



SELINUS UNIVERSITY
OF SCIENCES AND LITERATURE

**POST-PANDEMIC VIRTUAL OFFICE:
IMPORTANCE OF ORGANIZATIONAL CULTURE FOR
EMPLOYEE ENGAGEMENT IN THE “NEW NORMAL” WORKING
ENVIRONMENT**

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DECLARATION

The dissertation titled "POST-PANDEMIC VIRTUAL OFFICE: IMPORTANCE OF ORGANIZATIONAL CULTURE FOR EMPLOYEE ENGAGEMENT IN THE "NEW NORMAL" WORKING ENVIRONMENT" submitted for the Award 'Doctor of Philosophy in Human Resources Management' at Selinus University of Sciences and Literature, Faculty of Business and Media, is my original work.

"I do hereby attest that I am the sole author of this thesis and that its contents are only the result of the readings and research I have done."

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A handwritten signature in blue ink, appearing to read "A. Giumi".

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ABSTRACT

Before the pandemic, the common belief had been that presence in the office is critical for productivity, employee engagement, morale and corporate culture. Companies, in fact, fought for the prime office space in city centres, invested in modern office design, equipment and technology. However, as the COVID-19 pandemic swept the world in 2020, the way we work probably changed forever. The world faced unprecedented challenges and consequences, as we have not seen before.

In order to prevent the spread of the virus, organizations everywhere were forced to adapt and reshape their working style, in most cases, by moving into the new, online reality. Working remotely has proved to be a positive experience for most employees; they had more flexibility, they saved time and money for commuting and their work-life balance improved. Although remote work is not a new thing, it is a novelty when applied to such an extent: for all employees and every day, as long as the work allows it (e.g. remote work was not possible in production).

Even though organizations managed to adapt successfully and continued working regardless of the office location, once the initial rush of adrenaline eased off, negative effects of the teleworking began emerging; fatigue, burnout, disconnected workforce, loss of organizational culture. This became a new challenge for most organizations, since these factors normally affect employee satisfaction and engagement. And without that, the performance and productivity start deteriorating.

Organizations started realizing how their culture is the glue holding everyone together, the 'secret sauce' for their engaged and successful workforce. Numerous studies have shown, time and again, how important organizational culture is for the overall success of every organization. In order to maintain their competitive edge, organizations

quickly realized that simply adapting to the new way of work would not suffice; they needed to re-think how to glue back all their pieces and bring the culture back to their organization and their new, virtual world.

Key words: COVID-19 pandemic, virtual work environment, organizational culture, employee engagement

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CHAPTER 1 – CONTEXT OF THE STUDY

1.1 Introduction

Challenging global business environment has pushed organizations to rethink their way of working and develop new strategies, which will help them sustain their competitive edge. Rapid changes demand adjustments, not just in the way organizations work, but also in their management style. In order to improve their performance, they need to be able to leave their old behaviour patterns behind and create a culture, which will enable open communication between management and employees, provide learning and development opportunities, encourage innovation and creativity and, most importantly, strong cooperation.

Throughout time, many different names have been given to the subtle, elusive, intangible, unconscious force that comprises the symbolic side of organizations and shapes their behaviour and thoughts of their employees (Owens, 1995). Today there are many different definitions of the organizational culture; however, the central notion is that it is a set of beliefs, norms, values and relationships between employees, which shape their behaviour and reaction to problems, or challenges and define the organization as a whole. It can be described as an organizational personality, since it influences how all employees behave in different situations, from performance standards, customer relationships to results and innovation. Managers, executives and employees would simply describe it as “how things are done around here”. It is a quiet, yet strong influence on how we perceive an organization, whether as an employee or a customer.

The impact of corporate culture on the design and management of organizations has been a recurring theme in contemporary writing about business, particularly so because of the rising tide of global competition. Such impact of culture on organizational performance has held out a tantalizing promise: that culture may be key to enhancing financial performance (Martin, 1992).

It has been recognized as an essential influential factor in analysing organizations in various contexts; its importance to establish competitive advantages, or its impact on organizational performance has engaged several scholars since many years (Dauber, Fink & Yolles, 2012, 1).

Organizational culture can accelerate or slow down organizational creativity and innovation, which is why it can have a direct impact on the achievement of organizational goals. For this reason, it has become one of the most important topics recently, especially since organizational environment is changing constantly, making some cultural elements unsuitable, which makes introducing changes at work harder. This, of course, directly affects organizational success (Črešnovar, 2003, 34).

Organizational culture is the "glue", holding the organization together. One could describe it as a way in which an organization works a system of unwritten rules and common values, norms and set of behaviours in the organization, or all those things that a group of employees recognizes as the main, lasting and identifiable part of an organization (Trompenaars & Prud'homme, 2004, 56).

When the COVID-19 pandemic in 2020 disrupted labour markets all around the world, the way we work changed forever. In order to prevent the spread of the virus, various social measures were adopted, one of them being social distancing. Organizations were forced almost overnight to relocate their business into the new working environment, the online workspace. This brought new challenges; millions of people lost their jobs,

others had to adjust to the new working ways as the work moved online. For some it meant learning new information technology systems, for others it meant more flexibility, working in pyjamas and on the couch.

Adaptation to this new reality was swift. Organizations and employees found their new way of working; they realized that presence in the office is not mandatory in order to get the job done. According to McKinsey research (Boland et al., 2020), 80% of people that were questioned, reported that they enjoy working from home and 41% said that they were more productive than they had been before, while 28% people reported they are as productive. Many employees liberated from long commutes and travel, and have found more productive ways to spend that time, enjoyed greater flexibility in balancing their personal and professional lives, and decided that they prefer to work from home rather than the office.

However, many claim that employee satisfaction is the product of the social capital built through countless hours of water-cooler conversations, meetings, and social engagements before the crisis. The question rises now, whether organizational cultures will erode over time, without physical interaction of employees and is this success of work from home only short-term, since it has been considered temporary.

Namely, organizational culture is a collection of norms, beliefs and behaviours that employees of a certain organization exhibit. It develops and builds with time, as a response to an accumulation of different small epiphanies, achievements, decisions, and group behaviours. It does not change much, let alone fast, rather, it adapts slowly, over time as new patterns of behaviours begin to emerge, or new working styles start developing. However, when the world was moved into new ways of working, organizations forgot about their premise 'how we do things around here', in most

cases, in a matter of days. Their culture remained in the office, while everyone else moved to their homes.

A recent study¹ showed that 51% of senior leaders are worried that work from home will affect their corporate culture. Researchers at Project Include found that remote workers have experienced elevated levels of harassment, work pressure and anxiety over the past year. In a study conducted by researchers at INSEAD, 45% of respondents said camaraderie and teamwork had declined since the start of the pandemic. And in a study of more than 27,000 employees in Japan, researchers found that the more time employees spent working remotely, the lonelier they felt, particularly if they felt unsupported by their managers and co-workers (Hyland, P., 2022). This, of course, directly affects the efficiency, productivity and, in general, employee engagement.

1.2 Research objectives

The COVID-19 pandemic forced organizations around the world to adapt to the new way of working, speeding-up their digitalization processes, transforming and adjusting the way they work and moving into the new, online reality. Remote work in such extent was for most employees a new, different experience, with different conditions and circumstances.

Working remotely is obviously here to stay, at least to some extent. If employees will continue to work in such a setting, without countless moments of face-to-face discussion, meetings and coffee breaks, many experts believe that this will also mean greater disconnection from peers, colleagues, organization and its culture.

¹ Global Survey #6: Globally, how are companies flexing for the future and returning to the workplace?

The main objective of this thesis is to explore how work from home can affect organizational culture and what can be done, so that the culture is not lost. Moreover, the study will examine the importance of organizational culture in relation to the employee engagement. Being physically away from colleagues directly affects corporate culture, since it is their interactions, problem solving and decision-making, water cooler discussions and relaxing moments that make organizational culture as a whole. If all this is removed from the equation, what happens to the culture? And if there is no culture, what happens to employee engagement, when one of its main drivers is gone?

1.3 Research questions

Through research, we will try to see how the new working reality affected organizational culture and what consequences this had for employee engagement. The research will seek to answer the questions such as:

- What is the importance of organizational culture, in general and for employee engagement?
- How did social distancing due to the pandemic affect organizational cultures?
- How did the new (online, remote) work environment affect employee engagement, due to change of organizational culture?

The research will focus on understanding the importance of culture itself and how it affects employees and their engagement within organizations.

1.4 Scope of the study

The study focuses on importance of organizational culture in relation to employee engagement. Many researches described employee engagement as a direct outcome of corporate culture, since it outlines expected behaviours, norms and values. That way employees clearly understand what is expected of them, they feel connected, supported, involved and, finally, engaged.

However, in the post-pandemic 'new-normal' working environment, maintaining that feeling of connection, ties and involvement of all employees, providing support and, thus, keeping employees engaged, became be a challenge. The study will therefore, examine how these new working environments affect engagement of employees and how corporate culture can mitigate the risk of losing that engagement and overall satisfaction.

1.5 Methodological approach

The methodology used in the study is extensive analysis and review of existing literature, aiming for the in-depth understanding and insight into the field. More specifically, the study mostly relied on compiling data and descriptive methods of various literature and studies conducted by Delotte, Gallup, and similar. Throughout the study peer-reviewed articles and journals were examined, various texts and working papers and other published resources relevant to the subject.

CHAPTER 2 – ORGANIZATIONAL CULTURE

2.1 Understanding culture

Nowadays we use the word culture so widely that it is sometimes difficult to explain what exactly it means. The term itself is very complex and comprehensive since it touches upon every aspect of our lives. The fact that there is still no uniform definition about the term only confirms its complexity additionally. This may be because various authors took different ideological, theoretical and methodological approach when studying and defining the term.

The word culture originates from the Latin word "*colere*", which means, 'to grow', 'to build' or 'to cultivate'. As such, culture usually referred to something that is derived from, or created by the intervention of humans – culture is cultivated. With this definition in mind, the word culture is often used to describe something refined or describing the concept of selected, valuable and cultivated artefact of a society (Dahl, 2004, 1).

The term culture originally comes from social anthropology. In late 19th and early 20th century studies of 'primitive' societies (Eskimo, South Sea, African, Native American) revealed ways of life were not only different from those of more technologically advanced areas (of America and Europe) but were often very different from one another. Thus, the term culture was coined to represent "the qualities of any specific human group that are passed from one generation to the next" (Kotter & Heskett, 1992, 12).

The idea that nations have their own, specific culture can be traced back to the end of nineteenth century, when nation states began emerging in Europe. Since then, understanding and conceptualizing culture has changed and evolved immensely.

Kroeber and Kluckhohn (1952) credit E. B. Tylor with the introduction of the word 'culture' into the English language in 1871, although it did not make its way into any British or American dictionary until more than fifty years later. Accordingly, Tylor's definition was a derivation of the contemporary use of the word 'civilization' and was defined as "that complex whole which includes knowledge, beliefs, art, law, morals, customs, and any other capabilities and habits acquired by a man as a member of society" (Kroeber & Kluckhohn, 1952, 81). In 1952, they analysed then available definitions of the term and synthesized 162 different definitions of the word culture into the following:

"Culture consists of patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiments in artefacts. The essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other as conditioning elements of further action" (Bertsch, 2011, 20).

Already in 1958 a more behaviour-based definition of culture was developed. Kroeber and Parsons (1958) defined culture as "transmitted and created content and patterns of values, ideas, and other symbolic-meaningful systems as factors in the shaping of human behaviour and the artefacts produced through behaviour".

Contemporary research has mostly described culture as values, stories, frames, toolkits or categories (Giorgi, Lockwood & Glynn, 2015).

Today, when we hear the word 'culture', we normally think of a way of life of a certain group of people. As such, it refers to a diverse collection of intangible aspects of social life, like language, shared practices, customs, habits, norms, beliefs, values and behaviours. It can also pertain to physical objects of that group of people, such as their technological advances, tools, clothing, eating habits, etc.

However, the essence of the culture is not in its artefacts, tools, or other tangible elements but how members of the group interpret, use and perceive them. Their interpretations and perspectives distinguish one group of people from another. This means that people within certain culture usually interpret the meaning of symbols and behaviours in the same or similar ways.

Linton, one of the earliest scholars in the field, defined culture as configuration of behavioural patterns of learned behaviour, which are shared amongst members of certain society (Manrai & Manrai, 2010, 71). The link between culture and process of sharing learned patterns between generations was mentioned also by Moran, Harris & Moran (2011, 11), who defined culture as adjusting to circumstances and passing this ability to next generations.

In 1983, anthropologist Symington defined culture as a complex combination of knowledge, beliefs, art, laws, morality, abilities and habits, which are expected from each member of the society (Gibson, Ivancevich & Donnelly, 1994, 61).

Živko et al. (2004, 7) believe that culture represents a way of living together, forming values, beliefs and knowledge and striving to eliminate any insecurities. People of a certain society form cultural values, which are their indication of what is important and right. This is what makes culture: an integration of common ideas, relationships, habits and traditions. It is a unique socialization system.

Thomas described culture as an orientation system, universal for a certain society, nation, organization or group. He believed it influences how someone perceives, thinks about, behaves and values his or hers belonging to that group. This means that members of a certain society behave and react in different situations in line with their cultural character, which directly affects their interpretations, thinking and behaviour (Adler, 1997, 17).

Hall defined culture as an open subconscious; he compared culture with an invisible mechanism of control, operating in our minds. He believed that we become aware of this mechanism only if we challenge it (for example, by exposing it to another, different culture). Hall believes that members of a certain culture, society internalize its components and act within the limits of the same. As he put it, "culture has always dictated where to draw the line separating one thing from another. These lines are arbitrary, but once learned and internalised, they are treated as real" (Dahl, 2004, 3).

Spencer-Oatey (2000) extended the concept of culture by introducing new factors (in addition to values, behaviours and artefacts), such as the functions performed by culture. She described it as "a fuzzy set of attitudes, beliefs, behavioural norms, and basic assumptions and values that are shared by a group of people, and that influence each member's behaviour and his/her interpretations of the "meaning" of other people's behaviour" (Spencer-Oatey, 2000, 4).

Inclusion of this element is important, since it not only explains what culture is, but it also describes its function in our everyday life. This significantly expands Hall's definition (i.e. culture having two factors, behavioural and influential) and is important especially when considering cross-cultural interaction or reaction towards products created in a different cultural context (Dahl, 2004, 4).

Hofstede was one of the most important and influential researchers of culture. Apart from a very logical structure, Hofstede's work is generally recognized for a very sound, scientific research design, methodical data collection and a very coherent theory to explain national variations (Kundu, 2009, 49). He defined culture as a "collective programming or software of the mind" that distinguishes members of one group of people from others. He believed that every individual carries within him certain patterns for potential behaviour, thoughts and feelings, which he or she has learned in life. In this sense, he believed culture is a system of collectively held values (Hofstede, 2011, 3).

2.2 Cultural models

Cultural models are defined as molar organizations of knowledge. Their internal structure consists of a core component and peripheral nodes that are filled by default values. These values are instantiated to specific values or left at their default values, when the individual experiences events of any type. Thus, the possibility arises for recognizing and categorizing events as representative of the same cultural model even if they slightly differ in each of their specific occurrences. Cultural models play an important role in the generation of the individual's behaviour (Bennardo & Munck, 2013).

Cultural model is a way of organizing and representing culturally relevant knowledge. They are mental structures and patterns of behaviour that distinguish one culture from another. Cultural models are normally based on joint experience and are shared by the majority of the members of a certain ethnic or social culture. They are connected with the system of values of these cultures. They are usually learned as ready-made structures, and the members of a society may not be aware of them (Iriskhanova, 2022).

Cultural models may be used for identifying global information, detecting cultural bias, making effective use of cultural metaphors, assessing the degree of necessary localisation, avoiding cultural mistakes, and evaluating the effectiveness of international user interfaces.

2.2.1 The Iceberg model

In 1976, anthropologist Edward T. Hall developed the cultural iceberg model, as an analogy for the cultural codes that prevail in any society. He believed that the visible aspects of culture were only the 'tip of the iceberg', while the majority of any culture is below the surface, subconscious and unseen.

Iceberg model consists of three parts or categories, each going deeper into the cultural iceberg.

- (1) Surface culture is the external part of the culture (above water), what we see; it includes behaviours, arts, beliefs, music, food, language and similar. These visible aspects are important, since this is what guides cultures in how they interact and maintain their sense of unity. However, they tend to be fluid also; for example, recipes or games can change over time, even language can change a bit with every generation. For this reason, we can say that the cultural facets of the top 10% of the culture iceberg have a relatively low emotional load. They matter to people, but they can also be changed and altered without fundamentally challenging the existence of a culture or people's ideas about who they are (Muscato, 2022).

In reality, these are just external manifestations of what lies beneath the surface, it is what we see when we are introduced to a new culture. As Hall put it, this is just the tip of the iceberg. In his model, 90% of the culture is hidden under the surface and includes core values, attitudes, deeply held beliefs, ideas, thought patterns,

priorities. These are mostly learned ideas of what is good or bad, acceptable or not.

Hall divided these into two categories:

(2) Unspoken rules are what is hidden under the visible characteristics on the surface.

They take more time for someone to understand. These are:

- Business etiquette
- Social etiquette
- Modesty
- Symbolism of objects, colours and individuals

(3) Unconscious rules are the core and are most difficult characteristics to learn or navigate. Since they are rooted so deeply within a culture, it is difficult even for the members of that culture to articulate or even notice them. They are most critical for someone from the outside to understand and get to know. Examples of unconscious rules are (ULG, 2022):

- Verbal and non-verbal communication,
- Gender
- Concept of death
- Emotional responses
- Thoughts of what makes good leadership
- Sense of time, etc.

Often, different cultural groups share similar core beliefs and values. The main idea is that one can only understand and become familiar with the hidden elements of culture if he or she spends time with and within that culture, meaning, these become visible to the observer through the words we use, how we communicate in general, the laws we enact, and so on.

Figure 1: Hall's Iceberg model



Source: Garcia D. (2014)

2.2.2 The Onion model

In order to describe different layers of the culture, as well as to compare different cultures, Hofstede developed the model of "Cultural onion" (Figure 2). In his view, culture is like an onion: a system that can be peeled, layer by layer, in order to reveal the content (Dahl, 2004, 5). The model illustrates the depth in which cultural phenomena are rooted in people's minds.

The core represents *values* and the underlying cultural assumptions of a certain culture, which does not change much. Even if a part of the core becomes outdated, it can still influence us in the present. Hofstede et al. (2010, 8) understand values as "broad tendencies to prefer certain states of affairs over others". In that sense, values are like feelings, which are perceived as dialectical phenomena between two extreme poles (e.g. good vs. evil, dangerous vs. safe, ugly vs. beautiful). A lot has been written about

the idea that culture is a means of how to face or deal with different situations and problems. Hofstede believes that values are preferred states of certain affairs over others. Different cultures take different approaches in solving problems; the choices and approaches taken actually reflect the values of that group, i.e. culture.

Schwartz (1994, 88), on the other hand, assigns basic values to "desirable goals varying in importance that serve as guiding principles in people's lives". Summing up several definitions, basic values are characteristics for human behaviour that, in implicit agreement of the society, are relevant to be met in order to maintain.

The first layer next to the core are *rituals*. These are defined as "collective activities that are technically superfluous to reach desired ends but that within a culture, are considered socially essential" (Richter, 2016, 5). They are important in the sense of binding people together; however, Hofstede considers them essentially unnecessary.

The second layer are *heroes*. A hero can be a fictive figure, dead, imaginary or real, who possesses characteristics which are highly prized in a culture, and who thus serve as models for behaviour" (Richter, 2016, 5). That way they have an impact or influence the culture. Since they cannot be easily replaced, (compared to symbols) Hofstede placed them in a more inner layer.

The outer layer are *symbols*. They are defined as "words, gestures, pictures or objects that carry a particular meaning that is recognized as such only by those who share the culture. The words in a language and jargon belong to this category, as do dress, hairstyles, flags and status symbols. New symbols are easily developed and old ones disappear" (Richter, 2016, 5). In Hofstede's opinion, symbols can disappear, new symbols can be developed, which is why he placed them in the outermost layer.

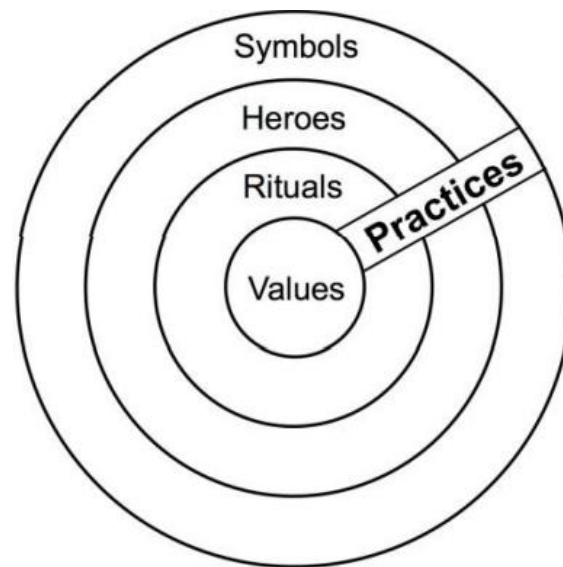
These three layers are the visible manifestations of culture. As mentioned previously, how a group of people accepts, interprets and perceives them, depends on the values of that group, which distinguishes one culture from the other.

