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## **Organisational performance of Hungarian ministries: The role of organisational culture**

(Draft version!)

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## **1 Introduction**

The past twenty-or-so years witnessed, in relations to both the study and the practice of public administration and public management reforms, a gradual but definite increase in the emphasis put on cultural factors.

According to Wallerath (2000), from a more academic perspective this emerging attention paid to problems of (administrative) culture can be attributed to two major reasons. The first one is the problems generated by the isomorphism of administrative structures and processes promoted or even forced by NPM: this isomorphism often led to such problems as “why doesn’t NPM concept A work in country Y while it did work in country X?”. The other reason is the intensifying interactions between different administrative systems, most of all characteristic for the European integration. Although previous historical epochs also involved broad interaction between administrative systems the phenomenon today acquired a new quality.

In addition to these two forces there is a third, more practical one to mention: the marked coming into vogue of the issue of corporate culture during the eighties in both the practice and the study of (corporate) management. The “excellence literature” originating in the work of, among others, Peters and Waterman (1982) and – with a specific focus on the public sector – of Osborne and Gaebler (1992) and materialising in an abundant New Public Management (NPM) rhetoric was, and still is, strongly centred around the cultural transformation of public administration: “Attempts were made to shift the public sector from an administrative to a managerial culture [...] re-orientated towards either a marketplace or a client culture [formed] the heart of both rhetoric and practice of transforming the public sector (Driscoll and Morris 2001 p. 807).

As a consequence of the above developments – and especially of the high rhetorical emphasis put on culture in the study and practice of NPM – problems of organisational culture acquire a key importance. This importance results from the expectation that a shift towards an “excellence centred culture” – whatever this means – produces beneficial behavioural outcomes on the part of the organisation. Among those behavioural outcomes most of all the importance of higher organisational performance (Gordon and DiTomaso 1992), of customer-orientated mode of operation, and of better service quality (Driscoll and Morris 2001) are emphasised.

Not only the kind of behavioural changes but also the attained cultural change is more or less clearly specified in mainstream NPM literature. Specifically, the main vehicle of increasing the performance of government is replacing the “outmoded, bureaucratic culture” with an entrepreneurial, performance- and/or innovation oriented, corporate “culture of excellence” in public organisations. Indeed, this claim is a central tenet of much of the NPM literature and practice (Driscoll and Morris pp. 807-808, 2001 Gow and Dufour 2000 citing Moe 1994; cf. Gore 1993 and OECD 1996; see also Parker and Bradley 2000 pp. 130-131).

Despite these strong claims often to be seen in mainstream NPM literature about culture’s role in achieving better organisational outcomes there is little empirical work exploring this issue (Gordon and DiTomaso 1992 pp. 783-784). The current study examines the significance of culture in the above context. Its fundamental question is the following: what is the role of culture in producing better organisational outcomes in public administration organisations? This question is examined on the basis of cross-sectional questionnaire survey data collected in six Hungarian ministries.

The structure of the paper is as follows. First a brief background of the most fundamental concepts used in the study are given; this involves the concept of administrative and organisational culture, of organisational performance, and the conceptual link between them. Secondly, in Section 3, the method of the empirical study is outlined. Section 4 presents the basic

findings of the study, while the concluding, fifth section draws some conclusions reached on the basis of the findings.

## **2 Culture and performance in public administration organisations**

### **2.1 Culture**

There is a convincing extent of agreement in the literature regarding the inherent ambiguity of the meaning of administrative culture/ *Verwaltungskultur* (Jann 2000, Wallerath 2000, Fisch 2000). The study of W. Jann (Jann 2000) offers some feeling of security on these stormy waters of uncertainty.

Culture as a descriptive and explanatory variable of social phenomena having direct empirical relevance originates in the Anglo-Saxon anthropological theory. It was this phase of the development of the culture concept that culture as a value laden construction – moving in the dimensions of “good vs. bad” or “little vs. much” culture and practically exclusively used in the previous epochs – was in part replaced by another, more descriptive and less normative mode of use. In this anthropological(ly inspired) use the concept of culture acquired a very wide meaning: in addition to the cognitive/mental foundations (including values and attitudes) of social action in involves the system of social (inter-)action itself, and – moreover – the artefacts in which these elements materialise, such as norms, ceremonies, myths as well as, in the broadest sense, material objects of the social world (Schein 1992). However, such a wide interpretation of the concept of culture carries significant theoretical and empirical difficulties.

In the empirical social sciences – foremost in political science – therefore a new concept of culture emerged: that of “subjective culture”. This notion of culture is confined to the mental reflections of individuals in the given society of the subject matter at hand – for example, opinions, attitudes and values regarding the political system. “To formulate it in a somewhat pointed manner, this concept [...] can be defined as ‘everything questionnaire surveys can measure’” (Jann 2000 p. 329). Of course mental reflections of individuals to whatever objects of perception depend on numerous factors and can (and often do) change rapidly. Consequently, the concept of culture has to be supplemented with an additional definitional element not emphasised by Jann: namely, its significant autonomy and the temporal stability following from this (Hofstede 1984 pp. 21-23).

