

# Small Business Struggle in a Developing Economy: Does Organizational Culture Matter?

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**Abstract.** The paper examines the relationship between two important variables that define small and medium-sized enterprises: organizational culture and responsiveness. Firms operating in Romania were selected for the study. The country offers a business context with many changes over the last two decades, a challenge and an opportunity for researchers. Results show that the combination of entrepreneurial characteristics and planning and goal oriented managerial styles suits best successful companies. The market-driven type of culture has the best coordination and is best positioned to deliver customer-centered versatility, while adhocracy helps businesses respond fast to changes in the market environment.

**Keywords:** organizational culture, responsiveness, developing economy, small and medium-sized enterprises.

## 1. Introduction

The economic development of Central and Eastern Europe has been contingent on changes in economic systems and government policies (Hisrich & Drnovsek, 2002; Utsch, Rach, Rothfuss, & Frese, 1999; Naor, 1990). Responding to these changes is a major challenge for companies in such markets. The Romanian business environment, having all the key characteristics of a developing economy (Naor, 1990), provides an interesting opportunity to observe and analyze the adaptability of companies to both economic and social radical changes (Cheung & Florea, 2009; McNabb & King 1993).

The pre-1990 economic system was that of a centrally planned and controlled market with almost no delegation of any decision at the company level. This planned system did not allow companies to decide what to produce, where to source supplies for production, how to hire, pay, or lay off personnel, where to sell, at what price, and how to promote their products and services (Center for International Private Enterprise, 2005; Naor, 1990).

Since 1990, Romania engaged in a transition to a market economy that was expected to be short and smooth, but proved to be much longer and painful (Hisrich & Drnovsek, 2002; Doh, 2000). It was especially more challenging for Romania, a country that had by far the most dogmatic and repressive political system of all the countries in Central and Eastern Europe. Transition means turbulence in the environment the companies are immersed in (Center for International Private Enterprise, 2005).

The Romanian business environment has several characteristics that have conducted to a high degree of market turbulence. These characteristics include market growth, obsolete technology, consumer preferences, rapid change of competition positioning and demand, and legal system in transition (Uhlenbruck & De Castro, 2000). Not surprisingly, Romanian small and medium-sized enterprises (SMEs) face colossal struggles in tackling the problems that hamper their development and promoting growth to become larger firms. Just as their counterparts in other countries, Romanian SMEs call for a more in-depth look into the nature of the SME population.

Nath (1988) conducted a study comparing different countries on a multitude of environmental dimensions. His study included USA and Romania. Table 1 presents some of these characteristics. The inspection of the multiple dimensions defining the environment in USA and Romania shows differences in some areas. The cultural milieu in the two countries contrasts. The power distance is low in U.S. and high in Romania. The business philosophy is different. However, as major changes in the economic system are

under way, the Romanian business philosophy is getting closer to the American one (Center for International Private Enterprise, 2005).

Two Romanian studies carried out by Interact company and Gallup based on Value Survey Model developed by Hofstede-founded Institute of Research for Intercultural Communication (Luca, 2005) compared the values of cultural dimensions for Romanian national culture with the values of Romanian cultural dimensions estimated in Hofstede's structured studies based on historical and geographical data. The results summarized in Table 2 suggest the following interpretation:

a) *Power-distance index* is surprisingly low in both Interact surveys compared to Hofstede's estimates. In reality, it is believed that it is close to 70. This is due to the fact that respondents to the survey were not completely honest in their answers. In line with Hofstede's explanation, some countries will demonstrate the power-distance by contrary results, when that particular dimension is in reality very high. Therefore, while people's behavior demonstrates a high distance in relationship to authority, they desire a participative and cooperative leadership style. This is due to the fact that there is an authority-complex which can explain the undeclared and abstinent refusal of the majority of Romanians to respect laws and obey authority, concurrent with expressed demand for laws and rules.

b) *Uncertainty avoidance index* is 61, which demonstrates that the population has a high level of concern with respect to future and prefers the safety of the present as opposed to the uncertainty of tomorrow. Predominantly, people from such cultures feel more comfortable with general consensus situations. At the organizational level, they prefer to take actions that solve today's dilemma without considering its impact on tomorrow.

