9th International Strategic Management Conference

The Effect of Organizational Culture on Organizational Image and Identity: Evidence from a Pharmaceutical Company

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Abstract

Every organization has its own distinct organizational culture that is fundamental for organizational identity of employees and the perceptions of organizational image. In this study, it is aimed to understand the relations of organizational culture, identity and image within a regional office of a pharmaceutical company. Three different surveys, each focusing on a different dimension, are conducted with all of the 10 managers of the regional office, 30 employees and 85 customers of the company. The findings of the research demonstrate the presence of a hierarchy culture, moderate level of organizational identity for employees and image perceptions based on R&D for the employees and brand for the customers. In the light of the findings, it is evaluated that there exists a need for change of the present organizational culture.

Keywords: Organizational Culture, Organizational Identity, Organizational Image

1. Introduction

Organizational culture is an important determinant for guiding employees' behavior, since employees are affected by the culture in which they are in. Accordingly, research on organizational culture emerged as a major topic since 1980s (Ouchi and Wilkins, 1985). This is mainly due to the effect of organizational culture on the outcomes of the organizations. As Barney (1986: 656) depicted, "organizational culture can be a source of competitive advantage". Baker (1980:8) asserts that "because it directly affects employee behavior, organizational culture can help a company to prosper. It can make it easy for top managers to devise and implement new strategies and plans. It can make people work harder or be more innovative". Therefore, organizational culture has an effect on the performance of organizations (Smith, 2003).

Another concept that gained attention since early 1980s is organizational identity (Alvesson, 1990). As Alvesson and Sveningsson (2008: 39) mentioned, "the extent to which organizational members identify with the organization is important for whether a more distinct organizational culture emerges". Organizational identity facilitates management

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to focus on important strategic concerns (Dutton and Dukerich, 1991). According to Hatch and Schultz (1997), organizational identity is embedded in organization culture; in other words, organizational culture provides the context in which organizational identity is developed. "An organization's identity is closely tied to its culture because identity provides a set of skills and a way of using and evaluating those skills that produce characteristic ways of doing things" (Hatch and Schultz, 2002:10). Albert and Whetten (1985) also asserts that organizational culture and organizational identity to be closely related. For the authors, organizational identity is a relational construct defined mainly as "how we are" and "how others see us". The organizational identity is created by the interaction of external and internal factors, which are image and culture (Hatch and Schultz, 2002).

On the other hand, organizational identity and organizational image are also interrelated with each other (Dutton and Dukerich, 1991; Dutton et al, 1994; Hatch and Schultz, 1997; Gioa et al, 2000). When organizational identity and organizational image are incoherent, it is difficult to form synergy among organizational members and outsiders instead cynicism will occur (Hatch and Schultz, 1997).

The studies indicate an interaction of organizational culture with organizational identity and image. This relation between organizational culture, identity and image is described by Hatch and Schultz (1997: 357) as "culture, identity and image form three related parts of a system of meaning and sense-making that defines an organization to its various constituencies". In their circular model, the authors indicate a mutual interdependence of the three concepts. Within this frame, this study is aimed to understand the relations of the three dimensions. In this context, the study consists of literature review about organizational culture, identity and image, the development of hypotheses, research methodology, findings and discussion of the results.

2. Literature Review And Hypotheses

2.1. Organizational Culture

Although there exists various definitions of organizational culture, Edgar Schein's definition is the most cited one in organizational research. Schein (1992: 12) defines organizational culture as "a 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". According to Cameron and Quinn (2006), organizational culture creates a "collective identity", so that employees know "how they do things" and "how to get the job done". Schein (1992) indicated three sources for creating and embedding culture. The first one is related to the founders' beliefs, values and assumptions. The others are the learning experiences of group members, and the new beliefs, values and assumptions of new members and leaders.

According to researchers, there are various cultural dimensions. Schein (1992) suggests six cultural dimensions, which are; organization's relationship with its environment, the nature of human activity, the nature of reality and truth, the nature of time, the nature of human nature, the nature of human relationships, and homogeneity versus diversity.

Based on Competing Values Framework (developed by Quinn and Rohrbaugh, 1983), Cameron and Quinn (2006) identified four different cultural types. With this framework, the authors focus on whether the organization is externally or internally oriented and how stable or flexible is it. The two dimensions of the framework represent a continuum described as 'Internal Focus and Integration' and 'External Focus and Differentiation' as the first dimension, and 'Stability and Control' and 'Flexibility and Discretion' as the second dimension. From this framework, four culture types are identified which represents the basis of organizational core values. The authors state that, organizations develop a dominant culture while they adapt and react to their environment.

