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Management and governance: organizational culture in relation to enterprise life cycle

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Abstract

Purpose – The behaviour of an enterprise (including ethical behaviour) strongly depends on the organization's culture, values and beliefs. The purpose of this paper is to demonstrate that organizational culture differs according to enterprise life cycle stage. Also the importance of the knowledge and awareness of these differences to enterprises' management in order to be able to ensure enterprises' success is argued.

Design/methodology/approach – The case study research methodology was applied to explore the differences in the type of organizational culture as well as cultural strength depending on the enterprise's life cycle stage. For the empirical testing, the author have selected Slovenia, one of the most developed European post-socialist transition countries.

Findings – The research revealed differences in the types and strengths of enterprises' organizational cultures and showed their dependence on the enterprises' life cycle stages.

Practical implications – Knowledge of differences in organizational culture in relation to an enterprise's life cycle stage can significantly contribute to the behaviour of the enterprise's key stakeholders by ensuring the long-term and sustainable success of the enterprise.

Originality/value – The available literature does not provide similar research of differences in organizational culture in relation to an enterprise's life cycle stages.

Keywords Governance, Management, Organizational culture, Enterprise life cycle, Culture strength

Paper type Research paper

1. Introduction

Enterprises provide essential elements of our lives, co-creating our political, cultural, economic, and personal and social environments. Scientists and researchers argue that, comparable to life forms, various established enterprises are "born" and eventually "die". Several authors refer to various life cycle stages of enterprises, within which they describe different characteristics and problems faced within enterprises. However, no uniform management model yet exists to address the problems of enterprises in different life cycle stages (Pümpin and Prange, 1991; Adizes, 1988; Bleicher, 1994, 2004; Mugler, 2008).

Although opinions regarding the number and nature of the specific stages in a life cycle of an enterprise differ, it is clear that organizational challenges and managerial approaches vary as the enterprise evolves (Adizes, 1988; Pümpin and Prange, 1991; Morris *et al.*, 2002; Thommen, 2003; Mugler, 2008). These developments would also seem to carry cultural implications, although little research has been done to address the relationship between life cycle stages and organizational culture. Based on their research work, Belak and Mulej (2009) argue that differences exist in the ethical climate with respect to an enterprise's life cycle stage. In addition to the enterprise's core values and culture, the authors (Belak and Mulej, 2009) consider the enterprise's ethical climate as one of the constitutional elements of its ethical behaviour. Belak and Milfelner (2011) further argue that differences exist in informal and formal measures of business ethics

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implementation in relation to the enterprise's life cycle stages. In the frame of family enterprises, Duh and Belak (2009) identify differences in the core values, ethical climate and organizational culture among family and non-family enterprises. These cognitions are also supported by the research carried out by Duh *et al.* (2010), who demonstrate the differences in the presence of informal and formal institutional measures of business ethics implementation between family and non-family enterprises. Upon further research of cognitions among Slovene family enterprises (Duh *et al.*, 2009), it can be noted that enterprises in the first generation prevail; therefore, it can be argued that the majority of Slovene family enterprises are in the pioneer stage of their life cycle and that differences should also occur concerning the life cycle category. The stated scientific and research argumentations also support the research cognitions put forth by Belak *et al.* (2010; see also Vrečko and Lebe, 2013; Duh and Štrukelj, 2011; Belak, 2013; Suman *et al.*, 2014), who argue that such research cognitions should be of great consideration by the enterprises' key stakeholders (owners and managers) in order to govern and manage their enterprises successfully in the long term.

Science recognizes the fact that an enterprise passes through different life cycle stages; such stages differ in terms of management systems, formal structures, control systems, documentation of transactions and a number of procedural hurdles (Morris *et al.*, 2002). Our main research problem presented in this article is therefore focused on the differences in the types and strengths of organizational culture. We consider organizational culture to be one of the institutional measures of long-term enterprise success, or even further, one of the key elements of an enterprise's ethical behaviour. Thommen (2003) considers organizational culture as an essential factor for an enterprise to develop the image of a credible partner in the environment of its functioning. Therefore, organizational culture is not a phenomenon that can be left to be shaped by itself; rather, culture has to be actively and constantly nursed, shaped and reshaped by the enterprises in accordance with their visions, missions and policies (Duh, 2002; Belak, 2002, 2009; Thommen, 2003; Belak and Mulej, 2009; Štrukelj and Mulej, 2008; Belak *et al.*, 2010; Snoj *et al.*, 2007).

For the empirical testing in the current study, we have selected Slovenia, one of the most developed European post-socialist transition countries. Slovenia is in a late stage of transition from a planned economy to a free-market economy, as reflected by its EU membership and its integration into the European Monetary Union. Concerning the legal environment in Slovenia, firms are still facing elevated uncertainties (European Bank for Reconstruction and Development, 2008). Pertaining to the economic and legal situation, a late stage of transition is characterized by reduced macroeconomic uncertainty, reduced inflation, development of a legal framework for private businesses and infrastructure reform (Mandel and Tomšik, 2008; Svetlicic and Sicherl, 2006; Hauptman *et al.*, 2009).

