ORGANIZATIONAL CULTURE AND COMPETITIVE STRATEGY: A RESEARCH ON THE BANKING SEGMENT
Cultura Organizacional e Estratégia Competitiva: uma pesquisa no Segmento Bancário

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ABSTRACT
This article investigated the organizational culture and competitive strategy style a financial institution uses. The result of this research reproduced the hypothesis of a relationship, which was proposed on the theoretical reference, and illustrated the cultural type perceived as hierarchical, characterized by a focus on the internal environment and an appreciation for stability. The defensive competitive strategy was identified, marked by conservatism and strong control mechanisms. The group cultural type was identified as desired. The group type is based on appreciating the bonds established by its members. This would correspond to the reactive strategy described in cases of strategy absence, where the promotion of strategical actions would only take place in face of concrete threats from competitors. The theoretical reference that confirms the cultural types is Quinn and Rohrbaugh’s model (1983), which allows for a comparative cultural study based on the main predominant values in the company. To analyze the competitive strategy, Miles and Snow’s model (2003) was used. This model typifies competitive strategy into four configurations, according to determined corporate behaviors that are present in the organization. In order to relate cultural typology and measured competitive strategy, the association proposed by Quinn and McGrath (1985) was used.

Keywords: Culture; Strategy; Strategical Alignment; Organization.

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Organizational culture and competitive strategy: a research on the banking segment

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RESUMO
Este artigo investigou a cultura organizacional e o estilo de estratégia competitiva que uma instituição financeira utiliza. O resultado desta pesquisa reproduziu a hipótese de relação, proposta no referencial teórico, e ilustrou o tipo cultural percebido como hierárquico, caracterizado pelo enfoque no ambiente interno e pela valorização da estabilidade. Identificou-se a estratégia competitiva defensiva, marcada pelo conservadorismo e por fortes mecanismos de controle. O tipo cultural do grupo foi identificado como desejado. O tipo de grupo baseia-se na valorização dos laços estabelecidos por seus membros. Isso corresponderia à estratégia reativa descrita nos casos de ausência de estratégia, onde a promoção de ações estratégicas só ocorreria diante de ameaças concretas dos concorrentes. O referencial teórico que confirma os tipos culturais é o modelo de Quinn e Rohrbaugh (1983), que permite um estudo cultural comparativo a partir dos principais valores predominantes na empresa. Para analisar a estratégia competitiva, foi utilizado o modelo de Miles e Snow (2003). Esse modelo tipifica a estratégia competitiva em quatro configurações, de acordo com determinados comportamentos corporativos que estão presentes na organização. Para relacionar tipologia cultural e estratégia competitiva medida, foi utilizada a associação proposta por Quinn e McGrath (1985).

Palavras-chave: Cultura; Estratégia; Alinhamento Estratégico; Organização.
INTRODUCTION

The need for companies to adapt and survive in competitive markets that are increasingly fiercer impose an
unnegotiable necessity for companies’ managements: they cannot have, on either their strategic choices, or their
organizational culture, limitations capable of compromising the organizational performance. Based on the
developments of this research, the potentiality of these two organizational factors are inferred, as well as the
subtlety of details that can transform them into obstacles on the management process and impair the effectiveness
of the adaptation process when necessary.

Porter (1996) states that the strategic choice is related to the alternative which best connects the organization
to both opportunities and threats on the external environment. Schein (1992), when discoursing about the
analyses of organizational cultures, stated that they depend on how they relate to their surrounding environment.
Unlike competitive strategy, which is subject to the best objectives among the ones available perceived by the
company (Porter, 1996), culture is abstract. It can only justify any evaluation on being good or bad, functional or
dysfunctional, when it is evaluated in comparison to the perceptions about the environment to which it intends to
adapt.

Therefore, organizational culture as the biggest obstacle in the effectiveness of organizational changes or as
maintenance of achieved stability, and orientation of competitive strategy in organizations in comparison to their
environment are critical factors for the search or maintenance of the companies’ competitive edge.

Based on this stream, the problem of this research may be defined as follows: is there a correlation between
the organizational culture and the strategic style chosen by the studied organization?

Moreover, there is an intention to explore complex thinking on the administrative field, which comprises this
relationship between organizational culture and strategy as a complex phenomenon, for a better understanding of
the dynamics on the organizational environment and its interdependencies. Complex thinking seeks to unite what
does not operate separately and coexists with different realities that alternate as cause and effect in the same
environment (Morin, 2007).