With the label *practices*, the model additionally proposes that values are learned within early childhood and persist in a person's mind for a lifetime, as a "mental programming". In contrast, Rituals, Heroes, and Symbols are learned during one's lifetime and change with new practices on the individual level (Hofstede et al., 2010, 10-11).

Hofstede's onion model was very well received in terms of providing basic understanding about the concept of culture and for educational purposes. However, it was difficult to adopt the onion model as a theoretical foundation for research; (1) mostly because of the outstanding characteristic assigned to basic values as referencing point for all other cultural phenomenon types, (2) the idea, that basic values, once established during childhood, generally keep unchanged within an individual's view of the world and, finally,(3) the assumption that basic values are exclusively learned during childhood (without reflection), while all other culture specific perceptions are learned through practice (Richter, 2016, 9).

Hofstede also used the analogy in which culture to a group means the same as personality means to an individual; as such, he defined culture as "the interactive aggregate of common characteristics that influence human group's response to its environment" (Hofstede, 2001, 9-10).

Figure 2: Hofstede's onion model of culture



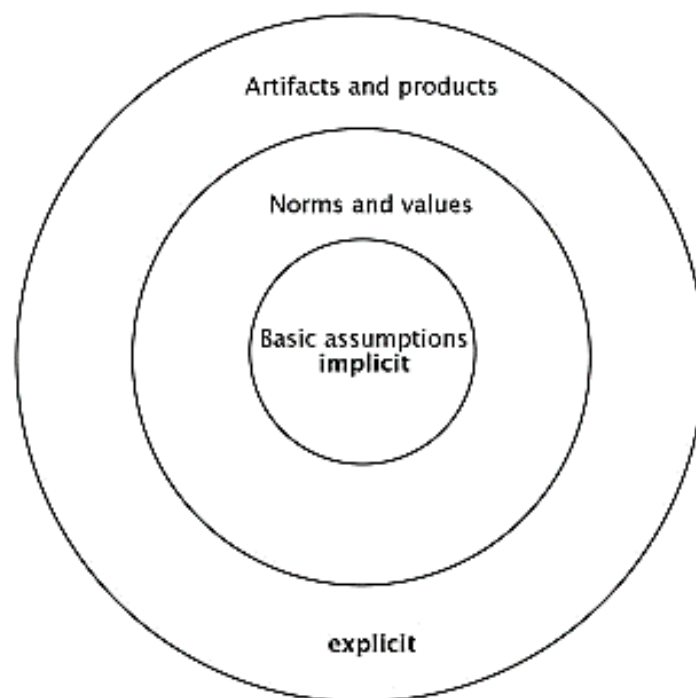
Source: Hofstede et al. (1990, 291)

Trompenaars and Hampden-Turner (1997) also used an onion model, slightly different from the one of Hofstede. Their outer layer, representing *explicit culture*, represents observable products (such as architecture, art language, food), which actually reflects deeper layers of culture. The middle layer is manifested through norms and values, which represent the deepest layer of culture, its core.

Norms are defined as the mutual sense a group has of what is 'right' and 'wrong', whereby they can develop on both formal (laws) and informal (social control) levels. Values are defined as the determinants of 'good and bad' and are closely related to the ideals shared by a group (Trompenaars & Hampden-Turner, 1997, 21-22). They believed that when norms reflect the values is when the culture can be considered as relatively stable. For illustration, they compared norms to the feeling of obligation and values to the feeling of desire or aspiration, in situations when faced with different options and choosing certain way of behaviour.

The core of the culture is presented by *implicit assumptions about existence*. They argued that the most essential value people endeavour is survival. As they put it, cultures evolve in line with certain sets of solutions, which different groups choose when faced with universally shared problems. They believed that, based on geographical distinctions, different collectives developed different sets of logical assumptions (Trompenaars & Hampden-Turner, 1997).

Figure 3: Trompenaars and Hampden-Turner's onion model of culture



Source: Trompenaars & Hampden-Turner (1997, 22)

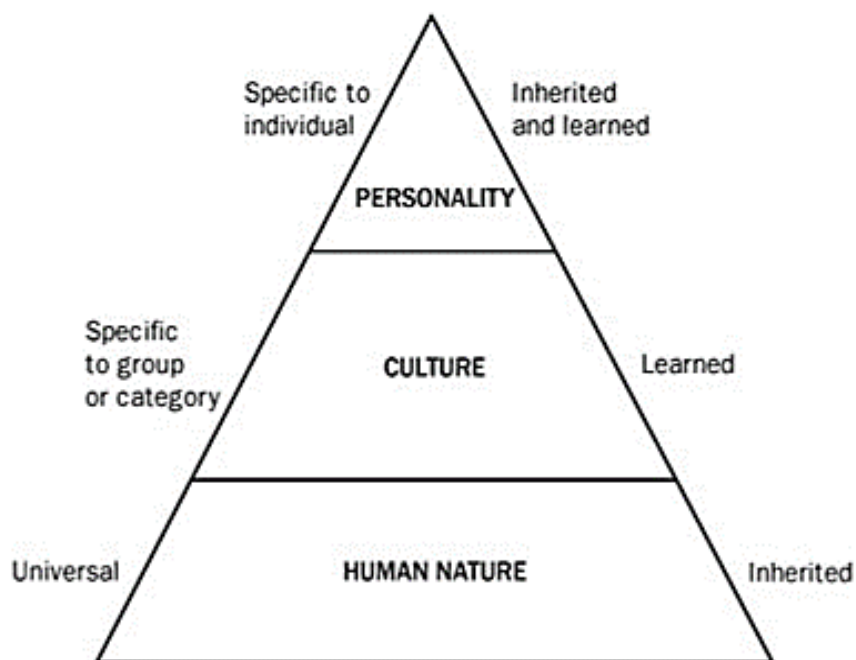
2.2.3 The Pyramid model

The Pyramid model draws on Hofstede's perception of culture as a kind of 'human mental programming', as mentioned above. In the pyramid, he placed culture between the human nature and personality, since he believed it should be distinguished from human nature on one side and from an individual's personality on the other side.

He believed that *human nature* is in common to all human beings, representing the 'universal level in one's mental software'. Using the computer analogy, he described it as inherited 'operating system', determining one's physical and basic psychological functioning. The *personality* of an individual, on the other hand, is one's unique personal set of mental programs that does not need to be shared with any other human being. It is based on traits that are partly inherited within the individual's unique set of genes and partly learned; learned means modified by the influence of collective programming (culture) as well as by unique personal experience (Hofstede & Hofstede, 2004, 22).

Culture, on the other hand, is something that is not passed through genes but collectively learned and shared by a specific category of people (Karreman, Romeo & Li, 2017, 2). Hofstede also believed that the boundaries between culture, personality and human nature are blurred.

Figure 4: Hofstede's Pyramid model



Source: Hofstede & Hofstede (2004, 21)

2.3 Cultural Dimensions

In 1980, Hofstede developed cultural dimensions theory, result of a research conducted between 1967 and 1973. The research was based on a survey of more than 116,000 employees of a multinational corporation IBM, with 38 different occupations from 72 countries in 20 languages. Initially, the analysis included 40 countries, whereby 10 additional countries and 3 multicounty regions were added subsequently (Hofstede, 2001). Later, further studies were conducted, which included responses from commercial airline pilots, students in 23 countries, civil services managers in 14 countries, 'up-market' consumers in 15 countries and 'elites' in 19 countries. Majority of organization had been surveyed twice during a 4-year period, and the database contained over 100,000 questionnaires. Those studies validated prior findings (Shyshatska, 2015, 13). The analysis focused on how different cultures influence values (of employees) and how these differ from country to country. As he explained it, these dimensions regard 'four anthropological problem areas that different national societies handle differently', Initially, Hofstede developed 4 cultural dimensions:

- (1) **Power distance index (PDI)** is defined as "the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally" (Hofstede, 2001, 98). This index shows how different cultures perceive and accept inequality. Hofstede argues that in cultures with high PDI children are raised with an emphasis on respect for elders, which is then carried through adulthood. This means that in those cultures organizations are likely to be more centralized, with wage gaps in the hierarchical structure, where employees prefer a more autocratic leadership style, and are expected to be told what to do. In contracts, in cultures with low PDI inequality is not desired

and employees like to be consulted and involved in decision making and therefore prefer a more democratic leadership style.

- (2) **Uncertainty avoidance** as the second dimension of national culture, is borrowed from the book of Cyert and March *The Behavioural Theory of the Firm* (1963) and is defined as "the extent to which people tend to avoid uncertain or unknown situations" (Hofstede, 2001, 161). This means that in cultures with high uncertainty avoidance people prefer a structured environment with rules and policies in place. On the other hand, in cultures with weaker uncertainty avoidance rules create discomfort, almost fear, and exist only where absolutely necessary. People tend to be more relaxed in these cultures, and work at a slower pace (Ghemawat & Reiche, 2011).
- (3) **Individualism vs collectivism** dimension identifies how people in a society integrate and show preference to the individual over the group. In an individualist culture, people are more independent, they value their rights and recognition of personal initiative and achievement. These cultures expect that people look after themselves and normally they have loose connections with others. Members of collectivist societies clearly distinguish between in-groups and out-groups and are expected to subordinate their individual interests for the benefit of their in-groups (e.g., family, organization). In Hofstede's research, this cultural dimension was shown to strongly correlate with power distance, which means that individualist cultures tend to have a preference for lower power distance (Ghemawat & Reiche, 2011).
- (4) **Masculinity - femininity** dimension is addressed as a societal, not an individual's, characteristic and 'refers to the distribution of values between the genders' (Hofstede, 2011). Hofstede argued that in masculine cultures (e.g.

Japan) dominating values are the ones that we normally ascribe to male roles, such as material success, assertiveness. Feminine cultures, on the other hand, put more emphasis on softer (typically feminine) values, such as empathy, personal relationships, care for others, etc. Hofstede noticed that companies in feminine cultures place a relatively stronger emphasis on employee wellbeing, compared to male cultures, where the main goal of companies was overall performance.

In 1991, M.H. Bond conducted a study among students in 23 countries around the world, using the questionnaire designed by Chinese scholars. As all countries with a history of Confucianism scored near one pole, which could be associated with hard work, the study's author labelled the dimension Confucian Work Dynamism. The dimension turned out to be strongly correlated with recent economic growth, and since none of the four IBM dimensions was linked to economic growth, Hofstede obtained Bond's permission to add his dimension as a fifth to his initial four, the Long-Term Orientation dimension (Hofstede & Bond, 1998).

Long-term vs short-term orientation associates the connections of the past and current or future challenges and shows whether a certain society has a more pragmatic, future-oriented perspective, compared to a more conventional, historic point of view. A lower degree of this index (short-term) means that traditions are honoured and steadfastness is valued. Higher index (long-term) was present in cultures, which believed that adaptation and circumstantial, pragmatic problem solving was a necessity. A short-term country usually had little or no economic development, while long-term oriented countries continue to develop to a level of prosperity.

These five Hofstede dimensions correlate with other country, cultural, and religious paradigms. His work was updated and expanded in 1991, 2001, and 2005 and now it

continues to be widely cited and used by management scholars and practitioners (Shi & Wang, 2010, 94).

2.4 Organizational culture

2.4.1 Evolution of the theory

The field of organizational management and behaviour began to study organizations in relation to culture back in the 1930s, although the overall understanding of the organizational culture remained relatively vague and primitive for some time. Most mid-century attempts at understanding were conducted by scholars steeped in quantitative psychology and sociology, though by the 1970s researchers more explicitly and emphatically appropriated the theories and methods of anthropology. The late-century upsurge of interest in organizational culture is credited largely to the economic conditions of the 1970s when international competition had heightened and more foreign companies were operating factories in the United States. Specifically, the success of the Japanese in many industries sparked curiosity about whether their differing corporate values, attitudes, and behaviours were responsible for their often superior performance. The 1982 publication of Peters & Wasserman's *In Search of Excellence* stirred both popular and professional interest through its suggestion that organizations with strong cultures were more effective (Tharp, 4).

The study and research of organizational culture, as we know it today, began in 1938 with the classic work of Chester I. Bernard *The Functions of the Executive* and the publication of the famous article *On Studying Organizational Cultures*, written by A. M. Pettigrew in 1979, in which studying organizational culture and its processes were introduced and described. Already then, Bernard had said that every organization has

its own system of values. Pettigrew and Bernard were not the first to use the concept of organizational culture to study an organization, though.

Dr E. Jacques was the first to introduce the term 'organizational culture' in the organizational context in his book *The Changing Culture of a Factory*. This was a report of a case study of developments in the social life of one industrial community between April 1948 and November 1950. The subject of the study was a British held company, engaged mainly in manufacture and sale. The study focused on the analysis, development and description of corporate behaviour (Schuneman, 2019). According to Dr Jacques "the culture of the factory is its customary and traditional way of thinking and doing of things, which is shared to a greater or lesser degree by all its members, and which new members must learn, and at least partially accept, in order to be accepted into service in the firm" (Jacques, 1951, 251).

There were other authors, who studied behaviour of employees, such as Roethlisberger and Dickson in 1939, who tried to understand how social interactions influence employees, or Whyte who studied the poor society in Boston in 1943 and then in 1948 social relationships in the hospitality industry of that society.

The closing phase of the Hawthorne studies at the Western Electric Company² marked the final systematic attempt to use a concept of culture to understand the work environment. Although this was an important step in the research, the investigation was rather blunt and the understanding of the culture remained relatively primitive (Tharp,2022).

² Western Electric undertook a large study of worker productivity between 1924 and 1933 at its Hawthorne, Illinois. The "Hawthorne Studies Collection," as it is known today, consists of reports, research papers, and interviews relating to the study, and includes some 300 employee interviews

During this period, different viewpoints and understandings began to emerge among researchers, mostly about how the organizational culture should be studied, both from theoretical and methodological viewpoint. Alvesson and Berg described those discussions and viewpoints as a positive "chaos" and said, that "a collection of different perspectives, definitions and theories, which emerged in this field, as well as loose connections amongst them mean that there is a great theoretical advantage in studying the organizational culture. The fact is that culture is as rich as the life itself, which is why infringing it with absolute theories and rigid frameworks would only decrease its inborn complexity" (Alvesson & Berg, 1992, 48).

Research of that period concluded that organizational culture within organizations is integrated, different and partitioned and they learned that there are numerous levels of organizational culture as well as numerous methods for studying it; all those methods are suitable and depend on what one wants to learn (Martin, 2002).

Defining organizational culture was a difficult task, since it was considered a multidimensional term, with many different meanings. For example, Cameron and Attington developed 18 different definitions of the organizational culture between 1982 and 1986, while Verbeke, Volgering and Hessels developed 54 definitions in the period between 1960 and 1993. Defining organizational culture was difficult also because there was a general confusion about where it comes from. Some argued that organizational culture 'happens', for no particular reason, others believed that it is an enduring manifestation of the founder's leadership style (Fisher, 2000).

There have been numerous debates about how to best describe and define organizational culture. Much of the literature points to the elements, found inside of the minds of organizational members (Schein, 1990). Ott (1989) said, that "an

organization's behaviour and decisions are almost predetermined by the pattern of basic assumptions existing in the organization".

Since researchers could not find a common understanding or definition of the organizational culture, it is hard to present it in a succinct way. Meyerson and Martin (1987) developed a 'three-perspective' framework, in order to better understand the disagreements, which exist among researchers of the culture. As they said, when researching culture of an organization, one often adopts one of the three theoretical perspectives (Martin, 2002, 94):

- (1) Integration perspective focuses on those manifestations of a culture that have mutually consistent interpretations. There is a consensus throughout an organization and the culture consists of that which is clear in the organization. The culture is solid and is seen the same way by most people and ambiguity is excluded.
- (2) Differentiation perspective is opposed to integration and focuses on cultural manifestations that have inconsistent interpretations; the consensus exists on a lower level, labelled 'subcultures'. These can exist in harmony, independently, or in conflict with each other and the ambiguity is transferred to the interstices between the subcultures.
- (3) Fragmentation perspective conceptualizes the relationship among the cultural manifestations as neither clearly consistent nor clearly inconsistent. The main focus of the perspective is the issue of ambiguity rather than clarity and the interpretations of the manifestations are ambiguously related to each other.

Martin (2002, 58) claims that a combination of all three perspectives gives a more comprehensive understanding of the organizational culture and suggests the following definition: "When organizations are examined from a cultural viewpoint, attention is drawn to aspects of organizational life that historically have often been ignored or

understudied, such as the stories people tell to newcomers to explain “how things are done around here”, the ways in which offices are arranged and personal items are or are not displayed, jokes people tell, the working atmosphere (...), the relations among people (...), and so on. Cultural observers also often attend to aspects of working life that other researchers study, such as the organization’s official policies, the amounts of money different employees earn, reporting relationships, and so on. A cultural observer is interested in the surfaces of these cultural manifestations because details can be informative, but he or she also seeks an in-depth understanding of the patterns of meanings that link these manifestations together, sometimes in harmony, sometimes in bitter conflict between groups, and sometimes in webs of ambiguity, paradox, and contradiction.”

Organizational culture became a business phenomenon in the early 1980s, triggered by four seminal publications (Onday, 2016):

- Theory Z: How American Business Can Meet the Japanese Challenge, by Ouchi (1981)
- The Art of Japanese Management: Applications for American Executives, by Pascale and Athos (1982)
- Corporate Cultures: The Rites and Rituals of Corporate Life, by Deal and Kennedy (1982)
- In Search of Excellence: Lessons from America’s Best Run Companies, by Peters and Waterman (1982)

Another reason for increasing interest in the organizational culture was realisation of many managers that old-school motivational approaches are no longer efficient, which triggered intensive study of individual’s values in the developed world. The solution

became shaping organizational culture with which employees were able to identify (Rozman & Kovac, 2012, 286-287).

There is no unified standard for understanding and studying organizational culture, because that same standard depends on our purpose of the study in an organization or any other institution. In the late 1990s and until today, organization culture remained an "important aspect of an organization and its management" (Alvesson, 2011, 11).

2.4.2 Defining organizational culture

Every year, 'Fortune Magazine', in collaboration with their research partner 'A great Place to Work', lists the "World's best Workplace", which is based on things like opportunities, perks, innovation at work. What is important here is not the titles, fancy projects, or bonuses; it is about what all those companies on the top of the list have in common. It is not about ping pong tables, breakfasts or conference trips. It is that, within their walls, there is a culture based on trust, pride and community (My New Desk, 2019).

In 1985, Schein developed a definition, which was well received by the scholars in the field. He defined it as "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 as the correct way to perceive, think, and feel in relation to those problems" (Moretti, 2017, 24-25).

There are many different interpretations and definitions of organizational culture, but majority of organizations recognised it as an 'invisible asset' that is supposed to be shared, learned and transmitted (Yusof & Ali, 2000, 60).

Organizational culture has been defined in several ways by various authors. Broadly, it can be defined as 'a set of common understandings' (Becker & Geer, 1970).

Deal and Kennedy (1982, 15) defined organizational culture as "a system of informal values that spells out how people are to behave most of the time".

Morgan (1986) believed it to be an important tool for the organizations to reside in the ideas, values, norms, rituals and beliefs in order to sustain organizations as socially constructed realities. He also considered it an important mechanism for channelling information and messages that help differentiate between allowed and accepted and non-accepted behaviour patterns. According to Shen and Lawson (1998), organizational culture is not just any values, thoughts, feelings, but rather the unifying patterns that are shared, learned, aggregated at the group level and internalized only by organizational members.

Huczynski and Buchanan (1991) believed that all the policies, decisions and even success of an organization are determined by its culture. For example, if the organization values customer service, its employees will become customer oriented, dedicated to quality, open to new ideas, and so on.

Trice and Beyer (in Tschogl, 2008, 2) described it as a "collective phenomena that embody people's responses to the uncertainties and chaos that are inevitable in human experience. These responses fall into two major categories; the first is the substance of culture; shared, emotionally charged belief systems that we call ideologies. The other are cultural forms; observable entities, including actions, through which members of a culture express, affirm and communicate the substance of their culture to one another.

Kreitner and Kinicki (2004) defined organizational culture as "the set of shared, taken for granted implicit assumptions that a group holds and that determines how it perceives, thinks about, and reacts to its various environments."

Needle (2004) said that organizational culture represents the collective values, beliefs and principles of organizational members and is a product of such factors as history, product, market, technology, and strategy, type of employees, management style, and national culture.

Ravasi and Schuitz (2006) said that organizational culture is a set of shared assumptions that guide what happens in organizations by defining appropriate behaviour for various situations.

One of the most cited and attention-grabbing definitions was developed by E. Schein (2010) who described organizational culture as something that is formed through time, as employees go through different challenges, solve problems and adapt to changes. It is not something we can adopt in a given moment.