The first part of this paper reviews discussions of enterprises' life cycle phenomena. The second part argues the importance of the organizational culture, and the third part of the paper addresses the empirical case study research. The research cognitions on the type of organizational culture and its strength in relation to the enterprise's life cycle stage are also presented.

2. Theoretical background and research question development

2.1 Organizational culture

In the context of corporate governance and management, the issues of enterprises' culture and strengths in relation to enterprises' development and questions of their life cycle are understood as a broader issue. In the context of various models of integral management (e.g. Rüegg-Stürm, 2002; Spickers, 2004; Thommen, 2002a, b; Mugler, 2008; Belak *et al.*, 2014), which are all based on the multi-layer integration of governance and management with an enterprise and its environment, they consider the fundamental aspirations (desires) for the enterprises' existence and, thus, their quantitative as well as qualitative changes (Belak *et al.*, 2014). Such models deal with enterprises' problems in terms of both the horizontal and vertical integration of enterprises' governance and management processes, instruments and institutions into a consistently operating unit. The process, instrumental, and institutional integrability and integrity of the governance and management are also the initial condition for the implementation of all other integration factors. In this manner, the MER model of integral management and governance was designed (Belak *et al.*, 2014) to define enterprises' various success factors, including culture, ethics, philosophy, synergy, entrepreneurship, ecology, efficiency, competitiveness and coherence. To improve this model, several studies have been conducted to prove the importance of the selected and individual success factors as well as the importance and the influence of enterprise culture as essentially important factors to ensure enterprises' success and long-term existence (Kaptein, 1998; Sirk *et al.*, 2015; Hauptman and Belak, 2015; Belak, 2013; Belak and Milfelner, 2011, 2012; Belak *et al.*, 2010, 2012, 2014; Milfelner and Belak, 2012; Belak and Pevec Rozman, 2012; Duh *et al.*, 2010; Belak and Mulej, 2009; Duh and Belak, 2009, 2014; Belak and Hauptman, 2011). As argued in the current paper, some studies of enterprise (organizational) culture have been carried out; however, none have explored the relationship between enterprises' culture and developmental (life cycle) stages. Therefore, this was the main focus of the current research.

Organizational culture is a multifaceted construct. In their definitions of organizational culture, various authors have focused on the observed behavioural regularities in people's interactions and the norms that evolve in working groups, stressing the philosophy that influences organizational policy and the rules for good understanding in an organization. Considering this, organizational culture has been defined as a collection of the assumptions, beliefs, goals, knowledge and values shared by organizational members (Goffman, 1959, 1967, in Huczynski and Buchanan, 2007; Homans, 1950, in Huczynski and Buchanan, 2007; Ouchi, 1981; Van Maaren, 1976, in Huczynski and Buchanan, 2007; Deal and Kennedy, 1982; Sathe, 1984; Schein, 1983, 1985, 1992; Schwartz and Davis, 1981).

Earlier, Porter (1980, in Huczynski and Buchanan, 2007) expressed the view that the degree of corporate success enjoyed by an organization could be characterized in terms of market and behavioural conditions; he further assumed that employees would be preoccupied with their group within the company without distinguishing between their private and working spheres. In contrast, organizational culture is perceived by many to be a major determinant of any company's success in terms of performance, especially through improvements in employee morale (Igo and Skitmore, 2006).

Brown (1999) argues that cultures mainly differ in terms of symbols, heroes and rituals at various depths, and the so-called "practices" established by a strong organizational belief system that reflect what people believe it to be, in given circumstances, also reflect what the best thing to do is (Thommen, 2003; Bowen, 2004; Huczynski and Buchanan, 2007). Both Thommen (2003) and Block (2003) agree that leaders' behaviour influences the perception of organizational culture among their followers. Such practices are believed to arise from the basic assumptions managers make in developing and attempting to implement visions or philosophies and/or business strategies necessary for the company's long-term survival. At this point, it is important to emphasize the argumentation of various authors (Thommen, 2003; Ogbonna and Harris, 2000; Igo and Skitmore, 2006; Huczynski and Buchanan, 2007) that these basic assumptions and values become part of the organizational culture when they are adopted by all enterprise stakeholders, especially by enterprise owners and employees. Only in this case are the founder's beliefs, national culture and industry pressures considered to be possible origins of widespread and consistent practices, as defined by certain authors, of a strong organizational culture (Thommen, 2003; Huczynski and Buchanan, 2007).

Today, many believe that organizational culture basically provides the framework for implementing and operationalizing various business strategies (Coolican and Jackson, 2002); therefore, managers need to be conscious of the cultures in which they are embedded and implement strategic changes when necessary. However, enterprises as systems are known for their unwillingness to be promptly (and successfully) transformed (Bresnen and Marshall, 2000); a particularly significant aspect of this is associated with the notion of congruency between internalized and observed values, functioning as a direct link between the lack of cultural congruence, employee turnover, job satisfaction and commitment to the organization.

