

# Chapter 3

## Comparative Study Regarding Organizational Culture: Nonprofit Organization and Profit-Oriented Organization



Oana-Bianca Bercea, Elena-Simina Lakatos and Laura Bacali

**Abstract** This article presents the results of a comparative case study that identifies and analyzes the organizational culture differences between a nonprofit organization and a profit-oriented organization. For the analysis of the organizational culture, we used the Organizational Culture Assessment Instrument (OCAI) that approaches: dominant characteristics, organizational leadership, human resource management, organizational glue, strategic objectives, and success criteria of an organization. The participants of the study are executive employees and management members of the targeted organizations which facilitate local socioeconomic development. This case study identifies (1) the type of dominant organizational culture, (2) differences between the existent organizational culture and preferred organizational culture, and (3) differences between characteristics of existent cultural organization and characteristics of organizational culture that facilitates innovation in the targeted nonprofit organization and profit-oriented organization.

**Keywords** Organizational culture · Nonprofit organization  
Socioeconomic development · Innovation · Management

### 3.1 Introduction

In a society that needs to respond to more and more complex challenges, organizations within social economy seem very important for the success of Europe 2020 Strategy as it contributes to intelligent growth by responding to social needs that are not satisfied with social innovation. Also, they determine sustainable growth through

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their positive impact on the environment and through their long-term vision, and at the same time, they are in the middle of inclusive growth process due to the emphasis on people and social cohesion (Barna 2014; Lakatos 2014).

Social economy represents solutions identified to solve some social problems at European and global level, that defines a group of organizations such as cooperatives, mutualities, associations, and foundations characterized by social goals and participative governance (Euricse 2013). According to this directive, social economy is regarded as a possibility to modernize the social European model as it generates employment and it develops new premises of entrepreneurship that responds to various social needs.

At European level, social economy represents 10% of existent businesses (Barna 2014) and it provides employment for more than 14.5 millions people, almost 6.5% of European Union workforce (Euricse 2013). Among them, 70% are employees in nonprofit associations, 26% in co-operatives, and 3% in mutualities (Barna et al. 2016).

The most common legal forms of social enterprises in European Union are (1) associations, foundations, and other similar forms in proportion of 92%; (2) cooperatives and other similar accepted forms in proportion of 7%, and (3) mutualities and other similar accepted forms about 1% (Euricse 2013). Most organizations pertaining to social organization are found in Great Britain with 875 555 organization in 2010, followed by Germany with 513 727 organizations and Spain with 200 769 organizations (CIRIEC 2012). Studies show an ascendent path for social economy structure in Romania with a 52.83% growth in 2012, when 39 347 organizations were reported, compared to 2010 with 25 744 organization.

The present study will analyze differences between a social economy organization and a profit-oriented entity from the organizational culture perspective. The following chapter will provide you some theoretical background regarding organizational culture while the next chapter is dedicated to an empirical study. Conclusions are presented in the last chapter.

## 3.2 A Theoretical Background for Organizational Culture

Research literature provides us with a variety of definitions for organizational culture. For example, Schein (1985) gives us a more formal definition for organizational culture: “A pattern of basic assumptions—invented, discovered or developed by a given group as it learns to cope with the 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 these problems.”

Other authors answered the question regarding the definition of organizational culture in a manner that allows the average population to understand the concept by providing a more informal definition. Organizational culture describes “the way we do things around here” (Deal and Kennedy 1982). Organizational culture determines

and guides the group behavior. It is a mental phenomenon that determines how individuals from a certain group think and assess reality in a similar way and how this thinking and assessment is different than other occupational groups (Alvesson and Sveningsson 2015; Oney-Yazıcı et al. 2007).

Therefore, organizational culture is a part of informal side of an organization that contains values, beliefs, and behavior models that are formed over time and that are passed to the new members. Organizational culture is created by the people in the organizations representing members' routine, their way of making the things to work.