Small and medium-sized companies hold an important place in the modern economy. They represent over 95 percent of all European enterprises and over 60 percent of all jobs (Utsch et al., 1999). They represent an even bigger share in Romania, 99.4% in 2004 (Mitrut, 2006) and the other Central and Eastern European countries. Some companies struggle everyday for survival, other enjoy substantial growth and are very successful. Such a business context with so many changes represents a very good laboratory, a challenge and an excellent opportunity for the SME researcher. In this context an investigation into the way these companies "think," and "behave," respond to changes, given their "level of education" (i.e., organizational culture) will be important not only for local SMEs; some conclusions could be generalized.

Table 1 – Comparison of the U.S. and Romanian Business Environment

Dimension	USA	Romania
Guiding Business Philosophy	Free enterprise	Mixed: state controlled/free enterprise
Organization Structure	Formal structure important, matrix and network	Formal structure important; functional/product oriented
Decision Making Process	Rational, short-term	Rational, short-term
Human Resource Management	Faddish; emphasis on recruitment and placement	Relationship
Management Philosophy and Orientation	Theory X	Theory X and Y
Management Style	Participative	Authoritative
Decision Authority	Managers have decision making prerogatives	Combination decision making prerogatives with codetermination
Adaptive Capabilities	Good	Mixed
Mix of Large/Small Companies	Coexist; larger firms control 25% of sales	Shift toward smaller firms
Nature of Markets	Large domestic market; service sector large and expanding	Small domestic market (though the second largest in the area)
Infrastructure	Good	Fair/Poor
Level of Technological Expertise	High	Medium/High

Banking System	Highly developed	Underbanked
Cultural Milieu:		
Individualism/Collectivism	Individualism	Mix of individualism and collectivism
Power Distance	Low	High
Uncertainty Avoidance	Medium	High
Masculinity/Femininity	Feminine	Masculine

Source: Nath (1988)

Researchers have devoted considerable efforts to examine the impact of micro behavioral (i.e., entrepreneurial personality and personal profile), as well as contextual variables (i.e., social network, infrastructure, industry and government support, environmental conditions) on the growth and financial performance of companies (Welsch, Liao, & Stoica, 2000). Intelligence gathering, learning, and responsiveness are increasingly mentioned as being critical for small firm survival (Chaston, Badger, & Sadler-Smith, 2001). Responsiveness and adaptation are related to the company's culture. Organizational culture has an impact on the way companies process information and adapt to changes (Pelham, 2000; Stoica, Welsch, & Liao, 2000).

Knowledge is critical for success in creating value for the company's owners, customers and employees (Berdrow & Lane, 2003). Understanding how organizations scan, acquire, process, and use market information has preoccupied many researchers. The way knowledge is produced and used was researched by Baker and Sinkula (2005), Pelham (2000), and Menon and Varadarajan (1992) among others. A general consensus exists in the literature that our understanding on how information and intelligence is produced and used within organizations is less than adequate (Baker & Sinkula, 2005; Menon & Varadarajan 1992), especially in the context of SMEs. Cultures that emphasize the value of flexibility and an external focus tend to benefit creation of information within organizations through innovation and its successful implementation (Bueschgens, Bremen, Bausch, Schiller, & Balkin, 2010).

Table 2 – Results of Romanian Interact survey and Hofstede estimates

Survey	PDI	IDV	MAS	UAI	LTO
Romania – first survey in 2005	29	49	39	61	42
Romania – second survey in 2005	33	49	39	61	42
Romania – Geert Hofstede's estimates	90	30	42	90	

Source: Luca (2005)

An organization can generate intelligence and disseminate it internally; however, unless it responds to market needs, very little is accomplished (Kohli, Jaworski, & Kumar, 1993). While many studies examine intelligence generation and dissemination less attention was spent on responsiveness. Swanson (1999) considered responsiveness, along with responsibility, in an attempt to integrate normative and descriptive approaches to business. Her perspective on responsiveness is value based, qualitative. Responsiveness is often limited to "response time" (Thompson and Strickland 2001) and this study wants to investigate the complexity of this concept.

