

# ORGANIZATIONAL CULTURE AND VALUES FOR CORPORATE SUSTAINABILITY

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## **Abstract:**

*The purpose of this paper is circumscribed to the scientific literature that analyzes the relationship between the fundamental values of competitive firms regarding sustainability and the values it is built from, starting with the relationship with organizational culture. The methodological approach focuses on a qualitative approach based on a documentary analysis, and an empirical analysis based on an interpretative approach. It takes into consideration data provided by Global 100/2013 classification that presents the sustainable-considered companies and values presented on their websites. The outcomes confirm the premise of the study, indicating that corporate sustainability is supported by an organizational culture oriented toward internal and external stakeholders.*

**Keywords:** *organizational culture, values, companies, corporate sustainability, 2013 Global 100 List*

**JEL classification:** M14, Q01

## **Introduction**

The unprecedented economic development during the last two centuries, caused by industrialization and followed by the massification of economy has brought, in many countries, a general increase in living standards and people welfare. Shifting the economic activities towards the service sector is another consequence of increasing living standards, also of opportunities created by the technological development of recent decades. At the same time, however, weaknesses of this approach have been appearing more and more acutely: increasing the inequality of income among countries and among different social classes, environmental pollution, overpopulation, excessive consumption of the planet limited resources. Therefore, a new approach of the economic activities is necessary, to take into account the minimization of the negative effects of human being on the economic and social environment as a whole.

The idea of sustainability was born from observing the imbalance between economic growth and environment, as an alternative to the economic approach of maximizing the profits by the involved actors. Sharma said that industrial development and globalised economy are mostly incompatible with the concept of sustainability (Sharma in Ashkanasy, *et.al.*, 2010); finding solutions that lead to a better reflection of the concepts of sustainability and de-massification economy represents a major challenge. There are numerous studies indicating that human activities are largely responsible for environmental degradation and increasing its importance and multiplying the regulations regarding the environmental protection make the companies be forced to consider such an issue, to become more responsible regarding the relationship with the environment. The concept of sustainability is not new; it appears in Aboriginal culture and indigenous tribes that have observed a relationship among natural environment, society and economy. During the last two decades, the concern for sustainability has been in the attention of many researchers, who studied it mainly in terms of *business* and *environment*. In their works, they contended that a responsible

behavior is closely related to organizational culture, requiring a paradigm shift (Ashkanasy and others, 2010).

A study elaborated by the United Nations - Accenture, in 2009, developed at global level, among more than 700 CEOs, shows that 93% of them consider sustainability as being important to the future success of their business (Bertels, 2010). In fact, numerous studies indicate a significant positive relationship between social and financial performance (Margolis and Walsh, 2001, Scholtens 2008, in Smeureanu and others, 2011). Actually, this could be, beyond legislative constraints, the main reason that motivates managers in their actions that aim at sustainability.

In this paper, we bring front the following objectives: 1. Analysis of relationship among organizational culture - corporate sustainability, from the theoretical point of view, starting with necessary conceptual boundaries; 2. Identification of values that support the orientation of organizations towards sustainability, 3. Inventory of values that represent the core of sustainability, through empirical analysis, qualitative dominant, of companies' sites registered on the first 30 position in the *2013 Global 100 List*, top made by Corporate Knights Research Group (CKRG) Company. This ranking is based on 10 criteria: productivity in the use of energy, of water, of carbon and waste, productivity in relation to security, the ratio of salaries between the board members and employees, the level of paid taxes, rewards related to sustainability, diversity and leadership, and innovation (CKRG, 2011).

### **1. The framework of research methodology**

The proposed approach is qualitative, which allows emphasizing the connections among various concepts, closely related to the organizational environment. Nevertheless, the first step in analyzing interdependence relationships consists in setting up the concepts' content we refer to, specifying its meaning. Using the conceptual boundaries and characteristics underlined by peer-review analysis we have revealed the relationships among learning-oriented organizational culture and corporate sustainability, through inventory of subsumed values. To confirm or complete the corresponding value framework of sustainability, we have filled in data through empirical analysis of the sites that belong to companies ranked in the *Global 100/2013* classification. Data were collected from documents posted on the mentioned companies' websites: sustainability report, code of ethics, company's mission and values. Values were organized and ranked in the order they appear in these documents; it was elaborated a classification of companies' values and of values associated with sustainable behavior (those that are published in sustainability reports).

### **2. Conceptual framework and theoretical fundament**

We believe that, to behave responsibly for the social and economic environment, companies need a new approach in this relation, and changes can not be made out of the existence of an organizational culture that includes sustainability as central value. But sustainability must be based on something, on a core of values that have to be promoted, and which actually define it.

