

Deciphering Corporate Culture Values under Different Environmental Conditions

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Abstract— Corporate culture values define many aspects of an organization's functioning. Since organizations are not isolated from their environments, changes in external environment have an impact on internal environments, including corporate values. This paper seeks to decipher corporate culture values under different environmental conditions. It is based on a research performed among 144 Croatian firms. Factor analysis is applied to recognize corporate culture values under specific environmental conditions. Environmental conditions indicate that Croatian firms operate in highly complex and heterogenous environment, with environmental factors changing at a significant rate. Corporate culture values adoption and appreciation differ among groups segmented according to environmental conditions.

Keywords—corporate culture, environmental conditions, corporate values

I. INTRODUCTION

The concept of culture etymologically comes from the Latin verb "colere" - having the meaning of cultivating, adorning. The term would have never changed its initial significance, that of working the field, without Cicero' intervention who associated it to another term, "anumus"- "animicultura" thus becoming "the culture of the soul", of the spirit. The notion is not linked only to individual, spiritual development, but it is associated to the idea of collectivity, a society's people's or country's life. Along with the evolution of the meaning of culture in the second half of the 20th century, the concepts of organizational culture and managerial culture have emerged. [1]

Corporate or organizational culture, although an intangible concept, as a system of shared values and norms that define appropriate attitudes and behaviors for organizational members is a strong determinant of corporate success. Corporate culture shapes employee behavior and influences an individual's actions. Ref. [2] often cited definition defines organizational culture as a pattern of basic assumptions that a group has invented, discovered or

developed in learning to cope with its problems of external adaptation and internal integration. Implicit to this definition is that an organization establishes its values and norms as a result of how the organization has been reacting to important influences from the environment and incidents in the present and past.

The content of organizational cultures reflects the ultimate problems that every new organization faces: dealing with its external environment in order to survive and grow and managing its internal integration [2]. The external environment, associated with the external relations of the organization, consists of shareholders, stakeholders and all other external parties. It is driven by factors such as local laws and regulations, technology, cultural traits and practices of the markets the organization operates in. Skills, technology and knowledge that the group acquires in its effort to cope with its environment become part of its culture if there is consensus on what those skills are and how to use them. This makes relevant to explore the extent to which external environmental conditions shape corporate culture and the extent to which environmental influences shape similarities within corporate culture. We can go as far to define business environment as the element of corporate culture [3]. Environment determines what must be done to be a success and thus clearly shapes corporate culture.

Culture is not inherited but it is learnt. It comes into being not out of genes but from the individual's interactions with the environment. The cultural differences are manifested in different ways. [1] An organizational culture that is also a constructive culture helps organizations reach their goals. Organizational culture has a direct impact on the effectiveness of an organization. Understanding the causal relationship between how things happen in an organization and why they happen that way will lead to designing and obtaining impact changes with long-term beneficial effects. Most research in the field of organization development has revealed the existence of strong links between the culture of an organization and its performance [4].

Corporate culture is considered as a multilayered phenomenon, operating both at the visible and invisible level. At the visible level many artifacts can be seen and recognized by outsiders (symbols and slogans, rituals and ceremonies, language and jargon, myths and heroes etc.), unlike values and basic assumptions at the invisible level. However, from behavioral point of view elements of the invisible level of corporate culture are especially important since these define employee behavior. Corporate culture values can be defined as a rationalized normative system of preferences for certain courses of action or certain outcomes [5]. According to [6]

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values are properties that set the culture of one organization apart from another. In addition, these understandings are rarely, if ever, explicitly stated or written down, they are known to exist and are communicated to new members of the organization as the correct way to perceive or behave.

II. EXTERNAL ENVIRONMENT AND CORPORATE CULTURE VALUES

Culture is pervasive and influences all aspects of how an organization deals with its primary task, its various environments, and its internal operations [7]. Corporate culture adaptability is expected with respect to its environment. Whether or not a culture is “good” or “bad”, “functionally effective” or not, depends not on the culture alone but on the relationship of the culture to the environment in which it exists [7]. An effective culture must be aligned with employee values and consistent with the environment in which the organization operates [8], [9].

