

Analyzing Organizational Culture in Family Firms Using Dyer's Framework: An Ethnographic Study

Aksar Hamdi T.

Abstract—Organizational culture has become one of the most popular topics in the field of management for the last three decades. Both researchers and managers commonly agree that organizational culture could enhance many aspects of organizational effectiveness. However, researchers seemed to have largely ignored family firms as an object of organizational culture study although they have their distinctive characteristics compared to common firms. By conducting an ethnographic approach, this study explored underlying assumptions representing organizational culture in S Company, one of the biggest family firms in Indonesia. Then, this paper analyzed the type of organizational culture in S Company based on Dyer's framework. The results show that there is no type of organizational culture in Dyer's framework that could precisely describe S Company's organizational culture. Yet, the type of organizational culture in Company S is relatively similar to *laissez-faire* culture based on Dyer's framework.

Keywords—Organizational culture, Family firms, Dyer's framework, Ethnographic study

I. INTRODUCTION

SINCE the publication of Pettigrew's article in 1979 [1], organizational culture has received considerable attention among scholars and practitioners. The growth of articles and books related to organizational culture published in 1980's decade had showed the increasing of attention toward the topic [2]; [3]; [4].

The study related to the topic has still been developing, but organizational culture has commonly been accepted as one of factors that can enhance many aspects of organizational effectiveness. Recent studies showed that organizational culture positively related to organizational financial performances [5]; [6], organizational teamwork [7], employee performance, organizational productivity [8], organizational innovation [9], and many more.

However, researchers seemed to have largely ignored family firms as an object of organizational culture study [10]. Whereas, family firms has its own characteristics distinguishing it to common firms [11]; [12]; [13]. This study tried to fill this gap by giving more empirical evidence about organizational culture in family firms. The purpose of this study is to figure out the underlying assumptions that formed organizational culture and analyze the type of organizational

culture in family firms.

Ethnographic approach was employed to explore underlying assumptions that formed organizational culture in S Company, one of the biggest family firms in Indonesia supplying traditional medicine (*jamu*). The final result of the study is descriptive analysis related to organizational culture in S Company. The descriptive result presented based on Dyer's framework [14], which categorizing organizational culture in family firms depend on some dimensions of their underlying assumptions. Although there is no type of organizational culture in Dyer's framework that could precisely describe S Company's organizational culture, the type of organizational culture in Company S is relatively similar to *laissez-faire* culture based on Dyer's framework.

II. LITERATURE REVIEW

A. Organizational Culture

There is no consensus regarding the definition of organizational culture [15]. However, many researchers in this field adopted the concept of organizational culture developed by [16]. According to [16], organizational culture is:

A pattern of shared basic assumptions that was learned by a group 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 as the correct way to perceive, think, and feel in relation to those problems.

Reference [16] divided organizational culture into three layers. The first layer and the outermost is artifacts, which refer to all phenomena that can be seen, heard, and felt by others who are not the organization member. Included in the artifacts is the architecture of the physical environment; language; technology and products; artistic creations; style, as embodied in clothing, manners of address, emotional displays; stories and myths, the published values, rituals and ceremonies, etc. [16]. The second dimension of organizational culture is values which can be described as the ideal work behavior and outcomes shared by members of the organization. Values seen as the standard of members daily activities [17]. The innermost layer of the organization culture is underlying assumptions, which referred to a concept that has been taken for granted, obtained through repeated success in applying certain values which are believed [16].

Scholars had some different views regarding to the most appropriate way in analyzing organizational culture. Some researchers believed that value is most reliable element that

Aksar Hamdi T. is the student of Master of Science in Management Program, Faculty of Economics and Business, Gadjah Mada University, Yogyakarta, Indonesia

reflecting organizational culture [15]; [18]; [19]. Another researchers considered underlying assumptions as the most appropriate element that can describe organizational culture [14]; [16]. This study referred to references [14] and [16], analyzing the organizational culture from the standpoint of underlying assumptions.

B. Organizational Culture In Family Firms

According to [13], many scholars are trying to define family firms both conceptually and operationally. Although there is no widely accepted definition, most of the definitions explain the importance of the family's role in defining the vision and create a control mechanism used by the company, and create resources and distinctive capabilities. One of the definitions of family firms presented by [12].