From a system perspective, most of existing studies anchor on "input-output" links in the context of businesses. Therefore, one of the reasons for the inconclusiveness is the omission of process elements, most importantly the process of information scanning, knowledge generation and dissemination, interpreting and formulating organizational response (Harari, 1997). Laden with many contingencies, this field of research appears to be more divergent than convergent (Marcoulides & Heck, 1993). This research wants to start filling the gap. The focus is on organizational responsiveness, the factors that determine the company's responsiveness and their relationships to the firm's organizational culture. The study will address important research questions:

Are organizational culture and firm's responsiveness related? Is there a particular type of dominant culture that will favor a high level of responsiveness? Can we identify components of responsiveness? What are the relationships between these components and the types of dominant culture?

## 2. Theoretical background and hypothesis development

### 2.1. Organizational Responsiveness

Narver, Slater, and MacLachlan (2004) and Kohli et al. (1993) developed scales to measure the concept of market orientation. Both used information processing as a key element for their scales. While the concept of market orientation is one-dimensional for Narver et al. (2004) it is three-dimensional for Kohli et al., (1993) integrating intelligence generation, intelligence dissemination and responsiveness.

Organization responsiveness is the action taken in response to the relevant information generated and disseminated previously (Johnson, 1995). It is related to organizational learning and performance (Luo & Peng, 1999). Responsiveness, according to Kohli et al. (1993), means speed and coordination with which the actions (marketing programs) are implemented and periodical reviews product/service development. It also refers to evaluation of over- or under-filling of goals and correcting accordingly, customer-centered adaptation and to interdepartmental cooperation and coordination (Kohli et al., 1993). All these determine the success of SMEs.

The MARKOR scale (Kohli et al., 1993) measures the market orientation. Its structure consists of four parts: general market orientation, intelligence generation, dissemination and responsiveness. The field findings indicate that responsiveness takes the form of selected target markets, designing and offering products that cater to current and anticipated needs, and producing, distributing and promoting the products in a way that elicits favorable end-customer response. Virtually, all departments participate in responding to market trends in the firm. Based on the factor analyses performed, three components of responsiveness have been identified: Speed (S), Coordination (C), and Customer-Centered Versatility (CCV) (See Tables 3 and 4).

Table 3 – Factor Analysis of Organizational Responsiveness (Alpha = 0.83)

Items	Extraction		
	Factor 1 Speed	Factor 2 Coordination	Factor 3 Customer Centered Versatility
A. It takes us more time than needed to decide how to respond to our competitors' price changes	.810	.203	-.000296
B. For one reason or another we tend to ignore changes in our customers' product or service needs	.251	-.01102	.718
C. We periodically review our product development efforts to ensure that they are in line with what customer want	.02219	.869	-.03067
D. Several departments get together periodically to plan a response to changes taking place in our business environments	.01444	.656	-.001535
E. If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately	.720	.301	.02473
F. The activities of the different departments in this business unit are well coordinated	.158	.619	-.156
G. Customer complaints fall on deaf ears in this business units	-.271	.157	.685
H. Even if we came up with a great market plan we probably would not be able to implement it in a timely fashion	.628	.203	.192
I. When we find that customers would like us to modify a product or service, the departments involved make concerned efforts to do so	.202	.634	.383
J. We evaluate the over- or under-fulfilling of our goals and adapt accordingly	.107	.233	.746
Cumulative Variance	62.95%		

Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization

### 2.2. Organizational Culture

The field of organizational behavior is rich in theoretical literature on business culture. Deshpande, Farley, and Webster (1993) defined organizational culture as the pattern of shared values and beliefs that

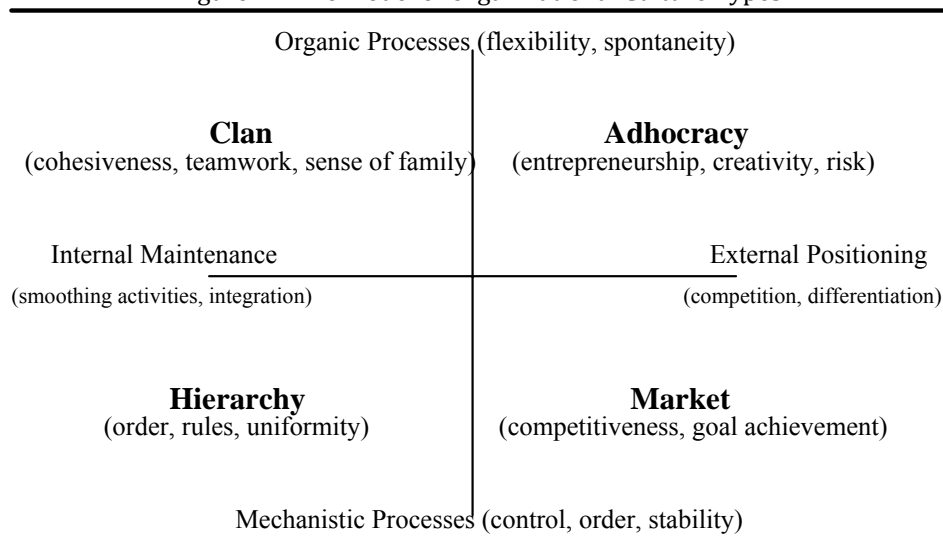
help individuals understand organizational functioning; thus providing norms for behavior in the organization. Hofstede, Hofstede and Minkov (2010) defined culture as "mental software" (p.5), emphasizing its role as an interactive aggregate of common characteristics that influence any group's response to the environment.