Cameron and Quinn (2006) describe internally focused and stable organization as *hierarchy*, and internally focused and flexible organization as *clan*. On the other hand, the authors describe externally focused and stable organization as *market*, whereas externally focused and flexible organization is defined as *adhocracy*. 'Hierarchy culture' is defined to be "a very formalized and structured place to work", 'clan culture' on the other hand is defined as "a very pleasant place to work, where people share a lot of personal information, much like an extended family". The organization which is "a result-oriented and whose major concern is getting the job done" is defined to have a 'market culture'; whereas the organization which is described as "a dynamic, entrepreneurial and creative place to work" is defined to have an 'adhocracy culture'.

2.2. Organizational Identity

Many views exist on what identity is; it can be thought as a metaphor or a real, actual phenomenon (Corley et al, 2006). According to Albert and Whetten's (1985) pioneering study, organizational identity is related to the questions of "Who are we?", "Who do we want to be?" and "What kind of business are we in?". In other words, "organizational identity refers broadly to what members perceive, feel and think about their organization" and "it is assumed to be a collective, commonly-shared understanding of the organization's distinctive values and characteristics" (Hatch and Schultz, 1997: 357). Organizational identity is set of features that are found throughout the organization, that have been present for a considerable time and that distinguish the organization from other organizations (Albert and Whetten, 1985). According to the authors, the first set of features is *central*, the second set is *enduring* and the third set consists of *distinctive* features. Whetten (2006) indicates that, central features help the organization take consistent strategic decisions; enduring features are organization's traditions, and distinctive features on the other hand, provide a source for competitive advantage.

Individuals may be attracted to organizations that have values that are perceived as similar to their own (O'Reilly et al, 1991). Dutton et al (1994: 239) state that, "a person is strongly identified with an organization when his/her identity as an organization member is more salient than alternative identities and his/her self-concept has many of the same characteristics he/she believes define the organization as a social group". When employees identify themselves strongly with their organization, their beliefs about the organization are likely to become more positive (Ashforth and Mael, 1989), and desirable organizational outcomes are more likely if members' organizational identification is strong (Dutton et al, 1994).
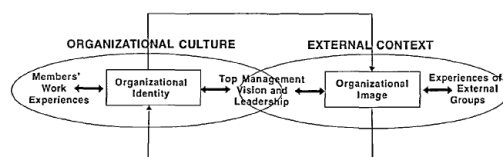
2.3. Organizational Image

Alvesson (1990: 376) defines organizational image as, "a phenomenal fact, which becomes salient in a particular social context as a non-trivial part of management and organizational functioning is experienced by local actors to capture something meaningful, and thus is not a historical construct, but rather is contingent upon social, cultural and material factors". Dutton and Dukerich (1991) describes organizational image as organizational members' perceptions of how outsiders view the organization. According to the authors, "organization members use an organization's image, which is the way they believe others see the organization, to gauge how outsiders are judging them" (Dutton and Dukerich, 1991: 517). Building on this definition, Dutton et al (1994) presents organizational image as construed external image, developed as a result of organizational members' perceptions of outsiders' views. As stated by the authors, organizational researchers mainly focus on perceptions of insiders related to image (Hatch and Schultz, 1997). However, organizational image is related with both internal and external perceptions (Gioia et al, 2000). Both the perceptions of external stakeholders and also perceptions of employees are affected by organizational image (Christensen and Askegaard, 2001). Within this frame, Hatch and Schultz (1997: 359) provide a more comprehensive definition: "organizational image is a holistic and vivid impression held by an individual or a particular group towards an organization and is a result of sense-making by the group and communication by the organization of a fabricated and projected picture of itself".

2.4. Development of Hypotheses

Hatch and Schultz (1997: 361) argue that "the relationships between culture, image and identity form circular processes involving mutual interdependence. The authors' illustration of the relationships between organizational culture, identity and image is presented below in Figure 1.

Figure 1. Hatch and Schultz's Model of Relationships between
Organizational Culture, Identity and Image

Within the frame of this model, we argue that organizational culture, identity and image interact with each other; and propose the following hypotheses:

H1: The perceived organizational image represents the dominant cultural characteristics.

