

# ORGANIZATIONAL CULTURE IN SERVICE SECTOR SCIENTIFIC MONOGRAPH

Irena Gorenak, Ph.D.



**ORGANIZATIONAL CULTURE IN SERVICE SECTOR**

SCIENTIFIC MONOGRAPH

Irena Gorenak, Ph.D.

Celje, 2015

Author: assoc. prof. Irena Gorenak, Ph.D.

**ORGANIZATIONAL CULTURE IN SERVICE SECTOR**

SCIENTIFIC MONOGRAPH

/Electronic edition/

<http://sphub.org/>

Scientific reviews: Jana Goriup, Ph.D., Sonja Mlaker Kač, Ph.D., Marjetka Rangus, Ph.D.

Cover Design: AV Studio

Technical editing: assoc. prof. Irena Gorenak, Ph.D.

Published by SPH – Scientific Publishing Hub – founded by University of Maribor, Faculty of Logistics, Celje, Slovenia, J.J. Strossmayer University of Osijek, Faculty of Economics in Osijek, Croatia, Czestochowa University of Technology, Faculty of Management, Poland, and University of Montenegro, Maritime Faculty of Kotor, Montenegro, Year of publication: 2015

Editor in Chief: prof. Zdenko Segetlija, PhD

This work is licensed under a Creative Commons Attribution NonCommercial - NoDerivs 3.0 Unported License

CIP - Kataložni zapis o publikaciji  
Narodna in univerzitetna knjižnica, Ljubljana

005.73:338.46(0.034.2)

GORENAK, Irena

Organizational culture in service sector [Elektronski vir] : scientific monograph / Irena Gorenak. - Electronic ed. - El. knjiga. - Celje [etc.] : SPH - Scientific Publishing Hub, 2015

ISBN 978-961-6948-04-3 (pdf)  
282593280

## **SCIENTIFIC REVIEWS**

### **Summary of the review by Jana Goriup, Ph.D.**

All six chapters of this book present a comprehensive view on organizational culture in service sector. In the first two chapters author deals with the basic terms and presents four different ways on how to look at the organization, legal way, economical way, sociological way and morally-ethical way. Following this first part we come across a part where author talks about organizational culture and organizational climate, at first she presents various definitions of other authors, focusing on how do we recognize various organizational cultures through various levels of organizational culture and the types of organizational culture. A special part is devoted to subcultures that are especially characteristic for service sector. In the second part author focuses on organizational climate and dissects it in a similar way as she did organizational culture before. The end of this part presents an interesting segment where author focuses on differences and similarities of organizational culture and organizational climate.

The following chapters talk about organizational communication, corporate social responsibility and business ethics as important segments of organizational culture. In the chapter that talks about organizational communication author presents us with the importance of all three parts of organizational communication (horizontal communication, vertical communication and communication with the environment) for organizational culture as well as organizational climate for a company in a service sector. In the chapter about corporate social responsibility author presents us with the history of this phenomena followed by the importance of socially responsible business through all four dimensions. The chapter is concluded with presentation of benefits as well as a presentation of critique of corporate social responsibility. In the chapter that talks about business ethics author at first presents the importance of business ethics, its legal framework and how it affects performance of a company. Special part of this chapter is dedicated to unethical conduct and the consequences it brings for the company. The chapter is concluded with a critical overview on the current state of business ethics in Slovenia.

In the conclusion of this book author presents several research that was conducted within the last five years in Slovenia on the field of organizational culture and climate, organizational communication, corporate social responsibility and business ethics.

Based on reading the manuscript I can conclude that this book is very suitable for those who are working within service sector as well as for academic use. Anyone who is working on or studying the field of values, attitudes and beliefs can benefit from this book, especially if they are working in service sector.

Jana Goriup, Ph.D.

## **Summary of the review by Sonja Mlaker Kač, Ph.D.**

The book "Organizational culture in service sector" gives us through its six chapters a very interesting overview on organizational culture with an emphasis on service sector organizations. As mentioned, this book is divided into six chapters, in the first part author give us an overview on conceptual level about the meaning of organizational culture for any organization.

The second part of the book focuses on the culture and climate of organizations; through various definitions, we can understand what are the similarities and differences between both concepts. Important part is dedicated to subcultures that are obvious in service sector organizations, maybe even more obvious than in any other type of organization. This part is concluded with an interesting overview on trends of development of the concept of organizational culture and organizational climate.

The following part of the book focuses on organizational communication which is undouble one of the ingredients of organizational culture and organizational climate, this is followed by the chapter dedicated to corporate social responsibility which is also an important part of organizational culture and climate. Furthermore, we come across a part that talks about business ethics, some might argue that this could be incorporated into the corporate social responsibility part but author has presented a clear distinction between two and thus it makes it an interesting read. The conclusion focuses on research that was made in Slovenia regarding this topic in service sector and thus sums up an entire book.

I believe that this book is going to be very interesting for researchers as well as professionals in this field since it brings a

lot of interesting details on how organizational culture in service sector is in many cases special and needs special attention.

Sonja Mlaker Kač, Ph.D.

## **Summary of the review by Marjetka Rangus, Ph.D.**

Scientific monograph entitled “Organizational culture in service sector” is a useful read for all of those who work in service sector or us who lecture to students that are going to work in service sector. The book is divided into six chapters that are systematically formed and discuss at first wider context of organizational performance followed by special focus first on organizational culture and later organizational climate. Both concepts are discussed in depth with focus being on service sector organizations. Additionally there is the part that discusses organizational communication, corporate social responsibility and business ethics in separate chapters. In all these chapters, the link to organizational culture is very evident and how various concepts relate to organizational culture.

This scientific monograph uses over 100 relevant sources that help create a high quality theoretical as well as scientific base for studying organizational culture in general and even more in service sector organizations.

Concluding part of this scientific monograph presents some surveys that have already been made in service sector within Slovenia in the past few years, thus already giving us some knowledge on what can be researched in this field.

Based on reading the manuscript of the scientific monograph entitled “Organizational culture in service sector” I can conclude that this is an adequate book to read on any level. Professionals as well as academics and students can use knowledge presented in this book.

Marjetka Rangus, Ph.D.

## TABLE OF CONTENT

<b>INTRODUCTION</b>	<b>- 10 -</b>
<b>1 DEFINITION OF TERMS</b>	<b>- 11 -</b>
<b>2 LEGAL, ECONOMIC, SOCIOLOGICAL, MORAL – ETHICAL ASPECT OF AN ORGANIZATION</b>	<b>- 13 -</b>
<b>3 ORGANIZATION CULTURE AND CLIMATE</b>	<b>- 19 -</b>
3.1 <i>Identification and definition of organizational culture</i>	- 19 -
3.2 <i>Recognition of various cultures</i>	- 22 -
3.2.1 Levels of organizational culture	- 23 -
3.3 <i>Types - typologies of organizational cultures</i>	- 25 -
3.4 <i>Subculture</i>	- 28 -
3.5 <i>Identification and definition of organizational climate</i>	- 29 -
3.5.1 Define and identify the organizational climate	- 29 -
3.6 <i>Dimensions of organizational climate</i>	- 32 -
3.6.1 Organizational climate research	- 33 -
3.6.2 Is job satisfaction a dimension of organizational climate?	- 36 -
3.7 <i>Differences and similarities between the culture and climate</i>	- 36 -
3.8 <i>Management of culture and climate</i>	- 39 -
3.9 <i>Changing culture and climate</i>	- 39 -
3.10 <i>Trends in development of organizational culture and climate</i>	- 41 -
<b>4 ORGANIZATIONAL COMMUNICATION</b>	<b>- 43 -</b>
4.1 <i>Communication of organizations</i>	- 49 -
4.1.1 Horizontal and vertical communication	- 58 -
4.1.2 Communication of organizations with the environment	- 66 -
4.2 <i>Public relations</i>	- 68 -
<b>5 CORPORATE SOCIAL RESPONSIBILITY</b>	<b>- 70 -</b>
5.1 <i>History of social responsibility</i>	- 70 -

5.2	<i>Definitions of CSR</i>	- 72 -
5.3	<i>Divisions of social responsibility</i>	- 73 -
5.4	<i>Measuring corporate social responsibility</i>	- 76 -
5.4.1	<i>Dimensions of social responsibility</i>	- 77 -
5.5	<i>Benefits and criticism of CSR</i>	- 79 -
<b>6</b>	<b>BUSINESS ETHICS</b>	<b>- 82 -</b>
6.1	<i>Why is business ethics important?</i>	- 83 -
6.2	<i>Legal framework and ethical conduct</i>	- 85 -
6.3	<i>Aspects of ethical conduct</i>	- 86 -
6.4	<i>Ways to improve business ethics</i>	- 86 -
6.5	<i>Reasons for unethical conduct</i>	- 87 -
6.6	<i>Fundamental rules of business ethics</i>	- 89 -
6.7	<i>Areas of business ethics in an organization</i>	- 90 -
6.8	<i>Business ethics in Slovenia</i>	- 90 -
	<b>CONCLUSION</b>	<b>- 93 -</b>
	<b>REFERENCES</b>	<b>- 98 -</b>
	<b>ABOUT THE AUTHOR</b>	<b>- 109 -</b>

## INTRODUCTION

In every organization various modes of behaviour of the employees, their various activities, interpersonal relationships and customs can be observed. In some organizations the employees are all on first-name-basis, still in others they address themselves formally. In some organizations the employees use academic titles and surnames; still in others they call themselves by names, only. In some organizations each employee has its own office, whereas in others they are all use one office, which may be separated by improvised walls. In some organizations the employees celebrate personal holidays together, whereas in others they do not. In some organizations they pose each other obstacles and obstruct each other's work, but in others no such misconduct can be detected. Differences may also be observed within one single organization. Differences are even greater and more noticeable in cases of organizations from other environments, neighbouring countries or even from other continents. In the business world the differences are present, they should be recognized, and the existing diversity should be tolerated; however, this is not enough; diversity should also be understood and made use of to the benefit of everybody.

Significant behaviour of the group of people within an organization, or at its work, in a country or a state is described by the term of culture, which can simply be defined as: "This is the way we operate, act, aim at. This is the way we work ...". It is a question of the mode of behaviour of people within an organization, among themselves and towards others, of their customs and habits, and of all the characteristics of behaviour in an organization in a wider sense.

Culture is an organizational factor, directly linked to all the other elements of the organization, its environment and every individual. Every activity, change or behaviour is reflected also on the culture and vice versa, every change of culture triggers the changes in every other area of organization. For this reason it is important to manage the culture, as this is beneficial for the organization as a whole and every individual, in particular.

## 1 DEFINITION OF TERMS

In professional and scientific literature there are many concepts to describe organizational culture, such as: corporate culture, culture of a company, internal culture in a company, culture within the company, organizational culture, and business culture.

For better understanding some definitions of the concepts shall further be presented.

**ORGANIZATION:** *Social unit (a society of people), gathered in pursuit of common goals.* People join in societies or organizations in order to survive in an easier manner and more likely. In the past these were families, genuses and tribes, whereas later a state, an army and church emerged. Economic organizations experienced their development in the 19th and 20th centuries. Nowadays we are living in the era of organizations that more or less influence people's lives. Every individual is a member of various communities – organizations (Rozman, 2002).

**CULTURE:** In literature many a definition of the concept of culture can be found, of which some shall further be presented:

- Culture is a complex whole which includes knowledge, beliefs, arts, morals, customs and any other capabilities acquired by man as a member of the society (Taylor, 1911).
- Culture is the set of important understandings, values and attitudes, significant for members of an individual community and pertaining to their world view and to their ideals, worth striving for (Sathe, 1985).
- Culture is a transferrable pattern of values. At its core, **culture** encompasses a set of fundamental **values** that conceptualised as an opportunity, rather than as an obstacle to ideas and other symbolic systems, shaping behaviour (Hoecklin, 1995).

**VALUES:** When defining the term of values various definitions of values in science should be mentioned (Van Deth and Scarbrough, 1995, 22-24):

- In psychology values are considered to be the manner of selective orientations, linked to the preferences, motives, needs and behaviour of individuals.
- Sociologists perceive values as a sociological concept, encompassing norms, rituals, ideologies, responsibilities.
- In economy, the category of values is drawn on the fundamental economic principles – benefit, exchange, price.
- In political science the value concept is at the core of the definition of politics, i.e. the interactions through which values are distributed in a society in an authoritative manner.

Values are principles, directing the lives of individuals (Treven, 2001).

## 2      **LEGAL, ECONOMIC, SOCIOLOGICAL, MORAL – ETHICAL ASPECT OF AN ORGANIZATION**

In law, organization is defined as a legal entity, composed of many members, which may dispose of certain assets. A legal-organizational form for conducting business operations, defined by the legal order is called a company. A company may adopt one of the following three forms: partnerships (unlimited partnership, limited partnership, silent partnership), companies with share capital (limited liability company, joint-stock company, limited partnership with share capital) and other forms of business entities (commercial association of interest, sole trader).

The objective of each company is effectiveness. However, there are differences between Anglo-American and European (German) companies. Comparison is show in Table 1.

Table 1: Comparison between Anglo-American and European (German) companies.

	<b>Anglo-American companies</b>	<b>European (German) Companies</b>
Objective	Maximizing the property of the owners.	Long-term survival.
Ownership	Widely dispersed among shareholders	Concentrated, companies are most often owned by families, banks,... .
Acquisition of stock	Capital is acquired at the stock market, by trading with bonds and shares. It is significant for the stock market that investors are not interested in the long-term ownership of securities of a single company, but they aim at	They are regularly financed by the capital of permanent owners and by bank loans.

	maximum yielding securities.	
System of governance	Single track – governance is intertwined with management, there is no clear demarcation line between the supervisory governance function and the management function. English law does not provide for the supervisory body. The management structure of a company consists of the Assembly and the Board of Directors. The members of the Board of Directors are CEOs of companies. The role of Boards of Directors is to undertake the appropriate business operations in order to ensure smooth running of company governance.	Double track – the demarcation line between the jurisdiction and responsibility is much clearer. The German legislation provides for the Assembly, the Supervisory Board and the Board of Directors in the management structure of a company. The Assembly is composed of the company owners, whereas the Supervisory Board and the Board of Directors may also be composed of professional managers.

In Slovenia the German organizational (corporate) law (the double track governance system) was adopted, whereas Slovenian managers are studying and examining the Anglo-American system (a single-track governance system). On the one hand the Slovenian governance system has been inspired by the German double track corporate governance, whereas the development of the Slovenian theory of accounting and the Slovenian accounting standards are getting more and more influenced by the Anglo-American accounting system. The right of the managers to govern and take decisions is the foundation for the effectiveness of organizations, which is, however, connected with costs (e.g. costs of contracts, of supervision, incentives, loss of assets due to too loose supervision). Managers face problems in cases when the ownership and the governing functions are at least partially

separated, in other words, when managers are not 100% owners, thus not accountable for all the consequences of their decisions. Managers have the duty to take care of the benefits of the owners, but at the same time they are striving for maximizing their own benefits. So, the natural question emerging from these facts is, whether managers really take care of the interests of the owners, or do they work for their own benefit and to the detriment of the owners. How should managers present the company's business results? They can be presented in various ways, and the calculated and stated profit is the platform for approving of the extra remuneration to the Board of Directors, the Supervisory Board and the dividend payment to the shareholders. Considering these aspects should the profit be recorded in books of accounts and business records, and if so, to what extent? Should loss be stated or not? Some managers make use of the fraudulent accounting (intentional and reckless composing of misleading significant company accounts) or creative accounting (conscious and deliberate transforming of the company accounts within the existing regulations or their selective application) in order to achieve their goals. Ineffective managers are trying to conceal their incapacity by using creative accounting, thus delaying problem solving in the future. Creative accounting is also used by managers of companies in cases when institutional investors demand profits to be stated. The exposed irregularities at Enron, Global Crossing, World Com, in Italy at Parmalat, etc. attested to the consequences of such fraudulent or creative accounting. It is obvious that there are systems flaws present in various corporate governance systems. In almost all the cases managers appropriated substantial funds of the company, they were governing in various manners. It was difficult to discover the frauds, because the CEOs participated in the dubious activities. The Slovenian managers, as well, are quite sophisticated at utilizing the currently deficient Slovenian financial-accounting-legal system to the benefit of the corporations they are managing and to their personal benefit, and to the detriment of the state, the local community or the shareholders (Hren, 2005).

The sociological perspective of the organization is mentioned by Bavec (2002), who establishes that "from the very beginning the American school (e.g. Argyris) perceived the organization as a community of

humans, striving for a certain common goal.” The representatives of this school drew attention to the duality of each company, manifested in the material and social aspect, which is especially important according to Bavec (2002). At emphasizing the importance of motivation, especially of the immaterial motivation of workers for reaching common goals a new concept of a »happy family« was created, striving to reach the same common goal. Internal organizational problems started to be solved by taking into account psychological and sociological moments and humanization of production technological processes. The global supervision over the performance of an organization started to be distinguished from self-control at the lower level. Informal organizations accompanying the formal ones started to be examined, as well.

Every organization has certain organizational structures, provided for by the management. Organizational structures reflect the wish of the management regarding the manner of organization of the community and of the relationships to be cultivated within this community. The operation of the company and its organization is also influenced by the characteristics of individual members, assuming a certain role in it. We often hear many a manager wishing: “If only I could get a diligent and a reliable person for that post!”, or praising “My team is of outstanding quality and performs its work in an excellent manner!” This means that effectiveness and the contribution of an individual member of the organization to the common goal depend not only on the effective organization, but also on their characteristics as individuals, as established by Bavec (2002).