Table 4 – Results of the Factor Analysis

Speed	Coordination	Customer Centered Versatility
It takes us more time than needed to decide how to respond to our competitors' price changes	We periodically review our product development efforts to ensure that they are in line with what customer want	For one reason or another we tend to ignore changes in our customers' product or service needs
If a major competitor were to launch an intensive campaign targeted at our customers, we would implement a response immediately	Several departments get together periodically to plan a response to changes taking place in our business environments	Customer complaints fall on deaf ears in this business units
Even if we came up with a great market plan we probably would not be able to implement it in a timely fashion	The activities of the different departments in this business unit are well coordinated	We evaluate the over- or under-fulfilling of our goals and adapt accordingly
	When we find that customers would like us to modify a product or service, the departments involved make concerned efforts to do so	

Culture and tradition represent key factors that may influence small business's responsiveness. Jung developed the culture paradigm in 1923, as reported by Cameron and Quinn (2006). Jung described several archetypes of culture, further developed by Cameron and Quinn (2006) and Deshpande et al. (1993). Two key dimensions were used to classify organizational culture: the continuum from organic to mechanistic processes and the relative emphasis on internal maintenance versus external positioning (Deshpande et al., 1993). The resulting quadrants are called market culture, adhocracy, clan, and hierarchy (Figure 1). The adhocracy culture centers on entrepreneurship, creativity and adaptability. It represents a composite of personal values, managerial skills, risk-propensity, spirit of initiative etc. Flexibility and tolerance are given priority. New markets and new sources of growth are important. Clan culture values cohesiveness, participation and teamwork highly. Employee commitment is achieved through participation. Cohesiveness and personal satisfaction are valued more important than financial goals. Hierarchy culture stresses order, rules, regulations, administrative procedures, accountability and predictability. Tracking and control are emphasized. Finally, Market-driven culture focuses on competitiveness and goal achievement. Emphasis is placed on productivity and responsiveness to environmental changes.

Figure 1 – The Model of Organizational Culture Types



Adapted from Deshpande, Farley, and Webster (1993).

The four types of culture are recognizable in both big business and small business alike. They will affect performance and will determine the way businesses look for information, process information and



respond to market signals. Deshpande et al. (1993) found that competing values of the market culture outperform those of the clan culture. Those of the adhocracy culture outperformed those of the diagonally opposing hierarchy culture. Tse, Lee, Vertinsky, and Wehrung (1988) studied traditional cultural values versus risk-adjusted, market oriented values and found that different cultures contribute to the differences in performance. Specifically, market oriented values lead to better performance. The relationship between organizational culture and performance is however mediated by the way companies search for and filter the information from the marketplace and by their responsiveness. The number of rules and routines are dependent upon the type of culture (Deshpande et al., 1993). Speed of response to environmental changes that determine a higher performance is culturally dependent. It appears that for responsiveness, culture remains a strong determinant.