Regarding the possible meanings of administrative culture Jann (2000) differentiates between four possible modes of use – sometimes denoted as *Verwaltungskultur* I.-IV. (ibid. p. 331):

- (a) Typical organisational and behavioural patterns characteristic for a given unit of analysis (typically: country), including related elements of subjective culture. In brief: “We do it this way”.
- (b) Opinions, presumptions, values, and attitudes related to the public administration characteristic for the individuals of a given unit of analysis (typically: country). In this sense administrative culture is a building block or element of political culture.
- (c) Opinions, presumptions, values and attitudes typical for the civil service.
- (d) Shared opinions, presumptions, values and attitudes of organisations of a given public administration system – in short: the organisational culture typical for the given public administration system.

In his empirically oriented effort Schröter (2000) examines three levels, or meanings, of administrative culture: (i) management culture (entrepreneurial vs. bureaucratic), (ii) political

culture, and (iii) attitudes towards big government, the third one of which seems to be a specific field of the second one.

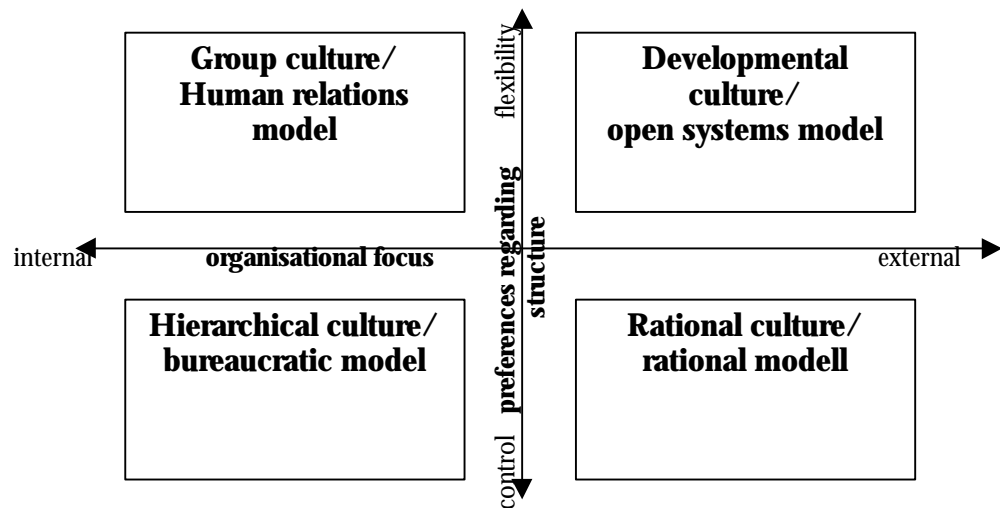
The current study focuses on one of the various meanings of (administrative) culture identified by these authors: organisational culture.

Organisational culture as a variable important in understanding organisational phenomena appeared about half a century ago, and become a topic in fashion during the eighties. Relatively consensual definitions of organisational culture centre around assumptions, values, attitudes, and beliefs shared by the members of an organisation. As a result of the stability of this set of mental elements and their systematic effect on human thinking and action organisational culture creates a “mental programming”, a “software” of the mind (Hofstede 1981).

Most empirical studies of organisational culture follow the “(personality) trait approach” to organisational culture (Gordon and DiTomaso 1992). In the case of these “trait models” of organisational culture the key question relates to what the dimensions describing organisational cultures the best are. This question is answered, in addition to Hofstede’s six-dimensional organisational culture model, in a number of other ways (e.g. Robbins 1993 p. 603).

The current study utilises the organisational culture model developed by Quinn (Quinn 1988, Zammuto-Krakower 1991 pp. 85-87) and utilised by a large number of subsequent empirical undertakings. Its basic structure is outlined in the below figure.

**Figure 1: The culture typology of Quinn**



*Source: On the basis of Zammuto-Krakower (1991) p. 86 and Parker-Bradley (2000) pp. 128-129*

## **2.2 Performance**

Analysing performance, or effectiveness, of public organisations involves a number of difficulties. Three central difficulties are emphasised here, listed in a descending order of abstraction.

Firstly, organisational performance is a conceptually very broad and vague notion. For example, Quinn and Rohrbaugh (1983), in their seminal and overarching work on the meaning of organisational performance, differentiate between about thirty possible meanings and “sub-concepts” of the organisational performance (or, as they call it, organisational effectiveness) concept.

Secondly, another difficulty stems from the limited operationalisability of whichever concept of organisational performance is picked. In the case of business enterprises financial indicators (e.g. return on investment or on assets: Gordon and DiTomaso 1992, Newman and Nollen 1996) or market indicators (share and growth indicators) etc. are relied on. Operationalising performance – and especially performance change – in the case of public administration organisations is a distinctively more complex task (Pollitt and Bouckaert 2000 Chapter 5).

Finally, the very method of the current study – i.e. questionnaire survey – implied a third obstacle. Measuring/operationalising phenomena on the basis of the subjective assessments/perceptions of respondents is a relatively sound method only (or at least mostly) if the phenomenon under study relates to the inner world of the respondent. For example individual attitudes can be, conceptually, measured on the basis of individual responses in a straightforward manner. However, in this case a phenomenon – which is in itself a complex and difficult-to-interpret theoretical construct – lying outside of the inner world of individual respondents is studied. In such cases there is a high risk that individual perceptions and responses are biased in an uncontrollable way possibly by an innumerable number of contextual factors not related to the phenomenon studied.

In the view of these difficulties it was decided that primarily those measures of organisational performance will be relied on which (i) can either reasonably be expected to be approximated by, or (ii) are, conceptually, part of, the respondent’s subjective experience. Such measures might include, for example, morale/job satisfaction, perceived quality of team work, or the perceived value of human resources within the organisation.