Thommen (2003) and Bowen (2004) believe that organizational culture and communication are connected in two ways: first, the culture of an enterprise is conveyed and perpetuated through the use of communication; second, the organizational culture often directs the type and structure of an enterprise (depending on the model of its public relations). Furthermore, Bowen (2004) discusses two main concepts of organizational culture and their impact on organizational outcomes as well as the communicational function of the organization – namely, authoritarian culture and participative culture. The first is a closed system in which there is a definite power-distance relationship between the superior and his or her subordinate. This type of culture fosters mechanical structures, asymmetrical systems of communication, mediocrity and ineffectiveness. On the other hand, the system of participative organizational culture is open, the employee's input is valued and power-distance relationships are rare and less formalized. This type of culture allows for autonomy in communication and the opportunity for the highest level communicator to counsel the dominant coalition on ethical decision making (Bowen, 2004).

Various types of organizational cultures have been identified related to the dynamic nature of the industry concerned (Gordon and DiTomaso, 1992) and the size of the organization (Gray, 2003). Several classifications have been proposed, the most often cited being those of Schwartz and Davis (1981), Deal and Kennedy (1982), Hofstede (1983, 1998a, b, 2000), Hofstede *et al.* (1990), Schein (1983, 1985, 1992), Sathe (1984), Kets de Vries, Graves, Williams *et al.* and Cameron and Quinn (1999). Hofstede (1983) proposed that organizational culture could be classified by comparing the degree of individualism vs collectivism, the apparent power-distance metric, the tendency towards uncertainty avoidance and the bias between masculinity and femininity. Kets De Vries, on the other hand, opted to derive his classification from characteristics of the prevailing mentality – a paranoid culture (a persecutory theme), an avoidance culture (a pervasive sense of futility), a charismatic culture (everything evolves around the leader), a bureaucratic culture (depersonalized and rigid) and a politicized culture (leadership responsibility is abdicated).

Thommen (1999) defines organizational culture as the sum of the norms, understandings, and meanings that represent a certain orientation to the enterprise's collective. The author formulates (Thommen, 2002a, b) the key elements of organizational culture as follows:

- Leaders' personal profiles: first, a biography or "life story" – social origin, professional achievements, working period and periods of specific employment and functions. Second, values and mentality – ideals, anticipation of the nature of possible problems, vision, innovativeness, willingness to accept changes, enforcement, eagerness for learning, persistency, risk acceptability, high frustration tolerance, etc.
- Rituals and symbols: first, leaders' rituals – promotion praxis and human resource selection; specific behaviour at meetings; decision-making style; style of behaviour towards their co-leaders and other employees, important persons, or important functions; etc. Second, co-workers' rituals – reception of visitors, telephone answering, attitude towards customer complaints, customer grading, etc. Third, symbols – habitus, image, and condition of the commercial premises, equipment and position of offices, dress code, official cars, etc. Fourth, institutional rituals and conventions – guest reception rituals, dress codes, rituals at meetings, parking order, etc.
- Communication: first, communication style – information and communication availability, mode of information and communication, willingness to find consensus and compromise, etc. Second, internal and external communication – suggestions, communication circle and other modes of cooperation, formal trips, public activities, etc.

According to Thommen (2002a, b), an enterprise should emphasize its culture to the level at which it comes into accordance with the enterprise's vision and strategy. To judge and analyse the organizational culture, Thommen (1999, 2002a, b) refers to the following criteria:

- The level of anchoring can show how much the values and norms are accepted by co-workers. The higher the level of anchoring is, the stronger the impact of organizational culture on employee behaviour.
- The level of agreement defines the collective character of cultural norms and values. The effect of an organizational culture is stronger if the majority of co-workers share the same values and norms.
- System compatibility is the level of harmonization between organizational culture and all other systems of an enterprise. The greater the impact of cultural values and norms on these systems, the easier and more effectively they can be implemented.
- Compatibility with the environment refers to an external focus. The organizational culture should be developed in harmony with the economic culture in which the enterprise functions. It can be possible for a business to lose its focus on customers and consequently its reputation, which also results in decreased popularity as a potential employer.

Considering these criteria, Thommen (2002a, b) differentiates between strong and weak organizational cultures. An enterprise with a strong culture is one with a high level of values and high norms anchoring it, a high level of agreement, and high system and environmental compatibility. Considering these observations, Thommen (2003) distinguishes between strong and weak enterprise culture. An enterprise with a strong culture is the one with a high level of values and high norms anchoring, a high level of agreement, and significant system and environmental compatibility. Therefore, Thommen (2002a, b) proposed the following specific criteria for judging and analysing the strength of enterprise culture: the level of anchoring, which shows how much co-workers accept the values and norms; the level of agreement, which defines the collective character of cultural norms and values; system compatibility, which is the level of organizational culture's harmonization with all other systems of an enterprise; and compatibility with the environment.