The group of people is always active also as a social group and not only as an organized mechanism, therefore the social perspectives should also be understood and taken into account at governing an organization. Sociologists perceive an organization as a live organism with its significant and own behaviour, which is often very much predictable. An effective manager should be acquainted with this aspect of the organization, as well.

The recognition of formal and informal relationships and structures encountered in real life situations represented the next stage of the

organizational theory. The formal structures were consciously established and presented the only subject of examination till that time. At the core of the mechanistic perspective of the organization is the assumption that formally established relationships, and consequently the processes drawing on them are decision-makers in an organization. Informal structures are unplanned and emerge as a consequence of mutual relationships between people, regardless of the fact whether they are active in the same community or not. These structures are developed in line with special wishes of individuals and reflect the circumstances, which makes them timely unstable. The organization under the sociological perspective points out the informal structures, attesting to the thesis that all relations among people cannot be prescribed and formalized in advance. The new cognition of the organizational theory mainly attached the huge importance to informal structures, which have a tremendous impact on the performance of the organization. Informal structures that cannot be avoided, provide for a rather high level of unpredictability, so the theoreticians of the organization considered indefiniteness and unpredictability to be the fundamental characteristics of the organization, according to Bavec (2002).

Moral – ethical aspect of an organization – when one wants to define it, the concepts of ethics and morality should be defined first; they are inconsistently used in practice and are often even interchanged, as in the past the meaning of the words was the same – ethics in old Greek and morality in old Latin. This affinity is very much present nowadays, as well, however there is a difference between the two concepts, as follows:

- Ethics is a discipline dealing with the principles of the good and the evil and the norms – criteria to decide and behave accordingly; it is a philosophy of morality.
- Morality refers to the conduct and practice in line with ethics (Možina, n.d.).

Business ethics and management are studied by Možina (n.d.), who states: “Ethics of management deals with morality, moral principles and moral decision-making, as well as with the criteria and procedures

placing value on ethical practices of managers. Moral management is a set of normative rules for decision-making, such as the code and the standards, which impact the conduct of the manager with regard to benefits, rights and duties to himself, to the employees of the organization and to the environment, in which the organization is run.”

It can be established that ethics and management morality are in relation to the organization, so we can talk about the business ethics and morality, comprising three levels:

- External environment of the organization – concerns the relations of the organization with its business partners and competition; the social responsibility of management should include relationships with other individuals, groups and organizations in the environment.
- Internal environment of the organization – comprises relationships of managers with all the colleagues in an organization, including work conditions and personal development, rewarding, co-governance....Managers have great power, i.e. apart from their status power, deriving from their post, they also have professional and personal power. Power provides for their possibility to influence co-workers, and at the same time accounts for their effectiveness, rights and personal dignity.
- Personal ethics level – morality of personal life of managers and their personal ethics, respectively, has a powerful effect on creating business ethics in an organization, that should take into account interests and values and various personal ethics of individuals in an organization. There emerges a certain discrepancy between the personal ethics of managers and business ethics of an organization, which poses pressure on the manager's role in an organization. In so far as this pressure is moderate, it is encouraging, but if excessive, it can trigger misconduct.

### 3 ORGANIZATION CULTURE AND CLIMATE

Organization culture and climate stand for organizational factors that are immediately linked to other elements of an organization, its environment and all the individuals in the system according to Mihalič (2008), who adds that every activity, change or conduct are reflected in the culture and climate and vice versa, that every cultural and climate change triggers changes in an organization, impacts behaviour of members of an organization and the environment of the organization.

It can be established that culture and climate reflect the mood of the organization. Mutual relationships are present in every organization, they are very intense and closely connected. This is the very reason why we should not consider culture and climate separately from other activities in an organization. We should be aware of the fact that every change in procedures, processes, performance indicators, as well as any change concerning the employees and external stakeholders influences the change in culture and climate.

#### **3.1 Identification and definition of organizational culture**

Organizational culture encompasses a wide spectrum of social phenomena, such as: typical dress code in an organization, language, behaviour, beliefs, values, assumptions, status symbols, authority, myths, rituals, ceremonies, ways of considering others, disruptive acts.

Organizational culture was defined by many authors. Some definitions are mention in Table 2:

Table 2: Definitions of organizational culture

<b>Author</b>	<b>Definition</b>
Armstrong , 1987	Organizational culture is defined as a system of extended values (what is important) and beliefs (how things work), which in connection with

	workers in a company set behaviour norms (a manner of assuring this).
Schein, 1992	Organizational culture je a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid, and, therefore, to be taught to new members to perceive as the correct way to perceive, think and feel in relation to these problems.
Hunt, 1992	Organizational culture is generally always based on the assumptions of individuals about the important and especially good conduct for an organization and for a certain system, respectively.
Angus ,1993	Organizational culture is a product and a set of unproblematic norms and set goals of an organization, providing for a stable and integrated organizational structure and its processes.
Trice & Beyer, 1993	Organizational culture can be defined as a collective phenomenon, personifying a man's response to insecurities that are unavoidable in his environment.
Dutton, Dukerich and Harquill, 1994	Organizational culture is conceptualized as a general image of an organization that is permanent, reliable and partly repetitive, and distinctive from the general image of other organizations and has original strategic advantages.
Mesner Andolšek, 1995	Organization culture is a very complex social system that is transferred by learning from one group to another, it is a product of certain environment and the core of the socialization process at individual and group level, it is a collective concept, the characteristics of a group or an organization.
Robbins,1998	Organization culture is a significant spirit of an organization and a set of beliefs of its members and is manifested in values and norms, accepted in the organization – how people should behave, how they can communicate among themselves and what working relationships they should develop.

Ambrož, Mihalič in Ovsenik, 2000	Organization culture is a set of values, beliefs, metaphors and mind models for solving problems that are an outcome of the historic fight for survival; it is a very difuse and unclear phenomenon, which can also be social energy, fueled by its members and environment. It is a sort of a glue and a filter, with which the members of an organization take their attitude to other organisations and last, but not least, their own self-description.
Barkdoll, 2001	The organizational culture is a selection of beliefs, a form of paradigms, partially based on emotions, but also resisting to changes, based on symbols and a historic continuity and greater probability and lesser deterministic conditionality.
Ashkanasy, 2003	Organizational culture is a phenomenon that is mutually shared among the organization members.
Mihalič, 2008	Organization culture is a comprehensive and corporate system of values, norms, rules, attitudes, beliefs, common characteristics, ways of employing processes carrying out procedures, behaviour and ways of acting of the employees, common goals and a type and forms of interactions within a business system, as well as with its external environment, that presently reflect the practice of common past and are at the same time also under the influence of the envisaged common future of the members of an individual business system.

Upon considering various definitions it can be summarized that the **organizational culture is a system of values, attitudes, norms, rules and beliefs**, that can be expressed with a simple sentence »That is the way we perform.«

The elements of the comprehensive system of organizational culture are, as follows: values and norms, beliefs, behaviour of the employees, relations with the environment, common goals, ways of work, common characteristics and rules, and attitudes.

Kavčič (1994) considers the following components of the organizational culture:

- Values; that are internalized criteria of an individual to distinguish between the appropriate conduct and misconduct.
- Norms; that are collective rules of acting, balancing the target activities of people and groups.
- Typical forms of behaviour, that are elements of behaviour integrated in larger groups, and that are typical for a certain group, separating it from other groups.
- Role models; that are efficient managers or members of an organization, the performance of which is or was very beneficial for the organization.
- Customs and rituals; including various celebrations of company's anniversaries, ways of commemorating individual greater accomplishments, types of events that are paid special attention.
- Communication of which informal and real communication is important, as well as their relation to the formal one as planned in the organization.
- Products and services, including all kinds of services pertaining to human activities.

### **3.2 Recognition of various cultures**

In contacts with other people, groups or organizations, differences in numerous areas are observed:

- Buildings/premises – configuration, arrangement of rooms, acceptance of clients, offices, parking lots, social rooms, bulletin boards, warnings and notices.
- Image of the organization – logo, password of a firm, personnel to contact clients, publications, comprehensive graphic design, PR materials, notices, dress code, stands at fairs.
- Management behaviour – setting priorities (people, products and services, respectively, premises, documents), what can be displayed for inspection, who is the tour guide round the

organization, how do the employees behave towards the visitors.

- Attitudes to colleagues – governance cooperation, union, concept of education, systems of management, proposals for improvement, attitude to diversity, fostering personal development, career.
- Management – written document on the philosophy of the organization, on the fundamental principles, informative publications, research and information about the image of the organization in the environment.
- Organization – organigram, description of work and tasks, housework, minutes of the meetings, obligatory appointment books.
- Rituals and symbols – constituting and leading work groups, celebrating successes and accomplishments, introducing and presenting the novices, protocols from conferences and other important meetings, promotion and obtaining recognition, anniversaries, retirement, anecdotes, house jokes.

### *3.2.1 Levels of organizational culture*

We described various areas in which the differences among individual organizations can be observed. Individual areas are more or less visible to the observer.

According to Slocombe (1990) in the organizational culture three levels intertwine:

- physical environment, in which an organization is operating,
- values created in the process of social interaction in an organization and
- core beliefs that the individuals internalize at their entry in the organization.

Schein (1997, p. 16-17) divides organizational culture in three levels crossing over from clear elements of culture, which individuals can see and feel, through numerous accepted values, norms and rules that

members of the organization use, to subconscious basic assumptions, representing the core of the culture.

- At the first level, there are visible elements of the culture, organizational attributes that can be seen, heard or felt when entering an organization (facilities, offices, furnishings, ways of behaviour, rituals and ceremonies, the applied technology,...).
- The second level represented by accepted values, that could be reflected in the organizational culture or not. So, it is about “what it should be like, but it is not necessary that this is also reflected”.
- At the third level the company's tacit assumptions are found, which are self-evident to such a degree that there are only minimum derogations within a group. They are so anchored within a group that the group members consider any behaviour that is not in line with these assumptions to be marked and perceived as unacceptable.

### **3.3 Types - typologies of organizational cultures**

The organizational culture resembles more or less the culture of the environment – the country from which the members of the organization are.

In every organization many a culture can be observed, however there is always the prevalent one. It is called the dominant culture. Theoreticians divide cultures into:

- Organizational culture of power for which it is significant that personal power plays the key role. It is manifested as the power of an individual, as the power of the manager and has advantage over the power of a group or a team. In such systems effectiveness and efficiency of an individual as well as competition and the bout to take over crucial functions are more important than effectiveness and efficiency of a group or a team, cooperation, mutual assistance, collective interests, and the like. The organizational culture of power is more significant for autocratic and highly hierarchically structured organizations.
- Organizational culture of roles for which it is significant that the key role is adopted by the regulations, established order, a precise definition of processes and procedures, common values,... In such organizations manner of work, staff management and following the instructions are more important than final results. Such organizations are rigid and incapable of adapting. They are traditional, their culture does not contribute to achieving success in times of constant changes.
- Organizational culture of tasks for which high productivity, teamwork, project work, collective performance and professionalism of the employees are significant. These are dynamic, highly effective, very flexible and modern organizations, striving for constant growth, development and competition.
- Individual organizational culture, the top priority of which are interests of individuals and personal development of each

individual. Individuals have equal position and equal opportunities for success, as their potential and past experiences are not as important as their current achievements and impacts of their results. Organizations with individual organizational culture are aware that high performance of an organization can only be achieved by high performance of each individual. Such organizations adapt to changes in the environment, they are transparent and have few regulations and limitations.

There are other types of organizational cultures presented, that were defined by various theoreticians:

Deal and Kennedy (1982) define organizational cultures based on two criteria (level of risk, and speed feedback), as follows:

- Tough – guy mucho culture – high risk, rapid feedback, intense pressures, fierce tempo, regular stress and burnout, internal competition and conflicts, high dropout (police, surgeons, construction, counselling organizations, entertainment industry,...)
- Work-hard, play-hard culture – low risk, rapid feedback, dynamic organizations, customer orientation, team work, quantity over quality (trading organizations, computer companies, organizations for mass consumption – fast food,...)
- Bet-the-company culture – high risk, slow feedback, importance of the long view, clear hierarchy of authority, decisions are taken at the top, quality innovations and scientific discoveries (investment banks, architecture companies, army, oil companies,...)
- Process culture – low risk, slow feedback, difficulties with measurement of work and efficiency of the employees, cover-my-back mentality, bureaucracies, formalism and perfectionism (insurance companies, banks, financial companies, state administration,...)

Sonnenfeld (1988):

- Academic culture – the employees are highly qualified, they remain in the organization and are promoted, the organization provides for a stable environment, members can develop and use their knowledge (universities, hospitals, big companies,...)
- Sports team culture – the employees dispose of various skills, they are »free shooters«, they are in great demand and would easily leave for better job opportunities, this is the organization functioning at high tempo and at a very high level of risk (investment banks, advertising agencies,...)
- Club culture – organization demands from its employees to fit in, to start at the bottom, the organization promotes internal personnel, it considers the principle of seniority (army, police, legal offices,...)
- Fortress culture – the employees do not know, when they are to be made redundant, often reorganizations take place, there is great opportunity for individuals with contemporary specialized skills (savings banks, big automobile companies,...)

Maddock and Parkin (1994)

- The gentlemen's club – traditional, rigid stigmas, kindness,... .
- The barrack yard – intimidating, industrial companies, aggressiveness,... .
- The locker room – small businesses, workshops, male environment, older organizations,... .
- The gender blind – no sex differences, however a super woman is in demand, the environment is tailored more to men,... .
- The smart macho – potentiated “gender blind”, extremity, cruelty,... .
- Paying lip service – a lot of words, few changes, and political correctness.

Badelt (1997) examined the characteristics of organizational culture of non-profit organizations (NO):

- Tendency to enforce personal interests – unclear demarcation between personal interests of members and interests of the

organization; personal matters of members can become important for the orientation and performance of NO.

- Tendency to harmony – care that internal conflicts and competition do not go public, frequent pressure on sustaining equality and harmony, opposites are attributed to external opponents or are settled secretly.
- Tendency to equality – laying great emphasis on equality, avoidance of discussing power and mastery (taboo!), little distinction of personal capabilities and contribution – to the detriment of effective performance, generally informal addressing among the members.
- Tendency to informality – resistance to formal arrangement of procedures and decision-taking, to written communication, which is considered impersonal; in large and bureaucratic NO written communication of important matters is often prevalent.

### **3.4 Subculture**

Herzog (2000) considers the existence of organizational subculture to be quite a natural phenomenon in every organization. The organizational subculture is influenced by working conditions and informal rules existing in the organization, or by its work and may sometimes be contrary to official rules of the organization.

Arnold (1970) links organizational subculture to individual professional groups and their main characteristics saying that the issue is about a group of specialists recognized as such by the company and themselves, possessing a recognizable complex of common culture, norms, communication devices and techniques and appropriate behaviour patterns.

Similar contemplations were provided by Robertson (1987), who also linked organizational subculture to a group of individuals, which is part of the society or some organization and has its own norms at the same time, that are defined by the rules and manner of behaviour in a specific situation. The same author also believes the subculture group

to be the one accepting the culture of a certain society, however, by enforcing own norms, rules and way of life, identical to it only. These norms often create the life style of the group in the working place, as well as in free time.

Schein (1992) establishes three basic and for most of the organizations significant subcultural groups, i.e. the management, the expert and the production one. The management or the dominant subculture of an organization, respectively, was studied by Ovsenik and Ambrož (2000). The authors establish that the organizational subculture exerts the prevalent impact on problem solving in an organization. Mesner Andolšek (1995) as well, considers the factors of the management subculture. In her opinion it encompasses the reactions of the management to outstanding events and crises in an organization, the attention paid by the management to various aspects of organizational behaviour, the management roles structures, and lays down the criteria for rewards and promotion.

It can be established that each organization has the so called primary culture and more subcultures that are linked to individual professional groups within an organization. Subcultural groups as a rule adopt the culture of some organization, within which they enforce their norms, rules and way of life. Thus, within an individual organization the management, the expert and the production subcultures are to be considered, that are enforced by members of individual groups within an organization.

### **3.5 Identification and definition of organizational climate**

#### **3.5.1 Define and identify the organizational climate**

Organizational climate can be understood as psychological climate in the organization, that its members perceive, and influences the behaviour of organization members. Organizational climate has been defined by several authors.

Some of definition are presented in Table 3.

Table 3: Definitions of organizational climate

<b>Author</b>	<b>Definition</b>
Reichers and Schneider, 1990	Organizational climate refers to perceptions of organizational policies, its practices and procedures shared by employees. Employees expected to evaluate the characteristics of the organization according to their own values and the importance of these features for their own benefit. It is a moral concept, which indicates the organizational goals and appropriate ways and means to achieve them.
Koys and DeCotis, 1991	Organizational climate is a multidimensional and permanent perceptual phenomenon that is common to most members of the organizational unit. This is a description rather than evaluation of events.
Moran and Volkwein, 1992	Climate is a relatively permanent feature of the organization, which distinguishes each organization from other organizations, and is characterized by the following: <ul style="list-style-type: none"> <li>• a collective perception of members of the organization according to certain dimensions;</li> <li>• it is created through the interaction between members of the organization;</li> <li>• it serves as a basis for interpreting the situation;</li> <li>• it reflects the prevailing norms and attitudes of organizational culture;</li> <li>• it is a starting point to influence behaviour.</li> </ul>
Luthans, 1995	Organizational climate is the atmosphere in the organization, which reflected in the way of human behaviour, the mutual relations and relations with users and other external partners.
West, Smith, Lu Feng and Lawthom, 1998	Organizational climate refers to perceptions about fundamental elements of organization,

Burton , Lauridsen, Obel, 1999	which the members of the organization share among themselves. The climate is the atmosphere in the organization, a relatively permanent quality of the internal environment of the organization, which perceived by its members and influences their behaviour.
Neal, West and Patterson, 2000	Climate in the organization is a perception of how people see their own organization and how they perceive their opportunities and working conditions. Individuals perceive the characteristics of the organization within their own values, which are important for their own well-being.
Mihalič, 2008	Organizational climate is the way in which employees understand the system.