Clearly, such measures seem to be quite “soft” in the sense that don’t consider “the number of units produced in a given time (productivity) and the number of units produced for a given number of input units (efficiency)” specific for the “rational system model [characterised by a] mechanistic, instrumental bias” (Quinn and Rohrbaugh 1983 p. 364). Nevertheless, they are an integral part of the natural system approach of organisation considering “not only the production function, but also the activities required for the unit to maintain itself ... from this organic view, attention is focused on such properties as morale and cohesion” (ibid.).

In sum, it is admitted that the conceptualisation of organisational performance characteristic for the present study is only a partial one omitting some key dimensions of organisational success. Nevertheless it is hoped that by including at least certain, less overarching aspects of performance more insight can be gained into the much-contested relationship between organisational culture and organisational performance.

### **2.3 The culture-performance link**

The causal link between organisational culture and organisational behaviour – including organisational performance – is at least as elusive a question than are the two concepts themselves. Behaviour can be seen either as an element of organisational culture (in a broad sense), or as one of its determinants; moreover, from an organisational learning perspective even as the primary source of culture. Thus, as Jann (2000) points it out the causal relationship between (organisational) culture and the organisational practice is indeed a difficult one: “There is a danger that [as a result of this vagueness of its causal status] culture becomes an ambiguous, all-embracing notion of administrative culture, in which all unsolved problems of public administration research is packed up, irrespective of the unit of analysis and questions of operationalisation” (ibid. p. 333).

In trying to create some kind of order among the concepts a first step might be to consider that it follows from the concept of subjective culture applied in the current study that culture is perceived as something conceptually different from behaviour. In other words, instead of the approach exemplified by the motto “organisation *is* culture” one should stick to the motto of “organisation *has* culture” (Wallerath 2000).

It is also necessary to clarify the nature of the causal link between concepts of culture and behaviour (or, more specifically, between culture and performance). To start with, one can say that organisations are culture bound, i.e. there is/has to be a substantial degree of congruency between organisations’ culture and behaviour at all times (Jann 2000). Furthermore, in the specific context of explaining performance related organisational outcomes in the management literature it is relatively customary to treat (organisational) culture as an explanatory variable of behaviour (for some examples see Gordon and DiTomaso 2001 p. 785; in the context of public administration Driscoll and Morris 2001). While this approach might in some cases be insufficient since it does not account for the question of how organisational culture, in the actual practice of organisations, evolves and changes, it seems sufficient for our present purpose.

That is, particular beliefs, attitudes, and values shared across the organisation are expected to lead to particular behavioural patterns, and thus particular organisational outcomes. For example, a higher emphasis on customer service is expected to lead to more customer oriented behaviour, or a more expressed appreciation of the “human side of enterprise” can be expected to create more systematic and effective human resource management systems and practices etc.

## **3 The method**

### **3.1 Sampling**

The empirical research focused on the ministerial organisations of the Hungarian central administration. Specifically, six ministries are surveyed:

- Ministry of Health, Social and Family Affairs (ESZCSM),
- Ministry of Agriculture and Regional Development (FVM),
- Ministry of Informatics and Communications (IHM)
- The Prime Minister’s Office (MeH),
- Ministry of National Cultural Heritage (NKÖM),

- Ministry of Finance (PüM).

In selecting the six ministries both theoretical and practical criteria were observed. As to the more theoretical ones: the task profile of the ministries is heterogeneous and covers all major fields of governmental activity: ministries responsible for narrow and well-defined policy fields (Ministry of National Cultural Heritage, Ministry for Information and Communications) as well as those with broad and diverse policy portfolio (Ministry of Agriculture, Prime Minister's Office) are present. There are ministries dealing with "human" (Ministry of Health, Social and Family Affairs, Ministry of National Cultural Heritage) as well as with "technical" issues (Ministry for Information and Communications).

From the point of view of practical feasibility the co-operative "attitude" of ministerial leadership and the resulting access to vital personal data of civil servants of the individual ministries were decisive.

At the time of the survey the six ministries selected covered 40% of the altogether 15 ministerial organisations. Therefore it is justified, although with some restrictions, to treat this sample as one representing the central governmental sector of the Hungarian public administration system. From a stricter methodological point of view the primary unit of analysis is the (ministerial) organisation, and the population under study is the 15 ministerial organisation existing at the time of the study.

The sample of individual respondents taken from each individual ministry was approximately  $N=150$ , in the case of the Prime Minister's Office  $N=170$ . The sample drawn from the individual ministries was a simple probability sample. The questionnaires were sent to the altogether 904 individuals by regular mail. The survey took place between June and August 2003.

Considering the practical difficulties regarding possible distrust of the respondents the "trust factor" was a central one. Therefore the questionnaires did not contain any unique identifiers; furthermore, a labelled and stamped envelope was included in the mail in order to give an opportunity for warranted anonymity. In addition, within 2 to 8 weeks after sending the questionnaires a follow-up telephone call was administered to all civil servants selected. These follow-up calls served a twofold purpose. First, the addressee of the questionnaire was recalled to complete and return the questionnaire (provided that s/he hadn't done so earlier). Secondly, each person was asked about a few of his/her personal characteristics (gender, organisational position, and tenure). The resulting data were used to test that the composition of those actually responding are similar to the actual population of civil servants.