### 2.3. Business Culture and Organizational Responsiveness

Information processing and organizational culture are related (Baker & Sinkula, 2005). In traditional bureaucracies and hierarchical culture, market information need is low. Learning is here based on institutionalized experience. In this case, the SMEs expect to grow and survive, but at a higher level of efficiency and predictability, and continue the same behavior that worked in the past (Baker & Sinkula, 2005; Menon & Varadarajan, 1992). In other SMEs with a market or ad-hoc type of culture, the learning emphasis could be focused more on adaptive behavior. Moreover, SMEs with market-driven culture may be more systematic in information search than the ones with adhocracy culture. The field findings indicate that responsiveness takes the form of selected target markets, designing and offering products that cater to current and anticipated needs, and producing, distributing and promoting the products in a way that elicits favorable end-customer response. Virtually, all departments participate in responding to market trends in the firm and organizational culture represents a predictor for responsiveness. Deshpande et al. (1993) found that competing values of the market culture outperform those of the clan culture. Those of the adhocracy culture outperformed those of the diagonally opposing hierarchy culture. Entrepreneurial behavior encouraged by an adhocratic culture dominant component will. Therefore, it is hypothesized that:

*H1: Responsiveness is related to organizational culture. Small and medium-sized businesses with market driven culture would be more responsive, followed by adhocracy, clan, and hierarchy.*

### Speed of Response and Culture

The items that define speed (see Table 4) relate to the way the SME responds to competitors' price changes and promotional campaigns as well as to the timely implementation of marketing strategies (Kohli et al., 1993). Industries have developed responses to competitive environments where change happens fast and the speed of reaction is critical. Adoption of *Quick Response (QR)* in the textile and apparel industries is an example. QR represents a Just-In-Time system that helps firms respond fast to changes in the marketplace. Competitive environment and organizational culture will determine the speed of response and therefore the QR adoption (Sullivan & Kang, 1999). A market-focused company will respond faster than a hierarchical structured one. Culture types will determine the speed of response. Therefore we hypothesize that:

*H2: Speed of response to market signals is higher in SMEs with adhocracy culture, followed by market-driven, clan and hierarchy.*

### Coordination and Culture

Coordination (see Table 4) refers to the concerted efforts made by different sections of the firm that allow smooth business operations. Periodical review of business practices, cross-departmental meetings, team planning and implementation of projects, team analysis and changes of the business offering to meet clients' needs and wants, leadership, are components of coordination. Organizational culture is central for coordination. It appears, though this is not backed by empirical evidence, that a higher level of coordination will be present with organizations that have a formal planning system and numerous procedures and routines (formal and informal), thus having a hierarchical type of culture, as mentioned by Tse et al. (1988). Goal driven companies will show better coordination too (Deshpande and Webster, 1989). The market-driven type of culture focuses on competitiveness and goal achievement. Therefore:

*H3: Small and medium-sized businesses having a market-driven culture show a better coordination, followed by hierarchy, clan and adhocracy.*

### Customer-Centered Versatility (CCV) and Culture

The items defining the customer-centered versatility factor are shown in Table 3. CCV and culture are related. The organizational culture of the firm evolves in relation to the capacity for learning and retention from the external environment (Minguzzi & Passaro, 2001). A firm having an external focus will show a high level of customer-centered versatility. Companies having a market-driven type of dominant culture will display more customer-centered versatility than companies having hierarchy as their dominant type of culture. Therefore we hypothesize that:

*H4: Small and medium-sized businesses having a market-driven culture will demonstrate better customer-centered versatility, followed by adhocracy, clan and hierarchy.*

### 3. Research methodology

A mail survey using key informants was used to gather cross-sectional data because of relative efficiency. Telephone interviews are not appropriate in this study because the research requires a large amount of rather complex information that would take a long time to communicate (Dillman, 2007). Personal interviews, which are appropriate for large amount of information, are very expensive and time consuming. They cannot be done randomly without incurring significant costs. Two mailings were used. A response rate of close to 29 percent was achieved. The questionnaire, originally developed in English was translated into Romanian. Two iterations translation-back translation were needed to ensure accuracy. Professional translators from Romaniafilm, a local company were used.

#### Sampling Procedures and Measures

The Romanian companies that are part of the sample were selected from Bucharest, the capital city of Romania and the main business concentration, and Timisoara, a half-a-million city.

The questionnaire was hand delivered in the summer of 2005 to businesses being listed as having between 50 and 500 employees from Banat (mostly Timisoara) and Bucharest and its surroundings. The majority of businesses were registered as limited liability companies.