Family firms is business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members or the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families

This study preferred to analyze the culture of a family firms based on the underlying assumptions and use the framework developed by [14], who categorized organizational culture in family based on seven dimensions. The first dimension is *the nature of relationships*, which refer to the nature of the relationship between members of the organization, whether to be lineal (hierarchical), collateral (group oriented), or individualistic. The second dimension is *human nature*, which measures how members of the organization are perceived by the leaders, whether considered as trustworthy or not.

The third dimension is the *nature of truth*, which describes how decisions are gained, whether through authoritative figures or through meetings and investigations. The fourth dimension is *orientation toward the environment*, which explains how companies perceive the environment, if the environment must be conquered or the company should harmonize with the environment. The fifth dimension is *the particularism/universalism*, which describes the extent to which members of the organization are treated, whether there are generally accepted standards, or there are some different standards for certain people. The sixth dimension is *the nature of human activity*, which explains whether the members have "doing", "being", or "being in becoming" orientation. The seventh-dimension is *orientation toward time*, which describes whether the organization oriented towards the past, the present, or the future.

Reference [14] then formulated the categorization of organizational culture on family firms into four types based on those dimensions. The types of culture are the paternalistic culture, *laissez-faire* culture, participative culture, and professional culture.

Paternalistic culture. In this cultural pattern, the nature of relationship is hierarchical. Leader, who is a member of the family, has the power and authority to determine all the firm key decisions. Family members do not trust outsiders and always supervise employees. Family members also received special treatment. Employees are required to have "work"

orientation, which meant that employees have to do the work commands from family members without any questions. Regarding to the orientation toward the environment, companies tend to be proactive, usually by developing new markets or products. However, the family may also be a focus on specific markets, and choose to remained in it. Companies with paternalistic culture also has one of the two orientations of the dimension of time.

Laissez-faire culture. This cultural pattern has some similarities with paternalistic culture in term of the nature of relationship, particularism/universalism, the nature of human activity, and orientation toward time. The dimensions that distinguished it to paternalistic culture are its assumptions about human nature and the nature of truth. In this cultural pattern, the company looked at employees as people who can be trusted, and they were given the authority to make decisions. Nevertheless, the main truth includes the mission and objectives of the company remains in family hands. Employees were given the authority to interpret the meaning of the achievement of these goals.

Participative culture. Nature of human relations in this cultural pattern are egalitarian and group oriented. Status and power of family tends to decrease. Employees are considered as trustworthy and given the opportunity to improve their talents and abilities. Employees are not only required to have "doing" orientation, but also involving others to achieve personal growth and development. This pattern also tends to be proactive toward environment. It usually finds the truth and the right decision by listening feedback from employees, based on the view that no one is able to solve all problems faced by the company. Participative culture focus in the present time, but it also has an orientation toward the future. Nepotism and all other similar forms also are no longer applicable.

Professional culture. In this cultural pattern, family members as the owners of the company decided to hand over the management of the company to a professional manager, who is not a family member. The nature of relationships are individualistic, which meant that employees focus on individual achievement and career advancement. The work climate in this cultural type is very competitive. Professional managers are usually has impersonal relationship to their employees and choose to keep being neutral. Employees are evaluated based on their ability to contribute to the company's profit. The involvement of the family owners in the company are often not visible because of the professional manager. The professionals make their decisions based on the results of their years of professional training as the basic consideration in making decisions. The decisions usually related to the creation of various programs aimed at improving efficiency and reducing costs. Employees are encouraged to perform their duties effectively and efficiently. Personal development of employees is a second consideration. Companies with a professional culture is usually reactive toward the environment, or proactive in applying modern management, restructuring the company, or laying off employees.

III. METHODOLOGY

This study is a qualitative study applying ethnographic approach. The steps are used in this study referred to the steps proposed by [20] which are: 1) identify the phenomenon and getting access; 2) determine the setting; 3) selecting informants; 4) collecting data; 5) making field notes; 6) analyzing the data; 7) completing the analysis; 8) out of the field; 9) performing validation; 10) building theory; 11) making an ethnographic note.

The research object of this study is S Company, one of the biggest family firms in Indonesia located in Semarang, Central Java. Most of the board of commissioners and directors of this company are family members. This company has been established since 1951, with the main product is traditional herbal medicine called *jamu*. Recently, the company has 3.453 employees who worked in two large plants in Semarang, Central Java. Those plants are equipped with modern facilities, that make S Company a pioneer in *jamu* industry with pharmaceutical standards. Through some of its products, the company has become a herbal medicine company with the largest market share in its industry.