Values are the bedrock of any corporate culture by providing a sense of common direction for all employees and guidelines for their day-to-day behavior. According to [3] companies often succeed because their employees can identify, embrace and act on the values of the organization. Since organizational values influence what employees actually do [3] find that shaping and enhancing values can become the most important job a manager can do.

Values can be numerous, depending upon adopted corporate culture. Some examples of values according to [10] include: **a) “Love” for the customer.** The customer is the precondition for the existence of a company. Each activity should be oriented towards satisfying the needs and demands of the customer with care, attention and decision, in a word with “love”. “Love” must be understood as love for others, sympathy, affection, pleasure of making a product and service, to do something with love, do it well. **b) Transparency in the work.** Proper functioning of a company and related to knowledge of the real trend of the variables that govern it. A good human resources management, technical and financial transparency should be based on the results, well the economy is, on any mistakes made, the levels of service. **c) Prudence.** Customer trust depends on the reputation, which is a consequence of the results obtained with a more consistent and conduct of particular prudence in risk management and investment. **d) Openness to change.** The only thing permanent is change said Heraclitus 2000 years ago. Every successful company must correct its course when the business market, customers, times require it, anticipating the market and drawing from it a competitive advantage. Openness to change and innovation are a prerequisite for long-term maintenance and success. **e) “Open door”.** This principle means that everyone has the opportunity / duty to express their ideas, illustrating them in any hierarchical level and bring its contribution to the growth of the company besides their own. **f) Meritocracy.** Responsibilities, recognition should be awarded to those who deserve it, to whom are capable. Evaluation of results should be made on the basis of objective, measurable and documented. **g) Results-oriented attitude.** Commitment and results are not synonymous, our destiny is

determined by results rather than just commitment. While these technologies is often a prerequisite for the result, which must always be recognized, the results are always rewarded. The aim of all must therefore always be to continue the results more objective and quantifiable.

Corporate cultures are often placed into different categories. The culture of an organization it is the result of three factors: the nature of its activities, the mentality, the personality, the culture of its leaders, especially those who have played a crucial historical continuity with a significant presence, the adopted system of government [10].

The general organizational environment in its broadest sense includes numerous forces outside the organization with the potential to affect any part of the organization. Duncan (1972:314) defines external environment as the environment that consists of those relevant physical and social factors outside the boundaries of the organization or specific decision unit that are taken directly into consideration [11].

According to [12] environment includes the economic environment, the market, the competitive scene and the geographical and societal environment. The nature of an environment within which an organization works is often taken for granted by those who work within it, but it can be crucially important in determining the culture. Some of the major points according to [12] are: (a) different nationalities will prefer different organizational cultures, (b) change in the environment requires a culture that is sensitive, adaptable and quick to respond and (c) diversity in the environment requires a diversified structure. Factors directly influencing organizational culture can be described as the micro-environment of an organization, which consists of consumers and customers, partners and other organizations.

External environment could be handled from different perspectives. Inherent to external environment is environmental uncertainty: there is a lack of complete information regarding what exists in the environment and what developments may occur. The patterns and events occurring in the uncertain environment can be described along several dimensions, such as whether the environment is stable or unstable, simple or complex, homogenous or heterogeneous [13]. Simple-complex dimension and homogenous-heterogeneous dimensions concern environmental complexity or the number of environmental forces, whereas in case of heterogeneity it refers to dissimilarity of external elements relevant to an organization’s operations. Stable-unstable dimension refers to whether elements in the environment are dynamic.