Schein (2010) said that, "this debate is a healthy sign in that it testifies to the importance of culture as a concept, but at the same time it creates difficulties for both the scholar and the practitioner if definitions are fuzzy and usages are inconsistent". This means that in spite of disagreements over some elements of definition and measurement, researchers seem to agree that culture may be an important factor in determining how well and individual fit into an organizational context (O'Reilly, Chatman & Caldwell, 2003). Then again, it can be referred to as a system of shared meaning held by members that distinguishes the organization from another organization (Robbins & Judge, 2013).

Organizational culture is a system of shared assumptions, values and beliefs, which governs how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs. It encompasses values and behaviours that contribute to the unique social and psychological environment of an organization.

Organizational culture refers to culture in any type of organization including that of schools, universities, not-for-profit groups, government agencies, or business entities. In business, terms such as corporate culture and company culture are sometimes used to refer to a similar concept. (Karthikeyan, 2019, 8).

Organizational culture creates values, beliefs and attitudes, which make the employees more engaged towards the strategy and goals. It is an approach, which is proven to bring effectiveness into the firms and as well bring competitive advantage. (Desphande, Webster, 1989).

2.4.3 Models of organizational culture

Model of Schein

In 1985, Schein (2010) developed a highly influential model of organizational culture. He believes that there are three levels of organizational culture, i.e. he categorized different places where culture can be found:

- **Observable artefacts** are the first and most visible level of organizational culture. They are represented by organization's set of beliefs, how it perceives things, what is important and meaningful. It is something that can be easily viewed, heard or felt, such as dress code, job titles, architecture and furniture of offices, published mission and vision, their products, technology, and similar. As Schein put it, "the most important point to be made about this level of culture is that it is both easy to observe and very difficult to decipher" (Schein, 2010).
- **Espoused beliefs and values** are the second layer of the organizational culture and are organization's values and rules of behaviour. These include organization's strategy, goals, philosophy, mission and vision. These provide day-to-day operating principles by which the members of the group are guided in their

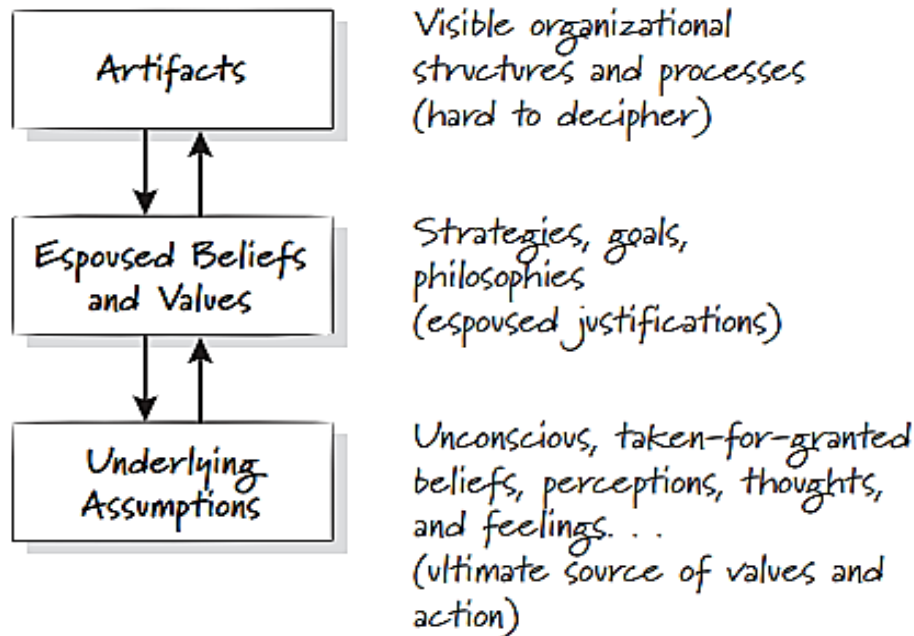
behaviour. Every group or organization reflects the assumptions, beliefs and values about what is right or wrong, what works and what not, mainly of the founder (Schein, 2010). If we were to analyse espoused values, we could get some insight into the organization's culture, and changing them could affect the culture, however, the effects will not be drastic.

- **Basic underlying assumptions** are the core, the essence of the culture. They are what guides employees to make day-to-day decisions and what we do. Basic underlying assumptions govern the core of the organizational culture model and consist of unconscious beliefs that are taken for granted. Beliefs about the environment, human nature, organizations and people's relationships to each other are parts of the basic underlying assumptions (Schein, 2010). They are non-debatable and non-confrontable, making them difficult to change. Schein said that "basic assumptions, in the sense in which I want to define that concept, have become so taken for granted that one finds little variation within a social unit. This degree of consensus results from repeated success in implementing certain beliefs and values as previously described. Meaning, shared belief becomes part of us, taken for granted. As Schein put it, this shows the ultimate power of culture, since our basic assumptions define how we react emotionally to what is happening, what actions we take in different situations and we pay attention to (Schein, 2010).

Schein's model left many questions unanswered; while it is relatively easy to see and understand artefacts, it does not automatically mean that we also understand where they came from, why they exist, or what is their purpose. Values are challenging in a way that it is difficult to learn more about (for example) value such as risk taking and why one organization supports that and another not. As for basic assumptions, understanding them is not easy since they lack tangibility and sometimes even

organizational members have difficulties explaining them. This is the main challenge with Schein's model.

Figure 5: Schein's Organisational culture model



Source: Schein (2010, 26)

Hatch's model of cultural dynamics

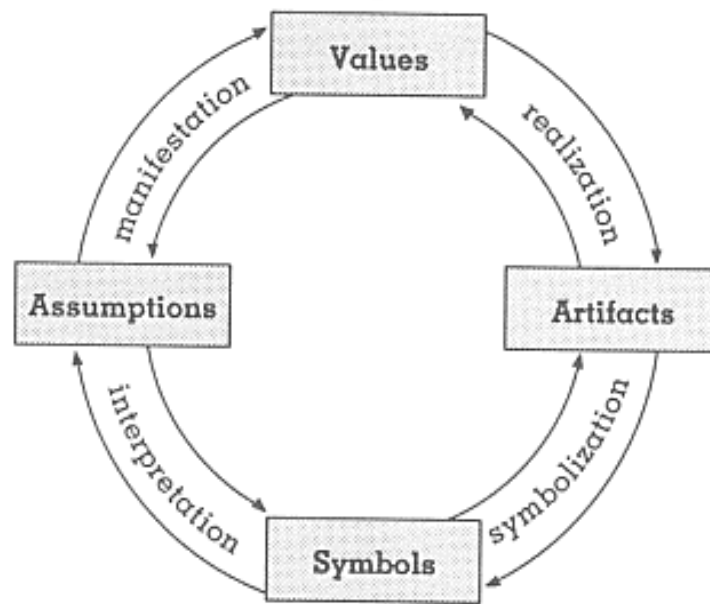
Hatch proposed an extended version of Schein's model. Although she argued that Schein's model continues to have relevance, she believed "it would be more useful if it were combined with ideas drawn from symbolic-interpretive perspectives" More importantly, Hatch introduced dynamism into organizational culture theory by reformulating Schein's original model in processual terms (Hatch, 1993, 658). She examined four processes: manifestation, realization, symbolization and interpretation (two of which had already appeared in theories of organization before, i.e. realization, as part of Weick's theory and interpretation as a focal concern of symbolic interpretive research). Hatch also included a new separate domain, which she referred to as 'symbols'. Not only did she add a new, fourth domain, she also defined the processes

that link each element of the organizational culture construct, which provides a somewhat better understanding of interdependencies in this model (Dauber, Yolles & Fink, 2012, 4). In her model, the path from assumptions to artefacts could take two different routes (through processes mentioned above):

- (1) Assumptions going through a process of 'manifestation', then become values and they go through another process of 'realization', which creates artefacts;
- (2) Assumptions go through a process of 'interpretation' and then become symbols, which then go through another process of 'symbolization' and finally create artefacts.

She believed that the advantage of the new dynamic version is in the questions it poses. In Schein's case, the focus was on what artefacts and values tell us about the basic assumptions. In contrast, the dynamic perspective offers a question about "how is culture constituted by assumptions, values, artefacts, symbols and the processes that link them?" While Schein studied how culture can change, this model recognised stability and change both as the outcome of the same process. The model does not undermine the one of Schein, rather, it goes beyond toward a more complex, process-based understanding of the organizational culture (Hatch, 1993, 661).

Figure 6: Hatch's Cultural dynamics model



Source: Hatch, 1993, 660

Nevertheless, it remains unclear under which conditions such processes take place and which factors determine the path for transformation of assumptions into artefacts, that is, when will assumptions become "manifested" and "realized" and when are assumptions 'interpreted' and 'symbolized' (Dauber, Yolles & Fink, 2012, 4).

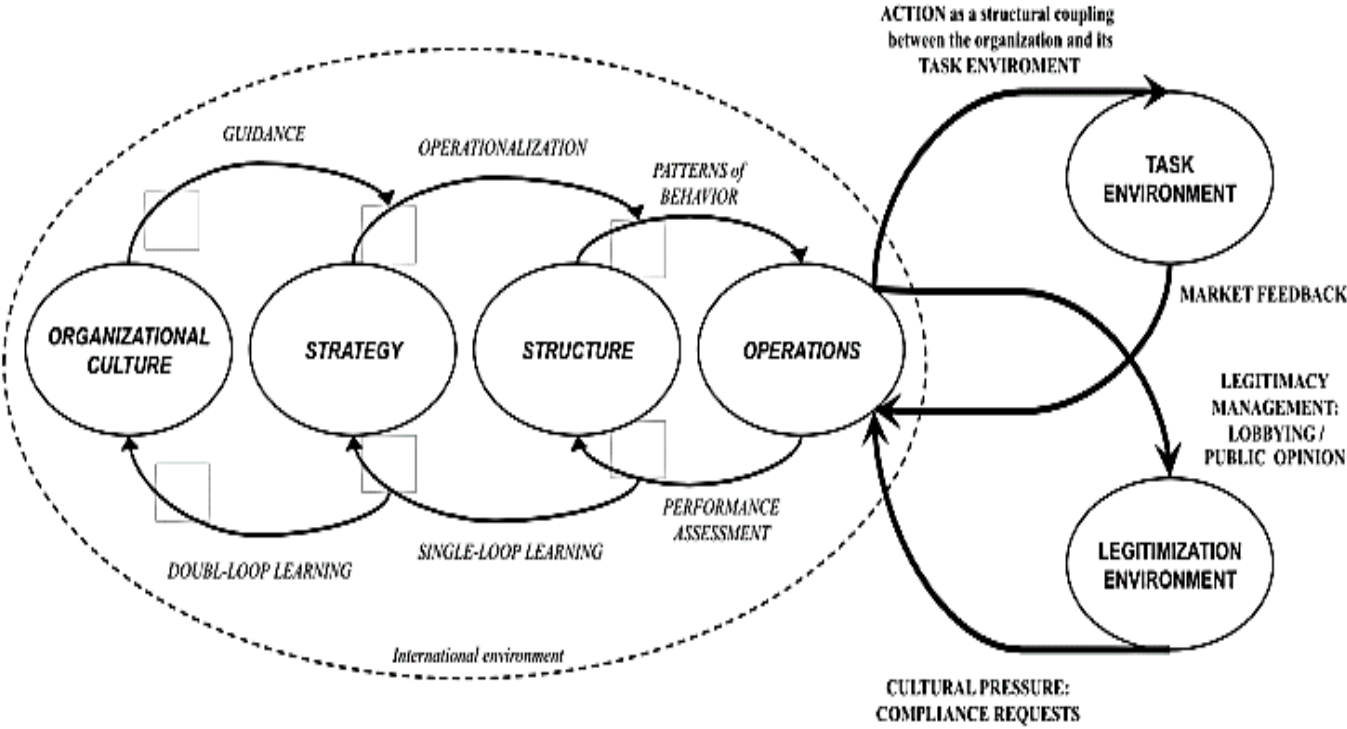
The Configuration model of organizational culture

The Configuration model of organizational culture was developed by Dauber et al. (2012), based on previous researches. They studied the models developed by Schein and Hatch and concluded that "they provided little more than a simplified but limited perspective on culture in organizations". They wanted to develop a model, which could offer a better understanding of how the internal environment of the organization develops, which was what Schein and Hatch tried to achieve, however, they also took into account pressures and influences on organizational culture from external environment and the consequences of organizational activities for that environment.

The model draws on several concepts, such as organizational learning, strategy research and organizational behaviour. As shown in the Figure 7, there is a distinction between internal and external environment of organization, as well as between domains and processes.

Internal environment includes four domains, which were actually derived from Hatch and Cunliffe: organizational culture, strategy, structure and operations (Dauber et al., 2012, 9). They relied on Schein’s model to develop the framework. Meaning, the basic underlying assumptions refer to organisational culture, which guide organisational strategy (i.e. espoused values). The artefacts of organisation are presented via its behaviour and performance, which is expressed by organisational structure and operation. Organisational structure is influenced by its strategy and it becomes a pattern of operational behaviour (Dauber et al., 2012).

Figure 7: Configuration model of organizational culture



Source: Dauber et al. (2012, 2)

2.4.4 Why organizational culture matters

As mentioned above, organizational culture became a hot topic in recent years, even though few people really understand it, know it or can properly define it. Even more difficult than to explain is to answer to questions about what makes organizational culture and why does it matter?

To sum and simplify all afore mentioned definitions, it is a combination of values, beliefs and behaviours within an organization or, simply, what an employee needs to know in order to 'fit in'. Organizational culture affects how employees behave, think, solve problems and react in different situations. It is not a measurement of their satisfaction or their engagement. It is also not a measurement of emotions, although many employers, when asked about their corporate culture, describe their organization as "fun", or "a happy place", or even "customer focussed". All those things are the result of the culture (Stewart, 2020). The reason why organizational culture matters is, it has a direct effect on people factors such as motivation, satisfaction, engagement and productivity.

Over the last few decades, a complex and often, contradictory body of research and theory has developed about organizational culture and its consequences; despite all contradictions, there is a consensus among all scholars that organizational culture matters (Ben-Ami, 2003b, 44). It is considered one of the most important factors of organizational success. In organizations with well-developed culture, employees feel safe, they know what is expected of them, they are aware of norms and values of their organization and they have the sense of collective identity or belongingness; all that can have a great impact on the organizational success.

Classical approaches in developing organizational competitive strategies and advantages focused on external environment; competition and market research, how

to strategically position organization in the market and how to safeguard that position were main success factors. Nowadays, when labour markets have become global, with constant and rapid changes, this approach proved insufficient. The focus shifted towards internal processes of organizations, with big emphasis on organizational culture. Ben-Ami & Farkas (2003, 709-712) believe that importance of organizational culture for the success of organization is increasing significantly.

Hofstede (1984) was the first to offer empirical evidence for correlation between one of cultural dimensions and national effectiveness, in his research on cultural dimensions. After achieving results for 40 countries considering the extent of individualism in their culture he matched the results versus their national wealth measured by GNP per capita that is usually taken as a criterion for national effectiveness. He found almost a linear correlation between the two: the more is the culture individualistic the higher was the GNP per capita (Ben-Ami, 2003b, 45).

Many researchers describe culture not only as a reflection of the collective organizational personality but also as a good predictor for its success and performance. For instance, Glazer (2000) said that organizational culture has a powerful effect on performance and long-term effectiveness of organization.

Peters and Waterman (1982) showed strong relationship between organizational culture and success; they found that six out of eight success factors of the 64 outstanding organizations were a consequence of their culture. They said that, "without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies. In these companies, people way down the line know what they are supposed to do in most situations because the handful of guiding values is crystal clear".

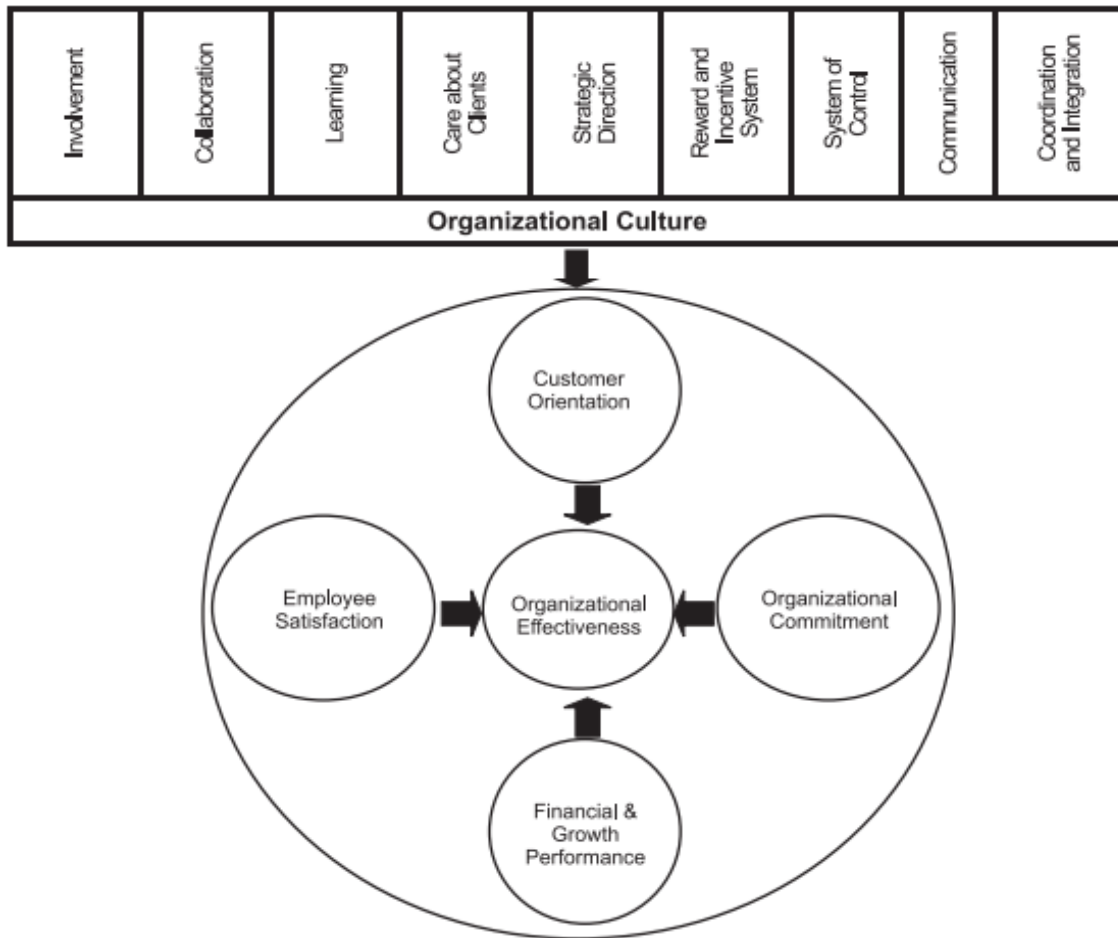
Soon after, Collins and Porras (1994) found that there are common characteristics among the most effective eighteen organizations in the US: it is their unique culture, which binds together all members to achieving organizational goals.

Aydin and Ceylan (2009) conducted a research among metalworking firms in Turkey in order to empirically investigate and measure effectiveness of these organizations in relation to their corporate culture. After detailed literature review, they decided on the following nine cultural dimensions, most fitting for their research:

- Involvement (in decision making and sharing ideas and suggestions),
- Collaboration (encouragement of teamwork),
- Learning (in terms of increasing existing knowledge),
- Care about clients,
- Strategic direction (achieving goals and plans),
- Reward and incentive systems (for motivation),
- System of control (in terms of supervising employees),
- Communication (as the organization's lifeblood, building bridges among all employees),
- Coordination and Integration (ensuring effective work with other departments or groups, when doing common activities).

They created a model, showing relationship between the concepts, which represent how cultural dimensions affect organizational effectiveness (Figure 8). They found that 60% of total variance in effectiveness of organizations can be explained by their organizational culture; they concluded that organizational effectiveness strongly correlates with cultural dimensions (those mentioned above).

Figure 8: Aydin & Ceylan Model



Source: Aydin & Ceylan, 2009

Extensive literature on organizational culture contains information about how managers use effective organizational culture for improving performance and productivity; they believe that effective organizational culture is an asset, while ineffective is a liability for the success of organization (Flamholtz & Randle, 2012).