#### **2. 1. The concept of organizational culture**

The concept of organizational culture has emerged in the '70s, the first studies in this regard being elaborated by Clark (1972) and Pettigrew (1973), which is often a result of American and European researchers' attempts to understand the source of very high performance of Japanese companies (Nica, 2006). Subsequently, it becomes one of the most studied concepts, many researchers being concerned by organizational culture as a source of companies' performance growth; the most important studies were

developed by Schein (1983), Peters and Whaterman (1982), Hofstede (1981), Schwartz and Devis (1981). How to define the organizational culture depends, in many cases, on the aim of investigations. Measuring organizational culture is realized on the basis of the existing values in an organization, and during the last two decades, it is interpreted mostly from the perspective of possibilities it offers in achieving managerial changes in a company (introduction of some reengineering programs, total quality management) technological innovations (resource planning systems, flexible production technologies) (Zammuto, Gifford and Goodman, 2000, in Linnenluecke and Griffiths, 2010).

The organizational culture is defined as a *system of ideas and perceptions about life in an organization, that characterizes the way which people should act in and the nature of collaborations with others* (Greenwald, 2008, in Mohrman and Shani, 2011). Elliot Jacques (in Hoffman, 2004) considers it as *a typical and traditional way of thinking and action that is shared, more or less, by all members, and of which new members have to learn to accept, at least partly, to be accepted into the service of the company*. In turn, Edgar Schein, the "father" of the concept, defined it as *a basic model of beliefs that a given group has invented, discovered or developed, learning to deal with its problems of adaptation to the external environment and of internal integration, and which have worked well enough to be considered valid and, therefore, to be appreciated by new members as the correct way to perceive, think and feel in relation to those problems* (Schein, 2010, p. 18).

Numerous studies have focused on studying the relationship between organizational culture and performance of companies, in order to identify those features that promote growth and performance of organizations (Ashkanasy, and others, 2010). The most famous model is the one developed by Cameron and Quinn, named the *Competing Value Framework*, which identifies four types of organizational culture, according to two axes, flexibility and discretion versus stability and control, focus on internal environment and integration versus focus on external environment and differentiation. The first dimension opposes change, flexibility, spontaneity to stability, control, continuity and order. The second dimension reflects the conflict between inward focus or the integration of socio-technical systems and outward focus, through interaction with the business environment. According to the boundaries suggested by these dimensions, the following archetypes of organizational culture are revealed (Trivellas and Dargenidou, 2009):

1. *Adhocracy culture (flexible culture)* - emphasizes entrepreneurship, creativity, proactive spirit and innovation in finding new markets and growth directions. It is characterized by flexibility, adaptability and outward orientation.
2. *Clan culture (clan oriented culture)* – valorizes staff commitment, loyalty, empowerment (delegation), openness, morality, participation, teamwork, personal commitment and cohesion, focusing on flexibility and inward orientation.
3. *Market culture (market oriented culture)* - promotes goals, productivity, tasks fulfillment, profitability, planning and setting goals and effectiveness (Cameron and Freeman, 1991; Deshpandé *et al.*, 1993, in Travellas and Dargenidou, 2009). It reflects the outward orientation and promotes stability and control (Hooijberg and Petrock, 1993, in Austin and Classen, 2008).
4. *Hierarchy culture (hierarchical culture)* is based on order, uniformity, certainty, stability and control, reflecting the inward orientation and formal structures. Rules and regulations, defining responsibilities, centralization of decision-making process, standardization procedures, measurement, and reliability are values deep rooted in such a culture.

## **2. 2. The concept of sustainability**

Defining *sustainability* in a widely accepted and comprehensive formula is extremely difficult, for several reasons that include: a natural conceptual evolution, that has led to different meanings, depending on the particular interest of the researcher, who belongs himself to a specific professional field; confusions and conceptual overlaps (sustainable development, sustainable growth, etc.) involvement of ethical arguments that suppose, at their turn, different points of view. This is the reason why, in this study, we refer to one of the meanings often used in literature, but which was subsequently the basis for new conceptual developments. It is the proposal of World Commission on Environment and Development (*Brundtland Report*, 1987, p. 73) that states that *sustainable development* involves "enabling such a development that allows meeting the needs of the present without compromising the ability of future generations to meet their own needs". According to this definition, two aspects of equity are taken into consideration (Suciu & Suciu, 2007): a) *intra-generational equity*; b) *inter-generational equity* (generated by the fact that present generation takes benefits by using the environment as a base resource, while the costs are transferred to future generations). The report also highlights the need of equity, solidarity and responsibility of companies, but also the limitations imposed by technology and social organization in ensuring current and future needs. Therefore, for organizations, *sustainable development* involves the challenge to improve social and people welfare simultaneously, while reducing the negative impact on the environment and meeting efficiently the organizational objectives (Sharma, 2009).