From 312 questionnaires administrated, responses were received from 113 organizations (37.4 percent response rate), and 104 questionnaires were usable; two organizations were not-for-profit, three had very few employees, two questionnaires were incomplete, and two firms had more than 1000 employees. Type of businesses and characteristics of the firms that participated in the study are presented in Tables 5 and 6. Almost half of the respondents, 43.3 percent, represent businesses in the manufacturing sector and 23.1 percent are businesses in the service sector. Retailers come next with 14.4 percent followed, far behind, by construction companies with 5.8 percent.

**Measures: Organization Responsiveness.** For the purpose of this study, we consider responsiveness as the action taken in response to the relevant information previously generated and filtered (Kohli et al., 1993).

Table 5 – Type of Businesses

Type of Business	Primary SIC Code (adjusted)	Businesses participating in the study	
		Number	%
Agriculture	1	2	1.9
Construction	2	6	5.8
Manufacturing	3	45	43.3
Transportation	4	5	4.8
Wholesale	5	5	4.8
Retail	6	15	14.4
Finance & Investment	7	62	1.9
Services	8	24	23.1
Total		104	100.0

Examples of items used for measuring responsiveness are: speed and coordination with which the actions (marketing programs) are implemented; periodically reviewing product/service development, evaluation of over- or under-filling of goals and correcting accordingly, interdepartmental cooperation and coordination. The perception of the respondent is the main element used so far in the literature to evaluate responsiveness. The scale for responsiveness developed by Kohli et al. (1993) was adopted for this study. A twelve-item Likert-scale is used to measure responsiveness (Table 3).

*SMEs' Organizational Culture.* The measure of corporate culture is adapted from Deshpande et al. (1993). Respondents were asked to assess four descriptions for their organization along the four lines given by the four archetypes: adhocracy, clan, market, and hierarchy and to distribute 100 points according to the similarity between their company and the models described. The culture archetype that received the highest scores was coded as the dominant culture of the SME. SMEs that received two equal scores on two or more culture archetypes were subsequently deleted from the sample.

#### 4. Results

The responsiveness scale is robust and reliable (Kohli et al., 1993). Indeed, we obtained for the Cronbach's alpha coefficient a high value, 0.83, well above the acceptable level as defined by Bagozzi (1994). A factor analysis was performed to identify the components of responsiveness. Results are shown in Tables 3 and 4. Three factors have been identified: speed of response, coordination, and consumer-centered versatility.

Table 6 – Firms' Characteristics

Characteristic	Range	Romanian Businesses % (n = 104)
Number of Years in Business	Less than 5	55.1
	From 5 to 25	39.1
	From 25 to 50	2.3
	More than 50	3.5
Number of Employees	Less than 50	2.0
	From 50 to 100	42.3
	From 101 to 400	22.1
	From 401 to 500	26.9
	More than 500	6.7
Employees in Marketing	None	23.1
	1 to 10	66.5
	More than 10	10.4
Type of Business	Sole Proprietorship and Partnership	1.0
	Limited Liability Company	38.5
	Corporation	54.8
	Other	5.8
Marketing Department	Yes	57.1
	No	42.1
Marketing Budget	Zero	25.0
	Less than 1 percent	22.2
	From 1 to 4 percent	22.0
	More than 4 percent	30.8
Position in Charge of Marketing Decisions	Senior Position	79.1
	Middle Position	20.9

ANOVA was adopted to test the hypotheses, using the four culture archetypes as categorical variables. The ANOVA descriptive analysis and summary results are presented in Tables 7 and 8. Significant differences across all four culture archetypes in all dimensions of responsiveness were found. In general, the hypotheses are supported. However, several surprises appeared. The means for adhocracy and market driven cultures are higher than for clan and hierarchy.

Hypothesis 1 stated that the small and medium-sized businesses with market driven culture would show the highest level of responsiveness, followed by adhocracy, clan, and hierarchy. Results partially support the hypothesis and confirm, in general, the findings presented by Stoica et al. (2000). Indeed, hierarchical type of cultures will display the lowest level for responsiveness. However, the entrepreneurial SMEs, i.e. businesses with adhocracy as their dominant type of culture, showed the highest levels of responsiveness. Market-driven and clan companies are positioned in between adhocratic and hierarchical SMEs. This will provide partial support for hypothesis 1.

Hypothesis 2 predicted that the speed of response to market signals is higher in SMEs with adhocracy culture, followed by market-driven, clan and hierarchy. The hypothesis is fully supported (see Table 3 and Figure 2). Speed of response varies significantly among the SMEs' four culture archetypes. Entrepreneurial businesses manifest the highest speed of response. Clan organized companies have the lowest value for speed.

