

# THE ORGANIZATIONAL CULTURE - A FACTOR OF STABILITY IN THE BANKING SYSTEM

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**Abstract:** *The organizational culture is the essence of any organization, and its knowledge and identification allow effective adaptation to changes occurring in the internal and external environment. Its main role is primarily to create a balance within the institution, and on the other hand, a balance between the institution and the external environment.*

*Theories on economic organizations have known since the early 60s, a very rapid development – starting from different aspects considered relevant for the study of organizations until radical change of perspective in understanding "The organizational rationality" and a networking of organization to his physical, social and organizational environment.*

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Organizations are social systems characterized by the same requirements as the institutions. The organisations legitimate social actors, but they are also limiting and constraining the same. Parsons applies his theory to cultural and institutional organizations and his interest is the system of norms that regulate the relation between individuals and these entities. In his view, “the rules system is funding the organization evidence, legitimating the most important operating models required to implement and maintain values” (Parson, T., 1960).

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The organizational culture in the banking system is a concept which has been stated recently and significantly influenced the thinking and action of managers and employees, causing significant changes in organizational structures, strategies and a major reconsideration of the role of management on the achievement of strategic objectives and attainment of performance levels.

The importance of studying organizational cultures in the banking system is a very topical one if we consider that they are a crucial vector for achieving strategic objectives and attaining the pursued performance.

Identifying the characteristics and elements of influence in organizational cultures is a constant challenge for both employees and especially for managers who, together with leaders, ensure organizational success in an ever changing economic and financial context, alternating periods of expansion and accelerated development with periods of uncertainty and crisis.

"Currently, there is no consensus either on the term or on the practices of organizational culture. However, in understanding this concept, we are starting from the Latin root of the word culture, largely associated with art and education; from the Latin roots of the verb "colere", from which the word culture derives, which primarily means to cultivate certain things in the sense of taking care of the men to improve their quality. We thus remember what Horace said, who used the sense growing of spirit. Cicero also spoke about culture, but in the sense of educational effort, with significant effect on the fruitfulness of the soul, an effort which - in his understanding – meant the educational process, but also the personal experience of each individual (Isărescu, M., 2013).

In order to implement the strategies and policies of each banking organization it is important to know the environment in which they operate, to identify the types of cultures that manifest and the specific factors of the same, and to analyze their need for change in organizational culture and the strategic implications of such change.

But in order to understand the culture of a banking organization, it is important to know the bank ownership structure, the culture of the country of origin, the organizational structure, the network of subsidiaries, the infrastructure, the people and their values.

Banking organizations' members will reflect on standards regarding value, knowledge and behaviour systems so as to adapt the national cultural elements to the particulars of the organizational culture of the institution they are a part of.

“Generations, in their development, determine the uniqueness of each of the institutional culture. The personality profile of an institution almost cannot be transmitted in time, from one generation to another, through a simple comparison; because the values, the behaviours are changing and not coincidentally”(Isărescu, M., 2013).

The institutional culture of central banks is one of the most consolidated, being validated by the public over several generations and anchored in the tradition of these institutions. Independence, stability, responsibility, integrity, efficiency and professionalism represent the institutional features of many modern central banks, and explain also the reputation and public recognition that they enjoy.

In treating the factors influencing culture regarding organizational structures, it is important to note the cultural network of Johnston that has as a central point the paradigm around which gravitate items such as the stories, symbols, organizational structure, power structures, control systems, routines, and practices and the elements of organizational structures, defined by Lynch, namely: “age, size, environment, centralization / decentralization of decisions, coordination, standardized procedures, organization’s tasks, culture and leadership”(Lynch, M., 2002).

It is important to remember Hofstede's study regarding the perception of the five priority objectives in business: “continuity and power vs. honour, laws and ethics; family welfare vs. responsibilities concerning employees; spirit of competition and creativity vs. patriotism; short-term profit vs. long-term profit; development vs. responsibility towards society. Another important aspect is the role culture plays in work motivation and thus in the organizational structures”(Hofstede, G., 2002).

Lynch proposed the classification of types of organizational structures present in the international banking system, as follows: “small organization structure, functional organizational structure –to which we have identified as a correspondent in the system, the German banking institutions, the multidimensional structure (M form) - specific for the English and French banking system, the matrix organizational structure - found in the banking system of the USA, the structure of holding company–characteristic for the Japanese banking system and the innovative organizational structure - present in various forms in most the banking systems, except those based on traditionalism and resistance to change”(Hofstede, G., 2002).

At the same time, it should be considered the country's cultural and social context in which the organization operates and which marks the organizational structures.

We can say that besides the need to know the social and cultural factors it is important to identify the elements of the organizational structures, the priority objectives in business and work motivation, to establish the adequate structures linked to the organizational strategy.

Only by investigating all the mentioned factors and by understanding the need of change brought to organizational structures, a possible symbiosis between them and the proposed strategies is possible.

The management should consider the knowledge of these elements in establishing the goals and policies, which is possible by integrating responsibility and competence in the organizational structures.

If the restructuring experienced by the banking system in Romania due to the privatization process is taken into account, it is natural to examine to what extent the organizational culture of foreign banks has left its mark on local organizational cultures, the influence factors and the concept of change.

Charles Handy indicates that there are four categories of cultures, respectively the task type culture, the power type culture, the person type culture and the role type culture.

Thus, the task type culture develops in companies where the organization is regarded as a network of tasks which are distributed in relation to the potential of individuals.

The power type organizational culture is highlighted by centralizing power, management and control.

The role type culture is present in organizations where the working environment is meant to be rigorous, organized to the last detail and highly formalized.