341 out of the 904 questionnaires were returned (37.7%), of which 290 respondents (32.1%) provided full information. The follow-up telephone calls reached 808 persons of the 904 selected (another 63 had in the meantime left their jobs). Chi-square tests showed that the composition of respondents is similar to that of the total sample of these 808 people with regards to organisational position (manager vs. non-manager:  $p=0.178$ ), and tenure (four-level ordinal variable,  $p=0.314$ ). The gender composition was somewhat different: female respondents were over-represented (64.5% instead of 54.9%,  $p<0.0005$ ). However, as subsequent analyses of variance showed, the culture measurement instrument applied was neutral to the gender of the respondent.

### **3.2 Measuring organisational culture**

There are relatively few thoroughly validated and tested empirical instruments measuring organisational culture. In addition to the one elaborated and utilised by Hofstede et al. (1990) it is worth to note the one proposed by Zammuto and Krakower (1991).

The instrument developed by the authors aims at revealing respondents' perceptions regarding the extent, to which the organisation (workplace) they belong to resembles the four culture types of the Quinn typology depicted in Figure 1. Positioning the "own organisation" takes place in the following manner: each respondent distributes 100 points among four models described in a brief written description (see Annex I.). The more the given model resembles the respondent's perception regarding his/her own organisation, the more of the 100 points is given to the respective model. Individual level scores are averaged within organisations to produce the four overall indicators measuring the presence of the four culture types in the culture of the given organisation.

As regards to public administration/public management research, subjective culture of the personnel of public administration forms, in the broader sense, the subject of relatively numerous pieces of empirical work (to mention a few recent ones: Kearney et al. 2000, Moon 1999, Schröter-Röber 1997, Damskis-Möller 1997, and Reichard 1995). However most of these research efforts do not deal directly with the problems of organisational culture in a quantitative manner. An important such piece of work I managed to locate is that of Parker and Bradley reporting on the organisational culture of governmental departments of and Australian federal state, Queensland (Parker-Bradley 2000). The authors relied on the Quinn model of organisational culture as operationalised by Zammuto and Krakower; the instrument was administered in six government departments (ministries) of Queensland.

The Hungarian organisational culture survey beside the purposes reported here served other, comparative purposes, too. For this and some other reasons it was decided that the instrument applied by Parker and Bradley (2000) in their Queensland survey be utilised (for the instrument see Annex I.).

The validity of the culture measurement instrument was analysed, too. First, the reliability of scales measuring individual perceptions of organisational culture was assessed by calculating the Cronbach Alpha values. The four scales measuring individual perceptions of culture are, judged on the basis of Cronbach Alpha values, sufficiently reliable. The values of Cronbach Alpha vary between 0.52 and 0.79. In the Queensland survey the same indicators of scale reliability showed similar values ranging between 0.61 and 0.80. In sum, the scales "worked" in a sufficiently reliable manner in the Hungarian context, too.

Secondly, it was asked whether it is justified to aggregate individual perceptions on a higher level of analysis – in our case on the level of ministerial organisation. (Although in a number of analyses this is done almost automatically, without any specific consideration, this is major problem.)

This was done in a vein similar to the one used by Hofstede (Hofstede 1984 pp. 52-53) and Parker and Bradley (2000) The results of the ANOVA analyses performed on the four scale variables measuring the presence of the four culture types as dependent variables, and ministry affiliation of respondent as independent variable are as follows.



**Table 1: Results of ANOVA performed on variables measuring organisational culture (dependent variable) and ministry affiliation of respondent (independent variable) (number of cases: 276, number of categories of the independent variable: 6)**

<b>Variable</b>	<b>Significance (p-value)</b>
Group culture	0.134
Developmental culture	0.003
Hierarchical culture	0.000
Rational culture	0.275

These results indicate that the aggregation of individual level data on the ministry level is justified (this conclusion is reinforced by the results of MANOVA not provided here in detail; the Pillai, Hotelling, Wilks and Roy measures were all significant at the  $p < 0.0005$  level)<sup>1</sup>. Furthermore, ministerial cultures are most markedly differentiated by the extent, to which they are characterised by the presence two out of the four culture types: namely, of the developmental and the hierarchical cultures.

### **3.3 Measuring organisational performance**

The questionnaire contained various items related to the performance and effectiveness of the organisation and of the respondent's manager as outlined in the section on concepts. On the basis of correlation and reliability analyses not presented here these questionnaire items were "compiled" into four scale variables built up from 5-point Likert-format items:

- Job satisfaction/morale (marked as x1s\_mind: "I am satisfied with my job");
- Perceived quality of management (marked as HAT\_VEZ): mean of "managers inform subordinates on goals" and "my boss does a good job in organising the work";
- Perceived quality of workgroup co-operation (marked as HAT\_TEAM): mean of "my opinion matters" and "team-work is characteristic for us".
- An overall assessment of organisational performance (marked as HAT\_HAT): mean of "we do a good job" and "our efficiency has in the past two years increased";

These scales measure related, but different aspects of organisational performance. While the first three of them refers to the organismic, open systems view of organisations, the fourth one attempts to involve a more overarching concept of organisational performance. As it can be seen in Table 3 there are strong (between +0.48 and +0.7) and strongly significant (in all cases below the 0.0005 level) correlation among all four measures. On the basis of these properties of the organisational performance measures they can be reasonably accepted as rough indicators of the selected aspects of organisational performance.

