



INFLUENCING ORGANISATIONAL CULTURE BY MEANS OF EMPLOYEE REMUNERATION

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Abstract. The aim of this paper is to particularly define the possibilities of influencing organisational culture by means of employee remuneration. The paper will present the results of research conducted over 2010–2012. The respondent group included 340 organisations operating in the Slovak Republic. The research showed that even though 98% of the interviewed organisations realise the importance and meaning of dealing with the creation and maintenance of organisational culture, only 21–43% have defined an organisational culture strategy in writing within the organisation's strategy.

Keywords: organisational culture, organisational culture strategy, human resources management, the function of remuneration, research, organisations operating in Slovakia.

JEL classification: M14, M54, Q01.

Introduction

Organisational culture is something like the personality of a company. Appropriate organisational culture should be a summary of the ways of behaviour and actions of a company as a whole, as well as its individual employees, on the way to achieving strategic company goals as well as the personal goals of employees. At a general level, climate perceptions are viewed as providing a mediating link between organisational characteristics and employee attitudes, motivation, and performance (Parker *et al.* 2003). Organisational culture, teamwork, and organisational development have a direct and significant effect on organisational commitment (Ghorbanhosseini 2013).

With regard to the fact that the bearers of a change, respectively the bearers of an appropriate organisational culture should include all company employees, who are expected to share and develop strategically necessary ideas,

approaches and values, it is necessary to focus on organisational culture and human resources simultaneously. The possibility of such a simultaneous focus is given by the interconnection of organisational culture and human resources management, which is declared in their common primary role, which means, as Kachaňáková presents: “to create conditions of so called positive behaviour of employees in line with strategic intentions and goals of a company” (Kachaňáková 2010).

The aforementioned implies that it is necessary for a company to ensure concordance, respectively the greatest possible intersection between the values declared within the sustainable development concept, values enforced by a company, and the values of its employees. In order to be able to achieve the greatest possible extent of concordance between human resources in a company and desirable elements of organisational culture declared by a company,

it is necessary to interconnect activities within individual functions of human resources management and required values, approaches, and behaviour at work. Such an interconnection is the key precondition of positive acceptance of an appropriate organisational culture by company employees, its grounding in their behaviour, and the subsequent sharing and extension of organisational values. For this purpose, good examples of leader behaviours may be used, which may in turn effectively motivate employees to follow (Huang *et al.* 2008).

The views of influencing organisational culture by means of the remuneration of employees, which is a function of human resources management adopted by many world as well as domestic authors, are identical, while the remuneration function is often seen as key to building the content of organisational culture (Cagáňová *et al.* 2010; Urbancová 2012; Filip *et al.* 2011; Dudová 2014; Remišová, Búciová 2011).

Brown characterises the remuneration system as a way of unequivocally expressing company values, and the key to comprehending organisational culture (Hitka, Stipalova 2011; Závadský *et al.* 2015).

Remuneration affects employees by means of their motivation, while motivation is a predictor of behaviour and actions of employees at work (Potkány 2008). The basis of creating an appropriate employee remuneration system, which would motivate them to achieve company goals as well as their personal goals, is the precise identification of needs, interests, and value orientation of employees. Human resources managers need to consider issues associated with autonomous motivation, controlled motivation, and motivation as a predictor of employee performance (Ankli, Palliam 2012). Notably, extrinsic rewards need to be used with caution in practice. Appropriate rewards may be comprehended to be a kind of approval and inspiration, however never go beyond surplus (Jiacheng *et al.* 2010). As Kachaňáková states, it is possible on the grounds of such bases and evaluation results to elaborate and carry out a system of financial and non-financial remuneration encouraging the desirable behaviour and performance of employees in line with organisational culture (Kachaňáková *et al.* 2011).

Remuneration in modern human resources management does not only mean a salary, pay, or other forms of financial remuneration provided by a company to an employee as compensation for executed work. The modern concept of remuneration is much broader, including promotion, formal recognition (appraisals), employee benefits

(usually non-financial), provided by a company to an employee independently of their performance only on the grounds of employment or other relation, on the basis of which the given employee works for the given company. Remuneration can include things or circumstances which are not self-evident, e.g. the allocation of an office equipped in a certain way, allocation at a certain workplace, the allocation of a certain machine or equipment (an office with a carpet instead of linoleum, an office in the headquarters building, the allocation of a computer, etc.). Remuneration more and more extensively includes employer-provided education. Besides these more or less material rewards controlled and decided by a company (they are also called extrinsic rewards), increasing attention is drawn to so-called intrinsic rewards. These do not have a material nature and are related to the satisfaction of an employee with executed work, joy brought by work, pleasant feelings resulting from the fact that they can participate in certain activities or tasks, with the feelings of usefulness and success, informal recognition of their environment, with their position, achieving work objectives, and career, etc. Remuneration of this kind corresponds to the personality of an employee, their needs, interests, attitudes, values and standards (Koubek 2006).