The person type culture is characterized by individualism. The individual's interests are above all, the same being the focus of the organization.

A feature of the banking management is the existence of three levels - top managers (presidents, vice presidents), middle managers (heads of departments, having also as subordinates the front-office and back-office managers), first managers (without having as subordinates other managers). Their selection takes into account their abilities, skills and attitude.

We cannot ignore the influence the managers have on the organisational culture. Their managerial skills, preparation, the cultures from which they come, influence the organisational culture directly.

Top managers have the greatest influence who, in the banking system in Romania, come mainly from other cultures and who, by personal qualities influence the attitudes and values of others.

Managers must interact well with people from other cultures, understand their language, the meaning of nonverbal behaviour, to identify cultural style, to possess what in literature is called cultural intelligence.

Another attribute of bank management is the risk component. The management is working continually to diversify portfolios, aiming to obtain maximum efficiency, developing tools and models enabling a permanent adjustment of investment structure, while maintaining a minimum level of liquidity and an adequate policy for the allocation of capital.

Also, for successfully leading banking organizations it is necessary that management use the quality policies as a tool to drive the organization toward continuous improvement of planning, coordination, management, evaluation and control.

The management must constantly adapt business models to market requirements and competitive environment. In the banking system, more than in any other type of society, business models are in constant change, are innovative, accumulate volatility and cutting edge technologies.

In the banking system, leaders must be very familiar with the realities of the organization, to have vision and to be understood by other members about the need for their participation in the changes imposed by the new rules and procedures and the implementation of new strategies.

They are the ones whom the organisation members trust that the changes are beneficial and that each contributes to their realization.

Managers appointed, often driven by personal ambition and the wish to maintain themselves in position, focus on immediate objectives.

Therefore, the leader is the glue between managers and employees, he is the one who shadow guides the organization toward the managers' goals.

We may also consider that in the banking organizations, to carry out profound changes, the three types of leaders are needed, respectively:

- the local leaders who are connected to the organization's realities and without whom, new initiatives, no matter how beneficial for the organization, could not be enforced;

- the network leaders who, in the banking system, are considered the regional directors linking territorial units and central management, and who are bearers and supporters of new ideas and practices, serving to implement them by connecting, informing and training local leaders;
- the executive leaders - department managers or vice presidents / CEOs, who develops banking policies and take responsibilities for achieving objectives and shareholders' strategies.

For the success of the mission, each leader needs the others. Executive leaders need local leaders to move from concept to reality, and to build networks where change related improvements can be made, they need network leaders.

We believe that in the banking system, leaders assume the risks of change, as they are the ones who can influence the results for process improvement by training human resources in the desired direction. They are those who must lead the people to overcome the shock of change, to abandon the old and accept the changes, appreciating and promoting the advantages of the new behaviour that gradually eliminates routine, becoming usual.

The role of leaders is changing, they must create a credible vision on new strategies. Leaders are those who help to form a managerial culture, able to competently lead the organisation members to achieve the performances they committed to.

For management employees, the way the failures are evaluated does not depend on their characteristics in terms of gender, age, experience in the field and seniority in the organization and is not determined by the country of origin for the operating institution major capital.

Managers of Austrian owned banks, even though believe that the operating environment is stable, adapt without any impediment to change.

For the managers of French owned banks, the perception of the domain is different, the same considering the banking environment less stable; they easily accept change, unlike those in the Greek banks, who consider it an elusive goal.

The personnel from the Italian owned banks tend to disagree, regardless of the type of organizational culture found in the institution.

The entire personnel of banks with majority domestic capital (Romanian) converge to agreement, lest in the cultures reluctant to change where there is manifested a slight reversal of convergence.

A competent and efficient bank management must consider the general functions of management, and the subsystems thereof - decision, informational,

organizational, risk management subsystem, human resource management and quality management, time, change and conflict management.

Managerial responsibility in banking system has become extremely important in terms of identifying and managing the risks the system is facing. Thus, complex, advanced management model have been developed to manage such risks, in terms of new measures of banking prudence set by the Basel Committee on Banking Supervision and materialized in a standard capital adequacy, Basel II, focused on three pillars: minimum capital requirements (capital allocation), capital supervision and market discipline.

International organizations have recognized the necessity to implement practices and risk management methods in organizations and the need to supervise the same on consolidated level.

Maintaining financial stability and prudential supervision still falls within the competence of the central banks - National surveillance banks –in the Member States of the European Union, but these tasks shall be taken over in the future by the European Central Bank.

We can say that there is a connection between the organizational culture and the choice of the models used in risk management and assessment of bank performance. In the US, where we meet a culture based on individualism, liberalism and pragmatism, the advanced internal models of risk assessment are applied. In Japanese banks operating in a culture of paternalism, tradition and respect for seniors and which are in a special relationship with the government and economic environment, we continue to see standardized models. The German banking system, opened to change and innovation, has developed internal performant models of risk assessment.

Leaders influence organizational culture, assume responsibility for supporting the desired culture, identify the values and principles they transmit to the members of the organization, promote behaviours established by codes of conduct, apply methods of social and professional integration, and of motivation by using the principles of reward depending on the values of the organization.

With regard to the banking organizations in Romania, subject to constant change due to the requirements of foreign shareholding, the regulations imposed by the Basel Committee and the transnational organizational cultures, we support the need for a new type of leadership to transform organizations by shaping people, by joining new values and cultures, respectively the transformational leadership.

Given the organizational cultures in banking system is which a series of projects that bring great changes are implemented, we believe that a leader who stimulates employees to think in a new way, to be creative and receptive to new things, to provide a new vision on the need for change is necessary.

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