It has to be noted that, unfortunately, the performance measures did not "behave" so well as did the culture measurement instrument. Specifically, the within-group perceptions of the various

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<sup>1</sup> The culture variables „behave" remarkably well with respect to their sensitivity to individual characteristics of respondents such as years in service, gender, and manager vs. non-manager. 2 and 3-way MANOVAs – not presented here – showed the culture variables neutral to these factors both in terms of main effects and of interaction effects.

dimensions of organisational performance did not “converge” around a recognisable overall value characterising the organisation and differentiating it from the other organisation. That is, the results of ANOVA analyses reported above were in the case of the performance variables insignificant. Therefore from a methodological point of view it is not justified to aggregate performance data to the level of organisation; instead, in the following analyses will be confined to the individual respondent level. Still, all analyses presented in the paper were repeated on the n=6 database containing cultural and performance characteristics of the six ministries. The results of these analyses are basically identical with those emanating from analyses of individual respondent level data.

## 4 Findings

The first one of the below two sub-sections gives a general description of the two key variables under study – culture and performance –, while the second one explores the relationship between them.

### 4.1 Culture and performance profiles of Hungarian ministries

The below table depicts the extent, to which the four culture types are present in the ministries surveyed.

**Table 2: The presence of the four culture types in the six Hungarian ministries surveyed**

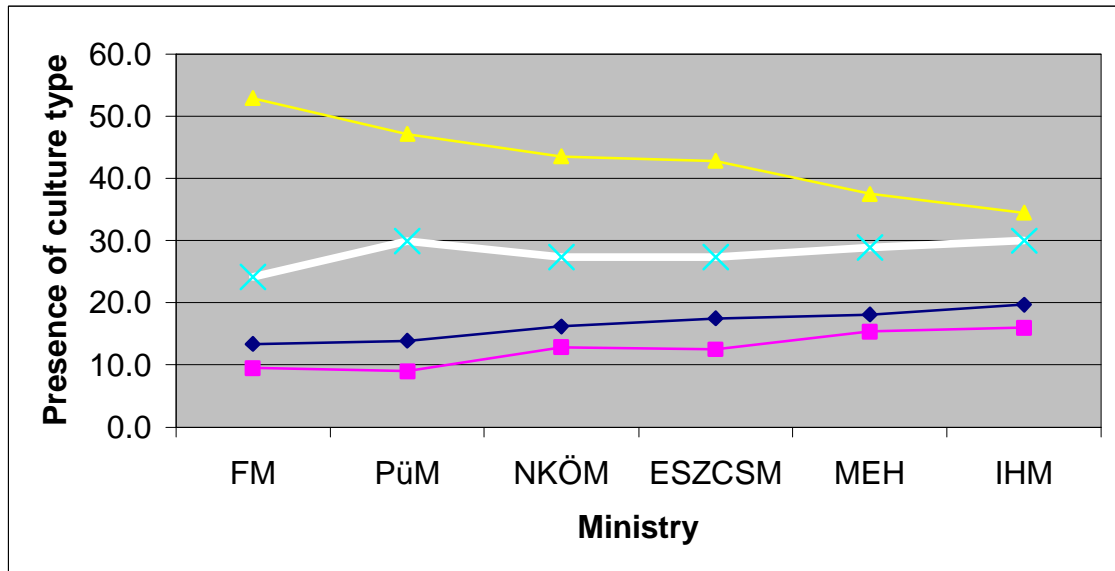
<b>Ministry*:</b>	<b>FM</b>	<b>PüM</b>	<b>NKÖM</b>	<b>ESZCSM</b>	<b>MEH</b>	<b>IHM</b>	<b>Mean</b>	<b>Range</b>
<b>Culture types</b>								
Group culture (X_A)	13.4	13.9	16.2	17.5	18.1	19.7	16.5	6.3
Developmental culture (X_B)	9.5	9.0	12.9	12.5	15.4	16.0	12.6	7.0
Hierarchical culture (X_C)	52.9	47.1	43.5	42.8	37.5	34.5	43.1	18.4
Rational culture (X_D)	24.2	29.9	27.3	27.3	28.9	30.0	27.9	7.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	-

*\*Ministries are – here and hereinafter – listed in a descending order of the hierarchical character of organisational culture (X\_C)*

There are two well-marked features of the data. First, hierarchical culture predominates organisational culture in all six ministries: the smallest value is 37,5 the largest one is 52.9, and the mean value is 43.1. These are quite high values both in the view of the “balanced model” deducted from theory (characterised by approximately the same, 25% presence of all four culture types) and in the view of the organisational cultural characteristics found in other empirical surveys, such as Zammuto and Krakower (1991), Quinn and Spreizer (1991), Gifford, Zammuto, and Goodman (2002), Parker and Bradley (2000), and some other ones relying on instruments operationalising the CVF other than that of Zammuto and Krakower, such as Al-Khalifa–Aspinwall (2001), and Dastalmachian et al. (2000).

Secondly, the cultures of the six organisations seem to be rather homogenous, i.e. similar to one another. This is a significant finding since it indicates that the culture of ministries are not shaped by pure chance but are strongly determined by contextual variables prevalent in the entire realm of Hungarian (central) public administration.

**Figure 2: The presence of the four culture types in the six ministries surveyed (arranged in a descending order of hierarchical culture)**



This figure shows that hierarchical culture is influential not only in terms of its size but also as measured by its influence on the presence of other culture types. I.e. decreasing presence of hierarchical culture means all the other three culture types gaining in influence, and vice versa<sup>2</sup>.