H2: Organizational image perceptions of the employees and customers are same with each other.

H3: Organizational identity level of the employees is high, since the company is a well-known MNC.

3. Methodology

3.1. Research Goal

In this research, it was intended to investigate the stakeholders' perceptions of organizational culture, organizational identity and organizational image of a multinational pharmaceutical company operating in Turkey. Accordingly, it was aimed to identify the effect of organizational culture on organizational identity and organizational image.

3.2. Sample and Data Collection

The research is based on a case study of Ankara Regional Office of a multinational pharmaceutical company, which has operations in 100 countries, supply its products to 191 countries and employ approximately 100.000 people. The company's operations date back to early 18th century. Today, the company produces 1.200 different brands and more than 4 billion packaged medicine and health-care products are produced each year by the company. The company identifies itself as an innovative company depending on R&D; more than 13.000 scientists are working in the R&D team of the company in order to develop new medicines. The company has operations in Turkey for more than 50 years, the head-office is located in İstanbul and there are a total of 10 regional offices in Turkey.

Three separate field surveys were conducted in order to measure the dominant organizational culture, level of organizational identity and perceptions of organizational image of the company. The Organizational Culture Assessment Instrument (OCAI) was utilized to assess the managers' perceptions of organizational culture. The survey is conducted with all of the 10 managers of Ankara regional office. There are six dimensions of OCAI, which are: dominant organizational characteristics, leadership style and approach, management of employees and working environment, organizational glue or bonding mechanisms, strategic emphasis that derive organizational strategy, and criteria for success and how employees are rewarded for accomplishments. Each of the six dimensions has four alternatives, and the participant is asked to divide 100 points over these alternatives which correspond to the four culture types, according to the present and preferred state of the organization. OCAI's reliability and validity was proven by the previous studies (Cameron and Quinn, 2006).

In order to measure the employees' organizational identity level and their need for identity, a questionnaire based on Kreiner and Ashford's (2004) Level of Organizational Identity and Need for Identity scales were utilized. 'Level of Organizational Identity' scale consists of four items and 'Need for Identity' scale consists of seven items. All of the items were coded on a 5 point scale from 'strongly disagree' to 'strongly agree'. The questionnaire was distributed to all of the 66 employees of Ankara Regional Office in November 2012; the response rate was 45,5%, which allows for generalizability.

In contrast to marketing literature, organizational literature focus on internal issues related to image (Hatch and Schultz, 1997). This is stated by Dutton and Dukerich (1991: 547) that "image describes insiders' assessments of what outsiders think". Accordingly, in order to measure the perceptions of organizational image of employees, a four-item questionnaire was developed based on the core values of the organization. Four dimensions which are the core values of the organization are included in the questionnaire; since, organizational culture is based on the shared values it was intended to understand whether these values are reflected as an image of the organization. These dimensions are 'respect for people', 'patient focus', 'integrity in company operations' and 'transparency'. In addition to these four core values, participants were also asked to define their own image perception of the company themselves except from the stated ones; and rate all of the dimensions on a 5 point scale from 'strongly disagree' to 'strongly agree'. According to Alvesson (1990), image is sometimes used to refer the inner picture that employees of the organization have, and at other times, image refers to the attributes that are communicated to the outside of the organization. In order to measure the organizational image as perceptions of outsiders, the organizational image questionnaire was distributed to 150 customers of the company and 85 of them responded to the survey (response rate is 57%).

Data obtained from the questionnaires were analyzed via the SPSS statistical package program.

3.3. Research Findings

The demographic profiles of the participants are demonstrated in Table-1. Most of the participants are between the ages of 31 – 45 and are university graduates. There exists no significant variation among the gender distribution. Most of the employees of the company have tenure less than 10 years, whereas the tenure of more than half of the company customers is more than 10 years.

86,7% of employees are sales representatives and 13,3% of them are account managers. On the other hand, 47,1% of the customers are medical doctors, and the remaining participants are either pharmacists or nurses. Most of the customers (64,7%) are working at either Hospitals or Health Centers and 35,3% of them are working at pharmacies.