Organizational cultures need to have some compatibility with the demands of their environments. In circumstances with relatively stable environment, tasks and functions could be integrated and coordinated, uniformity in products and services maintained, and workers and jobs are under control. Clear lines of decision – making authority, standardized rules and procedures, and control and accountability mechanisms are valued as the keys to success [14]. If internal and external environments remained stable, strongly held assumptions could be an advantage. However, if there is a change in the environment, some of those shared assumptions can become a liability, precisely because of their strength [7].

In case of hostile external environment, consumers are choosy and interested in value, the organization is in the business of increasing its competitive position, and the major task of management is to drive the organization toward productivity, results, and profits. It is assumed that a clear purpose and an aggressive strategy lead to productivity and profitability [14]. The more turbulent the environment, the more important it is for the organization to maximize diversity. As environments become more turbulent and occupations become more technically complex, the ability of leaders to tolerate uncertainty will become more necessary for survival and learning, suggesting that organizational and national cultures that can embrace uncertainty more easily will be inherently more adaptive [7]. The greater the environmental uncertainty, the greater is the need for flexibility and adaptability in organizational designs and work practices. Because of uncertainty, organizations must be able to respond quickly as new circumstances arise and information becomes available.

Researchers found that speed and the nature of development in external environment have left traces on the organization and its culture [11].

Although one could await certain character of an organization depending upon its environment, still, one of the most mysterious aspects of organizational culture is how two companies with similar external environments, working in similar technologies on similar tasks and with founders of similar origins, come to have entirely different ways of operating over the years [7].

Ref. [15] noted that in organization theory the relationship between "environment" and culture is normally treated as weak and indirect. Research often seems to be guided by an understanding of organizations as "cultural islands" or "mini societies", inherent to the view of organizational cultures as unitary and unique. Although environment is recognized as an influential factor in theoretical discussions, we agree on the lack of empirical support for this assumption.

III. METHODOLOGY OF RESEARCH

With astounding speed, fundamental shifts in the business environment are driving corresponding changes in the way companies are designing their organizations and corporate culture in order to meet new strategic imperatives. Central and South-Eastern European countries after 1990s struggled to implement to new market-oriented structures and processes. Organizational cultures and behaviors are shaped and conditioned by wider societal culture. There is a need for corporate culture research, both quantitative and qualitative, to map the contours of change in cultural characteristics of these countries over time.

This paper brings to this topic with corporate culture exploration in Croatia. Although cultural issues have been in the academic background for quite some time, Croatia belongs to the group of countries that since 1990s passes through transformation process and numerous changes in its intra-organizational resources. In the context of environmental changes, due to the change in company's macro-environment and micro-environment the organizational culture must have been replaced because the company's core values no longer

ensured the success of its operations and competitiveness. This paper attempts to contribute to the existing knowledge on corporate culture among Croatian firms.

Results and research of this study are based on a survey that was conducted during the last two months of 2008 and first two months of 2009 in Croatia. Sample of organizations was defined by using the data of the Croatian Chamber of Commerce (available at www.hgk.hr). Questionnaire consisted of 41 questions attempted to cover the area of internal and external environment, organizational structure, organizational change, organizational culture, strategy and competitiveness and 9 basic questions regarding information about the organization in the study. Majority of those questions were closed-ended, with opportunity to choose from one or more predetermined answers, while several questions formulated as opened-ended, allowing respondents to answer in their own words.

A total of 1200 questionnaires were sent, while 144 companies returned correctly filled questionnaires. Therefore, questionnaire return rate was 12% which makes this sample representative. All questionnaires were filled by CEOs or, in some cases, other executive managers. The companies questioned employ more than 7,06% of all employees in Croatia, and cover all types of businesses. The survey sample attempted to cover small, medium and large enterprises proportionally. We consider as small enterprises those firms that employ between 15 and 100 employees, as medium companies that employ from 101 to 500 employees and as large companies those that employ more than 500 employees. Out of returned questionnaires, 41,67% were filled by medium sized enterprises and are therefore the most numerous in our survey sample. Small enterprises account for 28,47%, while 29,86% of all sampled enterprises are large sized. The sampled enterprises are mostly privately owned (52,78%), followed by the foreign ownership majority (14,58%) and state ownership majority (12,50%), which is a good representation of Croatian economy.