The second most influential culture type, in terms of size, is the rational culture. This is present in the six ministries approximately to the same extent (except for the Ministry for Agriculture/FVM). The other two culture types are present in all ministries to a modest extent, between 10 and 20 percent.

As regards the organisational performance measures and profiles, the results seem congruent with *ex ante* expectations. The below table depicts the result of the correlation analysis performed on these four variables.

<sup>2</sup> In order to interpret this finding correctly one has to consider an important feature of the four culture variables. Namely, their sum is a constant 100 by definition. In statistical terms this means that there is full multicollinearity (linear dependence) between the four variables, while in geometrical terms one could say that the “cloud” of data points is located on the same – “downhill” – superplane of the four-dimensional culture space. Therefore the four culture variables are inherently inclined to correlate negatively. One of the consequences of this inclination is that it is not advisable impossible to use correlation or regression analyses.

**Table 3: Respondent level correlation of major variables of organisational performance**

		Correlations			
		X1S_MIND "I'm satisfied with my job'	HAT_VEZ A Perceived quality of supervisor's work	HAT_HAT Perceived organisatio nal performan ce	HAT_TEAM Perceived quality of cooperation in workgroup
X1S_MIND "I'm satisfied with my job'	Pearson Correlation Sig. (2-tailed) N	1.000 .000 339	.482** .000 337	.541** .000 320	.556** .000 338
HAT_VEZ A Perceived quality of supervisor's work	Pearson Correlation Sig. (2-tailed) N	.482** .000 337	1.000 .000 337	.646** .000 319	.656** .000 337
HAT_HAT Perceived organisational performance	Pearson Correlation Sig. (2-tailed) N	.541** .000 320	.646** .000 319	1.000 .000 320	.701** .000 320
HAT_TEAM Perceived quality of cooperation in workgroup	Pearson Correlation Sig. (2-tailed) N	.556** .000 338	.656** .000 337	.701** .000 320	1.000 .000 338

\*\* . Correlation is significant at the 0.01 level (2-tailed).

There is a very strong and statistically significant positive relationship between the four variables (all correlation coefficients are significant at the  $p < 0.0005$  level and the smallest correlation coefficient is +0.482). This finding supports the above considerations that the four variables measure the same underlying concept – namely, individual perception of organisational performance.

## 4.2 Culture's effect on organisational and management performance

The below table depicts the results of the correlation analysis performed on the culture and the performance variables.

**Table 4: Correlation matrix of variables measuring individual perceptions of organisational culture and of organisational performance \***

		X1S_MIND (variable "I am satisfied with my job")	HAT_VEZ (scale "management does a good job")	HAT_HAT (scale "our organisation / unit works efficient")	HAT_TEAM (scale "our working team has a good team spirit")
X_A Group culture	Correlation	<b><u>0.138</u></b>	<b><u>0.223</u></b>	<b><u>0.218</u></b>	<b><u>0.275</u></b>
	Sig. (2-tailed)	0.014	0.000	0.000	0.000
	N	322	321	305	321
X_B Develop- mental culture	Correlation	0.047	<b><u>0.167</u></b>	<b><u>0.229</u></b>	<b><u>0.195</u></b>
	Sig. (2-tailed)	0.405	0.003	0.000	0.000
	N	322	321	305	321
X_C Hierarchical culture	Correlation	-0.095	<b><u>-0.234</u></b>	<b><u>-0.237</u></b>	<b><u>-0.219</u></b>
	Sig. (2-tailed)	0.089	0.000	0.000	0.000
	N	322	321	305	321
X_D Rational culture	Correlation	-0.019	0.020	-0.020	-0.071
	Sig. (2-tailed)	0.739	0.726	0.728	0.207
	N	322	321	305	321

*\*Significant correlations marked*

Two immediate findings emerge from these results:

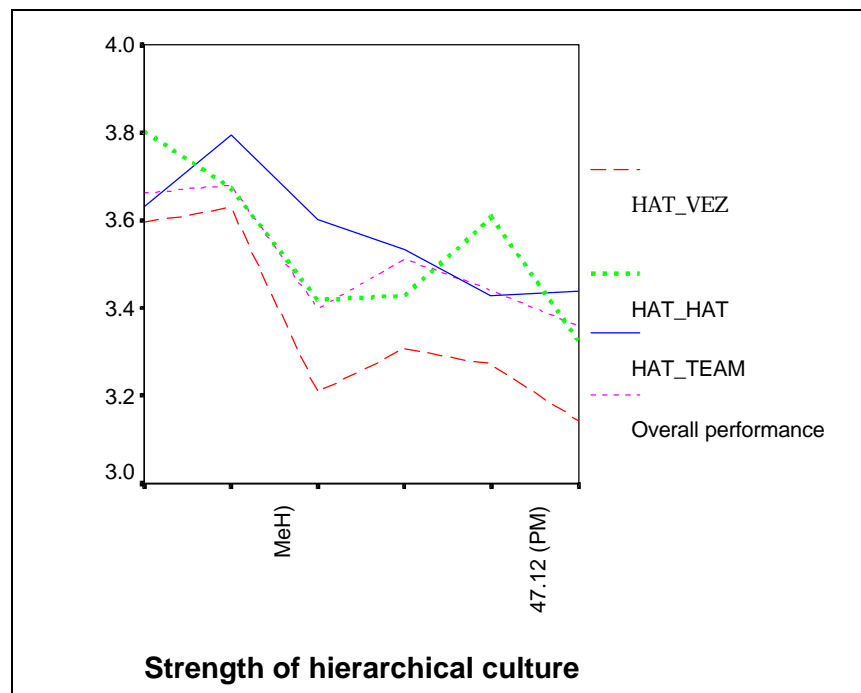
First, organisational culture is in a definite relationship with most measures of organisational performance applied in this survey. This is especially so with regards to the presence of group culture and of hierarchical culture (X\_A and X\_C, respectively), where three out of the four performance measures correlate on a level higher than  $r=0.2$  and are significant at the  $p<0.0005$  level. The relationship between organisational performance and the presence of developmental culture (X\_B) is weaker but still statistically significant; rational culture (X\_D), however, seems to have a minimal relevance from the point of view of organisational performance. This latter finding is rather surprising since intuitive thinking would suggest the opposite. The direction (sign) of the relationship is identical in all cases: the more hierarchical the organisational culture, the lesser the performance, and the more group and development oriented, the higher the organisational performance. Partial correlation analyses not presented here seem to suggest that it is the hierarchical culture variable which has the most important effect on organisational performance.