The data in this study was collected through individual depth interviews using semi-structured interview [21]. Interview conducted to 11 people in 2012 were selected based on purposive random sampling, including plant director, two managers, one secretary, one assistant of public relations department, one plant supervisor, one laboratory staff, and one production staff. In addition, data collection is also done by observation to observe artifacts from the S Company. The data then was analyzed by compiling, disassembling, reassembling, interpreting, and concluding [22].

IV. RESULT

A. Underlying Assumptions in Company S

After conducting field research, it was found that there are five underlying assumptions formed the organizational culture in S Company.

The truths are determined by authoritative figures, but employees are also given autonomy. In S Company, the truth decisions are determined by authoritative figures which is the family members or the owner of the company. The family members still has a lot of involvement and power, especially in making important decisions. Important decisions which are still dominated by the family members, for example are a decisions related to large-scale expenditures, relationships with external parties, and product development.

“The majority idea of the product development both the existing and new product are proposed by the family members. Then the idea are tested by the Research & Development (R&D) Department. Based on the test results, R & D Department can provide recommendations to improve the taste of the product.” (Plant Director)

The involvement of the family can also be seen from some of the artifacts that exist in the S Company such as logos, physical layout, the hero, reward and punishment. Meanwhile, there are some values also shows the family involvement such

as "harmonize the traditional side and continuously improvement", "honesty", and "kinship".

However, employees are given the authority to make decisions although limited to not key decisions. For examples, Human Resource Department (HRD) manager are allowed to do their job descriptions such as giving permit for employee and punishment for absent employees, but for large-scale tasks such as firing employees, they should report and consult it to the director. Another example is the production manager who is also given the authority to carry out his job description, such as proposing the addition of the production machine when the machine available are not sufficient anymore to reach the production target. Managers are also given the authority to repair the broken machines. However, the decision to buy new machines need an approval from the director because it is related to large-scale expenditure.

Proactive toward environment. S Company is seen to be proactive toward the environment, that meant that S Company considers itself are able to control, even conquering the market environment. It can be seen from how companies develop its new products, the process where the R&D department take a central role. At the early stage, *jamu* was sold in original materials that could be consumed by boiling it. Then, it was developed into a pollen, capsule and a tablet, and finally developed into a liquid. Furthermore, S Company is also developing its market to foreign countries such as Malaysia, Singapore, Brunei, Australia, South Korea, Nigeria, Algeria, Hong Kong, USA, Saudi Arabia, Mongolia and Russia.

"We have already strengthening the R&D department in the recent years by recruiting some experts, including pharmacists, doctors, and some chemists. We did it in order to face China in the domestic market, and support our export decision. Yes, we do have a desire to be an international product." (Plant Director)

We are family and respect each other, but family is hierarchy. Through ceremonies and communication patterns, the employees feel that the relationship both among employees and between employees with leaders are like family. However, there remains a hierarchy in the company. It can be seen in the highest structure of the organization, which is still the owner or family member. In this context of the hierarchy, the family and the leaders play the role as father.

"I feel that the superiors in the S Company treat their subordinates with respectful relationship. We are considered as family. For example, the CEO always talk in informal manner when communicate with us, and do not look arrogant. Those make us relax and comfortable when communicate with him, and make people easier to follow his request. I feel that he talk as a same way when a father talk with their son, not as a boss with employees." (Production staff)

The employees have "doing" orientation. In S Company, employees are expected to have "doing" orientation in order to achieve company's objectives, which meant the objectives/commands from the owners or family members. It

can be seen from how companies create or develop new products. In S Company, most of the products developed in the company are proposed by the family members.

Family members also often visit the sub-department of formulation to taste the products that are being developed. If they feel something is missing, both the taste as well as the composition, then they could propose to add composition as they want. In responding to this request, the sub-department of formulation staffs will immediately meet the demand. Furthermore, when employees are given the task from the director, although not of the part of their job description, they will meet the demands. As stated by HRD manager A, although it was not his job description, when the director had asked him to handle the waste problem, he executed the demand.