Following the dissemination of this concept by World Commission on Environment and Development, many definitions of *corporate sustainability* have been developed. Corporate sustainability was seen as meeting stakeholders' needs in present without compromising the ability to meet these needs in future, for the new stakeholders (Dyllick & Hockerts, 2002, p 131). It is a definition that refers to the need for companies to maintain and develop their own capital (including here social, ecological and economic capital), on long term. Bansal considers that, in their operations, firms must respect the principle of integrity towards the economic, social and natural environment (Bansal, 2005, in Montiel, 2008). This idea is also supported by the model proposed by the University of Michigan, which refers to natural environment, social environment, economic environment and social-economic environment (University of Michigan, 2002).

Regardless of the aspects involved by the concept of sustainability, we notice as constant the idea of taking into consideration the long-term perspective, by anticipating the consequences of present human actions on future global development. This perspective makes the transition from the traditional economy to the sustainable society, which can be developed through the active involvement of corporations, whose role is particularly important.

## **2. 3. Organizational culture and organizational culture of sustainability**

*Organizational culture* shows how members of an organization think, and the development of an attitude considering the needs of society as a whole is dependent on it. Thus, there are crucially the importance of organizational culture in creating new way of people thinking and acting in everyday activities, and the increase of social responsibility to environment and future generations. In this respect, changing the culture of the organization is necessary, because through it, its members are informed about the objectives, methods and accepted values, about how to act, desirable practices, a guide of behavior for overcoming the complexity and uncertainty, specific to their work (Khademian, 2002, in Austin and Classen, 2008). Thus, the idea of sustainability

must be released in the entire organization in order to act in an ethical way towards the environment it operates.

*The organizational culture of sustainability* is the culture in which the organization's members share common beliefs about the importance of ensuring a balance among economic efficiency, social equity and social responsibility. Organizations with a strong culture of sustainability make efforts to support a healthy environment and to improve others' lives, operating with success on long-term (Bertels, 2010).

There are several types of organizational cultures, depending on the degree of integration of sustainability principles: reactive, defensive, adaptive, proactive. *The reactive organization* is any organization that does not approach items regarding sustainability in its work, being concerned solely in maximizing the value of its stakeholders, while *the defensive organization* is characterized by responses to legislative pressures, assuming some actions targeting sustainable development. *The adaptive organizations* have already integrated sustainable development principles in the management processes, but they have not got clear objectives in this regard, while *sustainable / proactive organizations* are those in which actions that aim community and environment are considered an important asset (Ashkanasy, *et. al.*, 2010).

Studies indicate that there is a strong relationship between organizational culture and corporate sustainability. Thus, Classen notices that a weak organizational culture impedes the companies' progress regarding the increase of responsibility towards the environmental, while other authors (Hunt and Auster, 1990; Starik and Rands, 1995, in Curkovic and Landeros, 2006) studied the correlation between organizational structure and sustainability issues, indicating the failure in transmitting the environmental information, the obstruction in participation of stakeholders and the failure of initiatives taken in this regard.

A study elaborated in 2010 by Liz Abbett, Anna Coldham and Ryan Whisnant notices that there is an empirical relationship between organizational culture of companies and their success related to environmental initiatives; a greater similarity between the corporate culture and the initiative regarding sustainability leads to a higher probability of its success. In order to implement some sustainability initiatives, there are several adjacent dimensions to be considered while designing and implementing initiatives related to sustainability and which are not currently detailed in the company's program. It is therefore necessary to know the company culture so that sustainability initiatives are consistent with this, because changes in the organizational culture of the company are hardly implemented and they require longer time. On long term, managers can think of a way of enriching the culture at the same time with sustainable initiatives (Abbet, L., *et. al.* 2010).

### **3. Empirical study of organizational values that support sustainability**

In the following lines we intend to highlight the values promoted by sustainable organizations through *empirical analysis* of the values declared on the companies websites positioned on top 30 in 2013 *Global 100 List*, developed by Corporate Knights Research Group Company. This inventory of values can be a useful guide for Romanian companies that are or may become interested in integrating sustainability, through organizational change, in future strategic development. They outcomes presented in Table 1 are values ranked upon the score registered by the companies based on the analyzed public documents.