There are several factors involved in the apparition of organizational culture such as (Hintea 2007): the culture of the society, traditions and success behaviors, the nature of organizational activities and close environment, founding members and crisis. Regarding the transmission of organizational culture, there are several ways such as the stories, organizational rituals, symbols, language, myths, heroes, norms to be followed or declaration of principles (Hintea 2007; Ojo 2009).

Cameron and Quinn (2005) have identified four types of organizational culture: clan culture, adhocracy culture, hierarchy culture, and market culture (Tables 3.1 and 3.2).

The research presented in this paper is based on the model developed by Cameron and Quinn (2005) and it is presented in the following section.

### **3.3 Comparative Study Regarding Organizational Culture: Nonprofit Organization and Profit-Oriented Organization**

A comparative study regarding organizational culture in profit and nonprofit organization was conducted using the methodology developed by Cameron and Quinn (2005). The study has the following objectives:

1. To identify the type of dominant organizational culture in the targeted organizations;
2. To identify differences between the existent organizational culture and preferred organizational culture in the analyzed organizations;
3. To identify differences between characteristics of existent cultural organization and characteristics of organizational culture that facilitates innovation in the targeted nonprofit organization and profit-oriented organization.

#### **3.3.1 Research Methodology**

The research method used for this case study is the survey with a standardized questionnaire developed by Cameron and Quinn (2005) that is called Organizational

**Table 3.1** Types of organizational culture (Cameron and Quinn 2006)

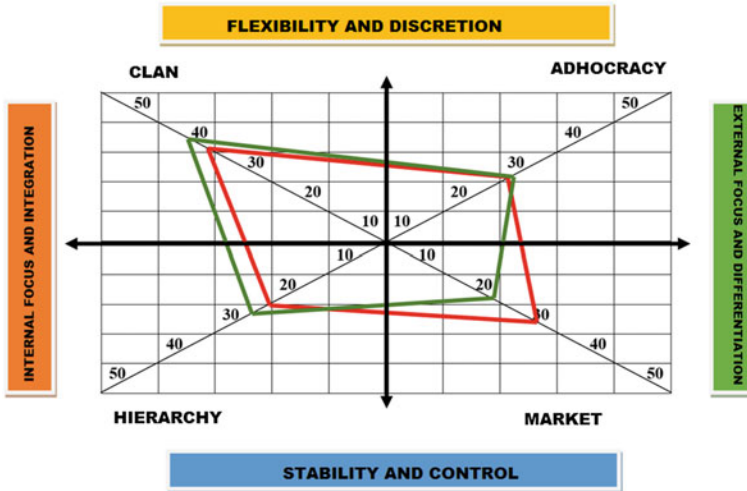
The clan culture	The adhocracy culture
A very friendly place to work where people share a lot of themselves. It is like an extended family. The leaders, or head of the organization, are considered to be mentors and, maybe even, parent figures. The organization is held together by loyalty or tradition. Commitment is high. The organization emphasizes the long-term benefit of human resource development and attaches great importance to cohesion and morale. Success is defined in terms of sensitivity to customers and concern for people. The organization places a premium on teamwork, participation, and consensus	A dynamic, entrepreneurial, and creative place to work. People stick their necks out and take risks. The leaders are considered to be innovators and risk takers. The glue that holds the organization together is a commitment to experimentation and innovation. The emphasis is on being on the leading edge. The organization’s long-term emphasis is on growth and acquiring new resources. Success means gaining unique and new products or services. Being a product or service leader is important. The organization encourages individual initiative and freedom
The hierarchy culture	The market culture
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 on 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	A results-oriented organization. The major concern is getting the job done. People are competitive and goal oriented. The leaders are hard drivers, producers, and competitors. They are tough and demanding. The glue that holds the organization together is an emphasis on winning. Reputation and success are common concerns. The long-term focus is on competitive actions and achievement of measurable goals and targets. Success is defined in terms of market share and penetration. Competitive pricing and market leadership are important. The organizational style is hard-driving competitiveness