Table 1. Demographic Profile of Participants

Demographic Characteristics		Employees		Customers	
		Frequency	Percentage	Frequency	Percentage
Gender	Male	16	53,3	40	47,1
	Female	14	46,7	45	52,9
Age	Less than 30	7	23,3	19	22,4
	31 – 45	18	60,0	52	61,2
	More than 45	5	16,7	14	16,5
Education Level	Primary School	--	--	3	3,5
	High School	--	--	19	22,4
	University	29	96,7	62	72,9
	Graduate	1	3,3	1	1,2
Tenure	Less than 10 years	22	73,3	37	43,5
	More than 10 years	8	26,7	48	56,5

In accordance to the findings from the OCAI, the dominant culture in the company was identified to be a hierarchy culture. The average scores of the managers' perceptions are presented in Table 2 and demonstrated in Figure 2.

According to OCAI, the hierarchy culture is defined as: 'a very formalized and structured place to work; procedures govern what people do. The leaders pride themselves on being good coordinators and organizers who are efficiency-minded. Maintaining a smooth-running organization is most critical. Formal rules and policies hold the organization together. The long-term concern is stability and performance with efficient, smooth operations. Success is defined in terms of dependable delivery, smooth scheduling and low-cost. The management of employees is concerned with secure employment and predictability'.

Although the dominant culture perceptions are based on hierarchy culture, the managers prefer their company to have an adhocracy culture at most. Although the findings are very close, the managers preferred perceptions of their company's culture is at least hierarchy culture; and adhocracy culture is slightly more preferred than clan and market cultures (Table-2).

Table 2. Perceptions of Dominant Organizational Culture

	Current	Preferred
Clan	21	25
Adhocracy	20	26
Market	27	25
Hierarchy	32	24
Total	100	100

Figure 2. Perceptions of Organizational Culture Types
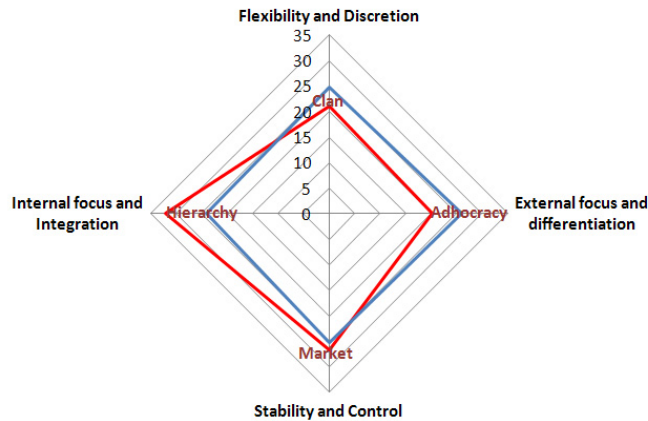
The findings indicate that perceptions for five of the organizational culture dimensions (dominant characteristics, organizational leadership, management of employees, organizational glue, and criteria for success) are all based on hierarchy culture; whereas organizational culture perceptions for only one dimension (strategic emphases) differs from hierarchy culture, it is perceived to be market culture. Among the other five culture dimensions, hierarchy culture is still preferred culture for the dimensions of 'organizational leadership' and 'management of employees'. For the dimension of 'dominant characteristics' market culture is preferred, and for 'organization glue' and 'criteria for success' dimensions adhocracy culture is preferred. Clan, adhocracy and market cultures are preferred equally for 'strategic emphasis' dimension.

The means and standard deviations for organizational image perceptions of both employees and customers are presented in Table-3. According to the customers, the image of the company is mostly associated with its brand which is widely known. However, the employees of the company believe that the company's image depends on its R&D focus initially. Product reliability and brand name perceptions of employees', as organizational image are also higher than the image perceptions based on the core values of the organization. On the other hand, customers second and third ranked perceptions of organizational image are R&D focus and product reliability respectively, which are also higher than perceptions of image based on organization's core values.

Table 3. Perceptions of Organizational Image Dimensions

Image Dimensions	Employees		Customers	
	Mean	Standard Deviation	Mean	Standard Deviation
Respect for people	3,80	0.961	4,21	0,674
Patient Focus	3,97	0,999	4,14	0,693
Integrity in company operations	3,93	0,980	4,16	0,670
Transparency	3,97	1,066	4,15	0,627
Brand name	4,50	0,572	4,60	0,539
Product reliability	4,67	0,547	4,44	0,606
R&D focus	4,90	0,305	4,48	0,526

Employees' image perception is mainly related to R&D focus of the company. According to OCAI, the adhocracy culture is defined as: 'a dynamic, entrepreneurial and creative place to work', innovative products are one of the value drivers of adhocracy culture. Therefore, employees' image perception is consistent with adhocracy culture. On the other hand, customers' image perception is mainly related to the brand of the company. According to OCAI, the market culture is defined as: 'a result-oriented organization whose major concern is getting the job done'. In such a culture, reputation and success are common goals; and since customer preferences are very important, a well-known brand name is essential for success.