Companies thus have a broad range of various tools, which they can use to create a system of remuneration for their employees. In order for it to be appropriate, fair, and motivating, remuneration should be constructed according to the needs of the given company.

1. Material and methods

Our research was carried out in the form of a questionnaire and conducted over 2010, 2011 and 2012 (always between February and May), at the School of Economics and Management in Public Administration in Bratislava and the Faculty of Economics and Management. The questionnaire was distributed in organisations with 50 and more employees. Upon determining a target group, depending on the size of the organisation from the viewpoint of a minimum number of employees, we presupposed that organisations with a number of employees lower than 50 did not have standardized and formally defined approaches to human resources management and to its individual functions. 239 organisations participated in the first phase, and 340 organisations participated in the second as well as the third phases of the research. The summary size structure

Table 1. Size structure of analysed organisations

The number of employees in an organisation	50–249	250–1,000	1,001–5,000	more than 5,000
Share of organisations in % in 2010	60	27	12	1
Share of organisations in % in 2011	68	23	7	2
Share of organisations in % in 2012	69	23	6	2

of the interviewed organisations is shown in Table 1. The collection, classification, and subsequent summarisation of information obtained from this research was carried out every year from June to September. Mathematical and statistical methods were used upon processing, analysis, and comparison of information, and qualitative methods were subsequently used upon the identification and evaluation of information.

A systemic approach for the objective evaluation of knowledge and processes and for the understanding of mutual interconnections and their nature, and for the elimination of details resulting from random events, was used upon the creation of the article and research evaluation. Analysis was used for information collected from literary sources or questionnaires. All the knowledge was dealt with in smaller parts in order to enable a more detailed focus. As for statistical methods, distribution characteristics were used to express the median. Most of the collected values were expressed in % upon the results summarisation. The methods of induction and deduction were used in the article upon deriving the conclusions. The method of comparison was used upon the evaluation of the present state, comparing organisations paying sufficient attention to employee allocation and organisations neglecting it or not dealing with it at all. To evaluate the data, the SPSS 19 statistical programme and MS Excel 2010 were used.

2. Results

Within our research, we were primarily interested in whether management of the interviewed organisations realised the importance and justness of dealing with the creation and maintenance of an appropriate organisational culture. Most of those interviewed agreed on the affirmative answer to this question. Answers to the sub-question “Why?” most frequently included the following reasons: because it increases motivation and willingness to work, which also results in increased performance and effectiveness, while it creates a favourable and productive environment, increases the loyalty of employees, and enhances relationships and the atmosphere of the workplace. It also has a significant impact on the view of customers and the public regarding a company; it is a picture of a company. The aforementioned answers clearly show that almost all the interviewed considered organisational culture to be a significant and crucial part of the success of a company (Koubek 2004).

Answers to the first questions sounded very positive. However, when we were determining whether the companies had defined an organisational culture strategy within their business strategy in writing, only 21–33% of organisations answered affirmatively (Table 2). If a clearly and comprehensively defined organisational culture strategy is absent, it is very difficult to draw particular parameters and values of organisational culture from it.

Table 2. Spheres covered by elaborated documentation in analysed organisations

Has the organisation elaborated the following documents?	Yes, a written document in [%]			Yes, a non-written form in [%]		
	2010	2011	2012	2010	2011	2012
Mission of the organisation	73	71	65	16	13	14
Strategy of the organisation	76	68	64	17	18	14
HR strategy	54	53	51	24	26	22
Code of ethics	58	53	49	16	18	18
Code of social responsibility	31	23	23	19	20	18
Innovation strategy	39	23	26	23	26	23
Organisational culture strategy	25	33	29	32	26	21

Providing employees with the possibility of participating in business results and having the possibility of using advantages and services provided beyond a legally stipulated obligation give employees the feeling that their company appreciates them and counts on them, thus they give the company room to present itself inwardly and outwardly.

