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ORGANIZATIONAL CULTURE AND STRATEGIC ALIGNMENT IN FAST MOVING CONSUMER GOODS COMPANY

Abstract

The relationship between the organizational culture and the strategic alignment is subject of considerable interest and research. The aim of this paper is to investigate the effect of prevailed organizational culture to the degree of the strategic alignment between the goals of the management and that of the employees in a typical company in the global industry of fast moving consumer goods. In this industry, the turnover is measured in billions of dollars while the revenue earned strongly depends on the human capital. The successful operations are highly depended on the motivation of the people. The problem is that the employees are collocated in various parts of the Globe and companies have to create strong organizational culture that will lead all parts towards the achievement of the global goals, the long-term perspective and the vision of the entire group. The strong culture is important tool in achieving of the desired strategic alignment between the top management and the rest of the company. Idea is to create culture in which the corporate goals will sharpen the motivation of all parts of the company and the employees perform in an alignment with the strategic intent. The applied method of research is a combination of in-company observation and semi-structured interviews of the staff and the managers in two representative offices of one large multinational company, operating in the region of Western Balkans. The results reveal gap between the perception of the regional managers and that of their employees regarding some corporate practices and policies meant to foster the achievement the desired strategic alignment. The managers perceive the company as much more open and with clearer innovative climate and incentive practices, than the employees. If this trend continues, the company might face higher turnover rates and additional costs for training of the new employees and that, in such a highly competitive industry, can easily deteriorate the company's market valuation.

Keywords: Corporate Culture, Strategic Alignment, Leadership Stiles, Company Learning and Growth

INTRODUCTION

Organizational culture has been recognized as an essential influential factor in analyzing organizations in various contexts (Dauber et al., 2012). Culture is often defined in two ways (Kilmann et al., 1986). The first is by its outcomes, defining the culture as a manifest pattern of behavior. Many people use the term culture to describe patterns of crossindividual behavioral consistency. For example, when people say that culture is "the way we do things around here" they are defining a consistent way in which people perform tasks, solve problems, resolve conflicts, treat customers and own employees. The second way of defining the culture is by the processes in the organization. This approach defines the culture as a set of mechanisms creating cross individual behavioral consistency. Here, the culture is informal values, norms and beliefs that control how individuals and groups interact with each other and with people outside the organization.

The aim of this paper is to investigate the effects of organizational culture in terms of the desired strategic alignment of the managers and the employees in relation with a predefined set of variables that define the prevailed culture. The research was conducted in two representative units in the region of Western Balkans, of a large multinational company in fast moving consumer goods, a very demanding and competitive, industry. The results show converged opinions of the workers and their management. However, there are gaps in the perceptions of the managers and the employees about the actual advancementregarding the critical aspects of the strategic alignment. Consequently, there is always space for improvement. Our results could prove useful to all managerial teams that look how to improve the strategic alignment in their respective organizations, no matter the industry.

LITERATURE REVIEW

Perhaps the most commonly known definition of the company culture is the one given by Lundy and Cowling (1996, in Sun, 2008): "the way we do things around here". For some other, the culture is considered the "glue" that holds an organization together, or "compass" that provides directions (Tharp, 2009). For Edgar Schein (1992) the culture is "pattern of shared basic assumptions that the group learned, as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems". For Hofstede (1984, in Sun 2008) culture is the collective programming of the human mind that distinguishes the members of one human group from those of another.

Many theorists claim that there is a direct link between the organizational culture and the organizational performance (Scholz, 1987 in Ogbonna and Harris, 2000). They believe that the culture generates competitiveness among employees and influences a company's knowledge about the different levels of culture. According to Schein (1992) the first level of culture consists of visible organizational processes and artifacts like dress codes or the general tidiness of the workplace. The second cultural level is made of organizations official objectives, declared norms and operating philosophy. Espoused values however do not always reflect the company's everyday operations. Most important, in terms of operations, is the deepest level of the culture made of the underlying assumptions or "learned" solutions to problems relating to external adaptation and internal integration that gradually become self-evident assumptions that cannot be called into question later. Problems related to external adaptation concern views of organizations tasks and objectives as well as the means to implement and assess them. Hofstede divided the culture into four layers: symbols, heroes, rituals and values. All four layers are critical for organizational managers, because they all affect business or operation. latter, Bob Waisfiszdiscerned the following eight dimensions of the corporate culture: (1) Means versus goal oriented, (2) Internally versus externally driven, (3) Easy going versus strict work discipline, (4) Local versus professional organization, (5) Open versus closed system, (6) Employee oriented versus work oriented, (7) Degree of acceptance of leadership style, and (8) Degree of identification with the organization (Waisfisz, 2015). However, Meyer at al., (1993) noted that the allocation of organizations to types often is not a clear-cut. Because of their *a priori* nature and frequent lack of specified empirical referents and cut-off points, typologies are difficult to be used empirically.