Hartnell et al. (2011) said that business managers use organizational culture to:

- a) Shape employee attitudes,
- b) Improve operational effectiveness (introducing new and innovating existing products to improve process and service),

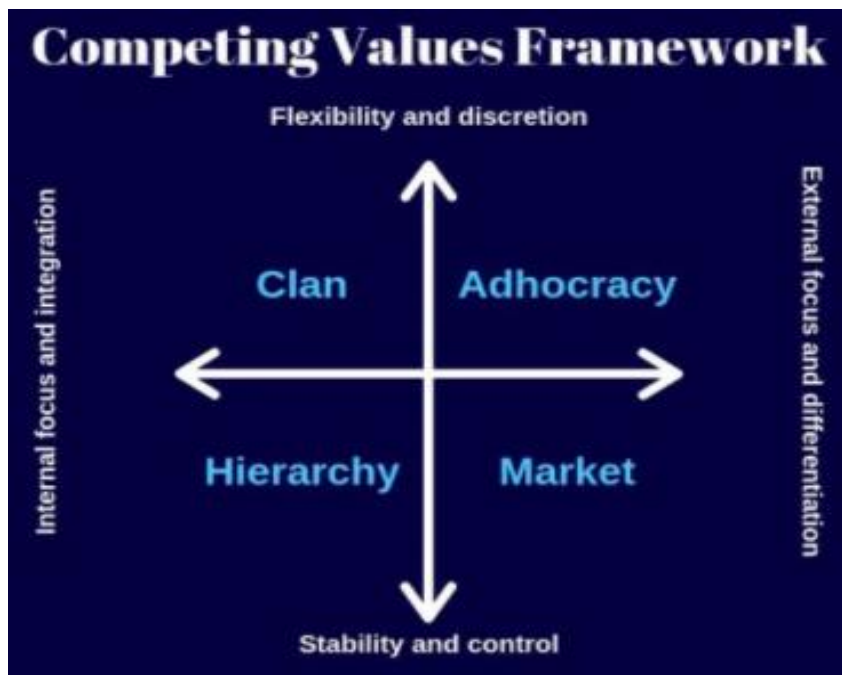
- c) Increase financial performance of the organization (in terms of profitability achievement, productivity and growth).

Similarly, E. Quinn and S. Cameron investigated the qualities that make businesses effective. From a list of 39 attributes, they identified two key polarities (Heinz, 2022):

- (1) Internal focus and integration vs. external focus and differentiation,
- (2) Flexibility and discretion vs. stability and control.

They presented this visually in the 'Competing values framework' (Figure 9), one of the most widely used frameworks in business, compact with six aspects that represent organizational culture.

Figure 9: Competing Values Framework



Source: Heinz, 2022

Based on that an organization can distribute the points between the 'competing values', which then correspond to the type of organizational culture. According to Quinn and Cameron, there are four types:

(1) Clan Culture

This type of culture is focused on people and the organization feels like a family. It is highly collaborative work environment, where every employee is valued, with open communication being top priority.

Benefits of this type of culture are high employee engagement, adaptable environment and great possibility for market growth.

Drawback is that this is difficult to maintain as the company grows.

(2) Adhocracy culture

The main focus of this culture is risk-taking, as this culture is rooted in innovation and adaptability. Normally, these are the companies, that are looking to develop the next big thing and in order to do so they need to take risks.

Benefits of this type are motivated employees, focused on new ideas and creativity, which goes hand in hand with development opportunities.

Drawback of this type of culture that with risks, there is always a change of hurting one self. Such cultures can also foster competition among employees.

(3) Market Culture

Primary focus of market culture are competition and growth. This culture prioritizes profitability and so each position has an objective that aligns with the bigger company goal. These are results-oriented organizations that focus on external success rather than internal satisfaction.

Benefits of such culture are profit and success.

Drawback is there is a number tied to every decision, project and position, so it can be difficult for employees to meaningfully engage with their work.

(4) Hierarchy culture

This type of culture is all about structure and stability. These organizations focus on internal organization by way of a clear chain of command and multiple management tiers that separate employees and leadership. In addition to a rigid structure, there is often a dress code for employees to follow.

Benefits of this type is a clear direction and well defined processes.

Drawback is that with the rigidity of the rules, there is not much room for creativity and innovation.

Schein (2010) argued that one of the critical factors, which gives the company ability to overcome the challenges, adjust managerial procedures and achieve effectiveness, is appropriate and solid corporate culture.

Sheridan (1992) claimed that there is a significant correlation between organizational culture and employee performance.

A study conducted by Mohammed ad Mohsin (2020), proved the effectiveness of organizational culture in how it helps achieve management requirements. Moreover, it also influences managerial performance and knowledge management in various organizations (Rashid & Bin Yeop, 2020).

CHAPTER 3 – EMPLOYEE ENGAGEMENT

3.1 Defining employee engagement

In 2004, M. Johnson wrote in his book 'The New Rules of Engagement' that, "the ability to engage employees, to make them work with our business, is going to be one of the greatest organizational battles of the coming 10 years" (p.1).

Today, organizations can survive by maximizing profits from existing capabilities, while recognizing and adjusting to the fact that what maybe works today, may not necessarily work tomorrow. To make, or maintain their competitive edge, leaders need to work in a way to engage their employees (Kortmann et al., 2014).

The subject of employee engagement emerged at the turn of 20th and 21st century as a novel concept in business. It was further developed by human resources managers and consultants in order to support the 'mental capital' of organizations, i.e. cognitive and emotional fortitude and strength of employees, towards higher economic outcomes (Schaufeli & Salanova, 2014, 295).

Employee engagement has generated a great deal of interest in recent years as a widely used term in organizations and consulting firms (Macey & Schneider, 2015) especially since credible evidence points toward an engagement-profit linkage (Czarnowsky, 2008).

Saks (2006) characterized employee engagement as "a distinct and unique construct that consists of cognitive, emotional and behavioural components, associated with individual role performance. Furthermore, he noted that employees often display a

deep, positive emotional connection with their work and are likely to display attentiveness and mental absorption in their work.

Employee engagement has become a popular organizational concept only in recent years. The outcomes of engagement seem to be exactly what organizations need and are looking for: a more productive and motivated employees, who will work over the target, who are profitable, healthier, satisfied, less likely to look for opportunities elsewhere and who are willing to engage in discretionary efforts (Buchanan, 2004; Fleming and Asplund, 2007; Wagner and Harter, 2006).

Employee engagement can be crucial for organizational success; not only does engagement significantly affect employee retention, productivity and loyalty, it is also key for consumer satisfaction, company reputation and overall stakeholder value. Thus, to gain a competitive edge, organizations are turning to HR to set the agenda for employee engagement and commitment (Sundaray, 2011, 54).

In Deloitte's Global Human Capital Trends survey vast majority (more than eight in ten) of executives rated engagement as "important" or "very important" for their companies, however, their actions regarding engagement do not always support that level of importance. 64% of respondents confirmed measuring engagement of their employees once a year, and one in five (i.e. around 18%) said that their companies do not formally measure engagement at all (Deloitte, 2016).

Here we will present several definitions of the term employee engagement, in chronological order, so that we can also get an understanding of the evolution of the concept.

In 1961, Goffman put forth the concept of engagement, describing it as the "spontaneous involvement in the role and a visible investment of attention and muscular effort" (Wildermuth & Pauken, 2008).

In 1966, Katz and Kahn pointed out the general need for employees to engage with their organizations and work. Although they did not use the term 'engagement' directly, it acknowledges the need for engagement and its association with organization effectiveness (Bedarkar, M. & Pandita, D., 2014, 108).

In 1982 Csikszentmihalyi, described engagement as 'flow' – that focused and happy psychological state when people are so pleasurably immersed in their work that they don't notice time passing. In a state of 'flow', people freely release their 'discretionary effort'. In such a state, people are more productive, service-oriented, less wasteful, more inclined to come up with good ideas, they take initiative and generally do more to help organizations achieve their goals. (Holbeche & Matthews, 2012, 26-27).

In 1990, William A. Kahn who is considered an academic parent of the employee engagement movement published a ground-breaking article "Psychological Conditions of Personal Engagement and Disengagement at Work" in which he coined the term 'engagement' in reference to employees and their workplace. At the time, leaders everywhere believed in the 'top-down' approach as a way to motivate employees to work harder. They believed they needed change how people think about their work.

Kahn disagreed. In the mentioned research, he argued that the problem is not about the right 'fit' but rather about how employees 'feel'. Through his work, he developed the terms 'personal engagement' and 'personal disengagement', which referred to "the behaviours by which people bring or leave their personal selves during work role performances".

Kahn defined *personal engagement* as "the simultaneous employment and expression of a person's 'preferred self' in task behaviours that promote connections to work and to others, personal presence (physical, cognitive, and emotional), and active, full role

performances". His premise was that "people have dimensions of themselves that, given appropriate conditions, they prefer to use and express in the course of role performances. To employ such dimensions is to drive personal energies into physical, cognitive, and emotional labours." (Kahn, 1990, 700).

Kahn defined *personal disengagement* as "the simultaneous withdrawal and defence of a person's preferred self in behaviours that promote a lack of connections, physical, cognitive and emotional absence, and passive, incomplete role performances. To withdraw preferred dimensions is to remove personal, internal energies from physical, cognitive, and emotional labours. Such unemployment of the self, underlies task behaviours, which researchers have called automatic or robotic (Hochschild, 1983), burned out (Maslach, 1982), apathetic or detached (Goffman, 1961a), or effortless (Hackman & Oldham, 1980). To defend the self is to hide true identity, thoughts, and feelings during role performances. Such self-defence underlies what researchers have referred to as defensive (Argyris, 1982), impersonal or emotionally un-expressive (Hochschild, 1983; Rafaeli & Sutton, 1987), bureaucratic (Shorris, 1981), self-estranged (Seeman, 1972), and closed (Gibb, 1961) behaviours" (Kahn, 1990, 701).

May et al. (2004) tested Kahn's model and their findings supported that psychological conditions of meaningfulness, safety and availability are positively linked to engagement.

Schaufeli and Bakker (2004) coined the term 'job engagement' and described it as "a positive, fulfilling, work-related state of mind that is characterized by vigour, dedication and absorption."

Saks (2006) extended the concept of employee engagement to include two important aspects, job engagement and organisation engagement. It is widely believed that his work restored employee engagement as a serious construct.

Fleming and Asplund (2007b) of Gallup, in their book, titled 'Human Sigma: Managing Employee-Customer Encounter' define employee engagement as "the ability to capture the heads, hearts, and souls of your employees to instil an intrinsic desire and passion for excellence." They further point out that engaged employees want their organization to succeed because they feel connected emotionally, socially, and even spiritually to its mission, vision, and purpose.

Macey and Schneider (2015), comment that definition of engagement can be characterized on three different bases. When engagement is described as 'what it is', it is being classified on the basis of 'psychological state'. When it is analysed based on the behaviour it causes, it is characterized as 'behavioural engagement'. Lastly, it is also defined based on the attitude towards work (trait). Furthermore, they suggest that 'trait engagement' gets reflected in individual's 'psychological state', which results in 'behavioural engagement'. They define engagement as "discretionary effort or a form of in-role or extra role effort or behaviour beyond preserving the status quo, and instead focus on initiating or fostering change in the sense of doing something more and/or different".

Sixty years later and there is still no consensus on a single definition of employee engagement. D. Guest, Professor of Organizational Psychology and HRM said that, "much of the discussion on engagement tends to get muddled as to whether it is an attitude, a behaviour or an outcome or, a combination of all three". He suggested that, "the concept of employee engagement needs to be more clearly defined or it needs to be abandoned" (MacLeod & Clarke, 2009, 8).

Many confuse the concept of employee engagement with employee satisfaction. However, engagement has a deeper meaning. It is defined as "the level of an employee's psychological investment in their organization" (Hewit, 2017, 2).

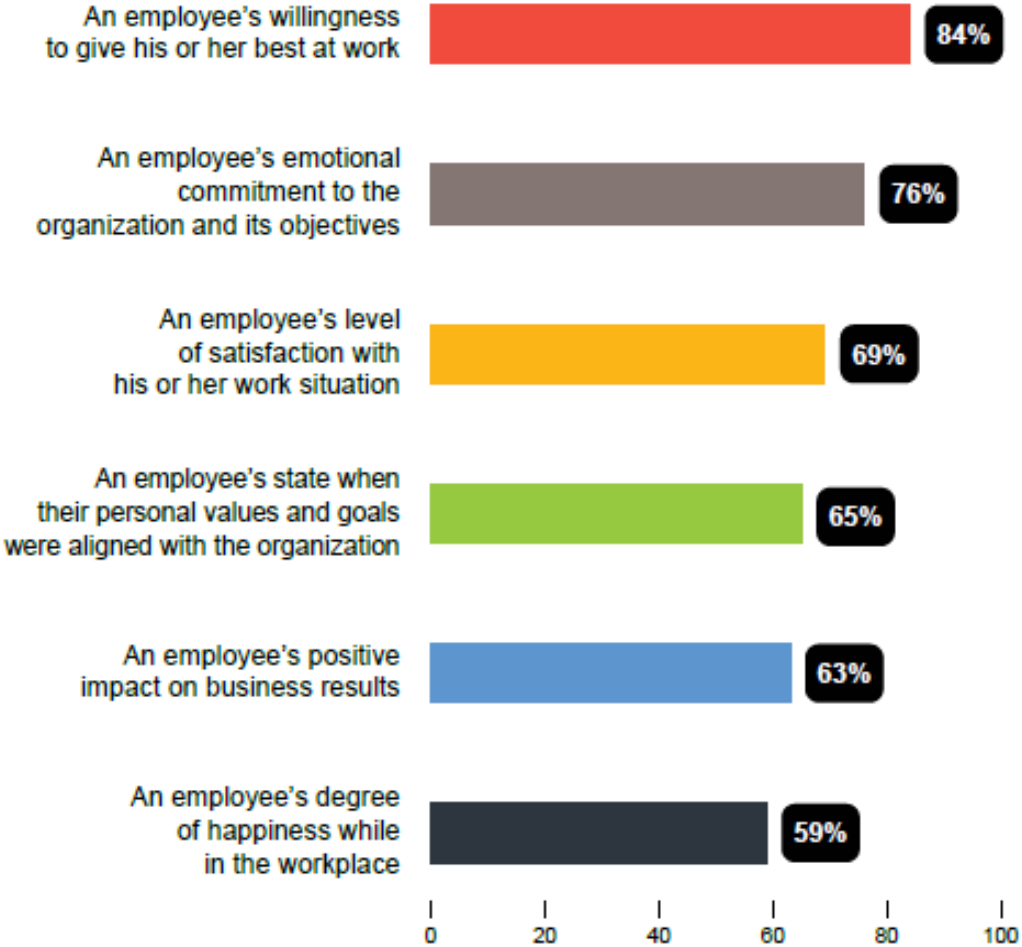
Various studies explore engagement of employees under different context, which resulted in the absence of a unanimous, agreed upon definition and measurement of employee engagement. Nevertheless, there is an increasing awareness that having engaged employees is crucial for successful business performance, where engaged employees are the “backbone of good working environments, where people are industrious, ethical and accountable (Robertson-Smith & Markwick, 2009, 1).

In 2018, HR.com³, conducted a survey on ‘employee engagement’ definition, in order to discern how HR practitioners define engagement. Each of the provided definitions was commonly associated with engagement but is not necessarily a good or proper definition (HR.com, 2018).

Survey question: *Which of the following do you consider valid definitions of employee engagement?*

³ The largest community of HR Professionals offering HR training, Webcasts, Events, HR compliance, HR certification, HRCI & SHRM cert prep, HR Research, HR Tools & Resources

Graph 1: Survey on employee engagement definition



Source: HR.com (2018)

This demonstrates that there are many accepted definitions of the term employee engagement and that even HR professionals do not have a common definition, applied by all. Existence of so many different definitions makes the state of knowledge of employee engagement difficult to determine, since different studies examine it in different ways. As Ferguson and Carstairs put it, unless we can universally define and measure it, it cannot be managed and we cannot know if efforts to improve it are working (Ferguson & Carstairs, 2005).

That said, there is no one agreed definition of the employee engagement, however, here we provide few recently developed definitions, for a better understanding of the term:

“Engagement is about creating opportunities for employees to connect with their colleagues, managers and wider organisation. It is also about creating an environment where employees are motivated to want to connect with their work and really care about doing a good job. It is a concept that places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in a twenty-first century workplace” (Gatenby et al., 2009, 4).

“A positive attitude held by the employee towards the organisation and its values. An engaged employee is aware of the business context, and works with colleagues to improve performance within the job for the benefit of the organisation. The organisation must work to develop and nurture engagement, which requires a two-way relationship between employee and employer” (Robinson, Perryman & Hayday, 2004, 9).

Macey and Schneider (2015, 4) defined engagement as an often intuitive feeling in employees on both, lower and higher hierarchical level of organization. Engagement is closely related to employee’s sense of belonging, his or her energy and willingness to work, their enthusiasm and concentration. Engaged employees not only contribute more to the organizational success, they are also less likely to look for professional opportunities elsewhere.

Lord Currie, former Chair of the Office of Communications (Ofcom) and Dean of Cass Business School said “you sort of smell it, don’t you, that engagement of people as people. What goes on in meetings, how they talk to each other. You get the sense of

energy, engagement, commitment, belief in what the organisation stands for (MacLeod & Clarke, 2009, 7).

3.2 Drivers of employee engagement

Discerning what enables engaged behaviours is almost as tricky as identifying a single concrete definition of employee engagement. This is mainly because within the consultancy literature, and to some extent the academic literature, a multitude of different drivers are suggested (Robertson-Smith, Markwick, 2009, 29).

There are many different drivers of engagement. Their impact cannot happen in isolation; it is the organization's culture and its context that will compound or mitigate their impact on employee engagement (Davila & Pina-Ramirez, 2014).

Research carried out by IES (Robinson, Perryman & Hayday, 2003, 26) found that there are different views of many authors about what drives engagement. As they put it, "there is no easy answer as far as engagement is concerned – no simple pulling of one or two levers to raise engagement levels". There is no 'one size fits all' approach, that would be effective for the levels and drivers of engagement, since they vary, depending on organization, employee group, the individual and the job itself (IES, Robinson, 2007).

There are some critical factors, which lead to engaged employees; these are common to all organizations, regardless of sector (Sundaray, 2011,55):

- **Recruitment**

Recruitment and selection process means attracting potential candidates, offering them employment and trying to persuade them to accept those offers. The message that organization conveys when trying to attract candidates or, the overall

candidate experience, can influence their future commitment and even engagement.

- **Job Designing**

Jobs that are challenging, diverse and autonomous are more likely to provide psychological meaningfulness, and a condition for employee engagement. Job becomes meaningful and attractive to employee as it provides him variety and challenge, thereby affecting his level of engagement.

- **Career development opportunities**

Organizations with high levels of engagement provide employees with opportunities to develop their abilities, learn new skills, acquire new knowledge and realize their potential. When companies plan for the career paths of their employees and invest in them in this way their people invest in them. Career development influences engagement for employees and retaining the most talented employees and providing opportunities for personal development.

- **Leadership**

It is important that employees feel that the values of their organization are clear and unambiguous. Organization's ethical standards and respect for employees lead to engaged employees.

- **Empowerment**

Employees want to be involved in decisions that affect their work. Organizations that create a challenging and trustful environment normally have higher levels of engagement.

- **Equal opportunities and fair treatment**

When the organization creates and provides environment with equal opportunities, the engagement levels are higher, since employees feel they are treated fairly and without discrimination.

- **Training and development**

Redundancy of skills is one of the reasons for employee turnover, thereby indicating the necessity for training, re-training and multi-skill training. This area also importantly contributes to employee engagement, since new skills and knowledge can trigger renewed interest in job, or in aspects that had not been meaningful before.

- **Performance management**

Performance management is the process of reflecting on one's job and setting goals and objectives, which is an opportunity to involve an employee in some decision making, in terms of goal setting. It promotes accepting new tasks and challenges and encourages contribution which exceeds expectation. This creates feeling of being valuable, which helps increase engagement.

- **Compensation**

Compensation is considered one of the most important aspects of employment relationship. It is financial, but it can also include non-financial elements, such as travel discounts, assistance programs, etc. This can additionally motivate employees, which leads to higher engagement levels.

- **Health and safety**

Researches have shown that, when employees do not feel secure at work, their engagement levels are lower. Therefore, it is essential for organizations to establish proper systems and programs for health and safety of their employees.

- **Job satisfaction**

Only a satisfied employee can be engaged employee. That is why it is important for organizations to see that the jobs given match employee's career goals, which will make his or her job enjoyable and will bring satisfaction.

- **Communication**

It is important that there is a communication channel going both ways, upward and downward. If employees are given an opportunity to voice their ideas or to contribute to decision making, they will feel more included and, consequently, also more motivated and engaged.

- **Family Friendliness**

A person's family life influences his work life. When an employee realizes that the organization is considering his family's benefits also, he will have an emotional attachment with the organization, which leads to engagement.

In 2006, The Conference Board⁴ published their report "Employee Engagement, A Review of Current Research and Its Implications". According to the report, 12 consultancy-based studies on employee engagement had been published over the prior four years by top research firms such as Gallup, Towers Perrin, Blessing White, the Corporate Leadership Council and others. Each study used different definitions and,

⁴ A global, independent business membership and research association working in the public interest. Their mission is to help leaders navigate the biggest issues impacting business and better serve society.

collectively, they came up with 26 different drivers of engagement. The drivers that came up in most cases were:

- trust and integrity,
- nature of the job,
- the line-of-sight between individual performance and company performance,
- career growth opportunities,
- pride in the company,
- relationships with co-workers and team members,
- employee development
- personal relationships with one's manager (The Conference Board, 2006, 6).