The effects of a strong enterprise culture can be positive or negative. Thommen (2002a, b) defines the positive effects of an enterprise's strong culture as follows:

- Behavioural orientation: a strong enterprise culture supports a clear picture of reality. It gives workers a clear orientation; otherwise, developing situations could be interpreted differently. This function is of great importance in those enterprises where no formal rules exist or where they are not followed properly.
- Untroubled communication: the enterprise culture enables a complex network of informal communication, which supports simple, direct communication. Information will therefore be less deformed.
- Fast decisions: common values can be considered as the basis for fast decision making. Harmonization and adjustment between employees will be achieved quickly, and compromises will be made in an atmosphere of mutual understanding.
- Prompt implementation: this enables fast reactions to decisions, plans and projects so they can be evaluated and supported by other co-workers as well. If any doubts or ambiguities occur, the strong enterprise culture helps by giving the orientation.
- Low control: control is low because of its indirect way of implementation. When the orientation is strong, there is no need to look for any other direct ways to strengthen control.
- Motivation and team spirit: the common focus and the firm's common responsibilities in a frame of common business norms stimulate employees towards higher efficiency and stronger personal identification with the business, which is also noticeable from the increased number of customers.
- Stability: a strong enterprise culture with clear behavioural-orientation reduces individual workers' fear. It gives them safety and stimulates their self-esteem, thereby influencing their satisfaction with the workplace and working conditions. All this results in a lower level of turnover.

Some of the negative effects of strong enterprise cultures are listed as follows (Thommen, 2003):

- Tendency towards a closed system: overly strong anchoring of values can lead to one dominant power. Arguments set against such authority are then overlooked or denied. A danger exists for such an enterprise to become a closed system.
- New-orientation blocking: strong enterprise cultures resist new ideas as they threaten the enterprise's identity. New proposals and solutions will be refused sooner or later. Enterprises with strong cultures have confidence only in well-known developmental and success patterns that were successful in the past and built upon present values.

- Implementation obstacles: when the realization of new ideas is allowed and approved in the frame of a strong enterprise culture, they are perceived as redundant. Through open resistance, avoidance of planned measures is demanded.
- Absence of flexibility: considering all the negative effects of strong enterprise culture, we can conclude that strong enterprises can be rigid and inflexible. These obstacles can be dangerous, especially when the enterprise finds itself in a rapidly changing environment. When a business is not able to adapt to new challenges and redefine its strategy, there is a strong danger of failure.

Various authors (Thommen, 2003; Huczynski and Buchanan, 2007; Belak and Milfelner, 2012) argue that a relationship exists between a strong culture and organizational performance. In their opinion, a well-developed and business-specific culture in which management and staff are thoroughly socialized can underpin stronger organizational commitment, higher morale, more efficient performance, and generally higher productivity, consequently leading to a higher level of enterprise success.

With regard to the identified scientific cognitions on organizational culture, Cameron and Quinn (1999) developed classifications for culture audits and comparison purposes: clan, hierarchy, market, and adhocracy. Their Organizational Culture Assessment Instrument (OCAI) was used also in our research to determine the culture type of the examined enterprises. A clan culture is typical of an organization that concentrates on internal maintenance with flexibility, concern for people and sensitivity for customers. It emphasizes human relationships and adopts flexible operation procedures focusing on internal relationships. Values included in this culture are cooperation, consideration, agreement, fairness and social equality. An organization of this type is generally a very friendly place to work, and employees contribute a lot personally to the working atmosphere. It feels like an extended family, where leaders are thought of as mentors, and loyalty and tradition bind the organization firmly. Meanwhile, an adhocracy culture is a culture in which the organization concentrates on external positioning with a high degree of flexibility and individuality supported by an open system that promotes the willingness to act. It is generally a dynamic, entrepreneurial and creative place to work where people stick their necks out and take risks. Leaders are visionaries and use innovative and successful means, producing unique and original products and services. The organization values creativity, a willingness to experiment and take risks, personal autonomy and responsiveness. A market culture is one that works towards clear and rational goals achieved through high productivity and economic operations. It tends to be results oriented and concentrate on getting the job done. Its members value competitiveness, diligence, perfectionism, aggressiveness and personal initiative. Its leaders tend to be hard-driving producers focused on outperforming competitors and remaining at the forefront of their field by maintaining stability and control. The term market is not to be confused with the marketing function or with customers in the marketplace; rather, it represents a focus on transactions with external bodies, such as suppliers and customers. Finally, a hierarchical culture focuses on the maintenance of the internal system and strives for stability and control through the clear task setting and enforcement of strict rules. Accordingly, it tends to adopt a formal approach to relationships, where leaders need to be good coordinators and organizers who toe the party line. It places a high value on economy, formality, rationality, order and obedience.

Following the methodology developed by Cameron and Quinn (1999), these culture types can be assessed by observing the six key dimensions of organizational culture:

(1) Dominant characteristics: the degree of teamwork and sense of belonging, level of creativity and dynamism, focus on goals and competition, reliance upon systems and emphasis on efficiency.