Source Cameron and Quinn (2005)

**Table 3.2** Dominant organizational culture scores in profit-oriented organization

	Organizational culture—NOW	Organizational culture—PREFERRED
A (CLAN)	31.50	35.50
B (ADHOCRACY)	21.92	22.25
C (MARKET)	26.25	18.75
D (HIERARCHY)	20.33	23.50
Total	100.00	100.00

Culture Assessment Instrument (OCAI) adapted to approach the previously presented objectives. The instrument employs the Competing Values Framework that has been rated as one of the fifty most important models in the history of business study (Igo and Skitmore 2006).



**Graphic 3.1** Organizational culture in profit-oriented organization

The questionnaire was applied on the management and execution level of two organizations within the same field of activity—project management, but with different objectives: a profit-oriented organization—S.C. Pro Xpert Consulting S.R.L.—and a nonprofit organization—Civitas Foundation for Civil Society.

The OCAI questionnaire covers six key dimensions of organizational culture: (1) dominant characteristics, (2) organizational leadership, (3) management of employees, (4) organizational glue, (5) strategic emphasis, and (6) criteria of success. The OCAI consisted of six questions and each question had four alternatives. Respondents were asked to divide 100 points among those four alternatives. Based on management and executive employee’s responses, we were able to depict the organizational culture profile for each participating organization. We had a response rate of 71.43% for the profit-oriented organization and a response rate of 53.85% for the nonprofit organization.

### 3.3.2 Organizational Culture: Actual Versus Preferred

#### (a) The case of profit-oriented organization

The general image of organizational culture in the profit-oriented organization is depicted in Graphic 3.1. Responses provided by the management team and executive teams were centralized and the mean was computed for each type of organizational culture.

The existent organizational culture is represented through the red quadrangle and the preferred organizational culture through the green one. There is no pure organi-

zational culture such as clan culture, adhocracy culture, hierarchy culture, or market culture. The organizational culture in a firm is composed of characteristics affiliated to more organizational culture types. Therefore, we can talk about a dominant organizational culture. To survive on the market, the type of organizational culture must be compatible with the business environment demands. A strong dominant organizational culture may be beneficial for some organizations and harmful for others. In some organizations, survival may rely on a strong dominant organizational culture while for others a more balanced organizational culture might be appropriate. The nature of the challenges a firm faces is likely to be the determining factor. (Cameron and Quinn 2005).

The dominant organizational culture in the profit-oriented organizations is the clan culture with a score of 31.5 points out of 100, followed by market culture with 26.25 points.

Personnel of the firm would prefer a more strong clan organizational culture, as the difference of 4 points suggests. At subculture or secondary cultures level, there is a desire to emphasize some characteristics of adhocracy and hierarchy cultures, and to give up to some characteristics of market culture. There is no major gap between actual organizational culture and preferred organizational culture. The balance between the dominant organizational culture and subcultures suggests an effort to adapt both to the internal and external environment as the field of activity requires flexibility and discretionary capacity in some situations, and stability and control in other cases.