When analyzed along with complex systems, the coexistence of organizational culture and competitive
strategy result in systems outlined by processes that are called dialogical, which share ideas and bring new
meanings to the organizational environment, instead of an incomplete and fragmented view of such reality, which
is not simple (Genelot, 2011). Since they are viewed as systems, they open a path for the manager to recognize
the emergence of a new broad cognitive process, based on learning, from a proposal of a systemic and integrated
view (Bertalanffy, 1977; Senge, 2000; Hofstede, 1990; Morin, 1996).

On the specific context of this research, the peculiarities of the Brazilian banking market are highlighted.
This market’s recent evolution over the past few years has demanded more attention to the adaptation processes
of the big conglomerates that compose this sector.

1 LITERATURE REVIEW

The organizational culture is seen as something the organization has or something the organization is. The
first stream is followed by those who are supporters of corporate culture, or the functionalist stream which
approaches organizational culture as a dependent variable. As a reference for management, they use examples of
success cases and models that can be replicated in other organizations. With a predominantly practical approach,
they highlight the importance of having active leadership that creates new values or spreading the main cultural
traits of the organization.

On the other hand, for those who consider organizational culture as something the organization “is”, also
known as supporters of organizational culture, or the cultural idealism stream, cultural management in companies
may be seen as something more difficult and only possible through long-term intervention actions. They try to
follow an interpretive stream of the cultural phenomenon based on anthropology, seeking to manage both the
employees and the company’s expectations, even though they often seem conflicting or incompatible.

Despite the apparent antagonism of the organizational culture management proposals, they are not
contradictory. In addition, they often coexist with a typical trait of complex phenomena, which manifest
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alternately, according to the necessities and the stages of strategic management in the organization, since its conception until the execution of the operational plan.

Authors from a branch of cultural organizational studies classified as the corporate culture stream, also called functionalist school (Smircich, 1983), which uses a pragmatic interpreting method that seeks to establish direct connections between organizational behavior and the assertiveness of decision-making and the effectiveness level of organizations. They tend to associate the leadership exercise on the cultural field as a management tool to reach goals previously chosen as ideals from success experiences, (Deal and Kennedy, 1982; Ouchi, 1986).

The organizational culture diagnosis for a company according to Quinn’s model (Quinn and Rohbaugh, 1983), called Competing Value Model (CVM), presents a quantitative picture of its main cultural traits and a more detailed analysis of attention points for intervention and adjustment actions.

The Competing Value Model shows companies’ culture in cultural quadrants, divided in two dimensions, which identify its common traits divided in cultural and organizational abilities. Each quadrant represents a specific set of indicators for organizational effectiveness, chosen on this panel by specialists who created it, so with characteristics that are predominantly valued by its members, and represent the main guides for action and decisions in organizations:

-As a group: it values company management based on participative leadership that seeks human being’s development as the key element in organizational success, stimulating their members’ commitment and engagement.

-Innovative: it is based on a more dynamic management model that values exposure to higher risks, entrepreneurial and creative behaviors that stimulate innovation for its members.

-Hierarchical: It is characterized by the strength of its hierarchical structures, which are formally structured and stable in its relationships. Since they are very predictable, they have their management process guided by larger internal coordination and monitoring.

-Rational: Since it is focused on achieving bigger results, they seek higher levels of productivity and profit. Having a management model based on searching for higher productivity, the focus is mainly on the company’s result.

Each cultural typology represents predominant values which characterize the means to achieve goals, and companies may illustrate a balance between them that is considered ideal (Santos, 1992).

According to Cameron and Quinn’s classification model (2011) it is possible for an organization to have cultural traits in more than one type and have one of them as predominant.

Regarding the competitive strategy, many are the influences on semantic formation of strategy for its use in administrative science (Mintzberg, 2010). From its creation to express war generals’ skills, to economic sciences and biology, its use revolves around contexts of competitiveness, survival and the means employed in this dynamic. Exponents of the configuration school and, comparable to Porter as great reference academics and acceptance of generic strategy models, Miles and Snow (1978) treat and classify the strategic style of organizations according to their competitive behavior. The essence of the Configuration school is to consider the study of the strategic organizational phenomenon as an integrated universe of relationships between strategy, structure, processes and its surrounding environments.