IV. ANALYSIS

The situation in respect of organizational culture and business environment is unique for each organization; however as a part of our research we tried to decipher corporate culture values under different environmental conditions.

The nature of the environment can be described in a variety of ways. Segmenting environmental conditions for the purpose of this paper was performed by using three criteria: pace of environmental changes (stable - slow changes; unstable - fast changes in the environment), number of factors that influence the firm (simple - few factors and complex - numerous factors) and similarity of environmental factors that influence the firm (homogenous - a high similarity among the factors and heterogenous - a low similarity among environmental factors).

Table 1 shows that 61,6% of firms operate in unstable environment (38,4% in stable environment). A total of 85,5% of examined firms consider that the environmental conditions are complex (14,5% consider to have simple environmental conditions). Most firms find their environment to be

heterogenous (81,54%). General data on environmental conditions indicate that Croatian firms operate in highly complex and heterogenous environment, with environmental factors changing at a significant rate.

Table 1. External environmental conditions

Environmental conditions					
Stable env.	38,40 %	Simple env.	14,50 %	Homogenous env.	18,46%
Unstable env.	61,60 %	Complex env.	85,50 %	Heterogeneous env.	81,54%
Total	100%	Total	100%	Total	100%

The next step in our analysis included the exploration of corporate culture values within Croatian firms. As can be seen from Table 2, top appreciated value is client orientation (73,61%), team work (67,36%), flexibility (54,86%) and openness (52,78%) since more than half of examined firms appreciate these values.

Table 2. Corporate culture values

Value	Firms that appreciate this value
Client orientation	73,61%
Team work	67,36%
Flexibility	54,86%
Openness	52,78%
Punctuality	44,44%
Stability	43,06%
Creativity	41,67%
Initiative	40,28%
Innovativeness	38,19%
Closedness	9,03%

In the next step we examined appreciation of specific corporate culture values among different environmental conditions: (1) stable and unstable environment, (2) simple and complex environment and (3) homogenous and heterogenous environment.

When dividing firms into two groups based on the pace of environmental changes, as shown in Table 3, firms differ in appreciation of corporate culture values. Values with highest difference in rate of adoption among firms operating in stable and unstable environment are stability, client orientation and innovativeness.

Within stable environment most widespread corporate culture value is client orientation (83,33% of firms operating within stable environment appreciate it), unlike within unstable environment where most widespread values are team work and client orientation (71,43% respectively).

Creativity, teamwork and initiative are equally adopted among firms operating within stable and unstable environment. Openness, punctuality, flexibility, stability and client orientation are more often emphasized as firm value among firms operating in stable environment, unlike innovativeness and closedness that are more often applied among firms operating within unstable environment.

Table 3. Environmental certainty and corporate culture values

	Stable environment	Unstable environment
Value	% of firms within environment that support value	
Openness	56,25%	50,65%
Punctuality	50,00%	44,16%
Creativity	45,83%	45,45%
Team work	70,83%	71,43%
Innovativeness	35,42%	42,86%
Initiative	43,75%	40,26%
Flexibility	62,50%	57,14%
Closedness	6,25%	10,39%
Stability	56,25%	36,36%
Client orientation	83,33%	71,43%

As a part of our analysis we tried to decipher groups of values accepted within different environmental types thus applying factor analysis to corporate value types. Factor analysis is a method of data reduction that is based on seeking underlying unobservable (latent) variables that are reflected in the observed variables (manifest variables). As for extraction method we choose principal component analysis, whereas rotation method applied was Varimax with Kaiser Normalization. We did not define number of factors in advance but used scree test to stop the analysis and determine number of factors.