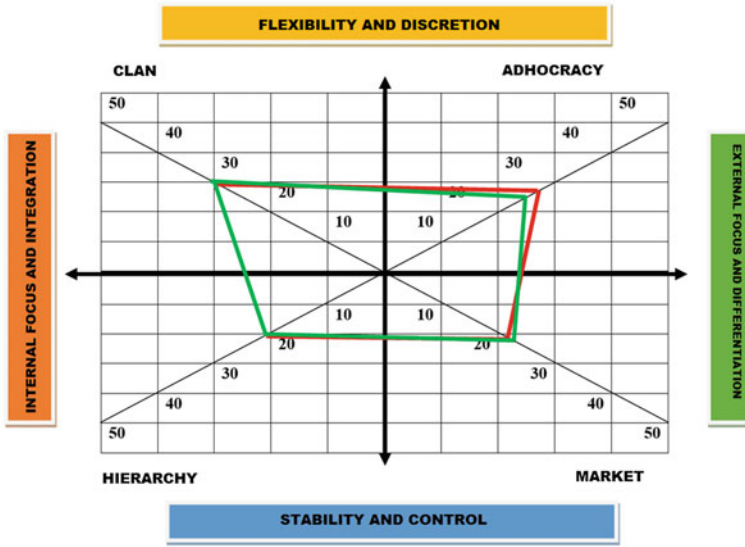
The analysis on dimensions of organizational culture in the profit-oriented organizations shows differences higher than 10 points regarding the general characteristics of the organizational culture. According to the results, there is a need for a more structured and controlled organization. What it must be understood is that the dominance type of the hierarchy culture will be established at the organizational level according to characteristics of the developed activity. Once the need for change is identified, each member of the organization must define what a more dominating hierarchy culture means for them. Therefore, a change strategy will be established.

#### (b) The case of nonprofit organization

The general image of organizational culture in the nonprofit organization is summarized in Graphic 3.2. Responses provided by management and executive teams were centralized and the mean was computed for each type of organizational culture. As we can observe in the graphic above, the dominant organizational culture in the analyzed nonprofit organization is the clan culture emphasized with a red line in the upper left quadrant. The score of the clan culture is 30 points out of 100.

Interesting is that there are insignificant differences between the actual organizational culture and the preferred one. Based on general results, there is no need to change organizational culture. In Table 3.3 are presented the scores for each type of organizational culture.

According to our results, the actual and the preferred organizational culture type is the clan culture, with a difference in strength of 0.56 points. At the subculture level, personnel would like to strengthen some characteristics regarding hierarchy



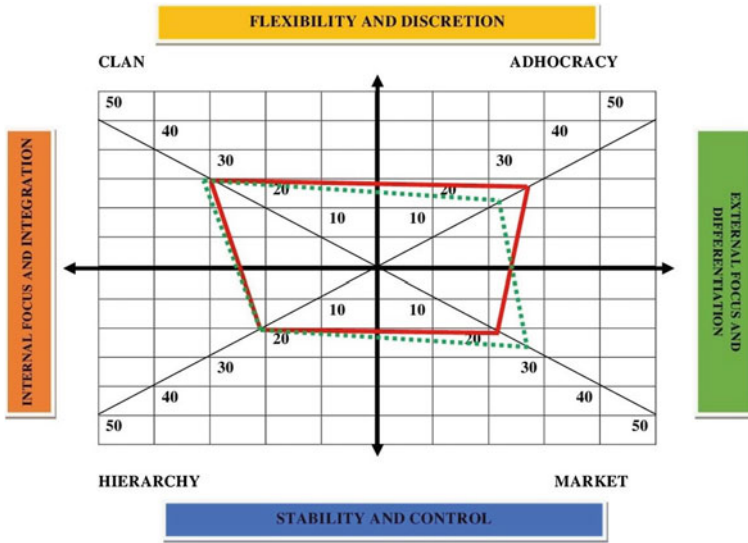
**Graphic 3.2** Organizational culture in the nonprofit organization

**Table 3.3** Dominant organizational culture scores in nonprofit organization

	Organizational culture—NOW	Organizational culture—PREFERRED
A (CLAN)	30.00	30.56
B (ADHOCRACY)	28.47	26.39
C (MARKET)	21.25	20.69
D (HIERARCHY)	20.28	22.36
Total	100.00	100.00

culture and give up to some characteristics of market culture and adhocracy. There are no major differences between actual and preferred organizational culture. Similar to profit-oriented organization, there is a balance between the types of organizational cultures. We can notice a difference of 9.72 points between the maximum score and the minimum score for the actual organizational culture and a difference of 9.87 for the preferred organizational culture.