Despite the complexity of the organizational phenomenon, Miles and Snow (1978) consider the strategic process to be only partially predetermined by environmental conditions. The authors attribute a strong influence on competitive behavior to the choices made by managers regarding critical matters when guiding the organization through developing the strategic process.

Such competitive behaviors are described in adaptive cycles according to choices regarding the relationship between product and market (strategy), followed by the development of internal mechanisms created to support the chosen strategic intention (structures and processes). The authors describe the organizational behavior represented on adaptive cycles according to the way they solve three fundamental problems that are considered strongly related: the entrepreneur’s problem, the administrative problem, and the engineering problem.

Corporate strategies are related to decisions a given company makes regarding what type of business they will be in, and not to the way they behave when solving fundamental problems (Hambrick, 1983).

Even though the relationship between types of strategy and environment is the central concept of Miles and Snow’s model (1978), the main dimension of analysis of this typology is the orientation of the company regarding the product-market matter, which complements the other relationships between organizational
processes and structures on the context of strategy implementation.

The resolution of these fundamental problems, which are viewed as a selection process for organizational adaptation, categorize four generic strategic types. These strategies preserve the relationship between competitive posture and structure, as well as the organization’s processes as a whole coherent enough to support the intensity of the predicted transformations on the strategic process, besides a type considered as the absence of strategy, behaviors considered incongruous and reactive. According to Miles et al (1978), they are:

-Prospects: it is considered as a new competitive style, which creates changes and value exploring new opportunities in the environment, focusing its attention on the answers’ speed considered as tendencies and emerging news.

-Defenders: it is a behavior marked by conservatism and low risk exposure, and its main goal is to preserve the stability of its products and services.

-Analyzers: it moves between the strongest points in prospective and defensive behaviors on the same strategic style proposal, which makes it a convenient option that combines stability and low risk exposure to explore new opportunities, following successful experiences only.

-Reactors: it defines an organization that only reacts to the incentive of being threatened by one of its competitors and such threat is considered a risk, a “non-strategy” due to its incongruence that does not allow the classification of a competitive behavior.

2 METHODS

This study’s goal was to determine if there is a relationship between strategy and organizational culture, identifying the possible existence of congruence between the chosen strategic style and organizational culture based on Quinn and McGrath’s proposal (1985), which relates Quinn and Rohrbaugh’s cultural typology (1983) and Miles and Snow’s proposal of generic competitive strategies (1978).

Organizational culture and competitive strategy are part of a transformation process in companies whenever there is need for changes in strategic positioning (Miles and Snow, 1978; Mintzberg, 2000). For the authors, the strategies that represent corporate behavior, in a specific moment of their existence, must have a configuration that corresponds to its organization, which includes organizational culture as a critical condition for the effectiveness of organizational efforts and strategic management mechanisms on the actual exercise of organizational practices.

This research is classified as exploratory and descriptive. The exploratory aspect seeks to provide more comprehension on the phenomenon predicted in the objectives, which is determining the cultural type of the organization that is being studied, as well as the company’s style of strategic positioning in comparison to its surrounding environment. On the other hand, the descriptive approach – which has the purpose of verifying the occurrence of a phenomenon on the population – evaluated the congruence between the perceptions of current and desired cultural type, as well as the congruence of the company’s style of strategic positioning. As to problem’s approach, this research is classified as quantitative for determining the cultural type identified on the studied company and the perception of its predominant cultural traits, as well as verifying the perception of the competitive strategy style chosen by the studied company, which represents how it relates to its surrounding environment. The quantitative method is indicated in cases when it is necessary to know the extent of the studied object, identifying the level of knowledge and opinions about the problem (Gonçalves and Meirelles, 2004).

The data collection was performed with managers of baking agencies in the capital of São Paulo that are part of a financial institution of the National Financial System which operates as a financial conglomerate all over the country.

The collection instrument had 48 questions, composed by a construct for Cultural Typology six variables, and a construct for Competitive Strategy also comprised of six variables, which measured the perception of the organization’s cultural type, as well as its competitive strategy from the point of view of these management-level employees.