(2) Organizational leadership: the leadership style and approach that permeate the organization. In earlier research, Quinn and Rohrbaugh (1983) described eight nominal categories of leadership, which they later incorporated into the OCAI review process. The roles identified were mentor, facilitator, innovator, broker, producer, director, coordinator and monitor.

(3) Management of employees: the way employees are treated, the degree of consultation, participation and consensus, and the working environment.

(4) Organizational glue: bonding mechanisms that hold the organization together, such as cohesion and teamwork, loyalty and commitment, entrepreneurship and flexibility, rules and policies, goal orientation and competitiveness.

(5) Strategic emphasis: organizational strategy drivers, the long-term development of human capital, innovation, stability and competitive advantage, growth and acquisition, and achievement of goals.

(6) Criteria for success: how success is defined and who is awarded profits, market shares and penetration, sensitivity to customers and concern for people, development of new products and services, dependability, and optimization of costs.

2.2 Enterprise life cycle approach

The application of the biological life cycle model to economic science and praxis is a relatively new phenomenon. Using this application logic, various authors have tried to model the enterprise's development to ensure that management has the knowledge to manage and govern their enterprises in a successful and efficient way (Pümpin and Prange, 1991; Bleicher, 1994, 2004; Duh, 2002, 2003; Pučko, 2003; Fueglistaller and Halter, 2005; Mugler, 2008).

Cathomen (1996, in Fueglistaller and Halter, 2005) differentiates between organizational and technology life cycles. He categorizes the organizational life cycle into the life cycle of products, organizations, branches and industries as well as resource potential. His concepts focus on the establishment/beginning and aging of enterprises and organizations, which in time change from entrepreneurial to bureaucratic organizations. In technology life cycles, Cathomen (1996, in Fueglistaller and Halter, 2005) differentiates between the life cycles of technologies, systems, costs and processes. In his classification, the author proposes a combination of economic and managerial ideas as well as ideas about the enterprise life cycle (the enterprise's component systems and its environment).

The life of an enterprise is presented within the life cycle concept, making allusions to its growth and development; in others words, a business changes qualitatively and quantitatively. Various authors assert that these changes in an enterprise's growth and development can be further explained in combination with an enterprise's life cycle. These authors argue that all three of these phenomena are tightly connected and depend on each other (e.g. Belak, 2009; Fueglistaller and Halter, 2005; Bleicher, 1994; Adizes, 1988).

Each stage of an enterprise's growth and development has its own context, during which the enterprise faces-specific problems. If the crisis is not managed correctly during the transition stage, the enterprise can regress to a previous developmental stage or even reach the stage of decline and, ultimately, bankruptcy. The first three developmental stages are called the stages of internal development (Bleicher, 1994). Further enterprise development is possible only through the acquisition of and cooperation with other enterprises as well as the common exploitation of business opportunities (Bleicher, 1994) – namely, external enterprise development. In the last developmental stage, the enterprise shrinks and consolidates after unsuccessful external development or it divides into specific parts. Therefore, at every developmental stage, the management faces-specific problems reflected at the normative, strategic and operative management levels (Belak *et al.*, 2014).

Thommen (1997) supplemented Bleicher's (1994) developmental model, concluding that, in his opinion, strategic decisions are not the only elements that develop the enterprise's life cycle. When passing through developmental stages, an enterprise experiences changes in both its structure and culture.

Pümpin and Prange (1991) developed their model of business development within the framework of the St. Gallen concept of integral management. They distinguish four enterprise configurations suitable for describing an enterprise's developmental stages: pioneer, growing, mature and enterprise in turnover. Pümpin and Prange (1991) define business development by the realized business opportunities. The enterprise should always exploit the environmental change and internal change out of which new business opportunities occur. Because business opportunities follow their own life cycle, which ultimately leads to the stage of decline, it is essential for an enterprise to search for and discover new business opportunities (Duh, 2002).

We further introduce some characteristics of different enterprises' life cycle stages, as defined by Pümpin and Prange (1991).

Pioneer enterprise. The pioneer (founder) is a driver and the focal force of such an enterprise. The main focuses of the enterprise include innovative behaviour and creativity, a high level of flexibility, a high level of work input and responsibility among all stakeholders, rapid decision making and realization, competitors' underestimation, stakeholders' lack of experience, a low level of self-financing, a lack of appropriate personnel, high dependency on one person (pioneer – founder) and the insufficient distribution of risk.

Growing enterprise. The characteristics include the rapid increase of benefit by all groups of enterprise participants, lowered costs per unit, employees' high degree of motivation and satisfaction, the enterprise's own entrepreneurial dynamics, first settling, routinization and professionalization of business activity, expanded management, conscious dealing with strategic issues, increased complexity of management assignments, danger of a high degree of growth, consideration of the enterprise's resources (finance, human resources, infrastructure) and danger of being overly optimistic when entering into new businesses, which can still be far from the origin or starting point.