Hypotheses 3 stated that small businesses having a market-driven culture show a better coordination, followed by hierarchy, clan and adhocracy. The hypothesis is partially supported.



Coordination varies significantly with the culture type. However, while market-driven SMEs have the best coordination, hierarchical companies show, surprisingly, the lowest level.

Table 7 – ANOVA: Descriptive Analysis

Information Processing	Groups	Mean	Standard Deviation	Standard Error	Minimum	Maximum
Speed	clan	3.1063	.8085	.1419	2.33	5.00
	adhocracy	4.0993	.5817	.1371	2.33	4.88
	market driven	3.5269	.7498	.1076	1.67	5.00
	hierarchy	3.1353	.7616	.1647	1.67	4.88
	total	3.4962	.7433	9.247E-02	1.67	5.00
Coordination	clan	3.8750	.3121	7.357E-02	2.50	5.00
	adhocracy	3.6894	.6183	.1457	2.50	4.88
	market driven	4.1120	.6467	9.932E-02	3.00	5.00
	hierarchy	3.3039	.5530	.1568	2.50	4.75
	total	3.6887	.5550	6.055E-02	2.50	5.00
Customer Centered Versatility	clan	3.9444	.4316	.1672	2.67	5.00
	adhocracy	3.6559	.6942	.1017	3.00	4.75
	market driven	3.9444	.6721	.1387	2.33	5.00
	hierarchy	3.2033	.5468	.1326	3.00	4.67
	total	3.7976	.6067	7.383E-02	2.33	5.00

Finally, hypothesis 4 predicted that small and medium-sized businesses having a market-driven culture will demonstrate better customer-centered versatility. They will be followed in order by adhocracy, clan and hierarchy. Substantial differences in the degree of customer-focused versatility exist between market-driven, adhocratic, and hierarchical SMEs. However, market-driven and clan SMEs have means that are close to each other.

## 5. Discussion and conclusions

Results are better analyzed with the help of visual tools. Therefore we will use, what will be called from now on, the "responsiveness cube." The cube is presented in Figure 2. It was developed along the three above identified dimensions of responsiveness: speed, coordination, and consumer-centered versatility. Inside the responsiveness cube (i.e., low values for all three variables) is the locus of non-responsive companies. Outside the responsiveness cube, at least for one dimension, firms show high level of responsiveness.

Table 8 – ANOVA: Summary Results

Responsiveness		Sum of Squares	df	Mean Square	F	Sig.
Speed	Between Groups	5.890	3	2.768	4.923**	.027
	Within Groups	75.529	100	.599		
	Total	81.419	103			
Coordination	Between Groups	4.754	3	2.344	3.876**	.045
	Within Groups	67.342	100	.570		
	Total	72.096	103			
Customer Centered Versatility	Between Groups	3.493	3	1.763	2.994**	.050
	Within Groups	56.126	99	.459		
	Total	59.619	102			

\*\* Significant at the .05 level.

Businesses that have developed a hierarchic type of culture are inside the box. They are slow to respond to external stimuli, show poor coordination, and display a low level of consumer-centered versatility. This is in line with previous reports (Stoica et al., 2000). Indeed, Baker and Sinkula (2005) mentioned that companies that have an excessive number of rules and routines will manifest difficulties to adapt. Responsiveness is part of the adaptation process. Adhocracy, clan and market driven cultures are all "located outside the 'box' " for at least one dimension. However, a closer look will show that the

companies that have developed clan as their dominant type of culture, while displaying good coordination and having a high level of customer-focused versatility, will exhibit low speed of response.

*Managerial implications.* According to Johnson (1995) managers of businesses competing in a global environment face the central issue of integration of their operations in the presence of forces for national responsiveness. Locally responsive businesses perceive pressures to respond to local needs. This study extended the analysis of locally responsive firms finding relationships between responsiveness and organizational culture. Organizational culture and its transfer overseas is important in the context of corporations that conduct business globally; therefore, the need to understand and analyze local organizational cultures (Hofstede et al., 2010). Organizational culture differences have been examined by Pothukuchi, Damanpour, Choi Chen and Park (2002) in a general context of international joint venture performance.