The sample was intentional, not random and not probabilistic, due to the homogeneity of the sampled public subject to the research, contemplating 132 participants.
3 DATA ANALYSIS AND RESULTS

The cultural types represented in Quinn’s model represent dilemmas that are characteristic of organizational systems based on a typical coexistence of complex phenomena (Santos, 2000). The construct for the OC has six dimensions of evaluation, dominant characteristics, organizational leadership, people management, organizational cohesion, strategic emphasis and success criteria, with four answer alternatives related to each of the four cultural types: group, innovative, hierarchical and rational.

For the current culture analysis, the research showed hierarchical culture as the one perceived by participants, which demonstrates the predominance of cultural traits that indicate an appreciation for stable environments, with less risk exposure and conservatism of their leadership chain.

The perception of the cultural type desired by the participants resulted in a more balanced distribution of cultural traits. The predominant trait was the group cultural quadrant, which emphasizes the bonds developed between the employees with emphasis on teamwork and collective acknowledgement of the group.

Among the grades assigned to the six dimensions of the cultural quadrants analysis on the desired context, the research demonstrated the following results (Table 1).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Group</th>
<th>Innovative</th>
<th>Hierarchical</th>
<th>Rational</th>
</tr>
</thead>
<tbody>
<tr>
<td>% C</td>
<td>% D</td>
<td>% C</td>
<td>% D</td>
<td>% C</td>
</tr>
<tr>
<td>Dominant characteristics</td>
<td>19.05</td>
<td>0.91</td>
<td>9.43</td>
<td>1.85</td>
</tr>
<tr>
<td>Organizational leadership</td>
<td>18.98</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>People management</td>
<td>20.03</td>
<td>0.77</td>
<td>4.91</td>
<td>9.03</td>
</tr>
<tr>
<td>Organizational cohesion</td>
<td>24.30</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Strategic emphasis</td>
<td>21.53</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Success criteria</td>
<td>19.78</td>
<td>2.98</td>
<td>3.08</td>
<td>5.70</td>
</tr>
</tbody>
</table>

Source: created by the authors.

To analyze the competitive strategy, the research indicated the defender’s strategic type as the one perceived by the participants, which indicates the predominance of behaviors centered around stability, appreciation of lower risk exposure and conservatism regarding the relationship with their surrounding environment. Among the grades assigned to the six analysis items of generic strategic types, the research demonstrated the following results (Table 2).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Competitive Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prospectors</td>
</tr>
<tr>
<td>Growth</td>
<td>22.33</td>
</tr>
<tr>
<td>Emphasis</td>
<td>30.96</td>
</tr>
<tr>
<td>Structural Form</td>
<td>32.07</td>
</tr>
<tr>
<td>Processes</td>
<td>12.40</td>
</tr>
<tr>
<td>Delegation of Authority</td>
<td>16.76</td>
</tr>
<tr>
<td>Risk</td>
<td>10.56</td>
</tr>
</tbody>
</table>

Source: created by the author.
To describe the variables related to the Organizational Culture and the Strategy constructs, the methods mean, standard deviation and bootstrap percentile intervals at 95% confidence for means were used.

To evaluate the relationship between the Organizational Culture and the Strategy constructs, as well as the variables that formed each construct, the Spearman correlation coefficient was used (Hollander, et al., 2013).

Comparing the variables’ intervals with the construct interval shows that the variable Organizational Leadership demonstrated a mean that was significantly higher than the Organizational Culture construct’s mean. Moreover, it is also inferred that the Dominant Characteristics and Organizational Cohesion variables demonstrated means that were significantly inferior to the Organizational Culture construct’s mean, given that the confidence intervals do not overlap.

Comparing the variables’ intervals with the construct interval shows that the variables Process and Risk show a mean that is superior to the Strategy construct’s mean, and that variables Emphasis and Structural Form demonstrated means that are inferior in comparison to the Strategy construct, given that the confidence intervals do not overlap.

Overall, the Strategy construct (38.37) demonstrated a higher mean level than the Organizational Culture construct (35.09). However, this difference was not significant because the intervals overlap.

It is possible to state that there is a positive although small ($r^2=0.25$) and significant ($value=p<0.004$) correlation between the organizational culture and the strategy constructs. This means that the higher the level of organizational culture may mean a higher the level of company strategy tends to be, or vice versa.