Mature enterprise. The characteristics include the maintenance of a qualified and well-trained team, a high level of free financial flow, low production costs/economy of scale, possession of multiple sources (market, technology, distribution, etc.), know-how, stabilized relationships (with customers, merchants, government, etc.), the lower risk of business or developmental project overlapping, enterprise stability in the scope of its activities and financial results, the lack of flexibility in embracing environmental changes, numerous obstacles to innovative behaviour, greater degree of alienation of the enterprise's management and its market, lower degree of risk orientation, increased short-term management orientation with a focus on quantity, talented and ambitious employees are not welcomed and resources being wasted in battles for power and authority.

Enterprise in turnover. Such an organization can participate in governmental financial support (while the rehabilitation or activity of such an enterprise is in the interest of the government as well), current profits (due to competition restrictions or limitations), the possibility of balance sheet improvisation, old products and worn-out technology, cash drains, unsatisfied management and employees, a low degree of motivation, "brain on the run" and a low degree of innovative behaviour.

Theory on enterprises' growth and development clearly shows that, in order to be successful in the long run, enterprises should, on one hand, constantly strive for new business opportunities and, on the other, make all efforts to exploit determined business opportunities as efficient as possible. In the context of enterprise growth and development theory, Pümpin and Prange (1991) propose the so-called dynamic enterprise, which gathers the characteristics of two different enterprise cultures: the pioneer enterprise in the developmental (life cycle) stage and the growing enterprise in the developmental (life cycle) stage. Therefore, a dynamic enterprise has to encourage and develop a culture to stimulate the enterprise's ability to find new business opportunities while also stimulating the enterprise's ability to act and behave in the most efficient manner. According to Pümpin and Prange (1991), this approach enables an enterprise to be managed in such a way that it never "reaches" the mature stage of its life (and developmental) cycle. The main particularities of such (dynamic) enterprises are therefore the seeking and gaining of new and attractive business opportunities, multiplication of systems and processes, development of dual cultures, flexible legal regulations, development of dynamic promoters to avoid the dangers of "entrepreneurial blindness", development of strategic origins of success, flexible adaptation of structural and process organization, limitation of the leadership system to a reasonable optimum, orientation towards the individual, and time orientation as "being first" is of great importance in acquiring a strategic position.

Considering the theory and research cognitions discussed thus far, the purpose and the objective of the presented research were to determine the differences in the types and strengths of organizational cultures in relation to the stage of the enterprise's life cycle. Therefore, two main research questions were developed:

RQ1. Does the type of organizational culture differ according to the enterprise's life cycle stage?

RQ2. Does the strength of organizational culture differ according to the enterprise's life cycle stage?

3. Research methodology

For the purposes of this study, judgmental sampling (with non-experimental design) was used, in which population elements were selected based on the researchers' expertise. Through the use of such a procedure, the representative enterprises of the population were included. Data were collected through in-depth case studies, including face-to-face structured interviews with 40 managers (in many cases, the respondents were also owners) of Slovenian enterprises. The basis for conducting interviews was the pre-designed questionnaire.

For our research on the differences of culture type and culture strength in enterprises at four different life cycle stages, we decided on a case study research approach in order to better understand the research results (e.g. de la and Suárez, 2005). We combined a multiple case study approach (as proposed by Yin, 2003), where replication logic was possible.

The questionnaire, which was used to conduct interviews, was divided into four parts. In the first part, the following demographic data of enterprises in the sample were collected: legal form, main activity, number of owners and size. In the second part of the questionnaire, the enterprise life cycle stage was determined using Pümpin and Prange's (1991) methodology, which begins with defining the characteristics of each life cycle stage (pioneer, growth, maturity and turnover). Data were subsequently gathered to define the life cycle stage of the enterprise examined. In the third part, the aim of the research was to define the culture type of the enterprises examined, following the Cameron and Quinn's (1999) OCAI. Their organizational culture assessment methodology contains the six key dimensions of an organizational culture: dominant characteristics, organizational leadership, management of employees, organization glue, strategic emphasis and criteria for success. Each dimension is analysed using four questions regarding alternatives, among which the respondent had to divide ten points (assigning the highest number of points to the alternative most similar to the respondent's organization). The strength of the organizational culture in the enterprises examined was determined using Thommen's (2003) and Belak's (2009) criteria for a strong culture through the fourth part of the research. According to these authors (Thommen, 2003; Belak, 2009), an enterprise should emphasize its culture to the level where it comes in accordance with the enterprise's vision and strategy. To judge and analyse the organizational culture, Thommen (1999, 2003) and Belak (2009) refer to the following criteria:

- The level of anchoring can show how much co-workers accept the values and norms. The higher the level of anchoring is, the stronger the impact of organizational culture on employee behaviour.
- The level of agreement defines the collective character of cultural norms and values. The effect of an organizational culture is stronger if the majority of co-workers share the same values and norms.
- System compatibility is the level of harmonization of organizational culture with all other systems of an enterprise. The greater the impact of cultural values and norms on these systems, the more easily and effectively they can be implemented.
- Compatibility with the environment refers to an external focus. The organizational culture should be developed in harmony with the economic culture in which the enterprise functions. It is possible for a business to lose its focus on customers and, consequently, lose its reputation, which also results in decreased popularity as a potential employer.