Research results pointed out significant differences within employee categories upon providing individual forms of employee participation in business results (Tables 3, 4, 5, 6). Management had the greatest participation possibilities, with the highest values recorded in all cases and individual options. This difference was most significantly visible in the options of profit share and stock options. Two facts probably affect this state most significantly. First of all, the realisation of company management that managers’ decisions can directly affect a company’s profit in many cases, and they therefore find such remuneration forms motivating. Secondly, these two forms of participation are still not common in organisations operating in Slovakia. In economically more developed countries, these forms of participation are also used as a motivator for lower positions, at which the quality and quantity of executed work increase concurrently with work attitude, as the possibility of employees to participate in these forms gives them the feeling that they “work on their own.” Research showed that the most frequently used motivators that companies use for their employees include remuneration dependent on individual performance, and bonuses dependent on the fulfilment of individual goals, by means of which they want to build a substantial interconnection between individual performance and obtained rewards of employees.

Analysing the employee benefits and services which companies provide beyond statutory obligations, we found

that more than 50% of companies do not provide such employee benefits and services at all. Even though we have recently heard about improving conditions for working mothers and declared support for women to become mothers concurrently with developing their careers, our research showed that only a minimum (1–2%) of the interviewed

companies declared having a children's playground at the workplace. In addition, only in 4%, to a maximum in 8% of companies, are there career break programmes, which are most frequently required by parents of children due to maternity or parental leave, or in the case of health problems of children or other family members. Also, a minimum of companies declared that they provide contributions for child care beyond statutory obligations (Table 7).

Table 3. Forms of participation of management in business results

Which of the following forms of participation in results do you provide?	Management		
	2010	2011	2012
Profit sharing plans	25	25	25
Options on shares	9	9	9
Selectivity of employee benefits	26	26	26
Remuneration dependent on individual performance	67	67	67
Bonuses dependent on the fulfilment of individual goals	45	45	45
Bonuses dependent on the fulfilment of team goals	41	41	41

Table 4. Forms of participation of specialists and technicians in business results

Which of the following forms of participation in results do you provide?	Specialists and technicians		
	2010	2011	2012
Profit sharing plans	9	6	6
Options on shares	2	0	0
Selectivity of employee benefits	21	19	20
Remuneration dependent on individual performance	60	54	56
Bonuses dependent on the fulfilment of individual goals	51	49	50
Bonuses dependent on the fulfilment of team goals	45	44	43

Table 5. Forms of participation of administrative employees in business results

Which of the following forms of participation in results do you provide?	Administrative employees		
	2010	2011	2012
Profit sharing plans	6	6	6
Options on shares	2	2	2
Selectivity of employee benefits	19	19	19
Remuneration dependent on individual performance	62	62	62
Bonuses dependent on the fulfilment of individual goals	41	41	41
Bonuses dependent on the fulfilment of team goals	39	39	39

3. Discussion

The research focused on organisations operating in the Slovak Republic, and showed that although 100% of companies declare that they realise the justness of organisational culture, only 21–33% of them have defined an organisational culture strategy in writing within their business strategies. The given findings also imply that although human resources management theory deals with many forms of financial as well as non-financial remuneration, practice

Table 6. Forms of participation of manual workers in business results

Which of the following forms of participation in results do you provide?	Manual workers		
	2010	2011	2012
Profit sharing plans	5	5	5
Options on shares	2	2	2
Selectivity of employee benefits	13	13	13
Remuneration dependent on individual performance	59	59	59
Bonuses dependent on the fulfilment of individual goals	31	31	31
Bonuses dependent on the fulfilment of team goals	38	38	38

Table 7. Employee benefits and services provided by companies beyond statutory obligations

Which of the employee benefits and services do you provide beyond statutory obligations?	Share of organisations in %		
	2010	2011	2012
Children's playground at workplace	1	0	2
Contributions for child care	13	11	8
Career break programmes	8	4	7
Leave to care for a family member	34	34	37
Pension programmes	45	39	58
Programmes of employment cessation for the purpose of education	23	22	26
Private health care programmes	25	30	26

still predominantly focuses (even exclusively in more than 50% of the interviewed companies) on issues of financial remuneration, i.e. the issue of salaries and payments, their structure, the issues of relations between financial remuneration and performance, salary forms, etc. Only a little attention is paid to remuneration resulting from employment (employee benefits).

The aforementioned clearly implies that it is necessary to focus separately on organisational culture and employee remuneration as well as their mutual possibilities of positively affecting each other. The possibilities of affecting organisational culture by means of employee remuneration and their reasons can be summarised as follows:

Focus on encouraging desirable behaviour of employees upon remuneration

Reason: The justness and key nature of remuneration in relation to affecting organisational culture is primarily given by its focus on quite directly affecting desirable behaviour. A company can have a direct impact on employees and their behaviour in quite a short time by means of remuneration, most frequently financial. Such behaviour influencing is easily recognisable and due to possible fast feedback which is also notable for employees. From a long-term viewpoint, companies can gradually fixate the desirable behaviour of employees in this way, and make it a standardised behaviour norm. However, affecting and influencing the approaches and values of employees themselves is gradual, and it cannot be expected that this process can be accelerated by a company, not even on the grounds of significant financial remuneration. On the contrary, unless the elements of culture are presented to employees sufficiently and in a suitable way, employees can start behaving desirably as a result of remuneration (there will be a certain level of conformity in employee behaviour), however their inner values will not correspond to company values. The company thus records a desirable performance in a short time; however significant sub-cultures, gradually growing stronger, start occurring in the long-term.