"It should not be my job, but because the director perceives that I have close relations with the community and the government, I was asked by the director to handle it. Of course I could not refuse it." (HRD Manager A)

We are from the past, but the present must be faced, and the future must be prepared. In S Company, the past, present, and future are considered in balance. As mentioned previously, the company tried to retain some of the traditional things. However, on the other hand, the company also makes continuous improvements, both through innovation and modernization, in order to face the challenges of today and prepare for the future. The harmony of orientation toward time in S Company are represented in the vision and mission statement of the company, "tradition, science, and technology".

The traditional things that are still retained can be seen from traditional recipes of *jamu* that are still used, which is formulated by the founder of the company. The traditional things can also be seen from some of the artifacts that exist in S Company, such as a logo, welcoming outsiders, material objects, and communication patterns. Meanwhile, continuous improvements made by S Company can be seen from the innovations toward the traditional recipe of *jamu* which at the early stage was sold in original materials that could be consumed by boiling it. Then, it was developed into a pollen, capsule and a tablet, and finally developed into a liquid. In terms of continuous improvement, the role of R&D department became so central.

B. Type of Organizational Culture

The results described above showed that the organizational culture in S Company could not be described precisely by the categorization of organizational culture conceptualized by [14]. However, it can be said that the pattern of *laissez-faire* culture is the cultural pattern that comes closest to a set of underlying assumptions found in S Company.

The first underlying assumption, which states "*the truths are determined by authoritative figures, but employees are also given autonomy*" is consistent with *the nature of truth and the nature of human nature* in *laissez-faire* culture. According to [14], in *laissez-faire* culture, companies view employees as people who can be trusted, and they were given

the authority to make decisions. Nevertheless, the main truth includes the mission and objectives of the company remains in family hands. Employees are also given the authority to interpret the meaning of the achievement of these goals.

Second, is the underlying assumption stated "*proactive toward the environment*". This underlying assumption is consistent with *the orientation toward the environment* which becomes the characteristic of *laissez-faire* culture. In *laissez-faire* culture, as stated by [14], the orientation toward environment of the company tends to be proactive, usually by developing new markets or products.

Third, is the underlying assumption stated "*we are family and respect each other, but family is hierarchy*." This underlying assumption is in line with *the nature of relationship* in *laissez-faire* culture. As explained by [14], in *laissez-faire* culture, the relationship both among employee and between employee and the employer is hierarchical.

The fourth underlying assumption is "*the employees have 'doing' orientation*." This underlying assumption is consistent with *the nature of human activity* characterized in *laissez-faire* culture. As presented by [14], in *laissez-faire* culture, employees are required to realize the goals set by family members. Fifth, is the underlying assumption states "*We are from the past, but the present must be faced, and the future must be prepared*." This underlying assumption is slightly different from *the orientation toward time* characterized in *laissez-faire* culture. As described by [14], *orientation toward time* in *laissez-faire* culture only has two orientations of the time dimension.

V. CONCLUSION

The purpose of this study was to explore the underlying assumptions that form organizational culture in S Company. The results showed that there are five underlying assumptions in S Company, which are "*the truths are determined by authoritative figures, but employees are also given autonomy*"; "*proactive toward the environment*"; "*we are family and respect each other, but family is hierarchy*"; "*the employees have 'doing' orientation*"; and "*we are from the past, but the present must be faced, and the future must be prepared*."

The second objective of this study was to analyze the cultural patterns that exist in the S Company. The results showed that there were no cultural patterns that can describe precisely the culture in the S Company. However, the pattern in the S Company culture can be said to be relatively the same as *laissez-faire* culture. This study also has limitations, which only take one object from only one company and industry. Future research needs to explore the organizational culture in other family firms both within the industry and across industries, in order to provide more empirical findings related to this topic.

REFERENCES

- [1] A. Pettigrew, "On Studying Organizational Culture," *Administrative Science Quarterly*, vol. 24, no. 4, 1979. <http://dx.doi.org/10.2307/2392363>
- [2] W. G. Ouchi and A. L. Wilkins, "Organizational Culture," *Ann. Rev. Sociol.* vol. 11, pp 457-83, 1985.

<http://dx.doi.org/10.1146/annurev.so.11.080185.002325>

in Research Resource Center (RRC) Master and Doctorate Program, Faculty of Economics and Business, Gadjah Mada University.