The first factor analysis was performed for corporate culture values within stable environment. Descriptive analysis shown in table 4 has confirmed differences in rate of adoption of different values whereas factor analysis will show whether latent variables that describe values applied in these environmental types are somewhat similar.

Table 4. Factor analysis of corporate values within stable environment (rotated Component Matrix)

	Component		
	1	2	3
Openness			
Punctuality			,808
Creativity	,737		
Teamwork		,598	
Innovativeness	,755		
Initiative	,658		
Flexibility	,632		
Closedness		-,865	
Stability			,769
Client_orientation		,814	

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

a. Rotation converged in 5 iterations. b. Only cases for which Env_stability = Stable are used in the analysis phase.

Values applied within stable environment can be described along three factors or three latent variables (Table 4). These latent values can be summarized as follows: taking initiative in work operations (representing creativity, innovativeness, initiative and flexibility), teamwork in satisfying customer needs (representing teamwork, negative for closedness and client orientation) and respecting stability (representing punctuality and stability). Although stable environment does not change that often values appreciated by employees of these firms support flexible work arrangements.

According to firm's perceptions more firms operate in unstable environment. We repeated factor analysis for firms operating in unstable environment (Table 5).

Table 5. Factor analysis of corporate values within unstable environment (rotated component matrix)

	Component		
	1	2	3
Openess			-,530
Puncuality		,765	
Creativity	,700		
Teamwork	,669		
Innovativeness	,684		
Initiative		,718	
Flexibility		,666	
Closedness	-,641		
Stability			,790
Client_orientation	,543		

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

a. Rotation converged in 5 iterations. b. Only cases for which Env_stability = Unstable are used in the analysis phase.

Factor analysis for corporate culture values within unstable environment has shown that again three latent variables that describe values within unstable environment can be summarized. These are as follows: client oriented teamwork (representing creativity, teamwork, innovativeness, negative with respect to closedness and client orientation), respecting punctuality in flexibility (representing punctuality, initiative and flexibility) and stability. Considering the nature of the unstable environment it is somewhat difficult to explain stability recognized as one of the three key latent values appreciated by firms operating within this environment.

Environmental complexity, measured as the number of social units (e.g. competitors, regulations for competition, consumers, distributors etc.) that regularly have contact with the organization, as shown in Table 6, could also act as an indication for corporate culture values adoption. As can be seen from the table, within environment that can be described as simple, most widespread corporate culture values include customer orientation (84,21% of firms appreciate it), punctuality, team work, initiative (68,42% of firms appreciate it). Among firms operating within complex

environment, general acceptance of corporate culture values is lower. Most accepted values are client orientation (73,21%) and teamwork (71,43%).

Comparing the rate of adoption for different values among the two types of environment, it can be seen that teamwork and flexibility are equally present among firms operating within simple and complex environment. Innovativeness and closedness are more often present among firms operating within complex environment, unlike all other values (openness, punctuality, creativity, initiative, stability and client orientation) that are more often applied by firms operating within simple environment.

Table 6 also shows some unexpected data: closedness is more appreciated by firms operating in complex environment, although one might expect that it would be firms operating in stable environment that will appreciate stability within their operations.

Table 6. Environmental complexity and corporate culture values

	Simple environment	Complex environment
Value	% of firms within environment that support value	
Openness	63,16%	52,68%
Punctuality	68,42%	42,86%
Creativity	52,63%	42,86%
Team work	68,42%	71,43%
Innovativeness	26,32%	41,07%
Initiative	68,42%	36,61%
Flexibility	57,89%	58,04%
Closedness	0%	10,71%
Stability	57,89%	41,96%
Client orientation	84,21%	73,21%

Factor analysis is repeated for firms operating in simple and complex environment. However, since only 14,50% of examined firms consider to be operating within simple environment sample size did not allow for a factor analysis thus leaving only descriptive results on this matter. Factor analysis results for firms operating within complex environment are shown in table 7.