If we summarize the definitions of organizational climate, we can conclude that **organizational climate is a range of characteristics of the organization, which can be studied with different dimensions, and that employees are aware of these properties and they can describe them.** Organizational climate is generated by the integration of the members of the organization; it affects the behaviour of individuals and refers to the relationships between members of the organization, as well as the attitude of the organization to the environment. Organizational climate is an important element of the success of the organization, as it reflects the organizational goals, as well as the quality of working environment and contributes to the feeling of safety of members of the organization.

Musek Lešnik (2006) establishes that organizational climate can be homogenous and can intertwine the whole company, or many specific climates can emerge within a company, that pertain merely to individual groups or departments, depending on the size of the company. The more disperse the company is, the more there are groups in it or even objects at different locations, the more different climates there may exist within the company – at the same time these

specific climates may still be influenced by the global climate of the company.

Also Polutnik (2009) wrote about the organizational culture in terms of interpersonal relationships and communication, noting that: "Poor communication accounts for not solving conflicts in a constructive manner. Often they are denied or swept under the rug. As the problems remain unsolved instead of contributing to progress, they keep deteriorating communication and, consequently the organizational climate. This leads to frustration, low motivation for work and, consequently, to lower productivity."

Polutnik (2009) also noted that: "The foundation for the establishment of a favourable organizational climate within the company is the correctness of the staff at all levels, the establishment of an equal partnership or an individual relation with the environment, in assertive rather than aggressive communication ... "

Reading the various definitions, we can conclude that **the organizational climate reflects the current state of the organization, which is reflected by the subjective perceptions of members of the organization.**

The elements of an integrated system are included in the organizational climate: interaction with people, loyalty, being at work, cooperation, solidarity, awareness of the employees and autonomy.

### ***3.6 Dimensions of organizational climate***

Dimensions of organizational climate are the factors that shape specific organizational culture. Each individual, in his own way, experiences responsibility, trust, reward, career development, organization, leadership, relationships, motivation ... In every organization there is climate and its agents, so they do not need to be searched. Examining organizational climate means examining its characteristic dimensions. We must therefore determine which are the factors that best describe the atmosphere in an organization. In

order to establish an individual dimension it should first be envisaged, and in the follow-up figured out, whether it is significant for the climate or not.

*For example: Supposing that one of the dimensions of the organizational climate is internal communication and information, in the follow-up the quantitative and qualitative aspects of the implementation of forms of internal communication (working meetings are scheduled, the management transmits the information to the employees in an understandable manner, superiors sufficiently and in a qualitative manner inform the subordinates, employees are informed about the activities in other units, managers and colleagues discuss in a relaxed, friendly manner and on an equal basis, ...).*

### 3.6.1 Organizational climate research

Exploring the organizational climate in Slovenian companies is conducted by the SiOK project.

On the initiative of some prominent Slovenian companies in early 2001 a group of consulting firms under the auspices of the Slovenian Chamber of Commerce prepared a project of research and monitoring of the organizational climate in Slovenian organizations, called SiOK (Slovenian organizational climate), which in previous years was conducted under the auspices of the consultancy firms which developed project. The leading idea of the project is a comparative survey of the organizational climate and employee satisfaction in order **to increase awareness** of the importance of climate and knowledge of appropriate methods for its development. The basic principles of operation are: comparability, timing and quantity. The project is consistent with the needs of member organizations on the one hand and with the standards of the profession on the other hand. In the past three years each year over 100 Slovenian leading organizations and some organizations from abroad participated in the projects. In particular, the project came to life in Croatia, which has consistently being implemented since 2003 and is named HrOK.

Below the dimensions are presented, that are measured by SiOK (Organizacijska klima v Sloveniji, 2004):

Organization:

- employees know what is expected of them at work,
- understand their position in the company scheme,
- clearly defined responsibilities,
- timely decision making by managers,
- balance of responsibility and accountability at all levels

Knowledge of the mission and vision:

- a clearly defined mission of the organization,
- adopting targets for the organization,
- realistically set goals,
- policy and objectives are clear to all employees,
- employee participation in setting goals

Affiliation to the organization:

- reputation of the organization in an environment,
- positive external representing of the organization by employees,
- pride of employees that they belong to the organization,
- job security,

Competence – skills and learning:

- learning from each other,
- provision of the necessary training,
- training of employees for their work,
- a good system of training,
- considering the needs of the employees at training

Attitude to quality:

- employees feel responsible for the quality of their work
- employees contribute to the achievement of quality standards
- clearly set standards and quality objectives,
- attributing equal importance to quality and quantity of work

Reward:

- appropriate sanctions for poor work performance
- standards and objectives for evaluating performance

- comparability of salaries in the organization with salaries in the marketplace
- appropriate stimulation for more burdened employees,
- appropriate correlation between wages

Motivation and commitment:

- employees are dedicated to their work,
- employees are willing to exert additional effort when this is required at their work,
- high demands on performance,
- management appreciate well done work,
- good work performance is noticed and praised

Internal communication and information:

- managers and staff lead discussions in a relaxed and friendly manner and on equal terms,
- working meetings are scheduled,
- management informs the employees in an understandable way,
- superiors inform the subordinated employees sufficiently and in an understandable manner,
- employees are informed of the activities in other units

Relations within the organization:

- the work of colleagues is appreciated,
- employee relations are good
- employees cooperate more than compete among themselves,
- conflicts are resolved together,
- employees cherish mutual trust,

Management:

- autonomy in carrying out work,
- leaders encourage subordinates to take greater responsibility,
- managers discuss the results of work with subordinates,
- eliminate bossy management,
- superiors accept justified remarks to their work.

Career development:

- satisfaction with personal development,
- managers educate their successors,
- clear promotion criteria,

- real promotion opportunities,
- a good promotion system.

Innovation, initiatives:

- employees are aware of the necessity of change
- continuous improvement and updating products and services,
- all employees can make suggestions for improvements
- employees are willing to take risks to implement initiatives
- error during testing of new forms, methods of work are acceptable

### *3.6.2 Is job satisfaction a dimension of organizational climate?*

In order to answer if job satisfaction is a dimension of organizational climate, we must first define what is meant by job satisfaction

Job satisfaction is defined as a desired or positive emotional state resulting from the evaluation of an individual's work or experience in their work. Satisfaction is about individual response to the work environment, the climate is about the overall picture of the organizational environment of the employees.

Job satisfaction is influenced by numerous factors, such as: the work itself, promotion opportunities, personal characteristics, leadership style, ... but it is perhaps the organizational climate is most directly linked to employee satisfaction. So we are talking about a mutual connection, in the same manner as the organizational climate affects the satisfaction, the satisfaction impacts the perception and experience of the organizational climate within the organization by the employees.

### ***3.7 Differences and similarities between the culture and climate***

Both culture and climate have been developed from organizational psychology, so it is important that they are homogeneously addressed and studied. Governance culture and the climate are highly

interdisciplinary, since they fall within the set of managerial and organizational theory. In addition to psychology, culture and climate extend to the area of sociology (social psychology and social anthropology). Culture and climate are a very important element of social capital of each organization, so it is necessary that they are frequently analysed and studied.

Notwithstanding their common origin, there are some fundamental differences between culture and climate, which are presented in Table 4.

Table 4. Illustration of the main differences between organizational culture and climate

<b><i>Organizational culture:</i></b>	<b><i>Organizational climate:</i></b>
Global orientation	Local orientation
Higher level of sustainability and stability	Temporary nature and a lower level of stability
Orientation in the past and future	Orientation in the present
Not so good identification and lower visibility	Good identification and greater visibility
Development over long periods of time	Development in the present state
Higher level of abstraction of the concept	Lower level of abstraction of the concept
Ties to a strategic level	Ties to the tactical and operational level
Systemic importance	Procedural meaning
Slow changing	Fast changing
Pronounced effect of culture on climate	A little less pronounced effect of culture on climate
Profound construct	A mere reflection of the state in space and time
Very challenging management	Rather simple management
Larger theoretical orientation of studying	Larger empirical orientation of studying
Predominance of qualitative methodology	Predominance of quantitative methodology

Creation through global interactions	Creation through procedures and processes
--------------------------------------	---

Source: Mihalič, 2008, p. 10-11

Organizational culture and climate vary in the way they relate to the organization. Culture is increasingly tied to the strategic, global and systemic elements of an organization, whereas climate is more linked to the operational and procedural elements of the organization. Therefore, some elements influence culture, whereas others influence climate.

Culture is impacted more by: the organization of the system, development vision, capital, strategic objectives, global interaction, system stability, growth of the organization and its strategy. Climate is influenced more by: processes, short-term objectives, procedures, operationalization, method of operation, internal environment, policy, and staffing.

It can be established that culture is increasingly tied to the macro environment, whereas climate is more tied to the micro environment of the organization. Of course, this does not mean that culture is more important than climate or vice versa. For each organization both are equally important and both, culture and climate, should be paid equal attention to.

We have found that both organizational culture and organizational climate are important for the organization, so let us try to find their similarities.

Musek Lešnik (2006a) identifies the similarities between the organizational climate and culture, and establishes that both:

- look for explanations of individual behavior within the company
- consider the impact of an organization on its people
- consider the impact on the interpretation and understanding of events in the company,

- address the psychological, subjective reality of the working environment
- assume that people share certain views, opinions, beliefs, perceptions
- influence establishing order and consistency in the behavior of employees
- affect the way people work and respond to external environment
- reduce uncertainty in human behavior
- represent a mechanism for modifying behaviour

### **3.8 Management of culture and climate**

The process of planned and systematic management of culture and climate, from planning, organizing to leading and controlling, includes various activities, such as:

- analysis of the existing culture and climate,
- familiarization with the status quo of culture and climate of management and staff,
- collecting and analyzing ideas and suggestions for improvement,
- establishing guidelines and policies for change - improving climate and culture,
- producing an action plan,
- implementation of all the activities to improve the existing culture and climate.

It is important to continuously carry out the activities, to periodically monitor the effects, to integrate both, management and all the employees in presenting ideas, suggestions, opinions for improvement, ...

### **3.9 Changing culture and climate**

The aim of any organization is its effectiveness and efficiency and growth. Various studies have shown that organizational climate affects

productivity. By changing the organizational culture and climate greater, better, more adequate productivity can be achieved.

We must realize that every change in the organization triggers a change in culture and climate, and that changing culture and climate is a complex and lengthy process. In addition to systemic changes changes of consciousness of the employees are needed; it is also necessary to change the mentality and consequently, the reaction of employees. The transformation process may also include changes in working conditions, changes to prepare the employees to a different perception of events and changes in behaviour,... In order to change the organizational culture and climate it is crucial to analyse the existing culture and climate, determine the desired culture and climate, introduce changes and constantly evaluate them.

The procedure for changing the organizational culture and climate comprises the following activities:

- analysis of environmental and other impacts on the future strategy,
- establish the basic values that are central to the identity and purpose of the organization,
- creating a shared vision of the future organization,
- analysis of the existing culture and the elements that need to be changed,
- determine the changes needed to implement strategies and bridge the gap,
- defining the role of leadership in managing the change of culture and climate,
- creating the implementation plan with goals, deadlines, checkpoints and agents,
- familiarization with the need for change and plans for change and motivation of all the involved,
- identification of barriers and sources of resistance and the production of strategies for managing them,
- institutionalizing, modelling and consolidation of changes in the organizational culture and climate,

- continuous monitoring of organizational culture and climate and establishing norms of continuous learning and changing

### **3.10 Trends in development of organizational culture and climate**

In the scope of the management of organizational culture and climate, it is necessary to realize that with changing the organization, the organizational culture and climate shall be changed, too. Given the historical lessons and current status, trends in the development can somehow be predicted.

Trends of development can be defined in the following areas:

- teamwork and collaboration (independent individuals),
- focus on people (information resources),
- focus on prevention of problems and proactive behaviour (reaction to the problems already created),
- focus on outcomes (process),
- dynamic performance (static mode),
- flattened and more horizontal structures (hierarchical structure),
- orientation towards the outside environment - to customers (inward orientation),
- power-sharing with employees - empowerment (managerial control),
- sharing of knowledge (knowledge hide),
- risk management (risk avoidance),
- establishing partnership relations (protecting one's work colleagues),
- communication between staff (communication from top to bottom),
- long-term orientation (short-term orientation).

External and internal environment of organizations will become unpredictable, it will continue to change faster, more dynamically and with a higher degree of risk. Changes will be faster and adaptation to those changes will be more pronounced. For this reason faster changing of the organizational culture and climate shall be needed, the

changes themselves will affect the greater dynamics of culture and climate.

Although the culture will be changing rapidly in the future, it will still be too rigid for the fast pace of performance of future organizations, so we can predict that organizational climate shall come to the forefront, that will be easier and quicker adapting to changes.

In the future demands for the creation of added value shall increase, particularly in terms of innovation, the pressures on employees will be larger, and therefore the need for humanizing jobs will be increased, and consequently, the need for encouraging better climate shall be more pronounced. Employees will appreciate good working conditions and atmosphere in the organization more than payment for work and accumulated profits.

## 4 ORGANIZATIONAL COMMUNICATION

Nowadays it is becoming more and more obvious that organizations are vitally dependent on communications, i.e. on communication within organizations, as well as on communication of organizations with the environment. According to Mumel (1998) no individual or organization can exist unless there is proper communication between individuals within the organization, as well as between the organization and the environment. Uncoordinated communication within an organization or organizations with the environment causes at least confusion, and often serious problems. Gruban (2003) states that for the construction of a new organizational culture, that decisively influences the behaviour of organizations, the fundamental component is internal communication with the employees and among them. Jefkins (1993) states that every organization communicates because of certain interests, as it is expected that the interaction with the public (internal and external public) shall meet its needs, so that the interested public will accept its opinions, explanations or certain behavioural patterns.

Organizations are successful or successfully fulfil their mission and achieve the goals when they successfully communicate with internal and external audiences. Various public seeks to influence the organizations. Interaction between the organization and the public creates favourable conditions for the organization's work, according to Hunt and Grunig (1995). "People and not organisations communicate - therefore, the knowledge of human behaviour is a prerequisite for effective communication. Communication is not possible to give up - we communicate even when we do not do it, and the reluctance and silence are interpreted by the participants in their own way, according to Možina, Tavčar and Knežević (1995, p. 36).

Mumel (1998) also points to uncoordinated communication between organizations and environment as well as uncoordinated management communication with employees. All this should lead to serious disturbances in the organization. The same author illustrates the difficulties in communicating with patients that do not trust their

disease to others, concretely to doctors. In this case, there may be serious consequences. He compares this situation with the situation, when top management is aware that there are resistances, unresolved conflicts between employees and does not address the problem on time, or is even not aware of it, because it has no established mechanisms for internal communication. Even in that case there may be serious consequences.

Gačnik, Merslavič and Zavrl (1999) speak of comprehensive communication of organizations. The authors talk about the fact that the communication of organizations was in some places divided into three parts. They mention business communication, which deals with communication in business processes, advertising, which should focus on consumers and classical communication with the public, i.e. with journalists, as well as other groups in the environment around organizations. They argue that such management of communication is unsuccessful, because it often happens that organizations had three departments of communication, which operated independently of one another. That is why organizations advise against such practices and recommend the organization of a comprehensive system of communication. The authors point out that organizations in the communication processes are to comply with certain rules of good behaviour; in the case of public bodies, particularly bodies of state administration, such practice is required by law. In this context, in their view, organizations should particularly respect reality, timeliness, completeness and impartiality in providing information.

Mumel and Leber (2002, p. 769) connect the communication in organizations and the communication of organizations with the competitiveness of organizations arguing that "the quality communication is an important element of the competitiveness of organizations." Communication in organizations that carry out their mission in a symmetrical two-way communication with the public, and try to communicate with it before they come to a decision in the organization or in the public, so that problems are resolved by consensus before they are publicly problematized (Verčič and Grunig, 1998). Potter (1999) says that communication must be strategic if it is an important contribution to achieving organizational goals.

"The classical theorists have had a communication tool for the systems control, while the human relations theorists focus on the individual's perception of relationships of the subordinates with their superiors and the participation in decision making. Both theories have, as already said, and overlooked an important role of the environment in shaping the internal and external organizational processes. Decision theorists have been perceiving communication as a process in which relevant information for decision-making is created and communicated. Systemic theorists focus on the types of communication structures and subsystems that affect the adaptation to organizational environments " (Berlogar, 1999, p. 42).

Relationships can be created and formed only by communication, so the effective communication of organizations depends on many factors. "How you communicate cannot be prescribed for individual circumstances, as this depends on various factors. These factors should be detected and harmonized by those who work in this area. That is why it is so important to know the forms and methods of communication and master the communication skills, "as stated by Možina, Tavčar and Knežević (1995, p. 25). They also talk about the communication policy, which in their opinion may vary according to parts and activities of the organization. So they talk about:

- The basic policy that is sustainable and comprises components of communication that have not been changed by the organization for very long periods of time.
- Development, which is medium-term and comprises communication plans for individual communication activities of the organization.
- Current policy, which includes communication of the organization for the current period, for example, for a year, and implements the development policy plans of an organization (ibid: 20).