Although the general actual organizational culture model and the preferred one are almost identical, a more detailed analysis identifies minor preferred changes regarding the last three dimensions: organizational glue, strategic emphasis, and criteria of success. We identified a desire to diminish the characteristics of organizational culture such as: (1) organizational glue maintained by commitment to innovation and development, (2) achievement of new resources and challenges, and (3) defining success through newest or most unique products and services. On the other hand, members of the organization would chose to accentuate some characteristics of the



**Graphic 3.3** Differences of actual organizational culture

clan culture such as: (1) organizational glue ensured by loyalty and mutual trust, (2) human development, high trust, and participation, and (3) success defined on the basis of the development of human resources, teamwork, employee commitment, and concern for people.

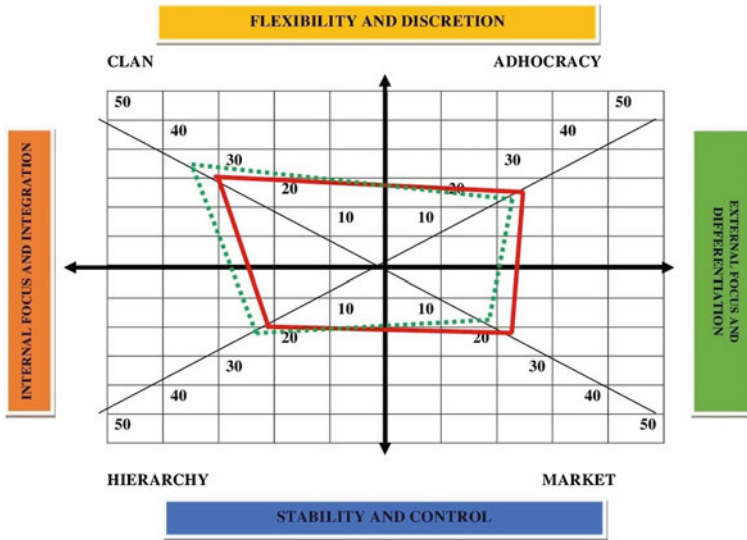
Differences lower than 10 points between actual and preferred organizational culture does not result in a need for change in the nonprofit organization.

### 3.3.3 *Organizational Culture and Innovation*

In Graphic 3.3 are represented the actual organizational culture and the preferred organizational culture in the nonprofit organization as compared to the profit-oriented organization. The organizational culture in the nonprofit organization is represented through a red quadrangle while the organizational culture in the profit-oriented organization is represented through a green dotted quadrangle.

Both organizations have a clan culture as a dominant organizational culture. The major difference between the two organizations can be observed in the upper right quadrant of the graphic. According to our analysis, the adhocracy culture, known also as a culture that fosters innovation, is stronger in the nonprofit organization compared to the profit-oriented one where a market culture is more important. The explanation is that in the case of a profit-oriented organization, market orientation has a certain importance. On the other side, for an organization with social objectives





**Graphic 3.4** Differences of preferred organizational culture

whose purpose is to address social issues and innovation, social innovation is critical (Graphic 3.4).

Regarding the model of preferred organizational culture in the two organizations, we can notice a greater emphasis on innovation in the nonprofit organization compared to the profit-oriented organization. The profit-oriented organization would prefer to approach to a greater extent some elements specific to hierarchy culture or clan culture. There are no major differences between the two organizations, but they portray two different actors of the local economy that contribute to socioeconomic development of the community.

In Table 3.4 are the scores of the two organizations for each component of the organizational culture. This way, we can analyze major differences in organizational culture of the profit-oriented and nonprofit organizations.

**The dimension of dominant characteristics** of the nonprofit organization is associated to the adhocracy culture—29.17 points out of 100, while in the profit-oriented organization, the dominant characteristics are related to the clan type of culture—38 points out of 100. The scores of dominant characteristics that are associated to the market culture are similar in both organizations. Both organizations are result oriented, with highly competitive employees, only that in the nonprofit organization, there is more emphasis on risk-taking while the profit-oriented organization dominates a family atmosphere.