The first theory that defined the organizational culture based on the relationship between the leadership style and organizational performance and culture is that of Ogbonna and Harris (2000). They discern four distinct types of culture: innovative, competitive, bureaucratic, and communitarian, and three types of leadership stiles: participative, supportive and instrumental. Then, they measured the performance of the company using the customer satisfaction, the sales growth volume, the market share and the competitive advantage. They found that the competitive and innovative cultures are associated with the organizational performance. They found also, that strongly shared values contribute the organizational performance, but only if the organizational culture is oriented towards the external environment. Regarding the leadership style, Ogbonna and Harris found significant indirect effect on the organizational performance and strong association with competitive, as well as, with innovative cultures. Supportive and participative leadership styles were positively related with organizational performance, while instrumental leadership was negatively related.

ORGANIZATIONAL ALIGNMENT

Organizational alignment is an expressive concept related to the degree to which the structure, strategy and culture combine together to create synergy that would build a potential for goals realization (Semler, 1997). Organizational alignment means linking the core business functions, processes and behaviors of the people in the enterprise so they work in harmony to deliver results (Morgan et al., 2007). The organizational alignment is relationship between a company's internal system and strategies and the market opportunities and possibilities (Schneider et. al., 2003 in Crotts and Ford, 2008). Specifically, a firm whose internal policies, procedures and systems are in alignment will perform better than one in which these features are not aligned. The companies that have, as their explicit goal and mission, the delivery of service excellence supported by explicit systems, policies and procedures will be able to reinforce the achievement of such goals and will therefore be more effective and profitable, compared to operations with low alignment. This means that, like all other dynamic systems, an organization performs best when all its processes, metrics and policies are functioning well and move towards continuous improvement and aligning with the needs of the market, argued Crotts and Ford. Beehr et al.(2009) distinguished three basic categories of alignment. The first is the communication, referring to the degree to which the goals and core values are presented as essential to the employees. Next is the employee development (company efforts to train, educate and develop the employees in order tosecure accomplishment of its goals). The third is the level that company leaders support the goals and the long-term perspective of the company and lead their subordinates in the desired direction. In these terms, the organizational goals and objectives, together with the employee improvement and managerial efficiency could be winning elements only if internal actions by individuals or teamsare completely aligned with the company over all goals. According to Tosti (2007), organization that starts with implementation of strategy, firstly has to define a clear set of goals and objectives. Taken from established set of goals and objectives, the organization can define the processes and procedures that would bring the required results. Tosti stressed that during the search for the improvement of the results by implementation of better alignment of internal processes, a strategy that will focus on the previous results and work could be used for creation of innovative and alignment process.

CHARACTERISTICS OF FAST MOVING CONSUMER GOODS INDUSTRY

Fast Moving Consumer Goods industry is multi-million dollar sector where well-known brands are taking vast part of the cake. The name implicates that these items are leaving supermarket shelves on the quickest way and are considered as "high volume, low cost" items. This industry has large investments in constant product innovation and change. For example, in last 20 years, up to 40%of the top brands have completely changed their entire brand identity (Wahni, 2013). Since the revenue earned strongly depends on the human factor, companies invest lot in development of corporate culture and value set that fosters the alignment of the personal goals with that of the company. Thus, well-structured organizational culture has leading role in the achievement of goals and long-term perspective. Being global companies, they have operations across geographic boundaries. Same time, they have to preserve same standards of performance worldwide and align the activities across widespread business units (Hay Group, 2013). The competition is fierce and constantly evolving and changing. Based on the increasing demands of its end-users, there are permanent requirements for changes in the production process, distribution and marketing, as well as in managing company's human assets (Cisco, 2012; Hunter et al.,2013). These companies make huge efforts in gaining the loyalty of their customers. New products are created constantly and are marketed fast. However, in order to remain competitive, this must be done at lowest possible operational costs. Thus, companies need strong focus on innovation, and the suitable corporate culture fostering innovation has direct impact to the success (Hunter et al., 2013). The culture must be supportive to the environment and to the new technologies, flexible and able to attract and retain top performers (Hunter et al., 2013).These companies, consequently, make large investments in their employees and introduce HR policies and practices that highly motivate them, keep them satisfied with the job and lower their intention to leave the company (Forte, 2007). According to Farrington's (2011) the long-term relationship with the customers is established througha process that can be described as *piece of art* made of a series of linked actions that deliver a powerful, professional and profitable results. Attracting and retaining talent is the next key to success in this industry. This industry needs people with excellent negotiation skills, leadership sense, planning and organizing skills, sense of teamwork, ambition, results driven motivation and achievement of planned objectives (Ojasalo, 2001).