- [3] G. G. Gordon and N. Di Tomaso, "Predicting Corporate Performance From Organizational Culture," vol. 29, no. 6, November, 1992.
- [4] D. R. Denison, "What is the Different between Organizational Culture and Organizational Climate? A Native's Point of View on a Decade of Paradigm Wars," *The Academy of Management Review*, vol. 21, issue 3, July, 1996.
- [5] D. R. Denison, "Bringing Corporate Culture to the Bottom Line," *Journal of Organizational Dynamics*, vol. 13, no. 2, pp. 4-22, 1984.
- [6] E. Flamholtz, "Corporate Culture and the Bottom Line," *European Management Journal*, vol. 19, no.3, pp. 265-275, 2001.
[http://dx.doi.org/10.1016/S0263-2373\(01\)00023-8](http://dx.doi.org/10.1016/S0263-2373(01)00023-8)
- [7] T. H. Cox, S. A. Lobel, and P. L. McLeod, "Effects of Ethnic Group Cultural Differences on Cooperative and Competitive Behavior on a Group Task," *Academy of Management Journal*, vol. 34, no.4, pp. 827-847, 1991.
<http://dx.doi.org/10.2307/256391>
- [8] O. Ojo, "Impact Assessment of Corporate Culture on Employee Job Performance," *Business Intelligence Journal*, vol.2, no.2., 2009.
- [9] T. Buschgens, A. Bausch, and D. B. Balkin, "Organizational Culture and Innovation: A Meta-Analytic Review," *Journal Production Innovation Management*, vol. 30, no. 4, 2013.
<http://dx.doi.org/10.1111/jpim.12021>
- [10] M.C. Vallejo, "A Model to Study the Organizational Culture of the Family Firm," *Small Bus Econ*, vol. 36, pp. 47-64, 2011.
<http://dx.doi.org/10.1007/s11187-009-9175-9>
- [11] R. Donckels and E. Frohlich, "Are Family Business Really Different? European Experiences from STRATOS," *Family Business Review*, vol. IV, no. 2, summer, 1991.
- [12] J. H. Chua, J. J. Chrisman, and P. Sharma, "Defining the Family Business by Behavior," *Entrepreneurship Theory and Practice*, Summer, 1999.
- [13] P. Sharma, "An Overview of The Field of Family Business Studies: Current Status and Directions for the Future," *Family Business Review*, vol. XVII, no. 1, March, 2004.
<http://dx.doi.org/10.1111/j.1741-6248.2004.00001.x>
- [14] W. G. Dyer Jr. "Culture and Continuity in Family Firms," *Family Business Review*, vol. 1, no. 1, pp. 37-50, March 1988.
<http://dx.doi.org/10.1111/j.1741-6248.1988.00037.x>
- [15] L. W. Howard, "Validating The Competing Values Model as A Representation of Organizational Cultures," *The International Journal of Organizational Analysis*. Vol 6, 1998.
- [16] E. H. Schein, "Organizational Culture and Leadership," San Fransisco, Jossey Bass, 2004.
- [17] R. W. Stackman, C. C. Pinder, and P. E. Connor, "Values Lost: Redirecting Research on Values in The Workplace," in *Handbook of Organizational Culture and Climate*, N. M. Ashkanasy and C. P. M. Wilderom ,Ed. Thousand Oaks, Sage Publications, 2000.
- [18] K. S. Cameron, and R. E. Quinn, "Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework," Reading, Addison-Wesley, 1999.
- [19] C. A. O'Reilly III, J. Chatman, D.F. Caldwell, "People and Organizational Culture: A Profile Comparison Approach to Assessing Person-Organization Fit," *Academy of Management Journal*, vol. 34, 1991.
- [20] V. Singh and J. Dickson, "Etnographic Approaches to the Study of Organization," in *Essential Skills for Management Research*, David Pattington, ed. London, Sage Publications, 2002.
- [21] D. R. Cooper and P. S. Schlinder, "Business Research Method," New York, McGraw-Hill, 2014.
- [22] R. Y. Yin, "Qualitative Research from Start to Finish," New York, The Guilford Press, 2011.

Aksar Hamdi T. is currently a student in Master of Science in Management Program, Faculty of Economics and Business, Gadjah Mada University, Yogyakarta, Indonesia. He earned the first degree in Management from the Diponegoro University, Indonesia in 2012. He is also work as a staff