Latent values appreciated within complex environment are client oriented teamwork (representing creativity, teamwork, innovativeness, flexibility, client orientation and negative to closedness), respecting punctuality while taking initiative (representing punctuality and initiative) and stability. Again, considering the nature of complex environment appreciating stability among the key values could be challenging to explain. Unlike stability, the other two latent values could have been expected within an environment that is shaped by a combination of numerous forces.

Table 7. Factor analysis of corporate values within complex environment (rotated component matrix)

	Component		
	1	2	3
Openess			
Puncuality		,720	
Creativity	,593		
Teamwork	,750		
Innovativeness	,563		
Initiative		,775	
Flexibility	,513		
Closedness	-,748		
Stability			,814
Client_orientation	,548		

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

a. Rotation converged in 7 iterations. b. Only cases for which Env_simplicity = Complex are used in the analysis phase

Environmental homogeneity, describing similarities among the environmental factors influencing firms, is also a potential factor with the influence to adoption of corporate culture values. Values with greatest difference with level of adoption among different environmental types are client orientation and flexibility (Table 8).

Table 8. Environmental homogeneity and corporate culture values

	Homogeneous environment	Heterogenous environment
Value	% of firms within environment that support value	
Openess	62,50%	50,94%
Puncuality	45,83%	45,28%
Creativity	33,33%	46,23%
Team work	79,17%	67,92%
Innovativeness	41,67%	36,79%
Initiative	45,83%	40,57%
Flexibility	45,83%	59,43%
Closedness	0%	12,26%
Stability	45,83%	44,34%
Client orientation	91,67%	73,58%

Our results indicate that within homogenous environment as much as 91,67% of examined firms indicate to have adopted client orientation, whereas among firms operating within heterogenous environment this percentage is 73,58%. Punctuality and stability are the two corporate culture values that have a constant rate of use, equally among homogenous and heterogenous environment. Openess, teamwork, innovativeness, initiative and client orientation have a higher rate of adoption among firms within homogenous environment. Creativity, flexibility and closedness are more

often adopted among firms operating in heterogenous environment.

Table 9. Factor analysis of corporate values within heterogenous environment (rotated component matrix)

	Component		
	1	2	3
Openess			
Puncuality		,776	
Creativity	,667		
Teamwork	,742		
Innovativeness	,582		
Initiative		,794	
Flexibility			
Closedness	-,711		
Stability			,832
Client_orientation	,541		

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

a. Rotation converged in 6 iterations. b. Only cases for which Env_homogeneity = Heterogenous are used in the analysis phase.

Table 9 shows factor analysis results for firms operating within heterogenous environment. Due to small sample size (18,46% of the firms within the sample) the same procedure could not have been applied to firms operating within homogenous environment.

With respect to corporate culture values, heterogenous environment can also be described along three latent values. These can be named as follows: client oriented teamwork (representing creativity, teamwork, innovativeness, negative with respect to closedness and client orientation), respecting punctuality while taking initiative (representing punctuality and initiative) and stability. These latent values are found in exactly the same combinations within other environments as well: client oriented teamwork within unstable environment, respecting punctuality while taking initiative within complex environment and stability within complex environment.

We tested firms' perceptions on acceptance of specific corporate culture values, grouping firms based on environmental conditions. As seen from table 10, based on the three environmental criteria, the rated level of acceptance is higher among firms operating in stable, simple and homogenous environment. Based on this information our initial assumption is that less demanding environmental conditions assure easier adoption of corporate culture values.

Next, we tested the potential of corporate culture for keeping individuals within the organization. Our results indicate that again less demanding environmental conditions assure that corporate culture could attract individuals to stay with the organization.

Finally, we compared the extent to which corporate culture rules employee behavior in case of absence for written procedures. In this case, firms operating in unstable, complex and heterogeneous environment have shown a higher level of agreement with this statement. Such finding led us to

conclusion that corporate culture has as important role among these firms.