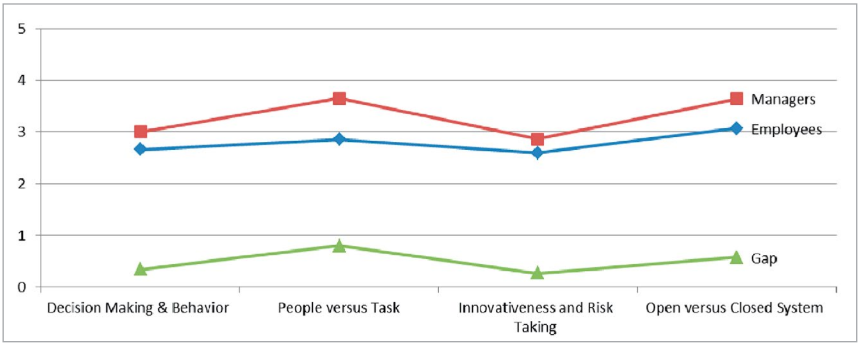
METHODOLOGY OF RESEARCH AND THE SAMPLE

In order to address the research aims and objectives we used a combination of in-company observation and semi-structured questionnaire focused on four distinctive dimensions of the culture-strategy alignment: (1) decision-making and behavior; (2) people versus task orientation; (3) innovativeness and risk taking; and (4) open versus closed system. The results were processed using standard software for accurate and explanatory data analyses. The total number of respondents was 47. They work at two representative units of a large multinational company that competes in the segment of fast moving consumer goods industry, both located in the region of Western Balkans. The majority of the respondents had long tenure in the company (29.8% more than 10 years, 38.3% between 5 and 10 years, 29.8% between 1 and 5, and only 2.1% were less than a year with the company. This can be explained only by the fact that the company is one of the most stable and most lucrative to work in. Regarding the position within the company, most of the surveyed (57%) were at same position between 1 to 5 years and 23% between 5 and 10 years, and 11% more than 10 years, with only 8.5% holding their positions less than a year. This also indicates that the dynamics of the change might not be high as one might expect for the company in this industry. The employees are mostly BA and MBA, and almost gender balanced (51% females and 49% males). Surveyed that hold some managerial position, were 62%.

RESULTS

When it comes to the first surveyed dimension of the culture, the decision-making and behavior category, the employees' average score, on a scale from 1 to 5, is 2.66. This suggests that the decision making process in this company is perceived by the employees as a middle-of-the-road between bureaucratic and democratic. owever, the However, the average score of the managers regarding this dimension is 3.0. This suggests that the leaders perceive the decision-making process and the culture as more democratic compared to the employees. In the category that measured the people versus task orientation, the employees had average score of 2.85 while the leaders had high 3.65. In the category innovativeness and risk taking, the average score of the employees was 2.59 and that of the managers was 2.86. This result indicates a relatively high perception of the innovativeness and risk taking by the two groups, with again, managers having slightly better picture. Regarding the open versus closed system, 3.07 average from the employees and 3.64 score from the leaders also suggest shared perception of a relatively open organization.

Figure-1 *Average Marks by the Two Groups and the Gap*



Source: Compiled by the authors

The statistical significance of the differences in the average scores for the respondents on managerial and that on non-managerial positions proved only in the case of open versus closed system dimension, on level of significance 0.05. Regarding the statistical significance of the mean differences between males and females, a t-test showed significant difference at 0.01, in case of the open-closed system dimension. In other words, female respondents perceive the organization more open for cooperation and perceive better teamwork between the company employees.

CONCLUSIONS

To draw any substantial conclusions we have to know that the company, due to the fast market changes, went into global restructuring with a huge impact on all organizational levels and areas, as well as on the people in it. The company keeps its high innovativeness and risk-taking attitude. Indeed, it was established on innovation. The risk taking mindset and culture raised the company to a global multinational player in the business. The results of our survey also indicate an organization open for cooperation with the environment that encourages teamwork between the company employees. Adapting the organizational culture towards the global trends and best practices has shown great results in both, internal and external directions. However, managers have slightly different views on the real situation than the employees. The two groups do not equally recognize the organization as open system. This has direct connection with the people – task dimension, which indicates that employees are more people oriented. This discrepancy could affect the performance and the business relations with the managers who are more task-oriented. If this gap widens, the company could experience bigger turnover and loss of inherited knowledge, expertise and competence. This, on the other hand, may cause increase of costs for additional employment, training and building of the needed bond with internal and external partners. In the diverse societies of the new Millennium, the learning curve of the new comers might be affected by the different cultural heritage, history, believes and mentality. The restructuring definitely left its mark on the overall culture and on the employees' behavior. The company could not find time to introduce appropriately "its own way" to the new comers and they had to jump into the middle of the processes and find their own position without getting the real sense for the global organizational culture. Moreover, the management had to switch, on several occasions, to real crisis management bringing additional stress to the employees. The constant adaptation towards the cutting of the running costs could lead into even more rigid management, turning the company into a trap of losing its original values. Thus, the mayor challenge for the company leadership, in the near future, is to discover how to adopt to the changes and to the market requirements, while preserving the unique organizational culture, values and benefits that differentiate this company from the rest in the industry. The applied managerial style and decision-making process will need to change even more firmly towards empowering of the teams and a proactive and open orientation towards creative ideas and decisions.

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