This study went one step further and found differences between the way companies respond to signals from their marketplace based on their dominant type of organizational culture. Companies that developed an entrepreneurial (adhocratic) culture are the only ones that show high levels for all three dimensions of responsiveness. However, the best culture mix would be the adhocratic – market driven one. The combination of entrepreneurial characteristics and the planning and goal oriented managerial style will suit best companies that want to be successful in the marketplace. Indeed, the market-driven type of culture SMEs will have the best coordination and are best positioned to deliver customer-centered versatility while adhocracy will make businesses respond fast to changes in the market environment. High level of responsiveness will lead to superior performance (Kholi & Kumar, 1993). Indeed, Minguzzi and Passaro (2001) state that the entrepreneurial culture with its composite of personal values, managerial skills, and risk-propensity combined with a market-driven, goal oriented management and a system of relations between firm and market will determine the firm's competitiveness.

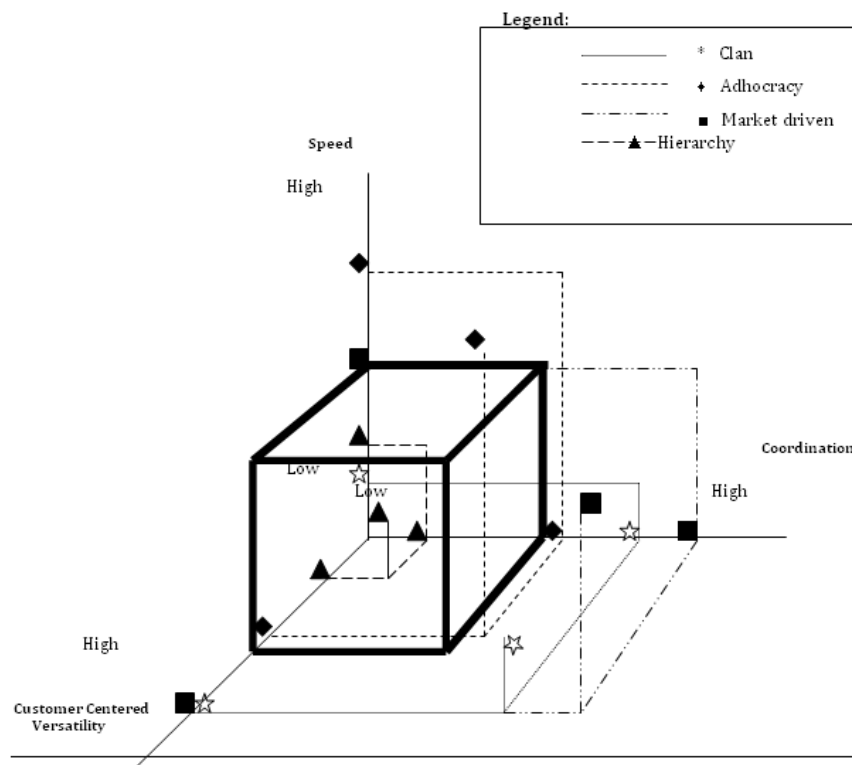


Figure 2 – Positioning different cultures along the organizational responsiveness dimensions

**Note:** Inside the box → companies show a low responsiveness level  
Outside the box → at least in one dimension, companies respond to changes

## 6. Future research direction

A significant impact over organizational culture has the national culture of the geographical space in which the organization functions. All the defining components of a national culture, like language, ethnicity, religion, political institutions, economic life and other, influence the culture at organizational level.

A remarkable challenge for researchers of the domain is the undertaking of an ample study for the identification of the Romanian cultural characteristics at national and regional levels and the analyzing the influence that national culture has in the success of the organizations.

Without the intention to deny the importance and the contribution that the researches made by Interact and Gallup have in the identification of values and behaviors of Romanians, using the Geert Hofstede model, we have to underline their limits. One of this consist of in using as research instrument the Value Survey Module 94, developed by the Research on Intercultural Communication in Netherland, which was taken over and translated, but which is not necessarily the most proper for the Romanian context. What G. Hofstede himself recommends in his book "Cultures and Organizations. Software of the mind" (1996) for researchers of national cultural differences is to develop their own instruments that aim a certain type of people they want to analyze. In this regard, we consider that the first step in the researching of the Romanian national culture is the creating proper instruments and methods for this scope.

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