On the grounds of desirable performance type, to set employee remuneration criteria in relation to organisational culture elements

Reason: In relation to remuneration, criteria, performance, and organisational culture, it is necessary to focus on which criteria are desirable to reward for achieving a requested performance, complying with organisational culture elements. Velišková provides three variants, respectively bonuses, which can be paid to employees for the fulfilment of requested criteria, with their impact on organisational culture (Lukášová 2010). The first variant is based on the selection of criteria aimed at encouraging individual

performance, i.e. bonuses based on individual performance, which maximises the performance of an individual on the one hand, however it significantly strengthens individualism, and an environment of competition or rivalry is created on the other. The second variant is based on the selection of criteria encouraging team cooperation, i.e. bonuses based on team performance, which enhances team cooperation and the sharing of responsibilities; however such an approach can demotivate an individual with greater performance. This can subsequently result in raised tension within a team, and respectively the occurrence of a sub-culture within the team. The third variant is based on the payment of bonuses resulting from business results. Such remuneration enhances the feelings of fellowship, cooperation, and loyalty of employees; however, it does not have a significant impact on individual employee performance, except managerial bonuses (Lukášová 2010). The given clearly shows that upon remuneration criteria selection it is necessary to consider the impact of remuneration payment on employee performance as well as its impact on organisational culture.

Usage of formal recognition as a remuneration tool encouraging desirable organisational culture

Reason: Recognition, respectively appraisal, whether formal (in front of colleagues or supported by a ceremony, celebration, or status change) or informal (between an employee and their direct superior) also has a significant impact on the identification of employees with organisational culture elements. This has the most significant impact on the engagement and initiative of individuals (Sheehan *et al.* 2014; Zhang *et al.* 2013; Maloney, Stanford 2011), however it also has a secondary impact on the atmosphere inside the company and its teams. While the act of rewarding and appreciation by superiors, as well as getting recognition from colleagues, or obtaining certain status symbols (e.g. allocation of an office, an assistant, a car, a parking place,...) have a particular impact on individuals, the atmosphere among employees is affected by the way of reward presentation (i.e. common participation and the creation of relationships at a ceremony, celebration, etc.).

Usage of education as a tool of remuneration encouraging desirable organisational culture

Reason: Companies, as well as their employees, realise the need of permanent education, which is why it can be used as a reward. This “education as a reward” primarily represents education tailored to the needs of an employee, respectively a team. Outdoor training is most frequently arranged for team “education as a reward.” Companies thus get qualified, motivated and loyal employees.

Usage of organisational culture as a tool for remuneration and motivation

Reason: Organisational culture itself is a significant means of motivation. Companies with solid organisational culture declaring, externally as well as inwardly, its values and particularly its engagement in charity, ecological, or other generally helpful activities, take on a favoured position in the eyes of their employees as well as the public. Employees are proud to work in the given company, which has a positive impact on their performance and behaviour inside of the company as well as outside of it. On the grounds of usage of such a positive organisational culture, it is possible to acquire so-called “3S” employees: Say – they talk about the company positively, also outside of it; Stay – they are interested in staying with the company; and Strive – if necessary, they work for the company beyond the framework agreed in the contract (Zábojníková 2012).

Conclusion

The interconnection of individual human resources management functions and organisational culture is primarily related to the fact that their primary role, as Kachaňáková states, is in fact the same – to create conditions for the so-called positive behaviour of employees in line with the strategic intentions and goals of a company (Kachaňáková 2010). Employee motivation only framed by directives, regulations, and standards and the perception of employees by management as only as a means, results in a situation where employees actually start perceiving themselves in the same way, and they subsequently start behaving accordingly – i.e. they become passive and only carry out activities strictly arising from their employment contract. The aforementioned clearly shows that such employee behaviour is not desirable for a company, and is definitely not its competitive advantage. It is therefore necessary to actively build and declare the company's positive relation to employees and employees' relation to the company. It is necessary for this purpose to set a desired organisational culture. Individual human resources management functions can be used in its implementation, while the remuneration function is often denoted as key in building the content of organisational culture.

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