This finding is more or less consistent with the expectations based on current mainstream “Theory Y” type approaches (McGregor 1979) – emphasising the role of the “human dimension” of organisation – would suggest. Furthermore, this finding is also consistent with the empirical results presented in the previous sub-section, where organisational, group and managerial effectiveness proved to be intimately and inextricably intertwined with individual job satisfaction; a hierarchical culture emphasising individual accountability as opposed to team work, and hierarchy and rule as opposed to flexibility does not support such “Theory-Y” type values.

Secondly, it is remarkable that individual job satisfaction, as opposed to the other three performance variables, exhibits hardly any recognisable relationship with organisational culture; it is only group culture which has a statistically significant, albeit weak, relationship with job satisfaction. Partial correlation analyses not presented here reinforce the opinion that this lack of correlation is not a spurious, but a real one.

On the basis of these and earlier findings stressing the importance of hierarchical culture in explaining key organisational phenomena in the surveyed ministries it is possible to boil down the relationship between organisational culture and organisational performance into one simple figure as follows.

**Figure 3: The relationship between the presence of hierarchical culture and various measures of organisational performance\***



\* „Overall performance” is a variable calculated as the mean value of the four performance variables for illustrative purposes

This figure reinforces the finding presented above, i.e. that such dimensions of organisational performance as (individual perceptions of) quality of management, of team work, organisational performance, and job satisfaction are in a strong, negative relationship with the hierarchical nature of the organisation’s culture.

## **5 Some broader conclusions**

From a theoretical perspective, some tentative – rather than definite – conclusions seem worthwhile to draw from the above findings.

Firstly, the findings reinforce/are consistent with the results established in some of the earlier results. For example, Gordon and DiTomaso (1992) found that the adaptability of culture increases, while its stability decreases performance. This relationship is reinforced by the current findings. Namely, as depicted in Figure 1, the group culture type lies on the flexibility/adaptability while the hierarchical culture type on the stability end of the “structural preferences” continuum; and, as the above findings showed, the former significantly increases while the latter significantly decreases the performance of the organisations in most of the performance dimensions measured.

Secondly, it is surprising that it is chiefly only the culture types focusing on the organisation, rather than those focusing on its environment, that exert significant impact on organisational performance. In other words, only the vertical (i.e. stability vs. flexibility), axis (dimension) of organisational culture seems relevant from the point of view of organisational performance. The other dimension plotted on the horizontal axis (i.e. internal vs. external focus) adds little to understanding and predicting organisational performance. In particular, it is surprising that e.g. a larger emphasis on goal achievement (i.e. a more goal-oriented, rational culture), in the literature usually expected as a primary device of achieving efficiency gains, does not contribute to the perceived performance of the given organisation.

However, in this regard care has to be taken in interpreting the results of the above correlation analysis. Namely, the presence of rational culture does not vary significantly across organisations (see Table 1 on the results of ANOVA analyses). That is, the lack of correlation might be due to the lack of variance in one of the variables – goal orientation – rather than to the lack of relationship.

A next consideration relates to the relevance of the various performance measures applied in this study. Specifically, it seems both from correlations among the four performance measures (Table 3) and their relationships with the cultural characteristics (Table 4) that individual job satisfaction seems to capture, or at least be related to, the underlying construct of performance to an extent more modest than in the case of the other three performance measures. (I.e. individual job satisfaction is neither as strongly related to the other performance measures as they are related to each other, nor is it in such a clear relationship with cultural characteristics as the other performance measures are.)

This finding seems to some extent to contradict the large emphasis usually put on job satisfaction and morale in general, and expected to substantially contribute to the creation of a “culture of excellence” and thus to such behavioural changes as increased performance, quality, and client orientation. Nevertheless, the proper, in-depth interpretation of this phenomenon proved, in the context of this study, difficult due to the lack of possible explanatory variables.