It is clear that a manager has a central role in all mentioned aspects; not only directly, but also indirectly, as he or she has a key role in processes as performance appraisals, training opportunities, communicating and demonstrating equality. That is why, IES proposed the following 'building blocks' for raising engagement (Robinson, Perryman & Hayday, 2003, 24):

(1) Good quality lie management – managers who:

- Care about their employees
- Keep them informed
- Treat them fairly
- Encourage them to perform well
- Take in interest in their career aspirations
- Smooth the path to training and development opportunities

(2) Two-way, open communication - which allows the employee to voice ideas and suggest better ways of doing things, while at the same time keeping employees informed about the things that are relevant to them (including the relationship between the jobs they have and the wider business).

(3) Effective cooperation within the organisation — between different departments and functions, and also between management and trade unions.

(4) Focus on developing employees - so that individuals feel that the organisation takes a long-term view of their value, and delivers both the training they need now and fair access to development opportunities.

(5) Commitment to employee wellbeing - demonstrated by taking health and safety seriously, working to minimise accidents, injuries, violence and harassment, and taking effective action should a problem occur.

(6) Clear, accessible HR policies and practices to which line managers and senior managers are committed — particularly with regard to appraisals, equal opportunities and family friendliness.

(7) Fairness in relation to pay and benefits - in terms of comparisons within and outside the organisation.

(8) A harmonious working environment - which encourages employees to respect and help each other.

Analysis of the 2018 NHS case study⁵ showed that experience, opinion and different aspects of work life are strongly correlated with the employee

⁵ A study conducted by the National Health System (NHS) in 2018, to explore employee engagement; what does it mean, why it is important and what drives it.

engagement. However, the strongest driver of all was a sense of feeling valued and involved. This has several key components (IES, Robinson, 2007, 3):

- Involvement in decision making,
- The extent to which employees feel able to voice their ideas, and managers listen to these views, and value employees' contributions,
- Opportunities employees have to develop their jobs,
- The extent to which the organization is concerned for employee's health and well-being.

Overall, engagement is about the employee, it is individual and intrinsic, a voluntary connection to the organization and its purpose. It includes emotional component and employees decide if they want to be engaged. As such, besides the emotional connection, it also involves rational component.

3.3 Engaged employees

According to a study of 90.000 employees in 18 countries by HR consultancy Towers Watson (2008), engaged employees are not born, they are made. Majority of employees care about their work. They want opportunities to learn and grow, stability, and security and they want work that gives them purpose and meaning. As American writer Studs Terkel (1974, 8) put it: "work is a search of daily meaning as well as daily bread; for recognition, as well as cash; for astonishment rather than torpor; in short – for a sort of life, rather than a Monday-Friday sort of dying".

Engaged, committed and satisfied employees bring competitive advantage to their organizations and are, normally, less likely to look for opportunities elsewhere, which reduces overall turnover. Halbesleben and Wheller defined engaged employee as "energetic and enthusiastic about their work, which leads them to perform better than

non-engaged employees and to invest more effort in work than is formally expected” (in Costa, Passos & Baker, 2014, 415).

Miller (2014) said that highly engaged employees are committed to the success of their organization, are proactive and promoting their company inside and out, in sharing their ideas and they exert discretionary effort above and beyond what is required.

IES defined engaged employee as being aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization (Robinson & Hayday, 2007, 1). Boštjančič (2014) listed the following as characteristics of engaged employee:

- Quickly adaptable,
- Energetic, social, emotionally positive,
- Optimistic, has self-respect and takes initiative,
- Proactive
- Ready for new experiences

Bejc, Bostjancic and Tement (2016) listed the following characteristics of highly engaged employee:

- Physical inclusiveness: employee has a lot of energy, he or she is mentally flexible, ready to take on additional tasks, persistent, regardless of the difficulty of the task);
- Cognitive readiness: employee is fully concentrated and focused on his or her work, after finishing he or she likes to stay at work;
- Emotional involvement: the work is interesting and important, it represents challenge and gives meaning.

Gallup⁶ defined engaged workers as those who are involved in, enthusiastic about and committed to their work and workplace (Gallup, 2022). Furthermore, they proposed that employees can be divided into three types with regard to their level of engagement:

- (1) Engaged: highly involved and enthusiastic, they are psychological 'owners', drive high performance and innovation, and move organization forward.
- (2) Not-engaged: psychologically unattached to their work and company; because their engagement needs are not fully met, they are putting time – but not energy or passion – into their work.
- (3) Actively disengaged: they are not just unhappy at work, they are resentful that their needs are not being met and are acting out their unhappiness. Every day, they potentially undermine what their engaged co-workers accomplish.

Highly engaged employees feel and react in ways that shows greater levels of commitment towards their company. They pay the full degree of their knowledge and abilities to help an organization succeed and even encouraging others to do so as well. They recognize with the company's mission, values and products, and establish a real linking to the work they do, along with a sense of pride in doing it well. Rawat and Dadas described three types of engagement in employees:

- (1) Intellectually engaged employees who are constantly improving the company with creative ideas and maintaining a positive view of both the company itself, and their relationship with it.
- (2) Emotionally engaged employees are who are proud and enthusiastic and passionate about the company.

⁶ Global analytics and advice firm helping leaders and organizations solve their most pressing problems

- (3) Behaviourally engaged employees who are willing to go above and beyond for the company, their customers, and their team members while advocating on behalf of company and remaining loyal.

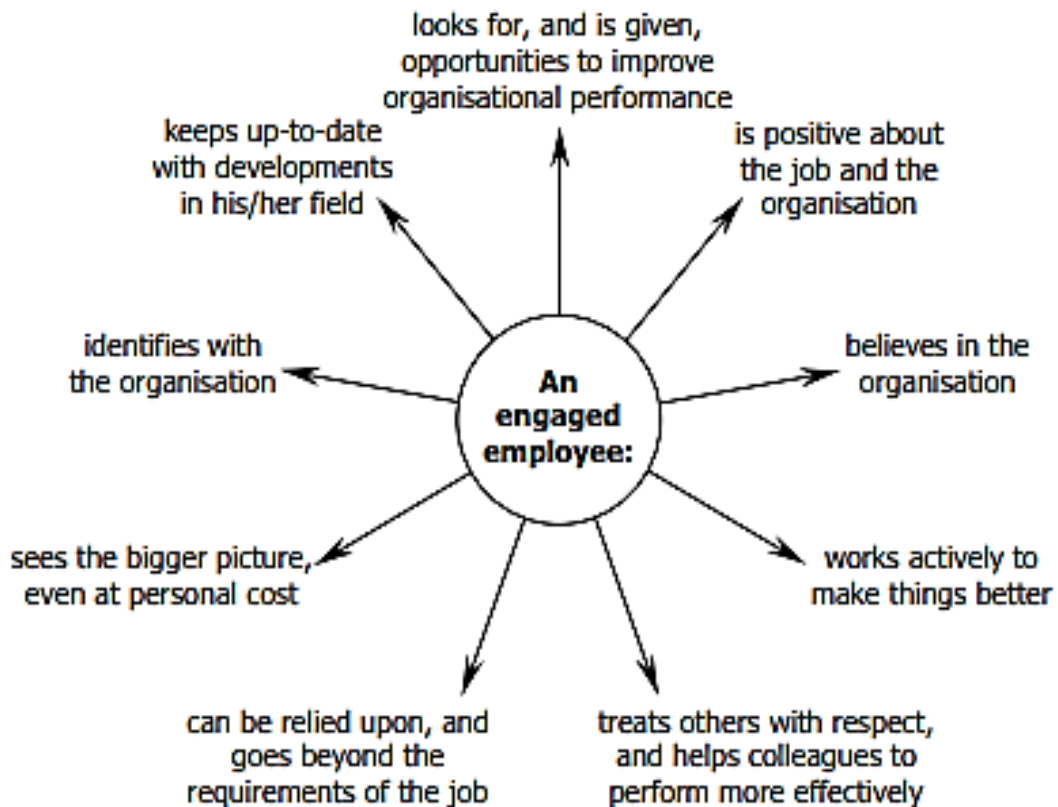
Sundaray (2011) described engaged employee as someone who is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. Furthermore, engaged employees:

- Are aware that improving efficiency of work requires team effort,
- Are energetic and enthusiastic about their work,
- Are most of the time absorbed in their work,
- Want to meet organization's objectives,
- Take initiatives,
- Support and want to improve organizational culture and its values,
- Are focused and attentive to detail,
- Feel connected to their organization,
- Do their work with passion.

IES (Robinson, Perryman & Hayday, 2003) found that engaged employees:

- look for, and are given opportunities to, improve their performance – and this benefits the business;
- are positive about the job and the organization;
- believe in and identify with the organization;
- work actively to make things better;
- treat other people with respect and help colleagues to perform more effectively;
- can be relied on and go beyond the requirements of the job;
- see the bigger picture, even at personal cost;
- keep up to date with developments in their field.

Figure 10: Characteristics of an engaged employee



Source: Robinson, Perryman & Hayday, 2003, 6

3.4 Models of employee engagement

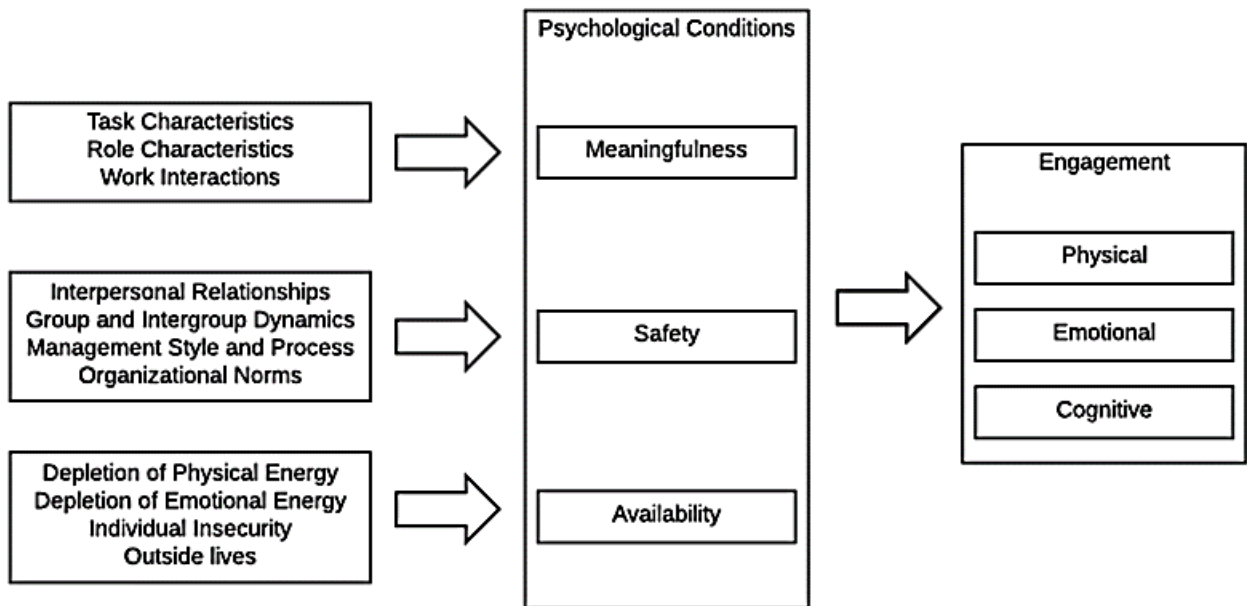
Employee engagement models are blueprints for studying and understanding what drives employees at their work, and what makes the more productive and happy. Different models use different organizational psychology to help organizations develop their own system or blueprint for increasing levels of employee engagement.

3.4.1 Kahn's model

Kahn's model of employee engagement is considered the oldest. The model is based on the three psychological conditions, which Kahn identified through his work; together, these conditions shape how people inhabit their roles (Kahn, 1990, 703-704):

- (1) **Meaningfulness** was described as a feeling what an employee receives in return for his investment of his self in a currency of physical, cognitive or emotional energy. People felt that when they made a difference, when they felt worthwhile, valuable and useful and when their work was not taken for granted. Employees feel they can help others, they receive benefits from the work they contribute, they feel their contributions have meaning; feeling like this, they are likely to continue to make contributions by extra work and effort.
- (2) **Safety** means that a person is able to show and employ his self without being afraid of negative consequences to his self-image, status or career. In Kahn's studies, situations promoting trust were predictable, consistent and clear. When situation was not clear or was unpredictable, personal engagement was deemed risky and unsafe. Feeling of safety comes from situations that are consistent, predictable and nonthreatening.
- (3) **Availability** is the "sense of having physical, emotional or psychological resources to personally engage at a particular moment". It measures how ready are people to engage, given the distractions they experience as members of social systems. These distractions can reduce the employees' abilities to devote themselves fully to their work roles, ultimately limiting their psychological availability, which in turn decreases work engagement.

Figure 11: Kahn's model of employee engagement



Source: Meskells, 2017

The model suggests that the level of engagement is the result of both, individual and organizational factors. Kahn argued that employees' engagement was higher when they felt psychological meaningfulness and safety and when they were psychologically available.

Extensive research has tried to understand the impact of organizational factors on the levels of engagement. Studies have shown that management practices, workplace environment, policies and procedures, and human resources practices directly impact employee engagement (Meskells, 2015, 29).

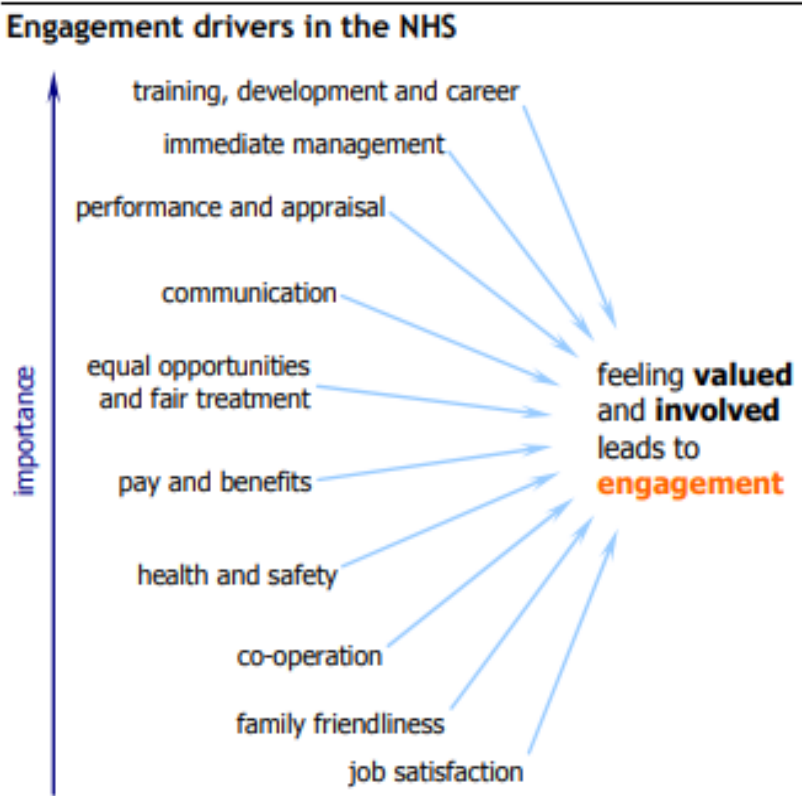
3.4.2 Robinson, Perryman and Hayday model

In their model, Robinson, Perryman and Hayday described engagement as a two-way relationship between the employee and employer. They described their model in their research work "The drivers of employee engagement", where they claimed that

engagement is a positive attitude that employees have towards their organization and its values. In their model, they showed that engaged employee is someone who is aware of business context and works with colleagues to improve performance within the job to add value to the organization. The model emphasizes that the commitment of employees is possible when the organization continues to focus on developing and nurturing the employees (Padhi & Panda, 2015, 81).

The model also indicates that when an organization focuses on increasing individuals' perceptions of their involvement and value, the organisation will pay dividends in terms of increased engagement levels.

Figure 12: Robinson, Perryman and Hayday Model on Employee Engagement



Source: Robinson, Perryman & Hayday, 2003

3.4.3 Aon Hewitt's Model of Employee Engagement

Every year, Aon Hewitt measures employee engagement for more than 1,000 organizations around the globe. Their studies use data from more than five million employee responses in 2015 and 2016. The responses come from organizations with as few as 100 employees to the most complex organizations with hundreds of thousands of employees. More than 60 industries are represented in their study. In addition to measuring employee engagement, their study also measures 15 work experience dimensions: Employee Value Proposition (EVP), Reputation, Career Opportunities, Collaboration, Diversity and Inclusion, Empowerment/ Autonomy, Enabling Infrastructure, Learning and Development, Manager, Performance Management, Rewards and Recognition, Senior Leadership, Talent and Staffing, Work Fulfilment, and Work/Life Balance (Aon Hewitt, 2017, 3).

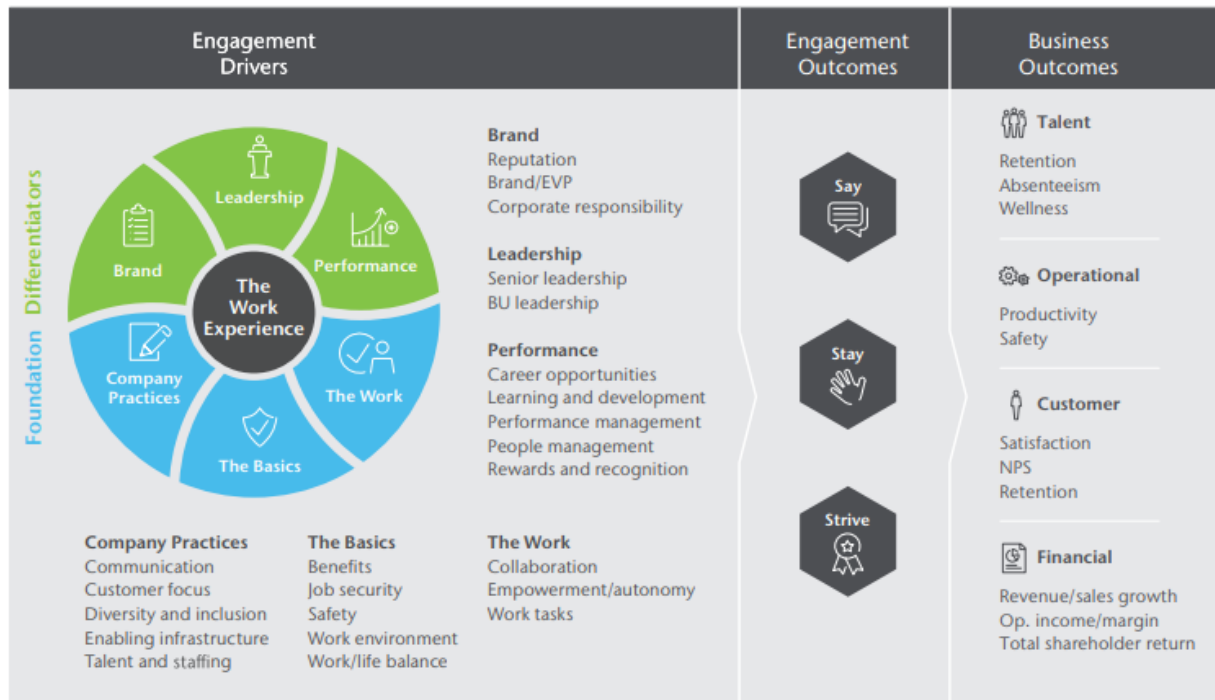
The Aon Hewitt Employee Engagement model provides a complete picture of the business impact of engagement, employee engagement itself, and the factors of the work experience that lead to higher engagement. They define employee engagement as "the level of an employee's psychological investment in their organization" (Aon Hewitt, 2017, 2). Aon Hewitt examines individual state of engagement as well as organizational antecedents (Padhi & Panda, 2015, 82).

According to their model, there are six drivers of engagement, which lead to individual engagement; they measure employee engagement with a Say, Stay, Strive model. Employees are asked:

- If they Say positive things about their organization and act as advocates
- If they intend to Stay at their organization for a long time

- If they are motivated to Strive to give their best efforts to help the organization succeed




Figure 13: Aon Hewitt’s Model of Employee Engagement



Source: Aon Hewitt, 2017

They define engagement through three attributes that include the extent to which employees say, stay and strive. They believe employees need all three to be fully engaged.

Figure 14: Aon Hewitt’s Say, Stay, Strive model

Engagement	Content	Items in Aon Hewitt Operational Definition
	<p>Speak positively about the organization to coworkers, potential employees, and customers</p>	<ul style="list-style-type: none"> ▪ I would not hesitate to recommend this organization to a friend seeking employment ▪ Given the opportunity, I tell others great things about working here
	<p>Have an intense sense of belonging and desire to be part of the organization</p>	<ul style="list-style-type: none"> ▪ It would take a lot to get me to leave this organization ▪ I rarely think about leaving this organization to work somewhere else
	<p>Are motivated and exert effort toward success in their job and for the company</p>	<ul style="list-style-type: none"> ▪ This organization inspires me to do my best work every day ▪ This organization motivates me to contribute more than is normally required to complete my work

Source: Aon Hewitt, 2017

The “say, stay, and strive” definition was derived from thousands of managerial interviews and focus group discussions we have conducted globally regarding what engaged employees think and do. We believe that an employee must exhibit all three facets of saying, staying, and striving to be considered “engaged” (Aon Hewitt, 2017).