The higher the value of importance the respondent assigned to the criteria, the stronger the culture of the enterprise examined. Each respondent chose a value ranging from −3 (disagree) to 3 (strongly agree).

In the next step, the answers were summarized in order to define the strength of the organizational culture. The enterprise has a strong culture if the sum value was between 12 and 18, a medium culture if the sum value was between 6 and 12, and a weak culture if the sum value was between −18 and 6.

4. Research findings

4.1 Life cycle stage

The life cycle stage of the enterprises observed was determined by using the methodology developed by Pümpin and Prange (1991), as discussed thus far. Following this methodology, we examined the enterprises classified in four various enterprise life cycle stages, as shown in Table I.

Out of 40 enterprises, ten (25.0 per cent) were defined as being in the pioneer life cycle stage, 22 (55.0 per cent) in the growing life cycle stage, six (15.0 per cent) in the mature life cycle stage and two (5 per cent) in the turnover life cycle stage. The size of the examined enterprises was measured based on the number of employees, where micro enterprises refer to enterprises with zero to nine employees, small enterprises have 10-49 employees, medium-sized enterprises have 50-249 employees and large enterprises have more than 250 employees, as classified by the Slovenian Companies Act. The distribution of the sample by size is presented in Table I. The researchers conducted interviews in ten (25 per cent) micro, 16 (40 per cent) small, nine (22.5 per cent) medium and five (12.5 per cent) large enterprises.

4.2 Type and strength of organizational culture

According to the methodology developed by Cameron and Quinn (1999), our research identified all four types of organizational culture in the research sample, as presented in Table II. The results indicated that five (50 per cent) enterprises in the pioneer stage of their life cycle had a clan culture, three (30 per cent) enterprises had hierarchical culture, one (10 per cent) demonstrated an adhocracy culture, and one had a market culture. In the case of enterprises in their growth life cycle stage, the research results showed

	Size				
Life cycle stage (LCS)	Large	Medium	Micro	Small	Total
Pioneer					
Count	0	1	6	3	10
% within LCS	0.0	10.0	60.0	30.0	100.0
% within size	0.0	11.1	60.0	18.8	25.0
Growing					
Count	4	6	2	10	22
% within LCS	18.2	27.3	9.1	45.5	100.0
% within size	80.0	66.7	20.0	62.5	55.0
Mature					
Count	1	1	2	2	6
% within LCS	16.7	16.7	33.3	33.3	100.0
% within size	20.0	11.1	20.0	12.5	15.0
Turnover					
Count	0	1	0	1	2
% within LCS	0.0	50.0	0.0	50.0	100.0
% within size	0.0	11.1	0.0	6.3	5.0
Total					
Count	5	9	10	16	40
% within LCS	12.5	22.5	25.0	40.0	100.0
% within size	100.0	100.0	100.0	100.0	100.0

Table I. Distribution of research sample by status (life cycle stage) and size

	Culture Adhocrac	Clan	Clan/adh	Hierarch	Market	Total
LC stage						
Pioneer						
Count	1	5	0	3	1	10
% within LC stage	10.0	50.0	0.0	30.0	10.0	100.0
% within culture	25.0	21.7	0.0	37.5	25.0	25.0
% of total	2.5	12.5	0.0	7.5	2.5	25.0
Growing						
Count	3	16	1	2	0	22
% within LC stage	13.6	72.7	4.5	9.1	0.0	100.0
% within culture	75.0	69.6	100.0	25.0	0.0	55.0
% of total	7.5	40.0	2.5	5.0	0.0	55.0
Mature						
Count	0	2	0	1	3	6
% within LC stage	0	33.3	0.0	16.7	50.0	100.0
% within culture	0	8.7	0.0	12.5	75.0	15.0
% of total	0	5.0	0.0	2.5	7.5	15.0
Turnover						
Count	0	0	0	2	0	2
% within LC stage	0	0.0	0.0	100.0	0.0	100.0
% within culture	0	0.0	0.0	25.0	0.0	5.0
% of total	0	0.0	0.0	5.0	0.0	5.0
Total						
Count	4	23	1	8	4	40
% within LC stage	10.0	57.5	2.5	20.0	10.0	100.0
% within culture	100.0	100.0	100.0	100.0	100.0	100.0
% of total	10.0	57.5	2.5	20.0	10.0	100.0

Table II.
Life cycle stage and type of organizational culture

that, in 16 (72.7 per cent) enterprises, the characteristics of clan culture prevailed. In one (4.5 per cent) observed enterprise, the characteristics of a clan and adhocracy culture were sufficiently present. Three (13.6 per cent) enterprises showed the presence of adhocracy culture, and two observed enterprises were defined as enterprises with hierarchical culture. In the growing stage of an enterprise's life cycle, our research showed no presence of market culture. In the mature stage of the life cycle, our research revealed three (50 per cent) enterprises with market culture, two (33.3 per cent) expressing mostly the characteristics of clan culture and one (16.7 per cent) with hierarchical culture. Both observed enterprises in the turnover stage showed the presence of the hierarchical culture.