Given the above, it is obvious that managers are primarily responsible for communication in organizations, and for communication of organizations with the environment. In recent years, in Europe the term communication management has been gaining ground (Verčič

and Ruler, 2002). Communication management can be considered as a profession, we define it as a way to understand and describe management and the proper communication thereto.

Public relations (internal and environmental) must be strategically planned and should be an integral part of the strategic management of organizations. Consequently, managers should identify those public organizations that are most likely to restrict or strengthen the possibility to carry out their mission. Communication programmes should help organizations to manage their correlations with the public (Hunt and Grunig, 1995).

This is confirmed by the statements of Ašanin Gole (1998), who says that the strategic direction and management of organizational communication is an integral part of strategic organizational management and includes the following core activities of public relations:

- analysing and researching the environment, and defining the aims and objectives
- planning communication programmes and activities
- communication and implementation of programmes
- monitoring the results, their evaluation and possible modification

Good managers expect of communication programmes in the first instance the implementation of the objectives of organizations. This is the significance of communication, which means that there is a causal connection between the communication programmes, communication activities, and that they can be measured (Potter, 1999). Mintzberg (1973) argues that managers are practically constantly caught up in communication and that most of the managerial roles are linked to communication. "Managers can play a variety of communication roles, and interact differently with different aims, objectives and goals, and consequences, »as stated by Verčič and Ruler (2002, p. 741). Communication becomes a strategic management function when communication programmes contribute to the management of public relations, which affect the realisation of

the objectives of the organization, as indicated by Dozier, Grunig and Grunig (1995). Shockley Zalabakova (1999) sees communication in terms of management only as a managerial tool for successful completion of certain tasks.

Hunger and Wheel (1993, p. 7) state that strategic communication management is a kind of blend between strategic communication and management. The definitions of strategic communication management commonly establish that "it is about the intertwining of important and comprehensive management decisions and actions determining the organization in the long run." This process includes environmental monitoring, strategic planning, strategic implementation, evaluation and control.

"Communication is one of the most important activities of managers in organizations, there are almost no tasks that could be done without communication," as indicated by Možina, Tavčar and Knežević (1995, p. 17). "Managers spend much of their time communicating: about a third of time is spent on active communication (speaking, writing, etc.), a third of their time is spent listening, and only a third of their time goes without communication" (ibid.: 18). Mintzberg (1973) argues that managers spend 59% of their time for the planned meetings and 10% for the unplanned ones, 22% of their time for desk work, 6% for telephone calls and 3% for going round the organizations, thus, apparently, they spend much of their time for communication .

Of course, in this context it needs to be said that communication in organizations and communication of organizations with the environment as such does not guarantee success, so most authors speak mainly of the communication performance and the mechanisms for its provision.

"Communication in organizations is vital for the efficient use of human potential and for effective decision making" (Berlogar, 1999, p. 43). According to the same author "successful communication is likely to increase job satisfaction and effectiveness of the organization" (ibid.: 48).

Successful communication of organizations is measured by its affecting the functioning and behaviour of those who have been addressed, as said by Možina, Tavcar and Knežević (1995). "Successful communication really achieves the set goals. In order to do that, it must be efficient - and effective communication is based on a series of concepts and skills. These include methods, components and the course of communication, dimensions and directions of communication and factors that affect the quality of communication" (ibid: 85). "Effective communication should transmit the information from the mind of the sender to the mind of the recipient in a credible, timely and economic manner. In this process thought is changed to a form suitable for transmission (encoding), followed by the transfer of information through appropriate media, and finally information is interpreted (decoding) in such a way that it is understood by the recipient" (ibid.: 85). "The efficiency and effectiveness of communication is significantly influenced by the attitudes among the participants, the commitment of participants to the matter addressed by communication, autonomy of the participants at their work and the dedication to common addressing the issues" (ibid.: 85).

"For successful communications of organizations language knowledge is not sufficient, but also the knowledge of the culture of the addressee should be paid attention to, especially when dealing with representatives of different cultures" (Trček, 1998, p. 194). "If we want to make our communication successful, we should always strive to avoid conflicts, also indirect ones, and even controversies. The principle of all kinds of work with people is cooperation nowadays, which is inhibited by conflicts. Conflicts provoke feelings of resistance or impairment, and often do not solve anything. Participants begin to deal with conflicts drawing on personal experience in their responses, and the intended topic is substituted by conflict" (ibid.: 149).

Ability to communicate effectively is one of the most important skills for success in life, according to Polutnik (2003). In connection with the performance of communication of organizations Trček (1998, p. 194) wrote that "most people believe that they can communicate well, but the analysis shows that there are few such people, and that successful communication requires a special study."

## **4.1 Communication of organizations**

Organizations are people, and not (only) drawers of organizational charts. Therefore, the success of any organization depends on communication between people and with people. Every organization has different public relations, on which its success depends, however, there is only one, which is present in all organizations, regardless of their size or object of business performance, i.e. internal public, the employees. This public is closest to the managers of the organizations due to its location, it is easiest to identify, detect its interests and to obtain feedback. It often happens that it is most neglected, because the management does not recognize its true importance. In doing so, they forget that the truth about an organization is in its "bottom": if the employees do not trust in their own organization or its management, why would such an organization, company, institution, be believed by external public!? (Gruban, 1998). "There is no reason to restrict the right and freedom of employees to participate in the internal organizational communication," was written by Berlogar (1999, p. 224).

Kejžar (2003, p. 665) speaks of the communication structure of organizations, saying: "The communication structure is essentially a network of relationships and the system of relationships between people. The communication arrangement has a large impact on the functioning of the entire organization and the realisation of its objectives. "The same author deals with communication in organizations in terms of:

- the direction and extent (vertical communication, horizontal, diagonal communication, communication within groups, between the groups),
- the content of communication (work, work tasks, work problems, changes in labour, division of labour, business process, organizational changes, humanisation of work, worker protection, labour standards, economic position, business performance, dividends, business problems),

- the institution of methods and channels of communication (people, groups, managers, leaders, colleagues and employees, as well as the methods of information transfer), and
- effectiveness of communication (adequacy and timeliness, clarity and understanding, the nature and extent of interference and provision of feedback information).

Kreps (1990) and Daniels and Spiker (1994) talk about the features that relate to the content, effects and communication objectives. In this context, the structure of communication and interaction patterns among members of the organization are mentioned. In their view, the levels of communication include individual, interpersonal, group and organizational communication. Formal and informal, vertical and horizontal communication, and communication networks are discussed. Formal communication, in their opinion, refers to communication through official communication channels, which are determined by the organizational structure. In many organizations it is claimed that the formal system of communication is established by the organization chart and instructions.

"Of particular importance is the attitude of participants of communication in organizations. Defensive or supportive atmosphere for communication is generated by six pairs of factors:

- Evaluation or descriptive stance in communicating;
- Supremacy over colleagues or addressing the issues;
- Absence of effect or empathy in participants;
- Dominance or equality and
- Dogmatic or prevalence.

These factors define the characteristics of the internal culture of the organization and the environments in which communication takes place outside the organization, "according to Možina, Tavčar and Knežević (1995, p. 85).

Berlogar (1999) sees in the balance of communication relationships of organizations and opportunity for organizations and managers, but mentions that without effective communication systems within

organizations there is no effective planning, decision making, control and self-assertiveness. The same author is also considering modern information technology and its positive and negative effects on communication within an organization. On the one hand, he indicates that it has been proven that employees "want as much personal, oral communication as possible," which is not exactly the most efficient way to convey information. From this perspective the author warns that booming of information technology rather inhibits than facilitates efficient communication. Further, technology can deprive one of the possibility of negotiations, as it requires fast decisions. The author also points out that regardless of the negative consequences of modern technologies on communication processes, they are increasingly present in organizations. In the opinion of the author, penetration of information technologies in organizations, together with the systems they constitute, shall change the character of the complex human interaction within organizations. First, the ability to communicate and willingness to communicate should exist. In organizations where this is the case, information technology can contribute to the quality. On the other hand, in the organizations in which there is a lack of readiness for employment of information technologies communication shall be rather obstructed. Communication should reduce the feeling of insecurity within organizations. In this context the author lists the following communication functions:

- "Communicative function – the effect of communication and its contribution to the overall functioning of the organization,
- Organizational function – messages of establishing rules and regulation of specific environment,
- Interactive function – communication that helps an individual define his own role and evaluate the comparability of personal and organizational goals, and
- Adaptive function – messages that help the organization figure out what works and how it works; this is particularly important in rapidly changing environments" (ibid: 129-130).

Communication in organizations is inextricably linked to the management; it represents the relations in organizations and goes beyond the traditional paradigm of the information exchange between

transmitters and receivers. According to Barker (1987) communication in institutions fulfils the following tasks:

- information (sending information on the work of members, departments and institutions, on performance and social position in the organization),
- regulatory (placing orders, perception of expectations of others, formulation of constraints and standards of behaviour and work),
- persuasive (achieving positive emotional climate, especially with the assistance of informal interpersonal communication), and
- integrative (achieving unity and cohesion, and institutional identity through coordination and sharing activities).

According to some researchers, the essence of communication in organizations is adaptation of individual communicators. Cappella (1991) found that frequent interaction in communication over time lead to the mutual adaptation of the manner of speech and gesticulation. White (1991, p. 39) says: "Organisations depend on the support of people who constitute them; the external performance of the organizations depends on this support." Even Rijavec (1999, p. 619-620) says: "Every organization has its own internal market, the market of employees, of which it should take care of. If this is not done correctly, its external performance shall be endangered, as well." The same author speaks of the fact that one of the most important ways to achieve the support of staff is to communicate with them. This is even more important in service organizations, in which contacts with customers are more frequent. Service organizations should establish a system of internal communication, which should not be only horizontal or vertical in nature, and not just a two-way, but should be tuned to the particular attitude towards customers. "The employees should be equipped with information and communication, which is a prerequisite of relations with them" (Rijavec, 1999, p. 620).

Among the goals pursued by the organizations in the field of communication Gruban (1998) mentions the following goals:

- Improving information flows.
- Implementing two-way forms of communication.

- Promoting teamwork.
- Raising the level of employee participation in management in line with the policy of the organization with legal regulations.
- Defining the desired behaviour, the profile of the manager and the profile of the employee, the individual style of communication and organization.
- Identifying the values of the organization and consolidating the foundations of corporate policy and behaviour of individuals, groups and organizations.
- Improving motivation, responsibility, self-initiative, loyalty, dedication, innovative ability.
- Implementing the appropriate management style.
- Improving interpersonal communication and communication with consumers, especially with those, with who they are in direct contact.
- Installing communication in the business policy of the organization and providing adequate training and communication links with the policy of promotion, and rewarding personal and professional development.
- Improving awareness and identification of employees regarding the basic strategic documents.
- Raising the capacity to solve conflicts of interest, interaction, and disputes.

Certainly, it is necessary to understand the efforts for excellence in internal communication as a process, and not as some ultimate, single target; it is a big illusion that internal communications are seen as a project with its beginning and its conclusion. It is an undisputed fact that so much interest in changing the paradigm of internal organizational communication between the employees and with the employees as we have witnessed over the past few years, had not been observed for many decades (Gruban, 1996). In the communication process within organizations, some still prefer the clear jurisdiction, strict bosses, defined procedures, discipline and responsibility. Contemporary theories offer new paradigms of internal communication in organizations such as co-management, employee participation, shared responsibility, new forms of employee

motivation, dialogue rather than monologue, treatment of employees as adults and not as helpless children, and the like. The mission of internal communications surpasses the mere communication and information and is focusing on tasks, such as:

- Interaction among parts of the organization,
- Fostering team work and cooperation,
- Synergy with external communication messages,
- Improving the results of the work of individuals and the whole,
- Raising quality and productivity (Gruban, 1998).

"All of this cannot be achieved without attracting a large proportion of employees who are becoming a partner, a strategic resource of organizations, both receivers and transmitter's communication processes, an active participant rather than a passive "expectation". Employees are becoming a critical performance factor and a factor of competitive advantage of organizations, of the quality of internal communications as the touchstone of communication with the external public organizations. A system of internal communications should therefore provide answers to questions such as: where we are, where we are heading, how I can contribute to success, what I have from this "(Gruban, 1998, p. 628).

Grönroos (1990) speaks of three different types of situations that require the use of internal communication and communication in the service organization, i.e:

- Developing a culture of services,
- Maintaining a culture of services,
- Introduction of new services and new marketing campaigns.

Rijavec (1999) discusses customer satisfaction with service organizations. In his opinion there are three most important aspects of communicating with employees in organizations, such as: internal communication, motivation and reward, and empowerment. In his view, only these activities as a whole contribute to customer satisfaction.

However, according to Rijavec (1999), the programmes of communication in organizations should promote proper performance of work, which should be in accordance with local and wider objectives of the service organization, which is a prerequisite for efficient fulfilment of customer needs. Well-informed staff is able to listen to customers' needs, they should understand and satisfy them. The same author speaks of the three prerequisites of successful communication in organizations (many authors speak of internal communication):

- "Internal communication should be treated as an integral part of strategic management.
- Internal communication must not be contrary to the organizational structure and should not be inhibited by the lack of management support.
- Top management must continually demonstrate active support to the process of internal communication "(ibid. p. 621-622).

Let us have a look at some of the research in the field of internal communication in organizations.

Gruban, Verčič and Zavrl (1997) speak of internal communication tools, which are divided in the organized (formal) and disorganized (informal) ones. In their view, informal communication, as opposed to formal, is conducted on its own, and it is not possible to control the content and the accuracy of messages. White (1991, p. 50-53) divides the internal communication tools in interpersonal and transmitted ones. Interpersonal tools comprise meetings, interviews and training, whereas transmitted tools comprise written communications, publications, e-mails and more. The classification of internal communication tools were also addressed by Newbold and Scholes (1997). In their view, different projects and internal communication programmes should encourage the employees to perform work that is consistent with the local and wider objectives of the service organization, because this is a precondition for meeting customer needs.

Research referring to the internal communication in organizations, showed that there were almost no large companies in which employees would not use mass media as one of the three most important sources of information on the state of their business operations. Often the mass media are preferred over all other forms of "internal communication". Based on this survey it can be concluded that mass media are often the most important communication partners of any organization (Gačnik, Merslavič and Zavrl, 1999).

The internal communication is addressed by the London survey research agency MORI, as well, which establishes that today only 2% of employees are more satisfied with the system of internal communication than twenty years ago despite the development of information technologies. More communication opportunities and channels clearly do not account for better internal communication.

American Association of Management (AMA) carried out a survey, which established that 14% of a 40 hour-work week "is lost", because of poor internal communications.

Kreps (1990, in Berlogar, 1999) summarizes the findings of ten studies, which were conducted by the International Communication Association (ICA), and states that:

- Most employees prefer to take organizational information as sent.
- The higher in the organizational hierarchy messages are sent, the less opportunity there is for response.
- The best sources of information are those of employees closest to the worst and the most distant pieces of information.
- Top management gives many a time inadequate and poorer quality information than other sources.
- Employees prefer more information from formal channels of communication within the organization than rumours.
- While generally satisfied with the channels of communication between them, the employees want more direct communication, especially with senior management.

- Employees are generally satisfied with the communication climate in their immediate work environment, but they are less satisfied with the overall communication climate within an organization.
- There are no general patterns of links between demographic characteristics and communication variables.
- The greater the distance between sources and recipients of the message in the organization, the less information is received, and the less opportunity is there for additional information, the lower is the quality of information, rumours, and the lower are the interpersonal relations.

Berlogar (1999, p. 348-352) presents his research that was conducted on a sample of 286 employees from six large Slovenian companies operating in the tourism and hospitality industry and 70 managers in the same field. He concluded:

- "Talk on wages is a topic that is certainly important for employees, while their superiors overestimate this importance.
- Gossip and colleagues, according to employees, are their primary source of information, although managers do not share this opinion.
- There is no difference of opinion regarding the importance of information on the performed work.
- Joint meetings, regardless of their role of organizational communication, are important for employees and their views, whereas the managers have fundamentally a different opinion thereto.
- The managers highly overestimate the adequacy of only written communication.
- The managers underestimate (high) interest of employees in the business policy of the company, labour and technical developments and problems of the management. There are no significant differences in the assessment of the importance and the need to communicate the decision-making and promotion opportunities. Also, there are no significant differences in the assessment of the importance of

personal contacts, which is, as already stated, in contrast to the assessments of written communication. "

#### *4.1.1 Horizontal and vertical communication*

Communication in organizations, also called internal communication, is basically divided into horizontal and vertical communication.

According to Kreps (1990) horizontal communication is established between the employees of one organization at the same hierarchical level. The author describes it as the flow of messages through functional areas at a certain organizational level. The author says horizontal communication is a not enough used communication channel. Daniels and Spiker (1994) mention many problems connected with the efficiency of horizontal communication, such as:

- territoriality (the employees often resist including others in their activities, the consequence of which is rivalry among groups),
- specialization (different groups often use various terms and expressions for different meanings) and
- lack of motivation.

Kreps (1990) also states that management does not appreciate horizontal communication and does not perceive it as beneficial and needed, so it frequently inhibits it, although they know this may cause informal forms of communication.