3.4.4 The Zinger model of engagement

David Zinger is an expert on engagement, whose work aims at fostering relationships to increase employee engagement in organizations. His theory is based on decades of experience in employee psychology, assistance, engagement, and burnout. Based on his extensive and thorough work on employee engagement, he has introduced a workable model that throws light on various aspects of employee involvement, dedication and engagement. His theory can be presented with a pyramid, build of ten building blocks, i.e., essential actions that manager must follow to achieve significant results. The model is quite simple and can be grasped within seconds. With just ten blocks or images, managers and other employees can easily and quickly understand it.

The images and the pyramidal structure make it easy to visualize and easy to recall. Yet, embedded within this simplicity are ten powerful keys to create, sustain, and enhance employee engagement. The model is flexible and open to individuals or organizations shifting the blocks around (Zinger, 2012, 6).

The pyramid has three rows, representing:

- (1) Bottom row: Necessities
- (2) Second row: Uniting the company
- (3) Third row: Boosting performance

Figure 15: Zinger pyramid



Source: Zinger, 2012

The bottom row makes sure that employees are being cared for and motivated by having meaningful work and opportunities. It represents the basics or essentials that every person needs in order to be able to work well: enhancing overall well-being, leverage strengths, meaning and energy (Zinger, 2012).

I. Necessities



Leverage strengths is about creating a work environment where employees can exercise and grow their individual strengths. Powerful managers “spot” employees’ strengths and make strength training a daily endeavour.



Make meaning is about meaningful work; if managers can make it as such, it will engage and enrich employees.



Enhance wellbeing suggests that managers should eliminate toxic elements from the workplace, so that employees can find a sense of well-being.



Enliven energy means that energy is our driver and comes in different forms; physical, emotional and mental. We should strive towards mastery of all.

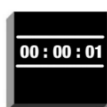
II. Uniting the company



Build relationships focuses on managers’ ability to develop and maintain strong network of relationships.



Foster recognition means that management needs to acknowledge the work of their employees and show appreciation for their accomplishments.



Master moments or as Zinger put it: “engagement resides in the moments”. This means that each of numerous connections employees make, create potential for high or low point in someone’s day. Also, working in the moment can reduce stress.

III. Boosting performance



Maximize performance pertains to the manager's task to learn how to make top performance worthy of employee's attention and how to provide feedback that is heard and acted upon by employees.



Path progress refers to the fact that the key engagement is motivation, one of the most overlooked drivers of engagement. Research by Teresa Amabile and Steve Kramer has demonstrated that progress is the single biggest key to motivation and engagement for knowledge workers. Managers need to learn how to structure work for progress and especially to guard against the demoralizing and disengaging impact of setbacks.



Achieve results is at the top of the pyramid, as the main target. It is about getting employees involved in formulating and achieving results. It is about engaging employees to act towards achieving results.

As a whole, these three rows represent the basis for employee engagement and lay a foundation for the final top block, which is the ultimate goal of achieving results. Zinger's model involves different moving parts, which help organizations and their managers reach involvement, engagement and dedication of their employees.

3.4.5 The Deloitte model

The Deloitte model was developed by Deloitte Touche Tohmatsu Ltd., one of the world's Big Four accounting firms. With over 330,000 employees globally, Deloitte's ability to keep its teams engaged has massive implications for their organization. The company invested two years of research into developing their own employee engagement theory, which strives to make their workplace "irresistible" (Pellikaan, 2021). Their research has shown that the problem of engagement (next to retention)

has risen to no. 2 in the minds of managers and leaders. These concerns are grounded in disconcerting data (Deloitte, 2015, 8):

- Gallup's 2014 research shows that only 13% of all employees are 'highly engaged' and 26% are 'actively disengaged',
- Glassdoor, a company that allows employees to rate their employers, reports that only 54% of employees recommend their company as a place to work,
- In the high-technology industry, two-thirds of all workers believe they could find a better job in less than 60 days if they only took the time to look,
- 80% of organizations believe their employees are overwhelmed with information and activity at work (21% cite the issue as urgent), yet fewer than 8% have programs to deal with the issue,
- More than 70% of Millennials expect their employers to focus on societal or mission-driven problems; 70% want to be creative at work; and more than two-thirds believe it is management's job to provide them with accelerated development opportunities in order for them to stay.

Deloitte model was developed through extensive research and employee interviews, through which they uncovered five elements and twenty underlying strategies, which work together to make the organization "irresistible". These are the central pillars of engagement:

- **Meaningful work:**

According to Deloitte, this is the most important part of employee engagement. It is important that employees are hired for the right position, that they have the tools and autonomy needed to do their best and to know that their contribution matters.

- **Hands-on management**

This is the second element of the “irresistible” organization. It is important to distinguish between leadership and management here, since they put emphasis on daily, weekly and monthly activity that managers use to guide, support and align their employees. They believe in the importance of setting clear and transparent goals (which need to be simple and revisited often), in coaching – managers working alongside their employees and provide regular feedback, and investing in management development, in terms of creating the best leaders possible.

- **Positive work environment**

The third important element is building an environment where employees feel comfortable, respected and appreciated. According to Deloitte, to build this, organizations need a flexible, humane environment (policies supporting work-life balance, flexible schedules, various benefits, etc.), culture of recognition in the form of peer-to-peer recognition program to foster culture that celebrates progress and an inclusive and diverse environment, where everyone feels more empowered and respected.

- **Opportunity for growth**

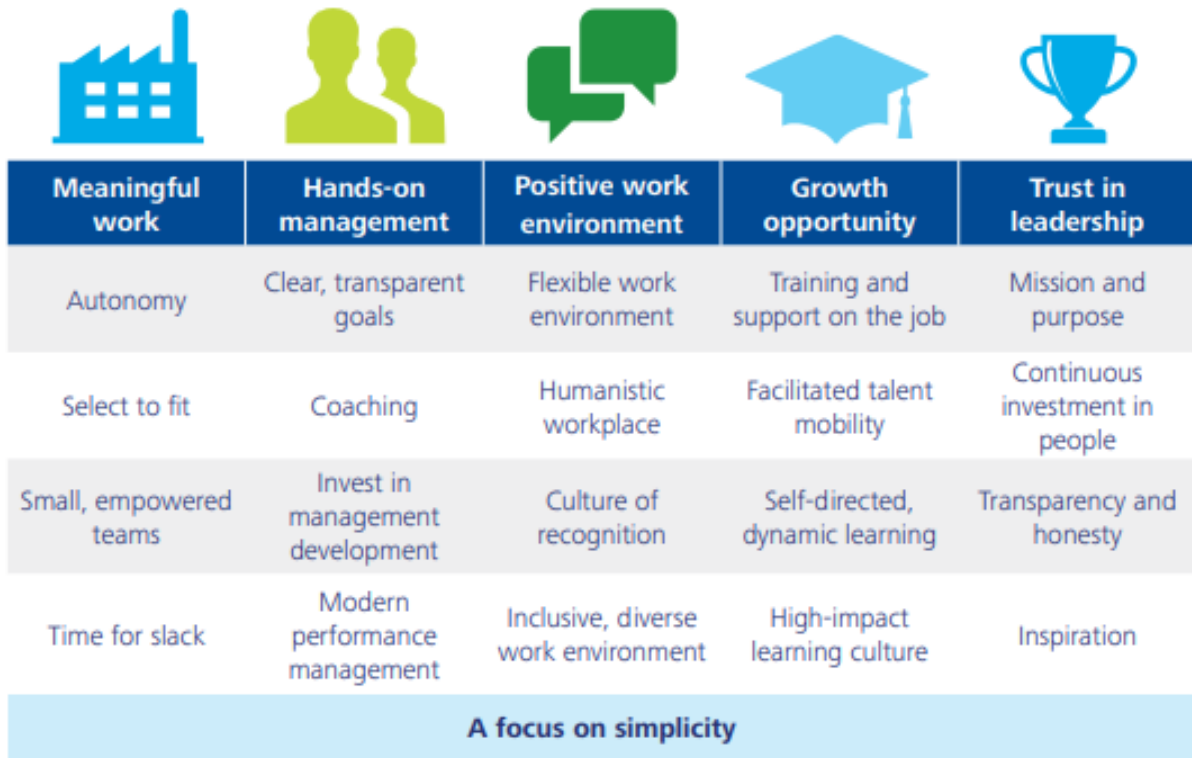
This is one of the elements, essential for reducing turnover. Also, with opportunities for growth and development, employees know that their career has a future, otherwise, they might start looking for opportunities elsewhere.

- **Trust in leadership**

In order for employees to trust their leaders, they need to have a clear understanding of the company’s purpose. As Deloitte’s research (Deloitte, 2016) shows, “mission driven companies have 30% higher levels of innovation and 40% higher levels of retention”. In addition, leaders needs to invest time and also

resources in their employees, build transparent culture and have a unifying mission that employees can connect to and feel proud of.

Figure 16: Deloitte engagement model



Source: Deloitte, 2015

Finally, as mentioned at the bottom of the model, a focus on simplicity is also important. Highly engaged companies work hard to simplify the work of their employees by removing administrative overhead (compliance processes, formal check-off processes, multistep processes) in favour of trust, autonomy, and a focus on cooperation. Simplicity, or the removal of formal bureaucratic overhead, can have a dramatic impact on work satisfaction. A series of work-productivity studies by the University of Rotterdam shows that workers who operate in highly complex environments tend to have increased levels of cardiovascular and other illnesses, unless they are given extraordinary amounts of autonomy and local support. Without

increased amounts of empowerment and local control, complexity can lead to high levels of error and stress (Deloitte, 2015, 160).

The largest study on engagement in the world, the “2020 Q¹² Meta-Analysis” conducted by Gallup (2020) studied 54 industries with 2.708.538 employees within 112.312 business / work units. They concluded that relationship between engagement and performance at the business/work unit level is substantial and highly generalizable across organizations. Employee engagement is related to each of the 11 performance outcomes measured. As they said, “developing highly engaged teams results in fewer negative outcomes, more positive outcomes and greater success for your organization.”

CHAPTER 4 – CORONAVIRUS PANDEMIC AND THE "NEW NORMAL" WORKING ENVIRONMENT

Merriam Webster defines pandemic as “an outbreak of a disease that occurs over a wide geographic area (such as multiple countries or continents) and typically affects a significant proportion of the population.”

On 30 January 2020, the World Health Organization (WHO) declared the outbreak of the novel coronavirus (COVID-19) a “public health emergency of international concern”. WHO stated that there is a high risk of COVID-19 spreading to other countries around the world. In March 2020, WHO made the assessment that COVID-19 can be characterized as a pandemic.

More than two years have passed since the official pandemic and yet, as microscopic as the virus is, it changed the lives of approximately 7 billion people around the world. The circumstances the world has been dealing with were unprecedented, adaptation was necessary in all aspects of life and the consequences are still present today.

The International Labour Organization (ILO) said that COVID-19 would have “far-reaching impacts on labour markets outcomes” (ILO, 2020). As they claimed, in addition to urgent concerns (such as health), the virus and the subsequent economic shocks will affect the world of work across three key dimensions:

- (1) The quantity of jobs (both unemployment and underemployment),
- (2) The quality of work (social protection, wages),
- (3) Effects on specific groups, more vulnerable to market outcomes.

In the report (2020), ILO warned about the health crisis also becoming an economic and labour market one, affecting not only supply (production) but also demand (consumption and investment). Disruptions in production (mostly Asian) spread to supply chains across the world, and all businesses, regardless of their size, were facing serious challenges. Following travel bans, border closures and quarantine measures, many workers could not move to their place of work and carry out their job, many offices closed and, just like that, numerous people were left unemployed.

As Ratten (2011) put it, economy and entrepreneurship were areas with almost most attention during the pandemic. In order to prevent the spread of the virus, countries around the world were forced to adopt various social measures, one of them being social distancing. This included major changes in the way organizations worked, from mobility adaptation and international collaboration to overall changes in the lifestyle of many. Almost overnight, employees around the world moved their offices into the new, online world. When COVID-19 pandemic swept the world, the way we work changed forever.

4.1. How COVID-19 changed the way we work

COVID-19 pushed almost all organizations around the world to adjust to new ways of working, a consequence of many adopted measures aimed at preventing further spread of the new corona virus. Organizations had to find ways to accelerate something they knew was imminent in the future, but was not considered immediate.

One of the most important adopted preventive measures was social distancing - maintaining deliberate physical space between individuals. This necessitated remote working - a flexible working method not limited by time, location, type of communication technology and the use of information.

Successful implementation of teleworking requires technology and social and organizational support, especially from leadership (Contreras, Baykal & Abid, 2020). As Bennis (2009) said, leaders should transform themselves to achieve organizational goals by engaging teleworkers who enjoy a fruitful virtual work environment and allow them to thrive in their work.

According to the ILO's estimation in 2020, with the spread of pandemic, 195 million of full-time employees was at risk of losing their job. This meant that they had to learn new skills, which would enhance their employability in the new digital working space (Sheppard, 2020).

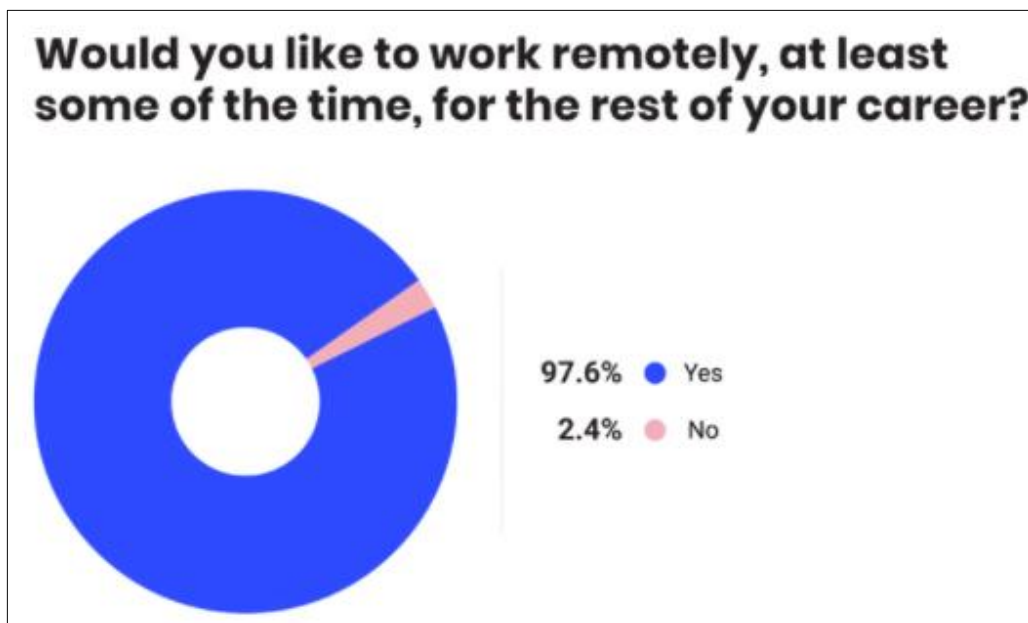
In 2021, OECD presented their report on how the COVID-19 crisis affected most businesses and created a sudden need for increased work from home. Key findings were (OECD, 2021):

- (1) All countries for which comparable data are available experienced increased rates of teleworking during the COVID-19 pandemic, though the extent of the increase varies widely;
- (2) In Australia, France and the United Kingdom, 47% of employees teleworked during lockdowns in 2020;
- (3) Highly digitalised industries, including information and communication services, professional, scientific and technical services as well as financial services, achieved the highest rates of teleworking during the pandemic – over 50% of employees, on average;
- (4) Teleworking rates during the pandemic were higher among workers in large firms than in small ones, reflecting lower digital uptake among small firms and their specialisation in activities less amenable to remote working;

- (5) Perceived productivity at home appears strongly associated with the desire to work at home.

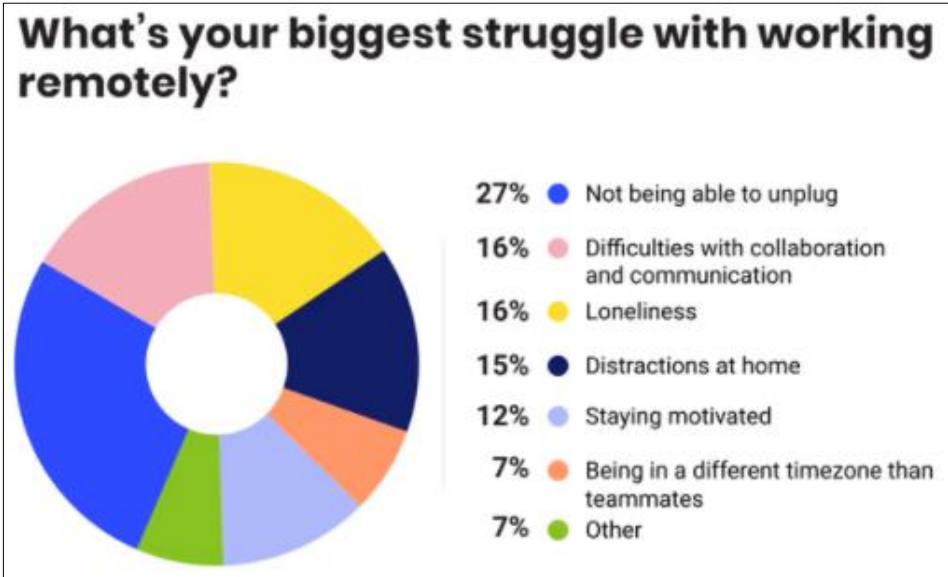
Buffer (2021) conducted a research in 2021 about how teleworkers from around the world, who were 'pushed' into this setting due to the pandemic, feel about remote work, the struggles and benefits that come with it and whether they would like to continue working in such setting.

Graph 2: Remote work preferences in 2021



Source: Buffer, 2021

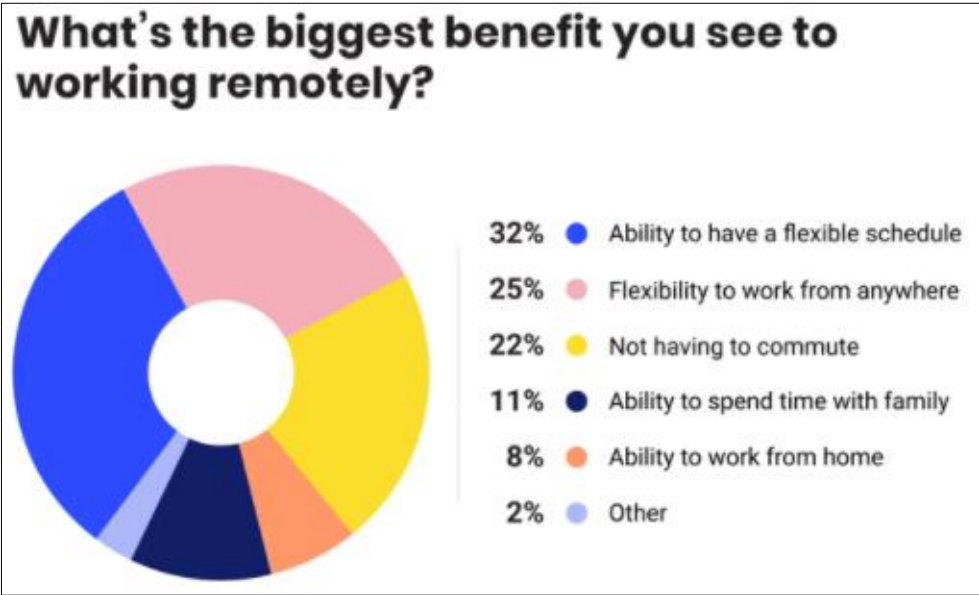
Graph 3: Remote work struggles in 2021



Source: Buffer, 2021

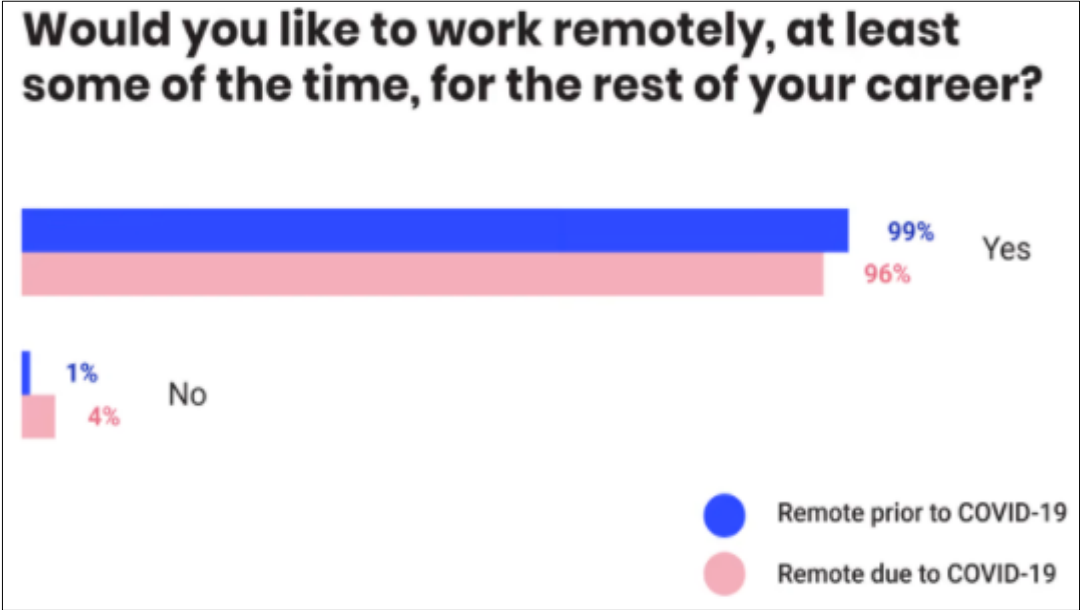
Although work from home has its challenges (not being able to unplug, difficult collaboration and communication, etc.), it is clear that majority of employees would like to continue with remote work, even after the pandemic.