The strength of the culture in these particular enterprises was examined according to Thommen's (2003) and Belak's (2009) research cognitions. Through our research, we identified all three types of the culture strengths in the research sample. As shown in Table III, our research cognitions show that seven (70 per cent) enterprises in the pioneer stage of their life cycle showed middle culture and three (30 per cent) had a strong organizational culture. The majority of growing enterprises, 17 (77.3 per cent), had a strong organizational culture, while five (22.7 per cent) had a mid-level organizational culture. Four (66.7 per cent) enterprises in the mature stage showed a middle culture, one (16.7 per cent) was strong and one (16.7 per cent) had a weak culture. Both enterprises (100 per cent) in the turnover stage revealed a weak organizational culture.

	Middle	Strength Strong	Weak	Total
LC stage				
Pioneer				
Count	7	3	0	10
% within LC stage1	70.0	30.0	0.0	100.0
% within strength	43.8	14.3	0.0	25.0
% of total	17.5	7.5	0.0	25.0
Growing				
Count	5	17	0	22
% within LC stage1	22.7	77.3	0.0	100.0
% within strength	31.3	81.0	0.0	55.0
% of total	12.5	42.5	0.0	55.0
Mature				
Count	4	1	1	6
% within LC stage1	66.7	16.7	16.7	100.0
% within strength	25.0	4.8	33.3	15.0
% of total	10.0	2.5	2.5	15.0
Turnover				
Count	0	0	2	2
% within LC stage1	0.0	0.0	100.0	100.0
% within strength	0.0	0.0	66.7	5.0
% of total	0.0	0.0	5.0	5.0
Total				
Count	16	21	3	40
% within LC stage1	40.0	52.5	7.5	100.0
% within strength	100.0	100.0	100.0	100.0
% of total	40.0	52.5	7.5	100.0

Table III. Life cycle stage and strength of enterprise culture

5. Conclusions

Considering the theories and research findings presented herein, we can state that the objective of the presented research to explore and define the differences between organizational culture types and strength depending upon an enterprise's life cycle stage was achieved. The research findings showed that, through the life cycle stages, enterprises transition from a "clan" culture, during which very personal and familiar ways of functioning can be observed, towards a "hierarchical" culture, where formal structures and procedures are the focus.

In addition to the dependency of the organizational culture type on the life cycle stage, the present research showed that the culture's strength depends on the life cycle stage as well. During an enterprise's life cycle transition from a pioneer enterprise towards an enterprise in turnover, the culture's strength also transitions from stronger to weaker. Therefore, we can argue that pioneer and growing enterprises are more successful by forwarding their norms, values, vision, mission and strategic goals throughout the entire management and governance process (from the owners through the top and middle management to the operational level of the enterprise), just as mature enterprises and enterprises in turnover have already demonstrated. The research findings also indicated that pioneer and growing enterprises' cultures are more compatible with the culture of the environment in which they function than those of the mature enterprises and enterprises in turnover. The presented findings show that pioneer and growing enterprises are more focused on internal maintenance with flexibility; such enterprises consider employees' needs more carefully and focus on customers' expectations more. These enterprises also successfully focus on internal and external relationships. They foster values such as cooperation, consideration, agreement, fairness and social equality. People in pioneer and growing enterprises are content and motivated, thereby leading to a high degree of flexibility and individuality supported by an open system that promotes the willingness to act. In such enterprises, the workplace is dynamic, entrepreneurial and creative, thereby enabling them to produce unique and original products and services. Yet enterprises in the mature stage and those in turnover are not able to achieve such characteristics. As enterprises evolve through the life cycle stages, those in the mature and turnover stages do not have strong enough cultures to foster such values that would enable innovative behaviour. As the presented research results indicate, such enterprises therefore deal with old products and technology, increasingly face a cash drain, and have both unsatisfied and unmotivated management and employees.

In terms of the managerial implications of these findings, it is critical for owners and managers to be aware and possess knowledge of the dependence of type and strength of organizational culture in relation to the enterprise's life cycle stage to successfully forward the norms, values, vision, mission and strategic goals of enterprises throughout the entire management and governance process (from the owners through top and middle management to the operational level of the enterprise). Without this knowledge (and the use of this knowledge), the long-term development, success or even existence of the enterprise can be highly endangered (Belak and Milfelner, 2012; Belak and Duh, 2012; Snoj *et al.*, 2007). We can thus conclude that the presented research findings support the theory on enterprise (organizational) life cycle developed by Pümpin and Prange (1991). By applying these research results, enterprises' owners and managers can focus their efforts on fostering the characteristics of pioneer and growing enterprises in order to ensure the long-term existence and success of their enterprises.

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