees. The department managers mostly complain about the lack of personnel, which consequently hinders the serving of customers properly. All employees praised the fact, that the company does not discriminate between them (“sometimes they even employ people with insufficient skills”). However, most employees described their working conditions as “worsening” – they have to work more and get paid less now than they did in the past. For example, the recent change from the long/short working week to the eight hour working day is only one of the causes of dissatisfaction that was frequently mentioned by front-line employees.

To sum up this chapter; the opinions are very different across the whole organization; therefore we can see the fragmented perspective (Martin, 1992).

3.3 Remuneration and Motivation

In this area we have discovered a common refrain across the whole organization of the department store. The core problem is the lack of performance related wages, which could be used by managers to motivate employees. “Mere appreciation is not enough for us”, say the front-line employees and the department managers. As a result, there are for example two workers with different levels of performance and achievement, but they get paid equally. This situation is not liked by the management nor by the front-line employees, who have no motivation to strive for better performance. However, we should mention that performance related wages used to exist in the organization in the past, and management intends bring it back. But this change is hindered by a high level of rigidity within the organization, as this change must be approved by the central office in the UK, as well as by the trade unions in the Czech Republic. Further motivational means used by the organization are fidelity bonuses, discounts for shopping in the company stores, discounts for lunch, the possibility to visit, for free, the swimming pool and gym. We can also mention courses of English provided for all employees (50% of the costs paid by the organization); however these courses have been cancelled due to lack of interest, because the employees had to work those extra hours, which they spent on the courses.

3.4 Communication and Feedback

In this category we have identified a great big diversity in opinion, both between several levels of organizational structure and at the same organizational levels. The management generally talks about a good level of both vertical and

horizontal communication in the organization. Many managers mentioned, that they ‘collect new ideas from their subordinates’, usually through special interviews, which are held between the employees and their supervisors at least twice a year. The aim of these interviews is to find out just how (dis)satisfied the respective employee is, as well as to identify some new ideas on how to improve the way of working, as well as the possibilities for personal promotion. Any new idea to improve the organization can be raised and transmitted to the central office in the Czech Republic through the supervisor (department manager, manager or director of the department store). The front-line employees can also express their ideas at the “breakfast with the director”, which is organized every month. The new ideas are then transmitted to the central office of the Czech Republic. We can mention the questionnaire survey “Your opinion counts”, which is performed among all employees once a year.

Thus, we can say that communication in the organization works well, officially. However, opinions about its real function differ quite a lot. In particular, the department managers (section managers) are sceptical about putting employees’ new ideas into practice. The front-line employees are also very reluctant to put forward new ideas, as they are convinced that this effort is pointless, because every new idea (no matter how good it is) usually remains at central office and is never implemented. Communication at horizontal level in the organization is regarded as functional and positive by most employees, they frequently talk a good level of *esprit de corps* and cooperation; even if in some cases nitpicking and criticism was mentioned.

Last but not least, in the case of the department store, creativity and new ideas on the part of personnel is appreciated by the management, because in the department store the display of goods can be organized more flexibly than is possible in hypermarkets and supermarkets.

Conclusion

The organizational culture of the selected company has been analyzed at the level of visible artifacts and collective values (according to Schein 1984).

From the integration perspective, the organizational culture is formulated by common values, which can be summarized as two crucial values. The employees receive these values through formal schooling, or while dealing with many different situations in their daily working lives. From the differentiation perspective the organizational culture appears to be divided into two parts: what is planned in the central office is usually different from the practice in the various stores of the company. From the point of the fragmented perspective we have confirmed the findings of Martin (1992) – the existence of many

viewpoints on the implementation of the crucial values at the lowest organizational level – among the front line employees.

Organizational culture is transmitted from the home country to all organizational components of the company in the Czech Republic/Slovakia via several levels. The form of the transmission is unified; however, its execution varies according to the store format.

We have not obtained any result in the area of a specific retail macro culture, despite the fact, that several signs were observed suggesting the existence of a specific retail macro culture (such as the company core values taken for granted by employees both in the UK and in the Czech Republic; that of the orientation on customer service).

Retailers bring new knowledge and know-how to the Czech Republic. However, the knowledge transfer within the company is not represented only by the stream of knowledge from the central office in the UK to the Czech Republic/Slovakia, but also vice versa. Especially in the case of department stores, the knowledge obtained in the Czech Republic is transferred to the UK, where it contributes an added value.

To conclude, organizational culture, apparently, can be managed, and even transmitted from one country to another. However, there is a plethora of obstacles that hinder its management and transmission, most of them represented by the various interests and motivations of the front line employees, supported by serious differences stemming from, for instance, the various national cultures.

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Vydavatel: Vysoká škola ekonomická v Praze
Nakladatelství Oeconomica

Tisk: Vysoká škola ekonomická v Praze
Nakladatelství Oeconomica

Tato publikace neprošla redakční ani jazykovou úpravou

ISSN 1802-6591