Graph 4: Remote work benefits in 2021



Source: Buffer, 2021

Graph 5: Remote work for the rest of career in 2021



Source: Buffer, 2021

The report shows that it is obvious how remote work has grown rapidly; an overwhelming number of over 90% of teleworkers reported, they would like to continue working remotely for the rest of their career (not only during the pandemic). To compare the situation with the 'post-pandemic' time, they conducted a similar survey in 2022 (Buffer, 2022). They surveyed 2.118 people from 16 different countries. In this year's report, the findings were similar; affinity to telework and appreciation of flexibility that comes with it.

Graph 6: Remote work preferences in 2022



Source: Buffer, 2022

Figure 17: Remote work benefits in 2022



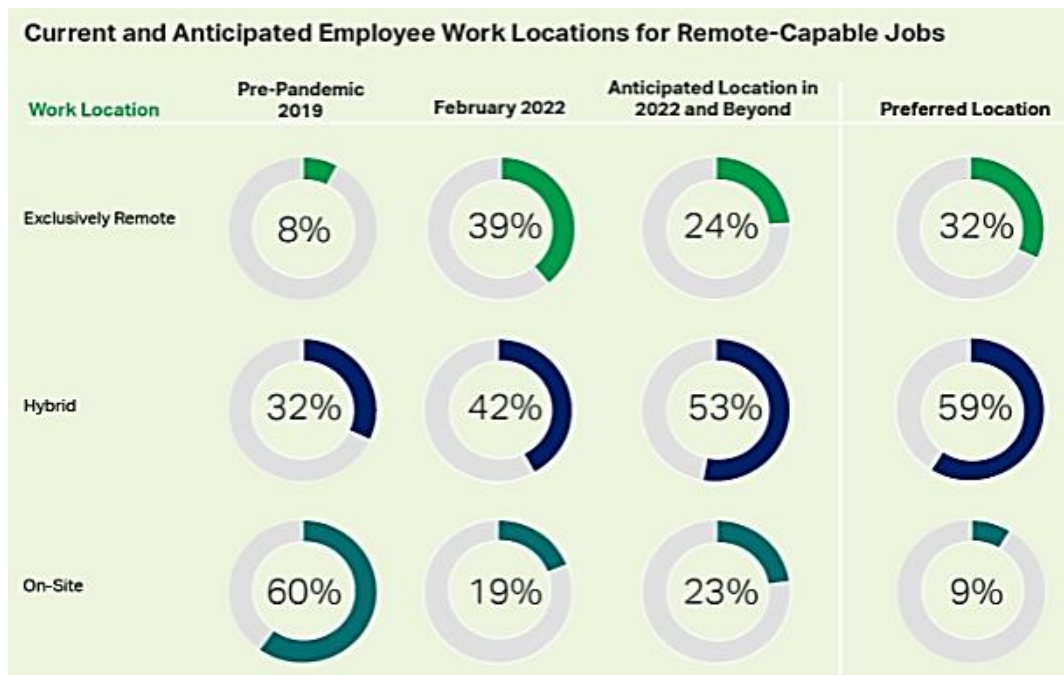
Source: Buffer, 2022

Similarly, Gallup (2022b) studied the experiences, needs and future plans of more than 140,000 U.S. employees surveyed since the onset of the pandemic. Their findings were the following:

- (1) When the pandemic hit, around 70% of employees worked exclusively from home (compared to 8% before the pandemic);

- (2) After the pandemic, in February 2022, most of those employees continued to work from home, at least part time: 42% on hybrid schedule (partly in the office, partly from home) and 39% full time;
- (3) According to their employer’s future plans on work arrangements, 53% expect to continue with the hybrid model and 24% expect to work fully from home;
- (4) Nine in ten employees working from home prefer some degree of remote work going forward, and six in ten specifically prefer hybrid work;
- (5) An astounding 54% of employees currently working from home said they would look for a new job, if their current employer stopped with the remote work option. Around 38% of hybrid workers would do the same;
- (6) When employees, who prefer to work from home, are required to work on-site, they experience significantly higher intent to leave and higher burnout and, at the same time, significantly lower levels of wellbeing and engagement.

Figure 18: Current and anticipated work locations by Gallup



Source: Gallup, 2022b

It is clear that majority of employees developed an affinity to remote work arrangements, and if organizations fail to offer flexible work environment, they face a risk to the overall performance, wellbeing, retention and engagement.

Moving to the new online working environment affected organizations and HR managers heavily, mostly in terms of developing new strategies, which enabled employees to use advanced technologies. This also included numerous training sessions for understanding these new systems and updating their digital skills (Parry & Battista, 2019). Furthermore, a research conducted at Microsoft showed that other major difficulties during the pandemic were business continuity, customer orientation and employee wellbeing; managers had to work to reduce such harmful effects of work from home, and help their employees set priorities. On the other hand, less socialisation during the pandemic had implications on the employees' mental health. HR practitioners needed to respond also to this challenge by arranging virtual meetings or online relationships to maintain the motivation and productivity of employees (Singer-Velush, Sherman & Anderson, 2020).

4.2 What to expect

Experts believe that the end of the pandemic is in sight, at least in terms of quarantines, social distancing rules and travel bans. Organizations across the world have been extensively preparing for return to work, one way or another. While everyone expected a mass migration back to the office in autumn 2021, the new wave of coronavirus pushed numerous organizations to extend their policies on work from home. As it seems, the situation is calming down now in the spring, and employees are gradually returning to their offices.

For some employees this means return to normalcy, however, for many, it is a new challenge; work from home became their “new normal” and the flexibility that comes with it is simply something, they do not want to give up.

McKinsey (2020) conducted an analysis across more than 2.000 tasks used in around 800 occupations in the nine different countries, in order to determine how extensively remote work might persist after the pandemic. Their findings showed that:

- Potential for remote work is highly concentrated among highly skilled, highly educated workers in a handful of industries, occupations, and geographies;
- About 20% - 25% of the workforce could work remotely three to five days a week as effectively as they could if working from an office;
- If remote work took hold at that level, that would mean three to four times as many people working from home than before the pandemic and would have a profound impact on urban economies, transportation, and consumer spending, among other things;
- On the other hand, more than 50% of the workforce has little or no opportunity for remote work (e.g. due to collaboration, use of specialized machinery, conducting CT scans, etc.);
- Some companies are already planning to shift to flexible workspaces after positive experiences with remote work during the pandemic. A survey of 278 executives by McKinsey in August 2020 found that on average, they planned to reduce office space by 30%.

To assess the potential implications of large-scale change brought on by the pandemic, the OECD’s Global Forum on Productivity (GFP) launched an online survey together with Business at OECD (BIAC), the Trade Union Advisory Committee to the OECD

(TUAC), the Energy Regulators Regional Association (ERRA), and supported by GFP Steering Group members. The survey inquired from managers and employees about their experience with and expectations about telework. Survey results from several thousand companies in 25 countries provided insights about how extensively telework may be relied on in the future, the anticipated advantages and downsides and what role public policies and managers can play in raising the gains from telework (OECD, 2021b). The survey results documented the following:

- (1) Teleworking is expected to remain widespread, but less intensely than during the pandemic. Most managers and workers reported a positive impact of teleworking on performance and well-being and both expect that this form of work remain also after the pandemic.
- (2) Telework is set to raise firm performance and well-being, but some challenges must be addressed; workers are keen to work from home because, among others, they save money and time on commuting, and they are more relaxed and focused at home. Managers also see the potential for better performance through telework, since, in their experience, the workers work more intensively and productively when working remotely. However, managers are also worried about the long term impact this may bring impaired communication among team members, as well as difficulties in training staff. Therefore, to ensure that benefits dominate the drawbacks, it is pivotal to find innovative ways of promoting knowledge flows and training.

To help organizations chart their way forward, as mentioned, Gallup has studied more than 140,000 U.S. employees surveyed since the onset of the pandemic. These insights paint a vivid picture of how different offices will be and the unique dynamics of a highly flexible workplace. The study brought the following key findings (Gallup, 2022c):

- (1) Around half of the full-time workforce (about 60 million workers) report that their job can be done remotely from home, at least part of the time;
- (2) Out of those 60 million employees, a staggering 30% said they would prefer to "never" come into the office during the week;
- (3) 10% said they prefer working all five days in the office;
- (4) The middle 60% want a blend of one to four days per week. The most common preference was two to three days in the office per week.

As reasons why they want to continue to work from home, majority of employees in the study listed the following:

- (1) Work from home eliminates daily commute;
- (2) Work from home improves overall wellbeing;
- (3) Work from home offers flexibility to balance family needs and other obligations.

These reasons clearly paint the human nature, and it is one, that does not want to accept traditional office routine anymore. As the research showed, around 37% of desks is likely to remain empty.

4.3 Work from home - Teleworking

ILO's Home Work Convention (No. 177) and Recommendation No. 184 (1996) define work from home as "work carried out by a person in his or her home (or in other premises of his or her choice), other than the workplace of employer, for remuneration, which results in a product or service, as specified by the employer, irrespective of who provides the equipment, materials, or other needed inputs."

The European Framework Agreement on Telework⁷ 2002 defines telework in article 2 as “a form of organizing and/or performing work, using information technology, in the context of an employment contract/ relationship, where work, which could also be performed at the employer’s premises, is carried out away from those premises on a regular basis”. Although this definition is broad, it captures the main idea behind telework, which is work flexibility in space and time.

Originally conceived by NASA engineer Jack Nilles in 1973, teleworking was the idea of moving the work to workers instead of the other way around. This introduced the option for employees to work from a different location than the organization’s (main) offices, for example from home (Brink, 2020, 8).

Sparked by the U.S. oil crisis in the 1970s, teleworking began developing as a response to significantly increased prices of gas. The idea was that one out of seven commuters would work from home, which would result in reduced dependency of US on oil import (Tavares, 2015).

In 1979, IBM conducted an experiment, trying to ease a logjam at the office mainframe and enabled five employees to work from home. Although the idea of teleworking was still a novelty, the solution proved effective. By 1983, approximately 2.000 IBM employees worked from home. When IBM realized the potential of profitable selling of their buildings and institutionalizing work from home, the number of teleworkers ballooned. In 2009, 40% of IBM employees (around 386.000) in 173 countries had no office at all (Useem, 2017).

⁷ The European Framework Agreement on Telework was signed by the social partners in July 2002. The framework agreement regulates issues such as employment and working conditions, health and safety, training, and the collective rights of teleworkers. The unique aspect of this agreement is that it is not implemented through a European directive. Instead, it is transposed through the autonomous route, in accordance with the procedures and practices specific to management and labor in each Member State

Meanwhile, the Europe marked the rise of teleworking in the 1980s and 1990s, mostly due to the policies aimed at reducing unemployment in remote cities (Blatnik & Hocevar, 2020, 120).

Teleworking, as a form of flexible working arrangement has become more and more significant in the late 90s, when the use of home computers, laptops, mobile phones and other sophisticated telecommunication software became a daily tool of work. Working from home became a way to a better work-life balance, improving social life by decreasing work constraints, and gaining autonomy over one's own affairs. The line between working time and free time became flexible and adjustable to the needs of employees (Tavares, 2015, 7).

4.3.1 Pros and cons of teleworking

Teleworking has constantly been a subject of debate, mostly because of its blurring boundaries between work and no work, personal and social effects of not being physically in the office, and because of the risks and benefits of flexible working hours it brings.

After the WHO declared pandemic, it also suggested teleworking (where possible), as a measure of preventing the spread of the virus. In spring 2020, more than 3,5 billion individuals have been confined to their homes, which meant that several millions were teleworking (Bouziri et al., 2020). It is believed that so much teleworking may lead to social or professional isolation, which means missing the everyday aspect of work, since employees are physically away from their colleagues; this can lead to reduced information sharing or co-learning on the job, due to not being actively involved in meeting or work discussions. This feeling of professional isolation adversely affects job performance (Golden et al., 2008) because employees do not have their supervisor and

colleagues' support in problem solving as they would if they were physically present at work. As Harrington and Santiago (2006) said, virtual work arrangement brings change in communication process. Losing day-to-day interaction means organizations needs to adapt. This adaptation, however, affects both managers and employees. Most of the time we can find a lot written about the effects on the management, but there is not much about employee's satisfaction about those changes. As they claimed, evidence shows that teleworker's primary reluctance to remote work comes from their concern about isolation (Kurland & Egan in Harrington and Santiago, 2006). This concern can be professional or social. Professional isolation occurs when teleworkers fear they will be bypassed for promotion or other organizational rewards. Social isolation occurs due to lack of interaction with colleagues. As Teo, Lim and Wai (1998, 337) said, the most important perceived disadvantage of teleworking cited by employees is "missing out on peer interaction which is critical for professional development".

Working remotely means teleworkers can do their work anywhere, but mostly home. As Schmitt & Willenberg (2022) said, "this makes it difficult to 'clock out' and separate their work and professional lives, as many lack the self-discipline to clearly delineate and stick to 'work hours'." They said that 40% of teleworkers claimed to work longer hours and note significant increase in stress.

On the other hand, teleworking also brings some advantages. Empirical studies have shown favourable outcomes, such as reduced levels of stress and work-life imbalance, better performance and job satisfaction and lower turnover rates (Kossek et al., 2006). Similarly, Othman (et al., 2009) showed positive effects of teleworking on the work-life balance of employees. Azarbouyeh and Naini (2014) claimed that teleworking helps enhance the quality of life, whereas, Kazekami (2020) found that teleworking improves employees' happiness and work satisfaction. However, the benefits are evident where the employees find managerial, peer, and technological support. This support helps

reduce any potential negative impacts arising from social isolation, mitigate the work-family conflict, and reduce the stress (Bentley, 2014). As Pavlova (2019) said, work autonomy through free choice to directly influence one's working time, place, and methods is associated with higher productivity.

In 2000, the Office of the Information Resources Management reported substantial increase in satisfaction and quality of work, as a result of virtual (remote) work arrangement. Their findings were the following (Harrington & Santiago, 2006):

- 93% achieved greater balance between their professional and personal lives;
- 88% experienced a lower level of stress;
- 82% reported their morale improved;
- 59% were more motivated while working remotely.

In addition to the benefits that teleworking has for employees, it can also positively impact reputation and corporate image. Heavy traffic and air contamination are one of the growing concerns on the global agenda; green corporations show their concern for the environment with teleworking as a viable short and long-term solution to improve the quality of air mainly in urban areas while improving the quality of life (Giovanis, 2018).

In 2007, Gajendran and Harrison conducted a meta-analysis of 46 studies to understand the positive and negative consequences of telecommuting⁸ (hereinafter teleworking). As they claimed, despite the growing importance and widely spreading practice of teleworking, reviews of the last two decades of research have concluded that it is unknown whether teleworking is good or bad for employees. Existing evidence

⁸ They use the term 'telecommuting' for an alternative work arrangement in which employees perform tasks elsewhere that are normally done in a primary or central workplace, for at least some portion of their work schedule, using electronic media to interact with others inside and outside the organization.

is indeterminate and often contradictory (Gajendran & Harrison, 2007, 1525). They concluded that teleworking is likely more good than bad for individuals. Their findings showed a clear upside in the following aspects:

- (1) Teleworking lowers turnover intention and stress,
- (2) Teleworking brings small but favourable effects on perceived autonomy,
- (3) The absence of an immediate supervisor and a less formal working atmosphere reduces the work stress for employees,
- (4) Teleworking helps employees create their own rhythm of work and prevents distractions from other employees.

As they concluded, contrary to expectations in academic and practitioner literatures, teleworking also has no straightforward, damaging effects on the quality of workplace relationships or perceived career prospects. However, they do believe there is a downside to higher intensity of teleworking in that it can send co-worker (but not supervisor) relationships in a harmful direction. As they put it, some of the complexities of these consequences have yet to be explored, but the evidence and theory reviewed in their analysis suggest that they can be managed effectively through informed human resources policies.

Contreras, Baykal & Abid (2020) analysed the existing researches on teleworking and found the following potential risks:

- (1) Social isolation, which can lead to employees being disconnected from the working environment; this leads further to lower performance and gradual demotivation;
- (2) Long-term isolation has adverse effects on employees' performance and increases turnover intention, family-work and work-family conflict;

- (3) Teleworking can lead to anxiety among employees about the possible shrinking of career prospects owing to reduced visibility;
- (4) Common concern among managers is decreased job performance, i.e. lack of trust in employees ability and willingness to perform at the same level compared with what they could attain if they were to work with their manager in the same place;
- (5) Common negative effects of digital environments, such as information overload, employees' alienation, weak social relationships, poor accountability in teams, low trust, insufficient technological skills, and an inability to influence change based on commitment.

It seems that teleworking is here to stay, at least for part of the working week. Besides the above mentioned positive sides of teleworking, organizations realised, that flexible working model brings other benefits as well; not only does it reduce office and real-estate expenses, it is also an asset in attracting new talent from a larger pool of candidates (e.g., candidates who do not live within commuting distance, have some sort of disability, etc.).

4.3.2 Main challenges of the “new normal” working environment

Although teleworking is not a new trend, it became a fully different experience during the pandemic, when majority of workforce moved online. In addition to the overall work and adjustments that came with the virtual settings, many teleworkers also had to deal with home schooling, different disruptions, and re-learn how to navigate their relationship with colleagues in the face of virtual distance.

As organizations are gradually getting back to the office, it is clear that teleworking is here to stay, one way or another. Bearing that in mind, organizations need to reflect

on the overall experience with remote work during the pandemic and think further in terms re-defining normal, which needs to be positive for their employees otherwise they will most probably face the following challenges:

(1) Burnout

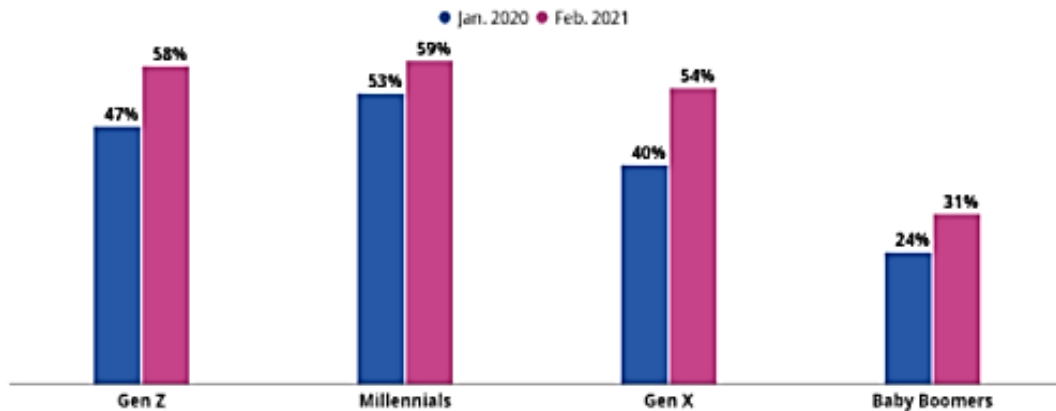
According to a 2019 Gallup study, burnout was an issue for almost 8 in 10 employees. As their report showed, 28% of workers felt burned out 'very often' or 'always' and additional 48% reported burnout 'sometimes'. This was before the pandemic, when remote workers tended to experience less burnout than employees with traditional work arrangements because of the work and life advantages to working from home. However, with a new, large force of remote employees - and many managers who are new to managing remote workers - preventing burnout presents new challenges for companies (Gallup, 2020c).

Another study (Threlkeld, 2021) confirmed that burnout during the pandemic has increased. Their report showed that:

- More than half (52%) of respondents are feeling burned out, and more than two-thirds (67%) believe the feeling has worsened over the course of the pandemic;
- Those who telework are more likely to say that burnout has worsened over the course of pandemic (38%), compared to those working in the office (28%);
- When comparing data from before the pandemic, the report showed that burnout is on the rise; more than half (52%) of survey respondents are experiencing burnout in 2021, up from the 43% who said the same in the pre-COVID survey. The report confirmed this for all generations (Graph 7).