These findings indicate that the perceived image both by employees and customers do not represent the dominant cultural characteristics of the organization. Accordingly first hypothesis is rejected. In addition, organizational image perceptions of the employees and customers differ from each other; therefore, second hypothesis is also rejected.

Finally, the findings indicate that, both the organizational identity level of employees (M=3,66; σ = 0,789) and their need for identity (M=3,60; σ = 0,595) are at moderate level. Thus, third hypothesis is also rejected.

Although employees perceive the existence of common sense within the organization at the highest level, their perception of a strong feeling of unity within the organization is low (Table-4). In addition, the employees want their goals, values and beliefs overlap with those of the organization.

Table 4. Perceptions of Level of Organizational Identity and Need for Identity

Category	Variable	Mean	Standard Deviation
Level of Organizational Identity	There is a common sense of purpose in my organization.	4,00	0,695
	My employer has a clear and unique vision.	3,80	0,925
	There is a strong feeling of unity in my organization.	3,20	1,031
	My employer has a specific mission shared by its employees	3,63	0,928
Need for Identity	Without an organization to work for, I would feel incomplete.	3,27	1,048
	I would like to work in an organization where I would think of its success and failures as being my successes and failures.	4,03	0,615
	An important part of who I am would be missing if I didn't belong to a work organization.	3,23	1,006
	Generally, I do not feel a need to identify with an organization that I am working for.	2,67	0,844
	Generally, the more my goals, values and beliefs overlap with those of my employer, the happier I am.	4,20	0,761
	I would rather say 'we' than 'they' when talking about an organization that I work for.	3,73	0,980
	No matter where I Work, I'd like to think of myself as representing what the organization stands for.	4,07	0,691

4. Discussion and Conclusion

With this research, it was aimed to understand the relation of organizational culture, identity and image of a pharmaceutical company. Although, the findings did not provide any support for the proposed hypotheses, important remarks are driven from the study. First of all, it was found out that, as many other organizations operating in Turkey, the dominant organizational culture of the company is hierarchy culture; even though, innovation and new product development is important for competitiveness, due to the nature of pharmaceutical industry. Managers of the company prefer their culture to be an adhocracy culture which is directly related with innovativeness. In addition employees of the company perceive R&D focus as their organizational image, which is also related with adhocracy culture.

In addition, none of the core values of the company, which are, respect for people, patient focus, integrity in company operations and transparency, are reflected as organizational image. Instead, brand name, product reliability and R&D focus are considered as the most perceived organizational image dimensions according to employees and customers. Therefore, the core values of the organization are not identified by insiders of the company, who are employees, and also these values could not be reflected to outsiders of the company. Although, both employees and customers of the company do not perceive the organizational values as an image of the company; the two groups differ in their perceptions of organizational image as well.

Finally, organizational identity of employees is at a moderate level; their need for identity is also at moderate level. Organizational members incorporate organizational characteristics to their self-concepts (Dutton et al, 1994). Thus, it

could be derived that employees do not relate organizational values with their self-concepts. According to O'Reilly et al (1991), since individuals may be attracted to the organizations that are perceived to have similar values with themselves, organizational culture is an important determinant for the fit of employees to the organization. The authors assert that a good fit between employee and organization is very important. The difference in perceptions of employees with the existing values may lead to a decrease in the performance of employees.

According to these findings, the company should reevaluate its cultural values and should try to communicate these values both to its employees and customers. Employees' perceptions of organizational image are based on adhocracy culture; besides the findings also indicate that managers of the company prefer an adhocracy culture in their company. Therefore, this necessitates a new strategy development for the change of culture from hierarchy to adhocracy.

Although the study reveals important findings, also there exist some limitations. Firstly, the sample only covers the Ankara regional office of the company, head office and other offices should be included in order to develop a further understanding. In addition, the sample size of company customers is limited and should be extended to cover more customers. In order to get a better understanding of the company image, not only customers but also other stakeholders should be included in the future study. Apart from these limitations, important implications for the company are derived from the findings of the study.

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