Berlogar (1999) believes in the context of horizontal communication informal communication among the employees is unplanned and not prescribed with a formal organizational structure, but it is triggered by curiosity, mutual attraction and social interaction. Informal communication is frequently denoted by gossips, but it is a reflection of the needs of the employees for information in organizations and their environment. If the employees do not get information through formal communication channels, they get them in some other way. However, no matter how perfect the formal communication channels may be, they cannot substitute for informal communication channels

totally. Management often considers informal communication to be something bad and deviant. Managers should be aware of the fact that informal communication can be a very useful communication channel and should strive for the connection of formal with informal communication in an organization.

“Horizontal communication is entered into in all directions in formal and informal (interest) structures of every organization – and within each organization and among organizations connected through business. The participants build up communication networks of various forms; there is not one most appropriate form for all circumstances and cases – however, from the research and experiences pretty solid guidelines for the selection among the forms have been developed. These guidelines especially take into account the characteristics of group communication,” is stated by Možina, Tavčar in Knežević (1995, p. 85). Mintzberg (1979) states two fundamental reasons for informal communication in the organization, the former is connected with work, the latter has a social character. In connection with the first reason he says that the majority of the organizations cannot do without informal communication, because life is too complicated to regulate it completely. With regard to the second reason he says that people connect among themselves not as employees only, but also as friends and of other reasons, thus, informal communication is not limited to the work of the organization only.

Možina, Tavčar and Knežević (1998, p. 24) mention horizontal communication indirectly in the context of business communication and state: “Under business communication the communication is denoted which is established in organizations and among organizations, in which the communication participants are active – senders and recipients. Business communication is a tissue, linking together participants in an organization and among organizations. There are many purposes for communication among people. We communicate to inform, teach, convince, and mainly in order to influence co-workers and other individuals and groups outside the organization.”

Management is primarily responsible for communication processes in the organization and their status according to Kejžar (2003). The author claims that in some places management suppresses communication with various forms of repression and impedes the communication flow. He talks about the cases of companies, in which communication among the employees is almost forbidden; every communication should be established through managers. In some places also communication with external environment is limited. Such a status of communication in organizations is conditioned by the authoritarian leadership and underestimation of the importance of regular communication. Managers often forget that good relationships are created and cherished with appropriate approaches to communication with workers.

Vertical communication is communication between superiors and their subordinates. In the past the communication flew mainly from superiors to subordinates, as shall be presented in continuation, whereas lately the subordinates have been increasingly consulting their superiors, as well.

Rapid changes in the environment of the present-day organizations require their constant adjustment and changing of their strategies, which are implemented by the employees, who should therefore be qualified, as well as motivated. "Methods of motivation and communication with the employees and between them that were applied years ago are totally useless today" (Gruban, 1998, p. 614). Nowadays the employees are no longer work force, but they contribute new knowledge and the capital to the organization. The employees should be educated for the work in the organization, their cooperation in management is needed, the organizations are often interested in investing their capital, as well. The employees should be appropriately motivated for all this. "The starting point of the new paradigm of vertical organizational communication is treating the employees as assets and not as costs, surpassing the former single-track informing of the employees: it starts with simple communication and continues with single-track and increasingly double-track communication, from training and education to motivation and finally to participation of the employees in management and, consequently

to their sharing of responsibility. Thus, the employees know best not only “what” to do, but also “why” they are doing it” (ibid: 614). At internal communication, creating favourable climate in organizations is no longer the prevalent concern, but the integration of internal communication in strategic management of organizations with a view to achieve organizational, business goals is gaining on importance. For such a mission of internal communication as the organizational subsystem technical, tactical knowledge and communication skills no longer suffice, but also strategic and management skills are needed. Of course, communications are never final. “The road towards getting such an employee that is trained, satisfied, self-initiative, responsible and loyal is a rather long one, but there is no alternative. How can communications assist in all these? Can they act as a catalyst of organizational changes and a guarantor for motivation atmosphere, for innovative organizational culture? How to select optimum communication tools, how to plan and measure the communication process, how to remove obstacles and define internal communication standards? How and which information to transmit to the employees,” wonders Gruban (1998).

Some decades ago the mission and vision of the hierarchically organizational communication differed essentially from the present one. The purpose of such communication of that time was mainly to relax, but actually, the communication was a single-track one, in other words, the bosses were giving orders to their subordinates, who were obediently following them. In time of self-management socialism booming we witnessed the so called self-management informing of workers that were supposed to be participating in the governance. The crucial change was experienced in the nineties of the previous century, in which the employees were supposed to take part in the participatory self-management of the companies, whereas self-management informing was substituted by new proactive communication models. Economic conditions and mass redundancies contributed to the dissatisfaction of employees, and very often to a low level of their identification with organizations, so the management realized that the sole providing of information no longer suffices, that it does not provide for the necessary behavioural changes in workers and their identification with organizations, so the management had to

increasingly make use of the set of the contemporary techniques of persuasive communication. "For this reason the purpose of vertical communication is mainly to address the issues, as follows:

- How to enable the employees to successfully perform their work thus contributing to accomplishing the goals of the organization?
- How to enable the management to implement a vision, a policy and a strategy, to stimulate changes?
- How to contribute to humane interpersonal relationships, to satisfaction of the employees, to self-initiatives', responsibility and loyalty, motivation, communication, preventing misunderstanding, solving interactions and conflicts of interests by means of a dialogue, truth, understandable and credible messages, considering human rights, persuasion, negotiations, the changed style of management, training participants in the communication process, participation and deciding of the employees, to identifying standards of excellence in communication, etc." (Gruban, 1998, p. 623).

Kreps (1990) describes the superiors-subordinates communication and mentions that such communication can provide for the following functions, among others: it transmits orders down the funnel of hierarchy, shares the information regarding work with the employees, the performance of the employees is monitored and they are directed towards recognizing and adopting the goals of the organization. He also pays attention to some problems of the downward communication, i.e. of the superiors-subordinate communication. According to him the following problems are observed: communication channels are cramped with messages, directions are contradictory and mutually exclusive, causing confusion and concern, such messages are unclear and inaccurate, such messages contain manifestations of power and control more than information about work, which alienates the employees from the management.

Some authors (Kreps 1990, Roberts, O'Reilly, Bretton & Porter 1974 and Read, 1977) also mention the risk for the employees in vertical upward communication, saying that it is often risky for the employees

to talk to their managers about the problems they have encountered, for which reason they rather communicate favourable news; that managers are often unavailable for honest feedback or they react in an angry manner or at least in a defensive manner; that there are too few formal communication channels.

Also Katz and Kahn (in Daniels and Spiker, 1994) discuss vertical communication upwards, i.e. the subordinates-superiors communication. In this context such communication to the management provides for the information, as follows: about work performance and problem solving; about work and problems of the employees; about the manner in which the subordinates accept the policy of the organization and its operations; about the measures and procedures undertaken to provide for the above mentioned.

Kejžar (2003) proposes the following measures to eliminate the obstacles in communication between managers and employees:

- Integrating communication in the structure of the organization. The organization is to envisage such a communication structure, in which formal and informal communication, vertical, horizontal and other forms of communication are included.
- Attaching the communication mission to the work place of the employee. Each work place, regardless of the fact, whether it is a managerial or a performative one, should be allocated jurisdiction, tasks, responsibilities, communication roles and connections, inside and outside the organization.
- Education and training of the personnel. Regardless of the role of the individual in the organization and regardless of the fact whether they are managerial or performative work places, as much funding as possible should be provided for education in the area of communication, because only in this way managers, as well as performers would grasp its importance for effective performance of organizations.

Berlogar (1999) addresses the vertical communication indirectly in the context of hierarchy of authority. He believes that the persons who are

ranked higher are attributed a different status, and, consequently, more power than those who occupy lower positions in rank in an organization. Each individual in an organization is immediately subordinated to his superior, he gets instructions from his superior and reports to him. The subordinate finds himself mostly in a more dependent position.

Also Daniels and Spiker (1994) address vertical communication indirectly claiming that from all the communication processes in organizations the one is the most important that regulates communication between the superiors and subordinates. Managers are especially interested in it. In the foreground of this communication, at least with more decent managers, is detecting communication strategies that would contribute to more successful accomplishment of goals in the organization.

Jablin (1992) claims that managers dedicate most of their time to communication with subordinates. The majority of such communication is triggered by managers that function as transmitters of job-related messages to their subordinates. Berlogar (1999) says the exemption are the highest managers or the top managers.

Kejžar (2003) states some problems in relation to the vertical communication and says that managers should listen to the employees, to their opinions, trying to identify their needs, wishes and ideas, and help them at work, and not only share information. This should be devised in a form of an equal dialogue with workers, in which they should solve their problems together, thus identifying them, and mutually complementing each other. With their appearances many managers make communication difficult, such as by giving orders, reminding, threatening, imposing their tips, and the like. Managers should drop to the communication level of their employees, adopt good ideas and proposals of the employees, and integrate them in improving work. Hierarchical communication between managers and employees is often established in the atmosphere of mistrust, so many efforts should be devoted to the elimination of this state, mainly from the side of the managers.

Further, some characteristics of good managers and the superiors from the viewpoint of communication with the subordinates are listed:

- Better superiors are more prone to communication, they enjoy talking, they are capable to explain, they love talking to their subordinates.
- Better superiors are more ready to listen, they are more understanding in responses to the questions of the employees, and they are more ready to listen to the proposals and complaints.
- Better superiors rather pose questions and persuade than tell and demand.
- Better superiors pay more attention to the feelings of others, they criticize in privacy, not in public.
- Better superiors are more open to disseminating information, they like to give preference to urgent changes and explain the reasons for them (Redding, in Berlogar, 1999).

Lippke (1995) establishes that many managers limit communication rights of the employees, deriving from the notion that production is mainly a technical matter, thus their business and the business of the engineers and specialists are cherished. These managers are convinced that direct producers can exercise their communication rights in communicating the issues that are not related to work. Of course, such belief is totally wrong.

In literature many a time one encounters cases, when various authors deal with activities of the managers towards their superiors; they are frequently described as behavioural factors in the management. In this context communication with superiors is very highly ranked. However, it is noticed that managers tend to abandon classical upward-downward communication and apply double track communication with their subordinates, as they establish that such communication largely contributes to the accomplishment of the goals of the organization. Further, some such cases are mentioned.

Foreman (1997, p. 18) says “dynamic organizations of the future no longer tend to deal with the transfer of messages down the funnel of

hierarchy, but mainly with building the relationship and development of the group communication, which is based on discussion within the organization and ensuring reception and understanding of messages”.

#### *4.1.2 Communication of organizations with the environment*

Every living being is in constant interaction with the environment, to which they are adapting through the communication process, and vice versa, they are adapting the environment to their needs. (Mumel, 1998). Van de Ven (1976) claims that communication provides for the most suitable grounds for constructing the theory of relations between the organization and the public. Communication with the environment can assist the organization in recognizing the most important components of the environment and by applying strategically guided communications it influences organizational relations with the environment (Ašanin Gole, 1999).

Drucker (1993) believes the effective performance of the organization largely depends on entrepreneurship, rationalization and on the extent to which the organization manages to integrate in the environment. At the same time he states that the essence of strategic management is responsibility for effectiveness, efficiency and »social responsibility«. Grunig and Repper (1992) mention the situational theory of public, which according to them operationalizes the environment of the organizations in groups:

- that are irrelevant for the organization (organization does not concern them),
- that are natural stakeholders of the organization (are in relation to the organization at the level of consciousness),
- that the organization relates to and are aware of that themselves (conscious public) and
- that are aware of the problem and get organized in order to solve it (active public).

“By communication the organizations create and reproduce public opinion, while they themselves are considered among the publicly communicating subjects” (Verčič and Ruler, 2002, p. 739).

Organizations can strategically plan programmes of communicating with public when they have identified the public that can limit or even stop the processes of accomplishing their mission. Strategically planned communication with public can assist organizations in managing their mutual dependence on the public or the environment (Verčič and Grunig, 1998). Razpet (1999) claims that classical communication programmes of organizations that are limited to marketing, are no longer sufficient for reaching business goals of organizations, and that by raising their stakes the results are getting more and more doubtful. He believes that for this reason organizations have to make use of the new media, that they should develop their institutional memory and transfer from partial to comprehensive, but not individualized communication.

“Organizations operate in dynamic, changeable and structured environments, on which they depend in one way or the other. Environments should be researched, analysed and considered at planning as well as at carrying out the mission of the organization. The task of the strategic communication management are, as follows: constant search of harmony, coexistence and changeability of the organization in the environment and, consequently the creation and implementation of organizational communication strategies, and simultaneous measurement of the effects and integrating corrections in long-term organizational communication strategies” (Ašanin Gole, 1998a, p. 611).

Rakun (2002) believes that rapid changes in the environment and an increased competition force organizations to recognize the undoubted importance of communication for efficient performance of the organization. The authoress mentions the importance of the so called integral communication, which according to her is organizationally divided in too many services (internal communication, market communication, communication with shareholders), which should be joined in the so called consistent communication of the organizational performance. In her opinion this is especially important in time of the internet surfing, when practically every organization member communicates in one way or the other. She believes the organization

should create the atmosphere of trust through communication, as well. The authoress thinks every organization member should contribute to quality communication, especially the management.

Environmental involvement of organizations necessitates numerous communication activities with various public representatives, among which purchasers are most important, however, the company should by no means neglect other public, with which it should communicate, such as suppliers, stakeholders, local community and a state (Zaletel Strugar, 2003).

Wightman (1999, in Rakun, 2002) believes that various researchers delve in the problem of the manner of integration of communication in organizations. The main problems of communication integration involve organizational structure, quality and education of experts, dealing with communication, and the communication control. The greater the environmental pressures on economic and social operations of the organizations are, the fiercer the campaigns for marketing are initiated by the organizations, through communicating with the environment. However, there is a danger of disguising the facts and reality, which poses an ethical problem (Berlogar, 1999).

#### **4.2 Public relations**

Various authors (Grunig and Hunt, 1984; Jefkins, 1993, Dozier, Grunig & Grunig, 1995; Gruban, Verčič & Zavrl, 1997; Ašanin Gole, 1998) define public relations as a component of governance, as part of the organization communication, as a theory of communication management, as a process of changes of the communication status from the negative to the positive one, as a systematically planned and directed process of influencing the emergence of sympathy of the public, as managing communication between the organization and its stakeholders, as management of changes, as a continuous and planned process of governing and managing changes in an organization and in the environment, and last, but not the least, as managing communication, relations and interests between the

organization and its public, with a view to come to mutual understanding.

To sum up, public relations are a targeted and planned process of an individual organization, which is, especially in the function of managing an organization, intended for external, as well internal public.

## **5 CORPORATE SOCIAL RESPONSIBILITY**

### **5.1 *History of social responsibility***

The term social responsibility was first mentioned in the fifties of the previous century. The crisis of the period somewhat inhibited the contemplations on a socially responsible company, because social responsibility is linked to financial resources, that were simply not available to companies in those times, although this could have assisted them with raising their reputation by re-establishing a positive business flow. In the second half of the 20th century managers were primarily concerned with maximizing profits, which was quite logical, but the question was posed as to the manner of achieving it, and of maintaining the established trend. The principle of maximizing the profit was based on the assumption from the fifties, when many economists believed non-interference in the economic development and market economy provided for further growth. In their assumptions economists have gone even that far that they perceived social responsibility as threatening and attacking the foundations of the fundamental freedom of the society, as established by Golob and Podnar (2002, p. 953); in their view the economists in those times believed the managers and their companies were only accountable to the owners and shareholders of the company, respectively.

The economic boom in the midst of the 20th century encountered an unsurmountable obstacle at the end of the century. It was established that the world resources were limited and could not be indefinitely exploited. The pressure of the consumers were getting greater, and indirectly, the pressure of the governments, as well, and the profits of global economy were clearly disproportionate to the stakes that were invested in the society by this same global economy. We could not specify a single moment in time when this happened, because the process had been dragging on for a longer period of time, when it was realized that some human habits should be changed in order to save this world for the descendants. According to Smith and Higgins (2000, p. 304) at that time new negotiations about the balance of power were entered into, because society outweighed the economy. Embley

(1993, p. 51) described it as the end of American dreams and the start of the new era, in which only those would prosper who would show that they cared.

The beginnings of corporate social responsibility – (here on after: CSR) can be traced in the USA, when in bigger multinational companies a trend of charity donations was observed, followed by the minority assistance, investment in the development of local communities – and consequently, work conditions of the employees improved. In Europe the first wave of corporate social responsibility emerged in Great Britain in the eighties, which coincides with the period of mass unemployment and restriction of social rights, whereas the second wave emerged ten years later, when the focus was narrowed to profit, the importance of personal rewards and the development of intellectual capital. Following the UN conference on the environment and development in 1992 the focus of corporate social responsibility shifted to environmental problematics. Peter Drucker, a famous management theoretician, defined corporate social responsibility as business responsibility (Drucker, 1984).

The levels of development of corporate social responsibility are, as follows:

- Management for maximizing profit (*19th century and the beginning of the 20th century*), the only goal of the companies in this period was to accumulate as much profit as possible within the legal framework.
- Trust management (*the twenties and thirties of the 20th century*); in that period managers were not only accountable for maximizing profit to the shareholders, but also to other stakeholders – the employees, suppliers, and the wider community.
- Management for quality of life (*which began in the fifties*); for this period understanding of the social problems, the accountability of a company to stakeholders and realistic perception of the need for profit was significant (Hay in Gray, v Berlogar, 2000).

## **5.2 Definitions of CSR**

There are at least as many definitions of corporate social responsibility as there are authors writing about it, and they are more or less similar. The most quoted is probably the definition published in 1999 by the World Business Council for Sustainable Development, saying: "Corporate social responsibility is the commitment of business to contribute to ethnic behaviour, to sustainable economic development, working with employees, their families, the local community and society at large, in order to improve their quality of life."