Table 10. Corporate culture descriptive and environment

Statement	Stable env.	Unstable env.	Simple env.	Complex env.	Homogeneous env.	Heterogeneous env.
A	3,66	3,55	3,89	3,56	3,75	3,58
B	3,51	3,45	3,84	3,43	3,79	3,42
C	3,83	3,91	3,68	3,92	3,63	3,90

A-Our organization is characterized by wide acceptance of specific corporate culture values.

B-Corporate culture is a reason for individuals staying with this organization.

C-Corporate culture rules employee behavior in case of absence for written procedures.

1= completely disagree, 2=disagree, 3=neither agree or disagree, 4= agree, 5= completely agree

Our earlier research [16] confirmed some statistically significant differences in adoption of corporate culture values within different environmental types. Within stable and unstable environment there is statistically significant difference in adoption of stability as a value in corporate culture. With respect to simple and complex environment, we found statistically significant difference for punctuality and initiative as values in corporate culture, both being more widespread within firms operating in simple environment. Environmental homogeneity shows statistically significant difference within closedness, with closedness being accepted by firms operating in heterogeneous environment.

V. CONCLUSIONS

The purpose of this paper was to explore corporate culture values under different environmental conditions. This implies a decomposition of corporate culture at the visible and invisible level and focusing on the invisible level of corporate culture. Nowadays due to the changes of micro and macro environments the formation of strong, integral, based on common values organizational culture becomes increasingly relevant to ensure the success of the whole company. The organization needs to adapt to the changing environmental conditions or it may not survive.

Corporate culture is a phenomenon which is based on the perception of organizational members, i.e. how the people belonging to the organization understand the processes going on in the organization they belong to. Therefore values through which organizational members report about their culture may have different connotations to different organizational members thus making difficult any exploration of corporate culture.

The external business environment is dynamic and complex - requiring from organizations multiple interfaces

with the environment. Complexities and dynamics of the external environment lead to varying corporate culture values. Fast adaptation in all aspects of firms' business is in many environments critical to success. Although many assumptions and initial expectations on the relationship among environmental conditions and corporate culture are often proposed in the academic and popular literature, we find a lack of empirical support for these assumptions.

This paper explored the relationship among environmental conditions and corporate culture values within Croatian firms. The descriptive analysis has shown that corporate culture values are differently accepted among firms operating within different environmental conditions. However, the results we showed are somewhat opposite to our initial expectations. For example, initiative, both openness and closedness are more accepted within simple, stable and homogeneous environment than within complex, unstable and heterogeneous environment. Flexibility is more often present in stable than unstable environment. Our initial expectations were that complex, unstable and heterogeneous environment support and appreciate flexibility much more than simple, stable or heterogeneous environment.

Factor analysis performed to recognize latent variables that describe corporate values accepted by firms operating in different dynamic environments has revealed that there are high similarities among firms operating within heterogeneous, complex and unstable environment. This supports our initial assumption on the relationship among external environmental conditions and corporate culture. It also supports the assumption that corporate culture should adapt to changing environmental conditions.

Despite the academic attention to organizational values, the practical importance to organizations is not without challenge. Corporate culture has the strength necessary both to inhibit or support adaptation to external environment. It has the strength to influence the processes of adaptation and acceptance of change within the firm or organization. The culture that sets strong closed purpose boundaries can develop its own dynamics and rules that are far from environmental requirements however, as such, could disable firm development. At the same time management attitude towards changing corporate culture can vary from complete denial that corporate culture can be changed at all, admitting insufficient knowledge to change corporate culture or not being interested in changing corporate culture.

In the next steps of our research all these results should be compared to results obtained during comparative researches in developed economies. Croatia is a (post) transition economy whose firms' corporate culture passed through significant modifications and adaptations in the last 20 years. A comparison of these results with developed economies should determine whether we have achieved stability within corporate cultures or we are to seek for reasons that resulted in differences in corporate culture.

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