The declared fundamental values of the first 30 companies included in *Global 100/2013 List* are, on one hand, values that support growth and their development (customer satisfaction, product quality, employee-oriented policies, discipline, respect



for high ethical standards, moral leadership, results orientation, etc.), and on the other hand, values found in the set of values that contribute to the development of a sustainable businesses (innovation, environmental and employees care, social and corporate responsibility , etc.), as shown in Table 1.

**Table 1: Declared values of companies from 2013 Global List 100**

<b>Fundamental values</b>	<b>Values for Sustainability</b>
<ul style="list-style-type: none"> <li>- Customer satisfaction</li> <li>- Quality of products</li> <li>- Innovation</li> <li>- Care for employees</li> <li>- Openness and trust in others reflected in the way of doing business</li> <li>- Diversity</li> <li>- Honesty</li> <li>- Discipline</li> <li>- High standards of ethics and responsibility</li> <li>- Teamwork</li> <li>- Risk-undertaking by employees</li> <li>- Employee Initiative</li> <li>- Leadership by example at all levels</li> <li>- Focus on results</li> <li>- Concern for stakeholders</li> <li>- To get fair results, together with stakeholders</li> <li>- Concern for cost reduction</li> <li>- Caring for the environment</li> <li>- Long-term orientation</li> <li>- Respect for others</li> <li>- Corporate Responsibility</li> <li>- To be a respected company in the business environment</li> <li>- To be ready and willing to change</li> <li>- To be the leader in social responsibility</li> <li>- To be the best</li> <li>- To empower employees</li> </ul>	<ul style="list-style-type: none"> <li>- Environmental Care</li> <li>- Concern for cost reduction</li> <li>- Care for employees (better working conditions, job security, fair rewards, equal opportunities, non-discrimination)</li> <li>- Transparency in business activity</li> <li>- Fight against corruption</li> <li>- Ensuring equitable benefits for all stakeholders, based on the win-win principle;</li> <li>- Moral leadership</li> <li>- Respect for others</li> <li>- High ethical standards and responsibility;</li> <li>- Support for community development</li> <li>- Participation in the development of sustainable business</li> <li>- Honesty</li> <li>- Openness</li> <li>- Innovation</li> <li>- Respect for fundamental human rights</li> <li>- Contribution to increase people's welfare</li> </ul>

Source: synthesis developed by the authors

In fact, the selected criteria for including the companies in the above mentioned classification are themselves "providers" of a set of values required for a responsible-considered company for the people and the environment in which its operates. The mentioned values overlap, in some cases, to those referring to sustainability, companies declaring social responsibility and corporate governance, innovation, contribution to economic growth and general people welfare as fundamental values. These values are promoted through social responsibility plans, regular reports on employee involvement in sustainable actions and training, complex financial reports. It is noted that all companies ensure their future development by undertaking these values, in a constantly changing environment and under the pressure of the new trends to adapt to its requirements, including doing fair business, where all actors obtain benefits and the environment is protected, thus future generations benefit from currently available resources.

## Conclusions

In order to meet their objectives regarding sustainability, ensuring long-term operation by environmental friendly activities (referring here to the economic, social and natural environment), it is necessary that companies rely on a strong organizational culture, focused on values such as: customer orientation, concern for employees, transparency and openness to the community, long-term orientation, innovation, respect for others. These are the core values of successful companies; it suggests that market success and sustainability of company's actions may be compatible when the organizational culture supports these seemingly divergent objectives. Both literature and empirical analysis based on information about the organizational field, have provided us data for shaping a value profile that can be described, on one hand, by a core set of values that can be subsumed to the general value of *sustainability*, and on the other hand, by a set of values which support this core and which belong to the company's organizational culture. The dependency relationship is, in fact, mutual, which is why we consider a strict delimitation between them practically impossible.

This study can be a reference for companies looking for an advantage considered important in present - to act in accordance with own present and future needs, which also belong to the community and natural environment they operate in. It also may be consulted by researchers interested in sustainability-organizational culture relationship, as a new proof supporting such a connection, within the companies increasingly pressured by the market to seek for new sources of competitive advantage.

The research limits are given by the broad theme, by a certain cultural subjectivism of authors and the sample under consideration, based on CKRG company's assessments that uses own criteria for prioritizing the most sustainable companies. Nevertheless, it is the most commonly used hierarchy in this field, reason why we approach it in this study.

As future research, we plan to study how the Romanian companies respond to this pressure to act in a sustainable way, and the organizational values involved in this process.

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