Finally, a cautionary note is in order in relation to all three above considerations, which concerns the limited and specific focus and generalisability of the results. Most of all, it is both a strength and a limitation of the results that they are based entirely on empirical material gained in a “strictly non-NPM”, Continental/Germanic public administration organisational and cultural context (Hajnal 2003). Therefore these results cannot be generalised in a problem-free manner to other administrative systems – for example, to those having already had undertaken substantive NPM reforms. Nevertheless, this argument might to some extent be counter-argued by another one: as other results seem to suggest, the importance of NPM in influencing cultural patterns of administration is rather marginal (Hajnal 2004).

Furthermore the scope in which organisational performance was investigated is, due to reasons outlined in the conceptual section, limited to those related to the self-maintenance function of organisations as viewed from a natural systems perspective. In a more overarching perspective technical and instrumental aspects of performance/effectiveness should, ideally, clearly play a much more expressed role.

From a more practical perspective one might ask what the implications of the findings and conclusions reached are in relation to the problem formulation exposed in the Introduction. That is, is the proposition that by creating a culture of excellence oriented towards results, customers, and entrepreneurship NPM might lead to an increase in the performance and quality of government, supported, or, rather, undermined by the results of this study?

Emphasising the tentative nature of the argument it can be said that this claim which is central to the “NPM thinking” appear, in the light of the above findings, somewhat controversial. On the one hand, organisation culture does seem to influence a number of behavioural patterns in the organisation relevant from the point of view of organisational performance. Most of all, a group centred culture seems to improve, while bureaucratic culture tends to deteriorate, the measured dimensions of organisational performance.

On the other hand, it is remarkable that the rational, goal oriented culture of organisations does not exhibit any observable relationship with organisational performance. It is strongly arguable whether “entrepreneurial”, “corporate”, or “excellence centred” cultures promoted by NPM practice and rhetoric are to be conceived, in terms of the Quinn culture model (Figure 1), more rational/goal oriented or, rather, more group centred. Probably the correct answer is that NPM – which is in itself a multi-faceted and heterogeneous body of theory and practice – involves a cultural shift in either, or both, directions (cf. Parker and Bradley 2000). In my view, nevertheless, the rational, goal oriented emphasis of NPM rhetoric seems definitely more characteristic than the one put on group values (or, by that token, innovation and growth).

If this is the case indeed than one might say the presented findings do not support – although do not either refute in a compelling manner – the claims made by much of NPM rhetoric and the basic logic underlying much of the NPM practice.



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## **7 Annex I.: The Zammuto-Krakower/Parker-Bradley culture measurement instrument**

These questions relate to the type of organisation that your department is most like. Each of these items contains four descriptions of organisations. Please distribute 100 points among the four descriptions depending on how similar the description is to your department. None of the descriptions is any better than others; they are just different. For each question, please use all 100 points.

*For example: In question 1, if Organisation A seems very similar to mine, B seems somewhat similar, and C and D do not seem similar at all, might give 70 points to A and the remaining 30 points to B.*

### **1) Organisational Character (Please distribute 100 points)**

Organisation A is a very <i>personal</i> place. It is a lot like an extended family. People seem to share a lot of themselves.	... points
Organisation B is a very <i>dynamic and entrepreneurial</i> place. People are willing to stick their necks out and take risks.	... points
Organisation C is a very <i>formalized and structured</i> place. Bureaucratic procedures generally govern what people do.	... points
Organisation D is very <i>production orientated</i> . A major concern is with getting the job done. People aren't very personally involved.	... points

Total: 100 points

### **2) Organisation's Managers (Please distribute 100 points)**

Managers in Organisation A are <i>warm and caring</i> . They seek to develop employees' full potential and act as their mentors or guides.	... points
Managers in Organisation B are <i>risk-takers</i> . They encourage employees to take risks and be innovative.	... points
Managers in Organisation C are <i>rule-enforcers</i> . They expect employees to follow established rules, policies, and procedures.	... points
Managers in Organisation D are <i>coordinators and coaches</i> . They help employees meet the organisation's goals and objectives.	... points

Total: 100 points

**3) Organisational Cohesion (Please distribute 100 points)**

The glue that holds Organisation A together is <i>loyalty and tradition</i> . Commitment to this organisation runs high.	... points
The glue that holds Organisation B together is <i>commitment to innovation and development</i> . There is an emphasis on being first.	... points
The glue that holds Organisation C together is <i>formal rules and policies</i> . Maintaining a smooth running operation is important here.	... points
The glue that holds Organisation D together is the emphasis on <i>tasks and goal accomplishment</i> . A production orientation is commonly shared.	... points

Total: 100 points

**4) Organisational Emphases (Please distribute 100 points)**

Organisation A emphasises <i>human resources</i> . High cohesion and morale in the organisation are important.	... points
Organisation B emphasises <i>growth and acquiring new resources</i> . Readiness to meet new challenges is important.	... points
Organisation C emphasises <i>permanence and stability</i> . Efficient, smooth operations are important.	... points
Organisation D emphasises <i>competitive actions and achievement</i> . Measurable goals are important.	... points

Total: 100 points

**5) Organisational Rewards (Please distribute 100 points)**

Organisation A distributes its rewards <i>fairly equally</i> among its members. It's important that everyone from top to bottom be treated as equally as possible.	... points
Organisation B distributes its rewards based on <i>individual initiative</i> . Those with innovative ideas and action are most rewarded.	... points
Organisation C distributes rewards based on <i>rank</i> . The higher you are, the more you get.	... points
Organisation D distributes rewards based on the <i>achievement of objectives</i> . Individuals who provide leadership and contribute to attaining the organisation's goals are rewarded.	... points

Total: 100 points