Also the explanation of the European Commission about the corporate social responsibility is frequently quoted, that was published in the so called Green Paper, and states: "Corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment" (European Commission, 2001, p. 5).

Kotler and Lee (2005, p. 3) define corporate social responsibility as: "Commitment of corporations to give something back to communities in the form of their charitable projects."

Duratović (2007, p. 24) believes the essence of one of the simplest definitions of corporate social responsibility says that corporations should assume responsibility for their activities, which influence people, the community and natural environment. The potential negative impacts should be recognized, assessed, and then weighed or lessened, many a time at the expense of a certain part of the profit.

CSR is often related to the term social entrepreneurship, which is becoming one of the key performance and reputation factors of a modern corporation. The management of many corporations has been rising awareness of the fact that by socially responsible activities it is possible, not only to maximize profit, but also its long-term value and to create social benefit. According to Gregorič (2004) such deliberations have become part of the modern vision of a corporation,

which integrates the principles of comprehensive management of quality and business excellence.

However, certain doubts and criticism of the concept of corporate social responsibility are raised, often by managers, who mention endangering competitiveness of a corporation due to the jeopardized profit. For this reason the question of assessing the effects of corporate social responsibility is one of its most problematic points, however, in the last decade some important shifts in this area were brought about (Drapal Pek, Drevenšek and Drapal 2004, p. 132 –133). As all the managers do not perceive corporate social responsibility only as terminating the profit margins, the case of McDonald's director should be presented, who defines social responsibility as the process: "Corporate social responsibility is not a programme, which would start and end. Responsible behaviour is part of us ... It is constant dedication." (Kotler and Lee 2005, p. 7).

As regards the presented definitions of corporate social responsibility it can be established that it provides for the economic effectiveness of a corporation by integrating social and environmental factors in its business activities. A corporation is accountable to all its stakeholders and target public, respectively (employees, consumers, shareholders, local community, the state, NGOs). A corporation is responsible to society and natural environment, in which it operates.

### **5.3 Divisions of social responsibility**

Carroll, who is regarded as a certain guru in the field of corporate social responsibility, and some other researchers share the opinion that the organization should by no means be assessed regarding its business or economic performance only, but also the so called non-economic criteria should be taken into account, as well. Carroll (2000) thus created a four-pillar definition of corporate social responsibility, comprising the following four responsibilities, or phases:

- economic responsibility,
- legal responsibility,
- ethical responsibility and

- philanthropic and altruistic responsibility, respectively (Lantos 2001, p. 596).

Further, individual units of responsibility, as perceived by Carroll (2000), shall be presented, that upgraded his classification.

Economic responsibility of a corporation assumes that a corporation shall be profitable for the owners and the shareholders, as well, whereby it shall provide for qualitative products to consumers at a reasonable price (Lantos 2001, p. 596). Novak (1993) defined seven criteria of economic responsibility:

- satisfying the consumers with products and services of real value;
- generating fair profit in proportion to the stakes of the investors;
- creating prosperity for every stakeholder;
- creating and maintaining new work places;
- overcoming envy by creating upwards mobility and by making conditions, in which individual's economic conditions can improve;
- fostering innovation;
- diversity of economic interests of citizens, in order to prevent supremacy of the majority.

Legal responsibility – legal responsibility stands for the operations of organizations in line with facts and rules of the game. Various laws regulating the management of corporations were adopted, because a corporation does not always trust the other corporations to run business correctly. Laws are not always sufficient for ensuring responsible performance, as they are limited in scope, because it is simply not possible to predict all the situations that may emerge; laws only provide for some moral framework for managing the corporations, they are reactive, prescribing what should not be done and are implemented involuntarily, for fear of punishment, so to say, instead of addressing voluntary internal moral beliefs of the managers of corporations (Lantos,2001, p. 596–597).

Ethical responsibility – the unit of ethical responsibility exceeds all the elements of the previously mentioned unit, the legal responsibility; this responsibility is one of the pillars of socially responsible corporations. Ethical responsibility is about the morality requirement, as well as about appropriate, correct and just business operations. According to Smith (1997) ethically responsible business should respect moral rights of people, avoid social injustice and prevent damage that could be caused to them or others. Carroll (2000) already talks about the fact that ethical responsibility is not necessarily written in laws, however, this segment is being introduced in laws. Social expectations about ethical behaviour are rising from year to year; nowadays companies that are only profit oriented and do not care about the society, cannot succeed anymore. Lantos (2001, p. 598) believes that prosperity of the employees, of the consumers, and others in the business system, as well as the influence on external groups and natural environment are almost as valued as the return to stakeholders today.

Philanthropic and altruistic responsibility, respectively – is a concept in favour of giving back time and money through voluntary services, voluntary connections and voluntary administration. The majority of critics of social responsibility believe this concept to be the cause for disputing the legitimacy of the corporate social responsibility. In the last decades the business evaluation was on the increase, apart from economic and moral business, also as regards the contribution to the society that each individual company makes in one form or the other. In contemporary economy business decisions of companies have short-term as well as long-term influences on many areas of the society (Lantos 2001, p. 598). Philanthropic and altruistic responsibility, respectively, is a wish of companies to work well for the society, regardless of the final outcomes. Philanthropic and altruistic responsibility, respectively, is also often used as a marketing tool for increasing the reputation of the company, which is legitimate, because it helps fulfil its financial obligations (Lantos 2001, p. 600).

The concern started to prevail that corporations should not only fulfil their corporate responsibility towards shareholders, but also towards

stakeholders, also towards employees, consumers, competitors, suppliers, local community, wider public and natural environment.

The basic principles of CSR are, as follows: fair and equal treatment of employees, ethical and fair business, and respect for fundamental human rights, responsible environmental management, diligence in relation to the closer local community and diligence in relation to the wider social environment.

#### **5.4 *Measuring corporate social responsibility***

Measuring corporate social responsibility is extremely complex and is mainly performed by various academic institutions. One practical measurement was instituted by the Reputation Institute at Carroll School of Management. For many years the mentioned institute had been measuring CSR of companies, mainly in the USA, and consequently the model of CSR measurement was developed.

The model is composed of three main dimensions: management, technical and institutional dimension. From the perspective of the management dimension, the perception of the management and the effective performance of the organization is important for the corporate social responsibility; from the viewpoint of the technical dimension, the products and services as well as innovation of the organization are important for CSR. From the perspective of institutional dimension for CSR it is important how a company manages its employees, how it cooperates and integrates in the work of the local community, and the extent to which its conduct is ethical (The most respected U.S. companies 2008, 2008, p. 3).

In the years 2006 and 2007 the survey of the Reputation Institute included only American companies, whereas in 2008 more than 1000 companies from all over the world participated in the survey. The third consecutive and the first international research of this institute set up a new scale of socially most responsible corporations. More than 60.000 public representatives were assessing the companies that were included in the research; thus, the research provided a rather general

picture of the situation of corporate social responsibility (The most respected U.S. companies 2008, 2008, p. 2).

The research results have been provided for the USA companies so far, with Google ranking highest on the scale, with the index (the index stands for the level of CSR as was assessed by the public representatives) 80,84. A wide range of companies was placed among the first ten companies, operating in various areas, from food processing industry to chemistry industry, etc.

The magazine Fortune is very important in the business world, monitoring numerous corporations in various segments. Among the assessed items is also CSR, for which in 2008 as well (also in previous years) the scale of 100 most socially responsible corporations was set up. The first place was occupied by the telecommunications giant Vodafone, whereas regarding individual branches the first place among the ten of them was occupied by the electronic devices and computers branch (Fortune – Most accountable companies in 2008). Fortune also set up the scale of branches (the average of all the organizations in a branch), on which the branch of Energetics, i.e. the supply of energy ranked highest (Fortune – Most accountable companies in 2008).

#### *5.4.1 Dimensions of social responsibility*

The Green Paper of the EU (European Commission, 2001) distinguishes two dimensions of corporate social responsibility (CSR), as follows:

- Intrinsic CSR dimension, comprising investments in intellectual capital, health and safety of the employees, creating conditions for the changed manners of company management and management of natural resources in the production, which has socially beneficial consequences and leads to increased competitiveness of corporations.
- Extrinsic CSR dimension, manifested through creating good relations with stakeholders (local communities, suppliers, partners, consumers, parties and investors, respectively,...) and contributing to the development of the community by

creating new jobs, providing for earnings and tax contributions. Companies are increasingly aware of the fact that their effective performance depends on health, stability and booming of the local environment.

It should be noted that the categories of social responsibility include, as follows:

- quality and product safety (safety of use, ecological integrity, sustainability, guarantee, functionality, ...),
- relations with customers (responsiveness to complaints, information, lending, the fair price of the product ...),
- relations with employees (job satisfaction, incentives and training, equal opportunities, benefits and employment benefits, health and safety at work, ...) charity and concern for people (contributions to culture and cultural heritage, support of the poor, programs for community support, ...),
- relations with the community (development and support of local communities and the environment, relations with the authorities, the public sector, economy or partnership with other companies ...).
- concern for the environment (pollution prevention, energy conservation, natural resource use, nature conservation compliance with nature-conservancy standards, recycling, ...),
- economic impact (economic viability for the benefit of all stakeholders).

In Table 5 some activities shall be presented that are pursued by the companies within CSR.

Table 5: Activities of companies towards individual groups of participants

<i><b>Groups of participants</b></i>	<i><b>Examples of CSR activities</b></i>
--------------------------------------	--

Shareholders and owners	Reporting to shareholders on socially responsible practice.
Employees	Definition of the mission, which also includes non-financial objectives. Striving for increased powers for the employees, solving priority health problems and problems with the protection of employees, support in balancing work, family and personal development of employees, facilitating communication between managers and employees.
Buyers	Monitoring quality, safety and environmental impacts of products and services, immediate response to complaints.
Natural environment	Minimising the negative effects, optimization of manufacturing resources, life cycle analysis of products and services, compliance with environmental values.
Wider community	Philanthropic activities, encouraging entrepreneurial initiatives, employment of the disabled and disadvantaged groups, local culture and traditions, the standard of human rights.
Contractors – suppliers	Environmental values, avoiding the corporate practice of illegal (child labour), risk in the supply chain, socially responsible practices in the supply chain, supplier complaints, ...

### 5.5 *Benefits and criticism of CSR*

Within the socially responsible business conduct some companies advocate the benefits of doing so, whereas some companies are critical of such behaviour. Table 6 presents the benefits and criticisms of socially responsible entrepreneurship.

Table 6: Benefits and criticism of CSR

<b>BENEFITS:</b>	<b>CRITICISM:</b>
<ul style="list-style-type: none"> <li>improved image and reputation,</li> </ul>	<ul style="list-style-type: none"> <li>fad – hypocritical use of the concept</li> </ul>

<ul style="list-style-type: none"> <li>• increased ability to attract capital, partners and customers,</li> <li>• better opportunities to establish and maintain contacts with decision makers, policy-makers and other stakeholders,</li> <li>• higher productivity and quality, encouraging sales and consumer loyalty,</li> <li>• better control and risk management</li> <li>• greater staff loyalty and permanently employed staff</li> </ul>	<ul style="list-style-type: none"> <li>• a tool to promote and enhance the reputation in the society</li> <li>• cover for irresponsible and unethical practices (tobacco industry)</li> <li>• under the disguise of corporate social responsibility companies can gain greater social power, which causes the demolition of the established power in society</li> </ul>
--	---

In order to have the greatest benefit from socially responsible action it is necessary for companies to publicize their activities.

Why do many companies not inform the public about their socially responsible operations? The reasons for such behaviour (no information) are that:

- the management of small businesses believes that this is the domain of large international corporations,
- they believe that this means self-praise and dishonest business promotion,
- the socially responsible action is taken for granted, so companies deem it unnecessary to publicize it to a large extent.

Communicating on socially responsible practices of companies need to be planned strategically and set proactively, and implemented only at the request of the stakeholders for information. In this context the question arises as to who should be acquainted with the socially responsible business practices? By all means, the management, the employees, the media, consumers and all other groups that may form a favourable opinion about the company should be informed.

Below the results of the research on the European companies' investments to support corporate social responsibility are presented. (*Research Observatory of European SMEs, 2002*)

Humanitarian projects are ranked first (55%), followed by sports (47%), and culture, health and social care, (each 33%). The most common form is donation (56%), followed by sponsorship (45%) and marketing campaigns (15%). From investing in CSR European companies largely expected customer loyalty (35%), and improvement of relations with the community (28%). Among European companies there were 24% of such companies, which did not even think of investing in CSR.

What was the status of Slovenian companies?

Sports activities are leading by 46%, followed by culture (36%), humanitarian projects (34%) and education and training (26%). Among the forms of investment prevailed: cash and non-monetary donations (53%), sponsorship (50%) and marketing campaigns (16%). 41% of Slovenian companies largely expected to improve relationships with business partners and investors from investment in CSR. As much as 45% of companies responded that they invested less in CSR due to the lack of funds.

## 6 BUSINESS ETHICS

Ethics is a branch of philosophy that deals with human welfare. People want to realize their full potential as human beings in order to live well in the material and spiritual sense, and to treat others with respect. Aristotle deliberated on ethics as a philosophical discipline, and studied habits, customs and traditions from a scientific point of view. From the very beginning ethics was faced with the problem of how to find a universally applicable criterion, rule or provision, to distinguish the good from the evil. The criterion is the principle by which something or someone is classified, evaluated and decided morally. Criteria can be seen as signposts of moral principles, providing for a framework for orientation in the moral behaviour of individuals and groups.

What is the meaning of the concepts of ethics and morality, what is actually their difference? This was already discussed in the beginning, when were defined.

So far, we have generally defined ethics and morality; when studying the behaviour of individuals and organizations in the business environment, in principle, business ethics is referred to. The morality of a businessman comprises a set of normative rules for decision making, such as a code and standards, prescribing how to act when it comes to benefits, rights and duties to oneself, employees of the organization, as well as the environment in which the organization operates. Ethics and morality of a businessman are closely linked to the organization.

Možina (n.d.) also wrote about business ethics and management noting: "The business ethics of management is considering morality, moral principles and moral decision-making, as well as the criteria and procedures for ethical decision-making of managers. Management morality is a set of normative rules for decision making, such as a code, standards that prescribe what measures the manager should take when it comes to benefits, to his rights and duties, to the employees of the organization as well as to the environment in which the

organization operates. Ethics and morality of management are related to the organization - so we talk about business ethics and morality. Business ethics therefore consists of three levels:

- Business ethics in the environment of the organization – regards the relationship of the organization with business partners and competitors; it is a social responsibility of management, which includes relationships with other individuals, groups and organizations in the environment.
- Business ethics within the organization – comprises the relationships of managers to all staff within the organization, including working conditions and personal development, rewards, co-managing ... managers have plenty of power in comparison with their colleagues; in addition to the status power that comes from the situation, they also have professional and personal power. Power provides the ability to influence colleagues, but also a responsibility for their success, the rights and personal dignity.
- Business ethics and personal ethics – morality of private life or managers and their personal ethics, respectively, has an important influence on the formation of business ethics in an organization, which must consider the interests and values and personal ethics of various individuals within the organization. There is increasing discrepancy between personal ethics of a manager and business ethics of organizations, generating pressure upon the role of a manager within the organization. If this pressure is moderate, it is encouraging, but if it becomes excessive, it can lead to distorted behaviour.”

Možina also notes that, “Successful managerial decision-making must include both, the professional (competition, profitability, and cost) as well as the ethical aspect of decision-making (fairness to the owners, employees and customers). “

### **6.1 Why is business ethics important?**

Business ethics is associated with business success and prosperity of the people. Doing business in corrupt environments is less efficient and definitely more expensive and, therefore, more and more

organizations are committed to higher ethical standards. High ethical standards of business contribute to better performance of employees and to their higher creative, as they operate in a trusted environment where everyone behaves in a responsible manner. Business ethics is important for efficient operations, since the mutual trust is essential for effective business relationships and transactions. If we operate in an environment with lower ethical standards and the mutual trust between business partners is at a lower level, we should be much more careful (checking business partners, additional insurance of payments ...). All this results in increased costs and reduced efficiency, of course. Business ethics is also important within the organization. We spend much of our lives in organizations (at work), in which different activities are linked to individuals, friends and acquaintances, so it is very important how the organization treats people and what are the relationships within it. The high level of ethics in the organization is important for better mutual relations between employees, between employees and managers, for a high level of trust and mutual respect, for the pride of the employees of the undertaking, which increases commitment, loyalty to the company.

Ethical behaviour of the management is expected by a variety of stakeholders, especially the owners, who care if their name associated with companies whose conduct is unfair, questionable, and socially disruptive. In this context the phenomenon of "ethical investment" is interesting, when some investors do not want to become co-owners of businesses, which operate in ethically questionable activities, for example, in the manufacture of tobacco products, weapons or anything like that.

Ethical business conduct is expected today as a matter of course, because the company operates in a given social context and must meet the expectations of the society, which include compliance with laws and moral norms. The company, which does not act accordingly, gets into conflict with the environment easily, and in return does not support it in case of problems.

## **6.2    *Legal framework and ethical conduct***

In every society there are laws and other rules to regulate conduct, prescribing what is permissible and what is not. Ethical conduct is otherwise much related to laws, as a certain behaviour cannot be ethical, if it violates laws and rules in the society; often conduct is reported that was supposedly a legitimate practice, however it is questionable whether it was ethical for all stakeholders. Years ago we could hear the statement of a higher representative of the judicial branch of the government of Slovenia, saying: "Every shit is not a crime." So, unethical conduct cannot simply be equated with illegal activities.