**The dimension of organizational leadership** is specific to the clan culture in both organizations with a difference of only 3 points for the profit-oriented organization (30.50 points out of 100) in comparison with the nonprofit organization (27.50 points

**Table 3.4** Dimensions of organizational culture in nonprofit and profit-oriented organization

Dimensions of organizational culture		Nonprofit	Profit
1. Dominant characteristics	Clan	25.83	<b>38.00</b>
	Adhocracy	<b>29.17</b>	22.00
	Market	28.33	28.50
	Hierarchy	16.67	11.50
2. Organizational leadership	Clan	<b>27.50</b>	<b>30.50</b>
	Adhocracy	26.67	24.00
	Market	20.83	25.50
	Hierarchy	25.00	20.00
3. Management of employees	Clan	<b>33.33</b>	<b>33.00</b>
	Adhocracy	25.00	20.50
	Market	20.00	18.50
	Hierarchy	21.67	28.00
4. Organizational glue	Clan	<b>42.50</b>	<b>31.50</b>
	Adhocracy	29.17	28.50
	Market	10.83	24.00
	Hierarchy	17.50	16.00
5. Strategic emphasis	Clan	28.33	<b>29.50</b>
	Adhocracy	<b>29.17</b>	19.00
	Market	22.50	28.50
	Hierarchy	20.00	23.00
6. Criteria of success	Clan	22.50	26.50
	Adhocracy	<b>31.67</b>	17.50
	Market	25.00	<b>32.50</b>
	Hierarchy	20.83	23.50

out of 100). Therefore, the leadership of both organizations is considered to exemplify mentorship and human development.

**The management of employees dimension** pertains to the clan culture in both organizations, with similar scores: 33.33 points for the nonprofit organizations and 33.00 points for the profit-oriented organization. Therefore, the management style in the two organizations is characterized through teamwork, consensus, and participation. Within the nonprofit organization, a more particular attention is dedicated to individual risk-taking, innovation, freedom, and unicity specific to adhocracy culture (25.00 points out of 100) while within the profit-oriented organization, job safety, commitment, predictability, and stability of human relationship specific to hierarchy culture are more important (28.00 points out of 100).

**The dimension of organizational glue** is kept in both organizations mostly through loyalty and mutual trust. If the scores regarding adhocracy culture and hier-

archy culture are distributed in similar ways, it is not the case of characteristics regarding the dimension of organizational glue specific to market culture. In contrast to the nonprofit organization (10.38 points out of 100), for the profit-oriented organization (24.00 points out of 100), achieving of objectives is more important to maintain the organizational glue.

**The strategic emphasis** in the profit-oriented organization is represented by personal development that is specific to clan culture (29.50 points out of 100). It is important to maintain a high level of trust, openness, and participation. Also, personal development of employees represents a strategic objective for the nonprofit organization (28.33 points out of 100), but more important are acquiring new resources and creating new challenges specific to adhocracy culture (29.17 points out of 100). A strategic objective for the profit-oriented organization is success on the market (28.50). We can conclude that strategic objectives of profit-oriented organization are related to clan and market culture while those of nonprofit organization are associated to adhocracy and clan culture.

**Criteria for success dimension** of the nonprofit organizations are specific to an adhocracy type of culture while those of the profit-oriented organization are associated to a market culture. Therefore, the nonprofit organization defines its success by gaining unique services and products while the profit-oriented organizations define its success in terms of market share and penetration.

### 3.4 Conclusions

In conclusion, the main difference between the organizational cultures in the two organizations is defined by the importance given to innovation in comparison to market orientation. In the case of the profit-oriented organization, the purpose of gaining profit is more evident and it is highlighted by a market organizational culture. Albeit, the management of employees and the organizational glue of both organizations belong to a clan culture where mentorship is exemplified, professional development opportunities are created, teamwork, participation and commitment are encouraged while loyalty and mutual consensus held the organization together.

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