It is possible to highlight that 11 (30.55%) correlations were significant ($Value-p<0.05$), given that the Growth variable was positively although small correlated to variables Success Criteria ($r^2=0.31$; $p=0.000$), Strategic Emphasis ($r^2=0.27$; $p=0.002$), People Management ($r^2=0.21$; $p=0.018$) and Organizational Leadership ($r^2=0.29$; $p=0.004$). This means that to some extent the bigger the value for the Growth variable, the bigger the value for variables Success Criteria, Strategic Emphasis, People Management and Organizational Leadership will be.

The Delegation of Authority variable was also to some extent positively correlated with variables Organizational Cohesion ($r^2=0.22$; $p=0.011$), Success Criteria ($r^2=0.28$; $p=0.001$), Strategic Emphasis ($r^2=0.27$; $p=0.002$), People Management ($r^2=0.22$; $p=0.010$) and Organizational Leadership ($r^2=0.29$; $p=0.001$). This may mean that the bigger the value for the Delegation of Authority variable, the bigger the value for variables Organizational Cohesion, Success Criteria, Strategic Emphasis, People Management and Organizational Leadership.

The Risk variable was positively correlated, although not much, with variables Success Criteria ($r^2=0.18$; $p=0.044$) and Strategic Emphasis ($r^2=0.20$; $p=0.019$); so to some extent the bigger the value for the Risk variable, the bigger the value will be for variables Success Criteria and Strategic Emphasis.

**CONCLUSION**

This study demonstrated the relative importance of considering the dynamics of the strategic process a complex phenomenon, characterized by the interaction of several factors. From this point of view, there is a broader comprehension of the possible relationships and the potential unfolding of coexistence between OC and CS.

Moments when there are organizational changes of strategic transformations concentrate the efforts and coordination of management practices. The relationship between OC and CS was verified, based on several interpretive streams that describe the strategic phenomenon through different perspectives and schools developed about such topics (Mintzberg, Ahlstrand, Lampell, 2010).

Besides the technical aspects that are specific to the main elements of CS, the human factors related to the socialization process and the development of mechanisms for organizational learning are very important. This strategic alignment contributes to clarify the areas that can be improved and identify the necessity for intervention on the strategic management process of the organization (Porter, 1996; Kaplan and Norton, 2006; Nohria, Joyce and Roberson, 2003; Carmelli and Tishler, 2004; Hitt, Ireland, and Hoskisson, 2008; Fleury and Fleury, 1997; Bartellet and Ghoshal, 1994; Campbell and Alexander, 1997).

Without impairment from the other variables on the strategic process, the relationship between CS and OC develops as various “success formulas” which shape the identity of the organization and describe how to
commune with their surrounding environment.

New meanings are going to be created to all stakeholders as the essence of the relationship between OC and CS whenever there are new values being added and new goals to be met. It is what Genelot (2001) calls strategic conscience, which is not imposed or done automatically, but built with time in a learning process mediated by new values that reposition the organization in the search for new goals.

In this context, organizational culture resurfaces with unquestionable force, surpassing its condition of managerial fad and makes the use of the term in a vague and superficial manner alarming. Being a sine qua non condition on the reconfiguration process of the productive process, it starts to demand that managers rethink the entire administrative practice, from strategic planning to the execution process as a whole, which must work coherently enough to coordinate its growth (Acktouf, 1993; Chanlat, 1992, 1993).

Collaborative environments on the coordination of strategic organizational changes characterized by organizational learning cycles were determined to be extremely important. This search for new strategic goals announces organizational changes and the need for further collaboration with environments that are more open to learning in order to incorporate new behaviors based on new values.

It is suggested that if this research is extended to other segments it is highly likely that the outline of hierarchical culture remains present along with strategies characterized by strong control mechanisms. However, in a globalized and competitive world, it is becoming increasingly necessary to migrate to an innovation culture that feeds collaborative strategies.

Open innovation is not just a goal, but a reality, especially in many European countries. Collaborative innovation thrusts cultural changes and, especially on strategic models, one important characteristic is the cooperation of young companies with already established companies seeking to share complementary resources and supporting innovative ideas (Alvarez, 2015).

These changes go way beyond the organizational walls. They extend to government policies and, mainly, on the role education must have in this context. There is a need to create a generation of leaders who are aware of the value corporate culture has, who are willing to take risks and support innovation by seeking to create new organizational values.

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