Ethical behaviour helps us pursue our activities in a manner to achieve our goals and objectives of others, and thus a better life. These are positive aspects of behaviour.

If we rely solely on legal solutions, sooner or later some difficulties are encountered, which are presented below:

- vagueness, ambiguity: the laws are often relatively general, allowing for different interpretations, which become clear only with the regulations, or concrete judgments, which become a precedent for similar cases; the implementation of laws in a particular case depends also on the judges, juries, lawyers' skills, mitigating and aggravating circumstances;
- changes in legislation: laws are not static, they may vary in the changed social circumstances; good laws do not interfere with the past conduct, as a rule they are not retroactive, but not excluding (the introduction of audits of privatization firms);
- reactivity and conflicts: when we think about legal solutions in a given case, we usually react to the situation that we find problematic; in principle this is not a good solution, it is better to develop a proactive strategy, by which we are to avoid conflicts with the owners and offer mutually beneficial solutions in advance.

### **6.3 Aspects of ethical conduct**

There are four levels of ethical conduct. At each level some issues emerge that need to be addressed:

- At the level of the whole society - social institutions and social order (what is legitimate business objective, what is a desirable social order, what is the role of state/ government in regulating economic and social relations).
- At the level of organization or a company and the company policy - effects of the company on different groups, such as customers, suppliers, owners, employees, local community (what is the significance of these groups for the organization/ company, what are the obligations of organizations/ companies to it, what attitude should an organization/ company adopt in relation to these groups to achieve its goals).
- At the level of stakeholders/interest groups - the company interacts with different groups (some contracts with stakeholders ensure equality and fairness, which rights in addition to statutory rights of employees should a company ensure, which are the duties of the company and vice versa, how to regulate the management, motivation, rewards and incentives, layoffs).
- On a personal level - attitude to colleagues within the company and their role in this (what are my obligations to them: to be honest, frank, to appreciate their contribution, to allocate the corresponding responsibilities, how are these roles defined, do they meet appropriate expectations of employees, to what extent does a company use the employees as a means to achieve its goals, or does it respect the employees regardless of the tight financial situation).

### **6.4 Ways to improve business ethics**

The reputation of the organization that has been built for many years can very quickly be destroyed; only one scandal or the disclosure of unethical behaviour suffices.

High ethical standards in the organization are in the domain of people, first and foremost, of managers or management or business.

So, what can organizations and management do? One very important measure, according to McGarvey (1994) is to design a code of ethics, which embodies the basic ethical rules. A mere creation of a code of ethics is not enough, if it is not disseminated among people; therefore, it is very important that people know it, that they adopt it, and that they act in accordance with the written ethical rules. Punch (1998) also agrees that the organizations themselves do most to reduce inappropriate behaviour, adding that the state plays a significant role in that, too. The state can and should contribute to the promotion of ethical behaviour by means of the acquis, and institutions responsible for its implementation and ensuring equal opportunities for all organizations. The managers (both the Slovenian and the Croatian ones) attributed the highest role to courts, which must operate efficiently; the important role was attributed to education in the field of ethics, to proactive management of organizations, and stricter laws and regulations with severe penalties. It is interesting that the responding managers think that external control, greater criticism and media attention are not essential in preventing unethical behaviour. Considering all this we could say that the crisis of values is more than obvious, so managers do not rely enough on themselves and on their own judgment.

### **6.5 *Reasons for unethical conduct***

Honesty and fair dealing in the business world provides us with peace of mind, prevents scandals and ensures the reputation of individuals and organizations. Of course, the question arises how to achieve it, because ethics practices in each organization depend on the members of this organization. Often immoral behaviour is due to ignorance, and not to bad intentions. The reasons for inappropriate business conduct can be different:

**Culture of conduct of companies:** Every individual in the organization adapts his behaviour to the environment. The manner, in which the management acts, will sooner or later be adopted by other members of the organization. If the organization regularly practices a certain form of unethical behaviour, its members will be tolerant to such behaviour, they will allow it, so such behaviour or conduct shall penetrate to every corner of the organization and sooner or later all members of the organization shall act accordingly. For example: If it is crucial for the organization to maximize profits, regardless of the manner in which this is done, also with dubious business conduct, and if dubious individuals are financially rewarded for their business performance, then all the members of the organization would start practising such a style of business.

Personality or identity of the managers: People have different characteristics. Some are more economically oriented and their top priority is money, and they would not hesitate violating the fundamental moral principles. Typically, these individuals provide a range of excuses (such are the rules of the game that we do not set ourselves, I did not know that such conduct is wrong, illegal or even criminal, if I hadn't done it, somebody else would have, in the market society everyone has a price, we did not lie, we just did not tell the truth, I did what I was told to do, everyone else is doing this, ...) to justify their actions from themselves and from others. Some individuals perceive the competitive business world as a struggle, in which all the means are allowed to survive or succeed (we beat the competition). Again, other individuals find the behaviour on the verge of morality thrilling or even fun, some like to take risks and indulge in questionable behaviour because they expect to make a profit. Individual managers, who are decisive, committed and act on the edge of the rules are common "heroes" in the organization, as they are acting or have been acting in favour of the organization. However, many a time individuals are under pressure to act in some way, because they are promised rewards for certain behaviour.

Structural characteristics of modern enterprises allow the immoral behaviour in the organization to be more difficult to disclose. Due to the size or complexity of the organization it is difficult to provide

effective supervision, in remote units deviant subcultures may appear, which are difficult to detect; due to communication problems exchange of views is almost impossible; a decentralized organization results in the possibility of lower level decision-taking, thus allowing for more individuals to exercise their ambitions. There are also requirements for unconditional loyalty of the employees, unfortunately, also for morally questionable behaviour.

If all of these reasons are linked to the fact that a modern society is liberal, acceptable to different attitudes, values and beliefs, but also highly competitive in the global situation, we are not surprised that controversial practices of employees can quickly emerge. The fundamental cause of unethical behaviour is greed, the desire for success with minimum effort and, of course, the lack of ethical values.

## **6.6 Fundamental rules of business ethics**

Universal ethical principles would be difficult to create because of cultural diversities. In order to assess the ethical dilemmas Dunfee (1997) formulated eight rules:

- Building on the principles of a prudent master - the commitment to standards of the profession, with all due care, to problem solving and anticipating consequences.
- Confidentiality - the protection and responsible addressing confidential information related to business.
- Commitment to special responsibilities - responsibilities arising from laws, contracts and business relationships (to shareholders, employees and other interested parties).
- Avoiding conflicts of interest - avoiding situations that would indicate the specific interests (financial relationship with customers or suppliers, employment of relatives, receiving awards for recommendations,...).
- Willing subordination to the law - avoiding attempts to circumvent the legislative framework, the excuse that the laws are not good enough or even that other people violate them, too, is inadmissible.

- Acting in good faith in negotiations - open and honest behaviour in all business relationships, it is not allowed to conceal important facts (one must not knowingly promise a delivery or payment, when it is obvious that this is not possible, in advertising or sales one must not misrepresent products, ...).
- Respect for human wellbeing - the highest priority is safety, hazards and risks should be disclosed to suppliers, customers, employees in the environment. Harassment of any kind is not permitted.
- Respect for freedom and constitutional rights of others - preservation of liberties and constitutional rights even when this not explicitly required by laws, and when no legal sanctions apply (note that the organization does not interfere with the privacy of employees).

### **6.7 Areas of business ethics in an organization**

Any decision in the organization has the economic, ethical and legal aspect. In organizations there are areas in which ethical dilemmas are frequently raised. Among such areas there are: employment, privacy in the workplace, discrimination and equal opportunities, sexual harassment, health and safety in the workplace, employee loyalty and disclosure of immoral or illegal acts, insider trading, intellectual property and corruption and bribery.

### **6.8 Business ethics in Slovenia**

In the nineties, in the period of transition, Slovenia witnessed a change of social and political system, economic recession (loss of markets in the former Yugoslavia), structural changes in the economy, collapse of the former system of values .... All these are also the reasons for exposing the ethical dilemmas that are very much reflected in the media with numerous scandals and affairs and almost uncontrolled amassing of fortune, which leads to frustration at the (moral) situation in our country.

The ethical conduct of Slovenian managers and entrepreneurs was researched more after 1995. Glas, Bučar & Hisrich (2002) compared the Slovenian, American and Russian managers and entrepreneurs and found out that the Slovenian managers and entrepreneurs showed a high level of ethical awareness, as they expressed even more ethical views in a number of issues than the American managers and entrepreneurs, while the Russian managers and entrepreneurs in general, are more indifferent to the ethical aspects and clearly reflect mainly the particular ethics of survival in tough business circumstances, at the conflict administration. The same authors also established that:

- the misuse of company funds is largely condemned by all respondents, but more severely the abuse of material resources was condemned than the abuse of services, or time;
- in forgery they are more sensitive for larger amounts;
- the Americans are very susceptible to bribery, in Slovenia and in Russia taking bribes is not approved, however business people understand that in the local conditions, giving gifts to the extent perceived as bribery or at least as "acceleration" of the transaction, is necessary for some operations;
- businessmen do not like, if employees are negligent and if they take too much time for lunch or breaks;
- reduced efficiency at work is not judged strictly by ethical considerations, because it is due to organization of work by the managerial staff;
- they condemn the violation of company policy rather strictly, especially the falsification of internal reports, the company fraud, and the lack of loyalty to the company;
- the Slovenians are relatively hard on people who do not report violations of law or company policy; it is interesting that the American managers are not strict in this regard, much less the Russian entrepreneurs;
- It is interesting that ethical violations in relation to all the staff are condemned very severely by all of them (at least by the Russians), because they know that this deteriorates the relations in a company, worsens the working climate and the efforts of the staff,

- in certain business practices that are new for countries in transition, the attitudes are more ambiguous: the Americans blame conducting business on the basis of internal information, whereas the Slovenian managers not so much, which is due to the logic of our privatization, by which we are all insiders to a certain extent; the Russian entrepreneurs do not mind that explicitly: the Slovenes are strict about the business conduct, by which you attract the colleagues of your competition in order to find out his business secrets, the Americans are less consistent with that, and even half of Russian entrepreneurs do not mind that, either;
- all condemning the issue of business secrets.

## **CONCLUSION**

Organizational culture presents itself as a system of values, attitudes, norms, regulations and beliefs of members of every organization regardless of industry, size or location.

Throughout this book, we have first defined organizational culture and organizational climate, further we have discussed the differences among both and the ways in which they are studied. We have taken into special attention the topics of organizational communication, corporate social responsibility and business ethics as topics directly correlated to organizational culture and organizational climate. As it is pointed out by Gruban (2003) organizational culture influences the ability of the implementation of business strategies, effectiveness of organization, motivation of employees, innovative thinking and abilities of organizations to learn and change.

Without communication within organization and without communicating with the organizational environment organizations cannot operate, that is why we have devoted a special part of this book to communication. Countless research was made about communication and almost all of them found out that there is a correlation between quality of communication and employee satisfaction and other stakeholders thus influencing the organizational performance.

In the midst of the 20<sup>th</sup> century, people started to realize that our resources are limited and that prompted spontaneous turn towards making organizational performance sustainable and oriented into the benefits of the entire society. This is now known as sustainable behaviour, where the key point of this behaviour is sustainability oriented towards all stakeholders, the ones within organization as well as the ones outside the organization. Nowadays, we simply see this as ethical conduct, economic development, improving standard of living for individuals, local communities and communities in general.

We have talked about organizational culture to be a set of values, attitudes and norms, through this we have also talked about business ethics, since we have been faced with the decline of certain traditional values, which is shown much too often in frauds, manipulations and misuse of confidential information. Since business ethics is related to company performance and well-being of people there is always a thin line of how far should a company go being ethical, since we know that this type of business is also much more costly if organization is trying to maintain high ethical standards.

In conclusion, we would like to present some of the research done in the field of logistics that is a part of the service sector in general. In researching, the field of organizational climate and satisfaction of employees Križan (2013) conducted a study government owned company (Slovenian Railways) and found that employees at a managerial level evaluate organizational climate better than employees in the operational sector, although no differences were found between job satisfactions between the two groups.

In another government-owned company, (The Slovenian Post), Gracel (2014) studied the correlation between the dimension of organizational climate, which was named attitude towards quality and satisfaction of customers and found that employees who show better attitude towards quality are the ones who will handle costumers in a way that they present with higher satisfaction with the services they received.

When analysing some dimensions of organizational climate in a larger production company, Nareks (2015) found that employees from the department of logistics evaluate dimensions of operational management and internal communication significantly higher than others within the same company. As a reason for this Nareks (2015) says that employees in this sector are probably better informed about all aspects of business since logistics can have numerous problems if information is not shared in a proper manner, thus creating higher expenses for the company.

In an international trading company, organizational climate was studied by Radanović (2015), results showed that two dimensions, rewards system and career development, are the ones that are evaluated with the lowest average grade, although generally, organizational climate is good within the company. This finding is consistent with the findings within project SiOK, where these dimensions have been evaluated with lowest average grade for several years in a row.

When examining the impact of, organizational communication on job satisfaction of medical workers in one of Slovenian general hospitals, it was found that the highest influence on job satisfaction is related to organizational communication, particular communication with colleagues (11.8%), followed by communication with the environment (9.7%) and communicating with superiors (0.9%). Altogether, 22.4% of variability of organizational communication was explained with this survey (Popović, 2008).

In the context of the study of internal communications within the company, which engages in electricity distribution it was found:

- that employees assess, good relations between employees and management, as one of the most important goals of internal communication,
- that the internal newsletter for employees does not provide the relevant information about developments in the company,
- that the level of information in the enterprise is satisfactory,
- that employees are sure that the information is a privilege of the management,
- that company receives information from employees to the greatest extent on the work carried out and does not receive sufficient information about their ideas and needs,
- that employees preferred to receive information in meetings with leaders,
- that the company to the great extent obtains information from employees mobile phones and phone (Zalokar, 2010).

In a medium sized manufacturing company employees evaluated that their superiors communicate very well with them. They estimate they also very well communicate with their superiors. Employees estimated that their leader is an assertive, righteous, communicative, accurate, honest and trustworthy. It was found that work satisfaction is most affected by variable communication between superiors and subordinates, namely 46.6 %, followed by variable communication with subordinates superiors with almost 43.3 % and that the qualities of leaders that satisfaction at work influence with 10.3 % (Jelen, 2010).

When analysing corporate social responsibility of logistic companies in Slovenia, Kneževič (2013) found that various logistic companies promote themselves as socially responsible, focusing on their costumers first, on the environment second and on employees and the society third.

Ethical relationship between company that produces household appliances and its suppliers was studied by Šuster (2014) who conducted a quantitative research among employees within a purchasing department. The results showed that:

- employees understand that ethical conduct is essential for their business and also that employees are aware of negative consequences that follow unethical conduct,
- accepting gifts is correlated with the value of the gift; gifts of smaller value are acceptable while gifts of higher value should not be accepted,
- in practice, it often happens that employees have to decide what to do about supplier where there is at least one of the potential suppliers their friend or relative, in this case employees have to rely on their inner feelings when making a decision.

Studying organizational culture and climate, organizational communication, corporate social responsibility and business ethics is especially important as a service sector within the context of relationship in the supply chain. Service sector depends on supply chains to function efficiently, making their business in a way that

produces proper quantities with minimal costs and effects on the environment.

## REFERENCES

1. Ambrož, M., Mihalič, T. in Ovsenik, M. (2000). Varnostna kultura in sistem varovanja v organizaciji. V: Dvoršak, A. (ur.) Ljubljana: *Varstvoslovje*, 2(3) 211-228.
2. Angus, L.B. (1993). Masculinity and Women Teachers at Christian Brothers College. *Organizational Studies*, 14 (2), 235-260.
3. Armstrong, M. (1987). *Human Resource Management: A Case of Emperor's New Clothes?* Personal Management.
4. Arnold, D.O. (1970). *The Sociology of Subcultures*. Berkely, Ca.: Glendessary.
5. Ašanin Gole, P. (1998). Delovno mesto v podjetju. Preskok v odnose z javnostmi. *Zbornik o slovenski praksi v odnosih z javnostmi*. Ljubljana: Pristop.
6. Ašanin Gole, P. (1998/a). Strateški komunikacijski management. V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (4), 597-611.
7. Ašanin Gole, P. (1999). Strateško načrtovanje odnosov z javnostmi. V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (4), 544-557.
8. Badelt, C., 1997. Entrepreneurship Theories of the Non-profit Sector. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*. 8(2):162-178.
9. Barkdoll, L. G. (2001). *Individual Personality and Organizatonal Culture* or »Let's Change This Place So I Feel More Comfortable«, <http://www.pamij.com/barkdoll.html>, 16.10.2001
10. Barker, L. L. (1987). *Communication*. New Jersey: Prentice-Hall.
11. Bavec, C. (2002). *Urejenost podjetja – strukture in procesi*. Dopolnilno študijsko gradivo za izredne študente. Koper: Visoka šola za management v Kopru.

12. Berlogar, J.(1999). *Organizacijsko komuniciranje*. Ljubljana: Gospodarski vestnik.
13. Berlogar, J. (2000). *Managerska etika ali Svetost preživetja*. Ljubljana: Fakulteta za družbene vede.
14. Burton, R.M., Lauridsen,J. & Obel,B. (1999). *Tension and resistance to change Organization Climate*. Durham: Duke University.
15. Cappella, J.N. (1991). Mutual adaption and relativity of measurement. In B.M. Montgomery & S.W. Duck (ur.). *Studying interpersonal interaction*. New York: Guilford, 103-117.
16. Carroll, B. A. (2000): *Business & society: ethics and stakeholder management*. Cincinnati Ohio: SouthWestern Collage, 4th ed.
17. Daniels, D. T., Spiker, B. K. (1994). *Perspectives on Organizational Communication, (3th edition)*. Dubuque: WCB Brown & Benchmark.
18. Deal, T.E. and A.A. Kennedy (1982). *Corporate Cultures: The Rites and Rituals of Corporate Life*. London: Addison-Wesley Co..
19. Dozier, D.M., Grunig, L.A., Grunig, J.E. (1995). *Manager's Guide to Excellence in Public Relations and Communication Management*. Mahwah, NJ: Lawrence Erlbaum Associates Publishers.
20. Drapal Pek, D., Drevenšek, M., Drapal, A. (2004): *Odnosi z lokalnimi skupnostmi*. Ljubljana: GV Založba, Zbirka PR.
21. Drucker, P.F. (1984). *The new meaning of corporate social responsibility*. California: Management Review 26 (2): 53-63.
22. Drucker, P. (1993). *Management: Tasks, Responsibilities, Practices*. New York: Harper.
23. Dunfee, T. (1997). *Business Ethics – Study Guide*. The Aresty Institute of Executive Education, Wharton School of Business.

24. Duratović, Amela (2007): *Družbena odgovornost v odnosih z lokalno skupnostjo: primer Salonit Anhovo*. Diplomsko delo. Ljubljana, FDV.
25. Dutton, E.J., Dukerich, J.M. in Harquill, C.V. (1994). *Organizational images and member identification*. Quarterly: Administrative Science, 39, 229-236.
26. Embley, L. L. (1993): *Doing Well While Doing Good*. Englewood Cliffs, New Jersey: Prentice Hall.
27. Evropska Komisija (2001): *Green paper, Promoting an European framework for Corporate Social Responsibility*. Bruselj, Belgija, Evropska Komisija.
28. Foreman, S. (1997). IC and the healthy organization. V: Eileen Scholes (ur.): *Handbook of internal communication*. Grower publishing, 18-26.
29. Fortune – Most accountable companies in 2008 (2008): Dostopno na: <http://money.cnn.com/magazines/fortune/global500/2008/accountability/>, 16. 2 2008.
30. Gačnik, M., Merslavič, M., Zavrl, F. (1999). Odnosi z mediji med ideologijo, normativi in pragmatizmom. Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (4), 609-617.
31. Glas, M., Bučar, B. & Hisrich, R. D. (2002). Ethics and Entrepreneurs: An International Comparative Study. *Journal of Business Venturing*, 18 (2), str. 261-281.
32. Golob, U., Podnar, K (2002): Socialna ekonomija in družbena odgovornost: alternativni globalni anarhiji neoliberalizma? *Teorija in praksa* 39(6): 952-969.
33. Gracel, N.(2014). *Organizacijska klima in zadovoljstvo uporabnikov storitev- primer Pošta Slovenije d.o.o.*: magistrsko delo. Celje; Fakulteta za logistiko.
34. Gregorič, A. (2004): *Direktorji, v upravljanju ni prostora za aroganco. Družbena odgovornost podjetij*. V: Finance št. 222, str. 24.

35. Grönroos, C. (1990). *Service Management and Marketing*. Singapore: Maxwell Macmillan.
36. Gruban, B. (1996). *Poslanstvo podjetja – modrost ali modnost*. Ljubljana: Delo
37. Gruban, B. (1998). Vizija organizacij: poslovni evangeliji, navigacijski simboli ali strateško izhodišče. V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (4), 613-632.
38. Gruban, B. (2003). *Nova managerska teorija ali teologija?* <http://www.dialogos.si/slo/objave/clanki/nova-teorija/indx.print.html>, 25. 07. 2003.
39. Gruban, B., Verčič, D, Zavrl, F. (1997). *Pristop k odnosom z javnostmi*. Ljubljana: Pristop.
40. Grunig, J. E., Repper, F. C. (1992). *Strategic Management, Publics and Issues*. V: Grunig, J. E. (ed.): *Excellence in Public Relations and Communication Management*. NJ: Lawrence Erlbaum Associates, Publishers, 117-157.
41. Herzog, S. (2000). Deviant organizational messages among suspect police officers in Israel. *Policing: An International Journal of Police Strategies & Management* 23 (4), 416-438.
42. Hoecklin, L. (1995). *Managing cultural differences: strategies for competitive advantage*. The Economist Intelligence Unit, Wokingham.
43. Hren, M. (2005). Kriminaliteta menedžerjev. *Kapital revija za naložbo denarja*, 363. <http://www.revijakapital.com/kapital/poslovnefinance.php?idclanka=3094>, 15.2.2009.
44. Hunger, D. J., Wheelen, T. L. (1993). *Strategic Management (4<sup>th</sup> edition)* Reading, Massachusetts: Addison Wesley Publishing Company.
45. Hunt, W. J. (1992). *Managing People at Work, Manager's Guide to Behaviour at Work, 3<sup>rd</sup> Edition*. McGraw – Hill Publishing, Maidenhead.

46. Hunt, T., Grunig, E.J. (1995). *Tehnike odnosov z javnostmi*. Ljubljana: Državna založba Slovenije.
47. Jablin, M. F. (1992). Formal Organization Structure. V: Jablin, M. F. (ur.). *Handbook of Organizational Communicatin (3<sup>rd</sup> Printing)*. Newbury Park. Sage Publications, (389-419).
48. Jefkins, F. (1993). *Planned Press and Public Relations (3<sup>rd</sup> edition)*. London Blackie Academic & Professional.
49. Jelen, M. (2010). *Povezanost vertikalnega komuniciranja in zadovoljstva pri delu v izbranem podjetju*: magistrska naloga. Celje: Fakulteta za logistiko.
50. Kavčič, B. (1994). Razvoj teorije managementa, v *Management*, Možina S., (ur.). Radovljica: Didakta.
51. Kejžar, I. (2003). Komunikativnost organizacijskega sistema za sodobno vodenje podjetja. V: Florjančič, J. (ur.). *Zbornik mednarodne znanstvene konference o razvoju organizacijskih ved*. Kranj: Fakulteta za organizacijske vede, 663-667.
52. Knežević, N. (2013). *Analiza družbene odgovornosti logističnih podjetij v Sloveniji*: magistrska naloga. Celje: Fakulteta za logistiko.
53. Kotler, P., Lee, N. (2005): *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause* . Hoboken, New Jersey: John Wiley & Sons.
54. Koys, D.J. in DeCotiis T.A. (1991). Inductive Measures of Psychological Climate. *Human Relations*, 44 (3), 265-285.
55. Kreps, L. G. (1990). *Organizational Communication, Theory and Practise (2<sup>nd</sup> edition)*. New York: Longman.
56. Križan, A. (2013). *Proučevanje organizacijske klime in zadovoljstva zaposlenih v organizaciji – primer Slovenske železnice d.o.o.*: magistrsko delo. Celje; Fakulteta za logistiko.
57. Lantos, P. G. (2001): The boundaries of strategic corporate social responsibility. *Journal of consumer marketing* 18(7), 595–630.

58. Lippke, L. R. (1995). *Radical Business Ethics*. Boston: Rowman & Littlefield Publishers.
59. Luthans, F. (1995). *Organizational Behavior*. McGraw-Hill.
60. Maddock, S., & Parkin, D. (1994). Gender cultures: How they affect men and women at work in M. Davidson and Burke R.J. (eds.) *Women in management: Current Research Issues*. London: Paul Chapman
61. McGarvey, R. (1994). Do the Right Thing. *Entrepreneur*, April, pp. 64-65.
62. Mesner Andolšek, D. (1995). *Vpliv kulture na organizacijsko strukturo*. Ljubljana: Fakulteta za družbene vede.
63. Mihalič, R. (2008). *Upravljam organizacijsko kulturo in klimo*. Mihalič in Partner, Škofja Loka.
64. Mintzberg, H. (1973). *The nature of managerial work*. New York: Harper & Row.
65. Mintzberg, H. (1979). *The Structuring of Organizations*. New York: Prentice-Hall, Inc., Englewood Cliffs.
66. Moran, E. T. and Volkwein, J. F. (1992). The cultural approach to the formation of organizational climate. *Human Relations*, 45, 19-47.
67. Možina, S. (b.l.). Poslovna etika in management. [www.delavska-participacija.com/clanki/ID000808.doc](http://www.delavska-participacija.com/clanki/ID000808.doc), 17.2.2011
68. Možina, S., Tavčar, M., Kneževič, A. (1995). *Poslovno komuniciranje*. Maribor: Založba obzorja.
69. Možina, S., Tavčar, M., Kneževič, A. (1998). *Poslovno komuniciranje*. Maribor: Založba obzorja.
70. Mumel, D. (1998). Tržno komuniciranje v konkurenčnem okolju – nujnost integriranega pristopa. V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (4), 660-670.
71. Mumel, D., Leber.S. (2002). Oglas za delovno mesto – pomemben a zanemarjen institut komuniciranja. V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (5), 786-803.

72. Musek Lešnik, K. (2006). *Kaj je organizacijska klima*. <http://www.ipsos.si/web-data/Templates/podjetje-klima-kajjeorganizacijskaklima.html>, 22.2. 2011.
73. Musek Lešnik, K. (2006a). *Razlikovanje organizacijske klime in kulture*. <http://www.ipsos.si/web-data/Templates/podjetje-klima-razlikovanjeorgklimeinorgkulture.html>, 10.2.2009.
74. Nareks, A. (2015). *Analiza nekaterih dimenzij organizacijske klime v oddelku logistike proizvodnega podjetja*: magistrsko delo. Celje; Fakulteta za logistiko.
75. Neal, A., West, M., Petterson, M. *An Examination and Interactions between Organizational Climate and Human Resource Management Practices in Manufacturing Organizations*, Aston University. <http://www.abs.aston.ac.uk/rp0003>, 30.12.2004,
76. Newbold, T., Scholes, E. (1997). *Turning Strategy into Action*. V: Eileen Scholes (ed.): *Handbook of internal communication*, Gower publishing, 97-219.
77. Novak, M. (1993): *The catholic ethic and the spirit of capitalism*. New York: The Free Press, Toronto: Maxwell Macmillan Canada, New York [etc.] : Maxwell Macmillan International.
78. Organizacijska klima v Sloveniji (2004), *Poročilo za leto 2003*, [http://lebinca.com/projekt/porocilo\\_2003\\_klima\\_podjetje.pdf](http://lebinca.com/projekt/porocilo_2003_klima_podjetje.pdf), 11.10.2013
79. Ovsenik, M., Ambrož, M. (2000). *Ustvarjalno vodenje poslovnih procesov*. Portorož: Turistika, Visoka šola za turizem.
80. Polutnik, B. (2003). *Komuniciranje policistov s kršitelji cestnoprometnih predpisov*. Diplomsko naloga. Ljubljana: Visoka policijsko-varnostna šola.

81. Polutnik, B. (2009). *Organizacijska klima*. [http://www.mojstatus.si/index.php?option=com\\_content&task=view&id=41&Itemid=33](http://www.mojstatus.si/index.php?option=com_content&task=view&id=41&Itemid=33), 13.2.2009
82. Popović, L. (2008). *Vpliv organizacijskega komuniciranja na zadovoljstvo zdravstvenih delavcev pri delu*: magistrska naloga. Koper: Fakulteta za management.
83. Potter, L. R. (1999). Strateško komuniciranje: Vzroki in posledice organizacijskega komuniciranja. V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (4), 558-563.
84. Punch, K. F. (1998). *Introduction to Social Research: Quantitative and Qualitative Approaches*. London: Sage.
85. Radanović, M. (2015). *Organizacijska klima v mednarodnem trgovskem podjetju*: magistrsko delo. Celje; Fakulteta za logistiko.
86. Rakun. M. (2002). Organizacijski vidiki integracije komuniciranja: Ali je potrebno komuniciranje centralizirati? V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (5), 804-826.
87. *Raziskava Observatory of European SMEs, 2002*. [http://ec.europa.eu/enterprise/policies/sme/files/analysis/doc/execsum\\_2002\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/analysis/doc/execsum_2002_en.pdf), 3.5.2011.
88. Razpet, A. (1999). Upravljanje blagovnih znamk: Oglaševanje, odnosi z javnostmi ali celovito komuniciranje? V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (4), 592-600.
89. Read, W. (1977). Upward Communications in Industrial Hierarchies. V: Lyman, W. Porter in Roberts (ur.). *Communications in Organizations*. New York: Penguin Books, 275-292, prvič v *Human Relations* (15), 1962, 3-16.
90. Reichers, A. E., & Schneider, B. (1990). Climate and culture: An evolution of constructs. In B. Schneider (Ed.), *Organizational climate and culture*. 5–39. San Francisco: Jossey-Bass.
91. Rijavec, P. (1999). Odnosi z zaposlenimi v storitvenem sektorju: Interno komuniciranje, motiviranje, nagrajevanje in

- opolnomočenje kot predpogoji zadovoljstva zaposlenih in strank. V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (4), 618-628.
92. Robbins, S.P. (1998). *Organizational Behavior*. Printice – Hall International, New Jersey
  93. Roberts, K. H., O'Reilly, C.A., Bretton, G.E., Porter, L.W. (1974). Organizational Theory and Organizational Communication: a communication Failure? V: *Communication in organizations, Penguin Books, Middlesex. England, is Human Relations* (27), 501-524.
  94. Robertson, I. (1987). *Sociology*, 3<sup>rd</sup> ed. New York: Worth Publishers, Inc.
  95. Rozman, R. (2002). Pojmovanje in razvoj managementa. *Management-nova znanja za uspeh*. (Možina, S., urednik), strani 46-82, Didakta, Radovljica
  96. Sathe, V. (1985). *Culture and Related Corporate Realities*. Irwin, Homewood
  97. Schein, H. E. (1992). *Organizational Culture and Leadership*, 2<sup>nd</sup> edition. San Francisco: Jossey – Bass Publishers,.
  98. Schein, H.E. (1997). *Organizational Culture and Leadership*. San Francisco: John Wiley & Sons, Inc.
  99. Slocombe, T.E. (1990). Organizational Culture. *Organizational behavior*. Houghton: Mifflin Company.
  100. Smith, H. N. (1997): *Strong hermeneutics: contingency and moral identity*. London, New York: Routledge.
  101. Smith, W., Higgins, M. (2000). Cause-Related Marketing: Ethics and the Ecstatic. *Business & Society* 39(3): 304-322.
  102. Sonnenfeld, J. (1988). *The Hero's Farewell*. New York, NY: Oxford University Press.
  103. Shockley Zalabak, P. (1999). *Fundamentals of organizational communication: knowledge, sensitivity, skills* (4<sup>th</sup> edition), New York: Longman.

104. Šuster, U. (2014) *.Etični odnos podjetja do dobaviteljev*: magistrska naloga. Celje: Fakulteta za logistiko.
105. Taylor, F.W. (1911). *The Principles of Scientific Management*. Harper and Brothers, New York.
106. Trček, J. (1998). *Medosebno komuniciranje - kontaktna kultura*. Ljubljana: Korona Plus.
107. Treven, S. (2001). *Mednarodno organizacijsko vedenje*. GV Založba, Ljubljana.
108. Trice, H.M. & Beyer, J.M. (1993). *The cultures of work organizations*. Englewood Cliffs: Prentice Hall.
109. The most respected U.S. companies 2008, (2008): <http://smg.bu.edu/vcc/pdf/MostRespectedCompanies2008.pdf/>, 16.12.2008
110. Van de Ven, A. H. (1976). On the nature, formation, and maintenance of relations among organisations. *Academy of Management Review*, 1(4), 24-36.
111. Van Deth, J. W., Scarbrough, E. (1995). The concept of values. *The impact of values* (Van Deth, J. W., Scarbrough, E., urednika). Oxford university press.
112. Verčič, D., Grunig, J. E. (1998). Izvori teorije odnosov z javnostmi v ekonomiji in strateškem managementu. V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (4), 558-596.
113. Verčič, D., Ruler, B. (2002). Refleksni komunikacijski management. V: Lukšič. I. (ur.). Ljubljana: *Teorija in praksa* (5), 739-754.
114. West, M.A., Smith, H., Lu Feng, W., & Lawthom, R. (1998). Research excellence and departmental climate in British universities. *Journal of Occupational and Organizational Psychology*, 71, 261-281.
115. White, J. (1991). *How to understand and manage public relations*. London: Business books limited.
116. Zaletelj Strugar. N. (2003). Vpliv organizacijskih dejavnikov na zadovoljstvo zaposlenih z delom ter organizacijske

posledice. V: Florjančič, J. (ur.). *Zbornik mednarodne znanstvene konference o razvoju organizacijskih ved*. Kranj: Fakulteta za organizacijske vede, 1065-1074.

117. Zalokar, P. (2010). *Interno komuniciranje in zadovoljstvo zaposlenih v Elektru Celje, d.d.*: študija primera: magistrska naloga. Celje: Fakulteta za logistiko.

## **ABOUT THE AUTHOR**

**Irena Gorenak** got her doctoral degree at Faculty of organizational sciences at the University of Maribor. She is currently employed as an associate professor at the Faculty of logistics, University of Maribor. She is head of Centre for career development at Faculty of logistics. Her research work focuses on wider area of human resources management; especially she is focusing through her work on interpersonal relations and communication within organization. She is an author or co-author of several scientific articles and scientific monographs.