Graph 7: Burnout perception during COVID-19

How feelings of burnout have changed during COVID-19



Source: Threlkeld 2021

Managing and preventing burnout is very important; employees who say they experience burnout at work are (Gallup, 2020c):

- 63% more likely to take a sick day,
- ½ as likely to discuss how to approach performance goals with their manager,
- 23% as likely to be actively looking for a new job,
- 13% less confident in their performance.

(2) Turnover tsunami

Recent reports have been predicting a forthcoming 'turnover tsunami' or 'great resignation' once the pandemic is over. During the 2020, voluntary resignations have decreased, probably due to uncertainties that came with the pandemic. However, reports suggest that this trend is already reversing as 52% employees in North America already confirmed they were looking for a new job in 2021. This is a 43% increase compared to the number in 2019. Along with pandemic burnout and compensation

goals, work environment preference is one of the major factors driving people's job-change plans (Hogan, 2022).

Another research by the Achievers Workforce Institute (2021) confirmed similar upcoming trend; the institute surveyed 2.000 employees, finding that 52% are looking for a new job, compared to 35% a year earlier. The study also found that 46% of respondents felt less connected to their organization and 42% said that their corporate culture has diminished since the start of pandemic. Only 21% said they felt engaged at work.

According to Deloitte (2021), 80% of organizations that were surveyed, shifted some focus to employee wellbeing during the pandemic. Still, different survey results show that more than 60% of employees felt anxious, isolated, underappreciated and burnt out.

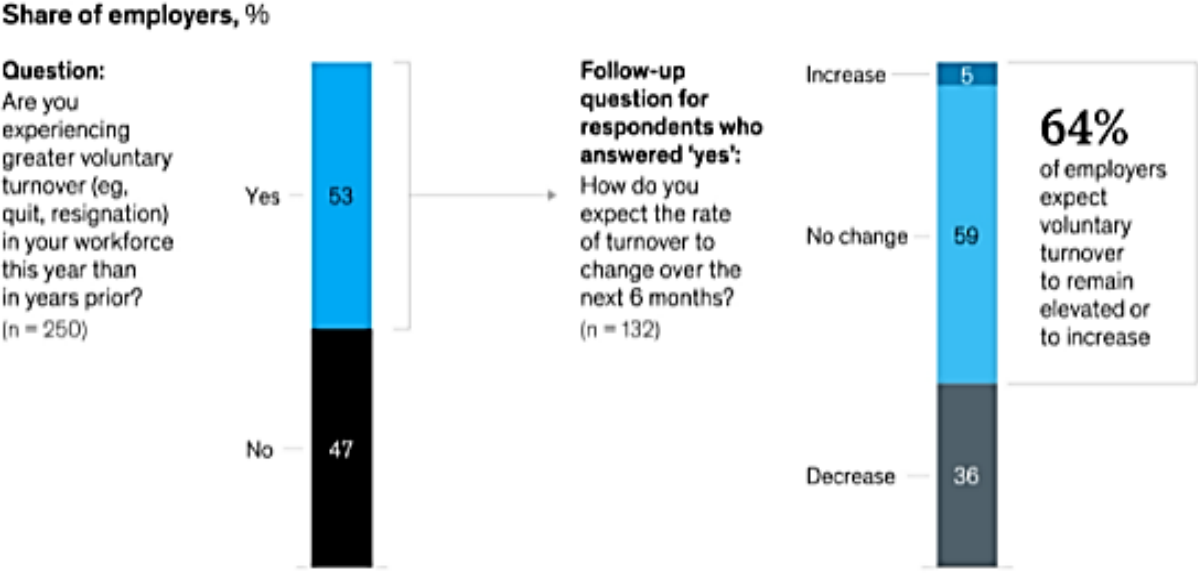
Lingle (2021) expects that 50% - 70% employees will be actively looking for a new job in 2021 and 2022. He believes that in the next 12-24 months, organizations will face serious challenges on two fronts:

- Internal employees are already looking for a fresh start;
- Recruiting new talent will be highly competitive, as they will have several options and will now evaluate organizations differently that they did prior to the pandemic. Candidates will include new criteria such as how the company behaved during the pandemic (pay cuts, lay-offs, furloughs, etc.), what is the policy on on-site vs. work-from-home vs. hybrid, organization's position on sustainability, etc.

McKinsey report (2021b) confirms the above, it claims that 53% of employers confirmed they are experiencing greater voluntary turnover than they had in previous years, and 64% expect this problem to continue or even worsen (Graph 8).

Graph 8: Voluntary turnover

Most employers are experiencing greater turnover, and most expect the problem to continue or worsen over the next six months.



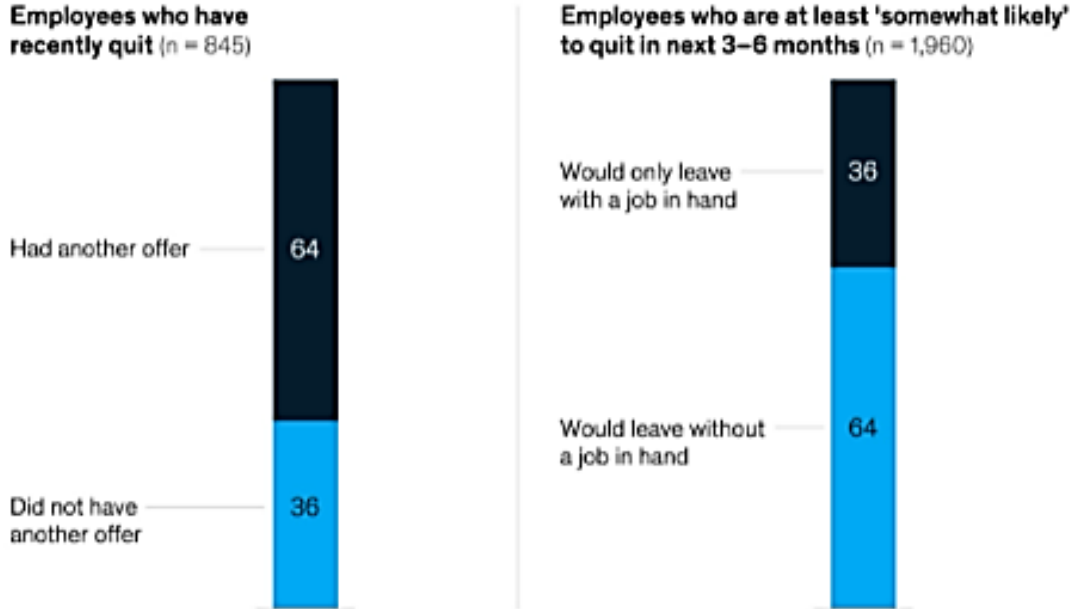
Source: McKinsey, 2021b

Moreover, compared to pre-pandemic times, voluntary resignation today differs greatly in one thing; namely, employees are willing resign without having a new job at hand (Graph 9). Among employees surveyed by McKinsey, 36% had quit in the past six months, without having another employment in hand. This is another sign how employers may be out of touch with just how hard the past 18 months have been for their workers (McKinsey, 2021b).

Graph 9: Post-pandemic voluntary turnover

Attrition may accelerate, as people are willing to quit without another job lined up.

Share of respondents, %



Source: McKinsey, 2021b

(3) Disengagement

Research conducted by Achievers Workforce Institute (2021) showed that engagement levels have been decreasing since the teleworking became main type of work. The research showed that only one in five employees described themselves as 'very engaged'. Percentage of employees who felt disengaged increased from 14% in 2020 to 24% in 2021.

Figure 19: A disengaged nation

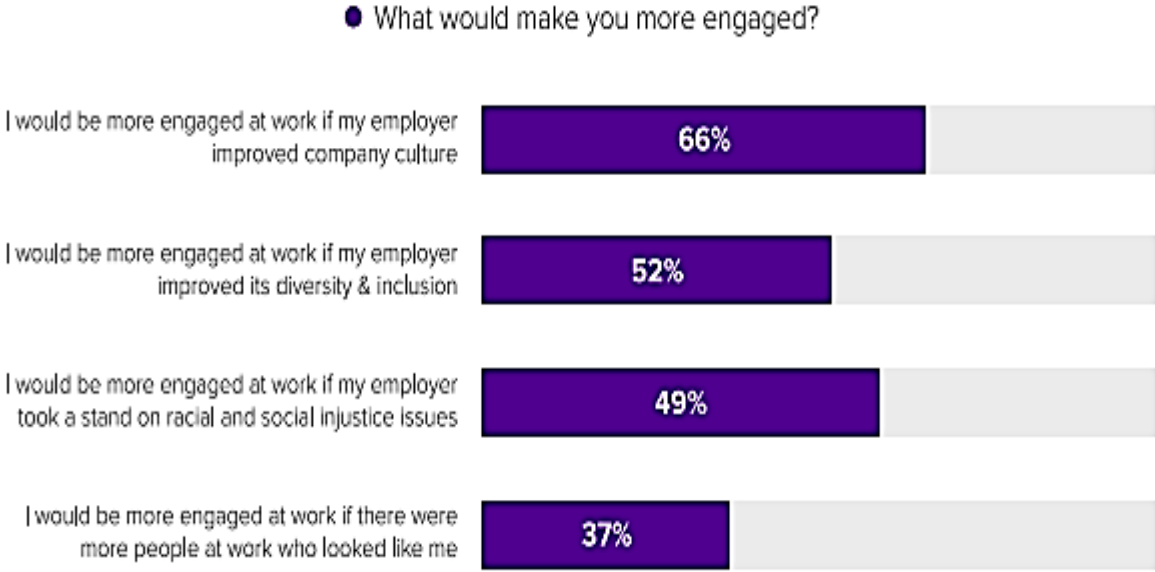


Source: Achievers Workforce Institute, 2021

Gallup’s State of the Global Workplace Report (2021) showed that globally, employee engagement has decreased. In total, only 20% of employees felt engaged at work even though the engagement trend has been on the steady rise since 2012 (until the pandemic).

As mentioned in the previous sections, company culture is one of the key elements influencing engagement and sense of belonging. This was confirmed by the Achiever’s study, which reported that more than half of surveyed employees would be more engaged, if their employer improved company culture (Graph 10).

Graph 10: Employee engagement and company culture

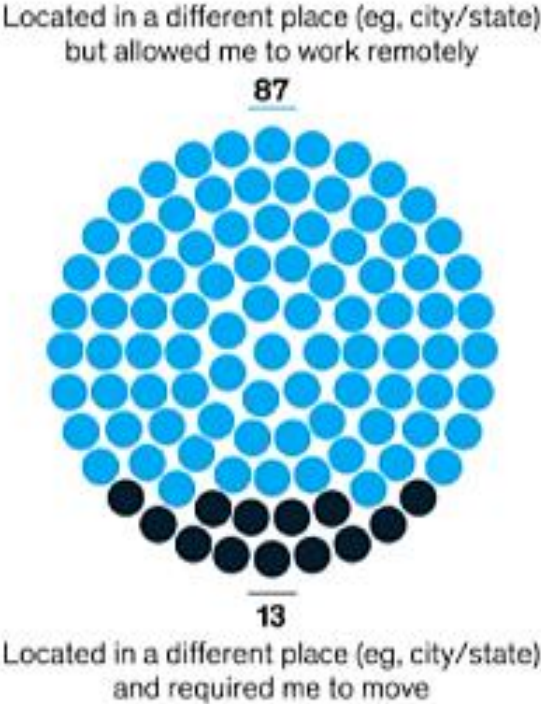


Source: Achievers Workforce Institute, 2021

(4) Attracting and retaining talent

As many reports have shown, employees want to continue working remotely and keep the flexibility they gained during the lockdowns. Around half of all surveyed employees said they want to telework at least part of the working week, in a hybrid model. Leaving their job for the sake of flexibility is no longer a risk, employment opportunities are increasing with more and more organizations offering remote-work possibilities for the 'hard-to-source' talent. As McKinsey reported, among 65% of surveyed employees who took jobs in new cities, almost 90% did not have to relocate. This means that, having a more 'location agnostic' positions to choose from could also prompt otherwise satisfied employees to start second-guessing their commitment to the companies where they now work, particularly if executives mishandle the transition to a hybrid-work environment (McKinsey, 2021b).

Figure 20: Employee engagement and company culture



Source: McKinsey, 2021b

Attracting, developing and retaining top talent has become as challenging as ever these days. Organizations no longer compete with the neighbouring organizations, but one could say, with almost the whole world. With so many offices moving into the online environment, the distance between cities, countries and employees of different organizations has almost vanished.

Luckily, managers seem to be aware of these changes. As PwC reports (2022), 83% of business leaders expected their revenues to increase in 2021 as the economy continues to recover and more than half of those leaders confirmed that they are taking actions on people issues, such as securing talent (59%) and stepping for support for burned-out employees (55%).

4.4 Organizational culture in the “new normal” working environment

Spicer (2020) warns about the big shock, economically and socially, that COVID-19 has brought and how it has already affected organizational cultures. As he said, for many organizations, the underlying values and assumptions seem to have shifted from exploration and creativity to safety and resilience.

It is clear that one of the consequences of pandemic is the “new normal” working environment: an online world, which became a new reality for a bigger part of workforce. Organizations worldwide have revised or adapted their working policies to this new normality and a 5-day presence in the office has become a story of the pre-Covid times.

Due to the positive experience of the remote work during the pandemic, numerous organizations are adopting a “hybrid” working model – aiming to preserve the best of both worlds. As simple and straightforward as this may seem, it will most probably prove challenging in practice, especially when it comes to organizational culture.

When employees work from home, they may feel isolated and outside the organization’s socialization process. Kurland and Egan (1999) questioned whether this represents a challenge to maintaining corporate culture, since teleworkers are not exposed to organization’s beliefs and values, at least not to the extent as those that are in the office. As they said, “organizations may find it difficult to transmit their culture to teleworkers”.

4.4.2 How COVID-19 changed organizational culture

Davenport and Pearlson (1998) said that traditional offices help maintain a corporate culture and identification or loyalty with the company and these functions are difficult to maintain in a teleworking arrangement. It seems that in these new circumstances, organizations are now facing different challenges (Parikh, 2021):

- Alignment to company's ethics and vision doesn't happen organically;
- Team camaraderie is not the same as before;
- Cross-functional collaboration is also showing some variations. As understanding the skills sets of different individuals, value to add, personalities and kind of person they are not known;
- Trust takes longer to develop;
- Ownership & the feeling of belonging to an organization takes longer to kick in;
- Building bonds & driving conversations that are not just transactional does not happen frequently.

Furthermore, the Workforce Institute is Achievers issued a report, based on a survey of more than 1.000 employed individuals conducted in 2020. The data showed how culture changed during the pandemic, mostly, for worse (Achievers Workforce Institute, 2020). The main changes were:

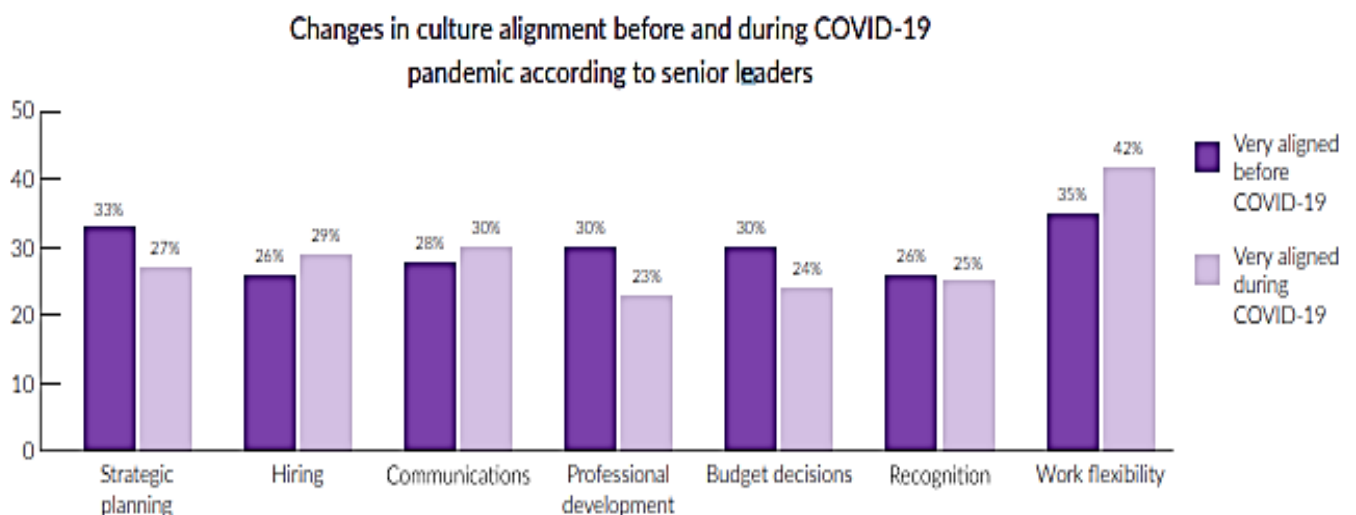
(1) Culture alignment

Culture alignment is defined as the degree to which all the decisions an organization makes align to its company values, from strategic decision making, to budgeting and hiring. Alignment is important, as Collins (2001) demonstrated, since aligned companies are six times more profitable than unaligned ones and the more aligned

organizations are to their values, the better their employees feel about their response to the COVID-19 pandemic. The report showed that one third of managers said how their strategic decision-making was very aligned to company values before the pandemic. However, during the pandemic, this has dropped by 20%, as well as budget decisions (23% decrease in alignment) and professional development (Graph 11).

On the contrary, work flexibility increased by 20%, which indicates that remote work options were aligned with company values. This may be due to the sudden requirement to allow remote work.

Graph 11: Changes in culture alignment before and during COVID-19



Source: Achievers Workforce Institute, 2020

(2) Recognition

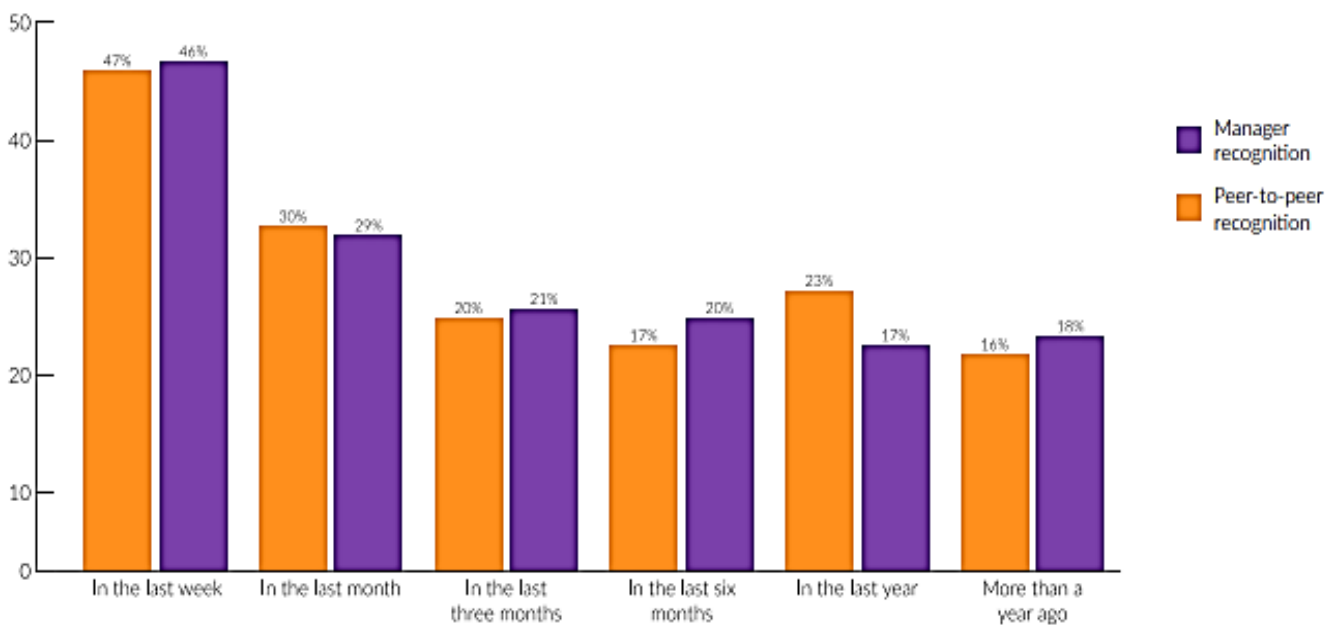
In the survey, 35% of respondents said that the organization could have supported them better during the pandemic with more recognition. Many studies have confirmed that receiving recognition drives engagement. However, 40% respondents reported they did not feel appreciated for their work. According to a

recent research brief from Brandon Hall Group⁹, there are significant advantages to recognition, namely organizations with more frequent recognition:

- Are 41% more likely to see increased employee retention
- Are 34% more likely to see increased employee engagement

Graph 12 shows strong correlation between receiving recognition and being engaged.

Graph 12: How receiving recognition affects engagement



Source: Achievers Workforce Institute, 2020

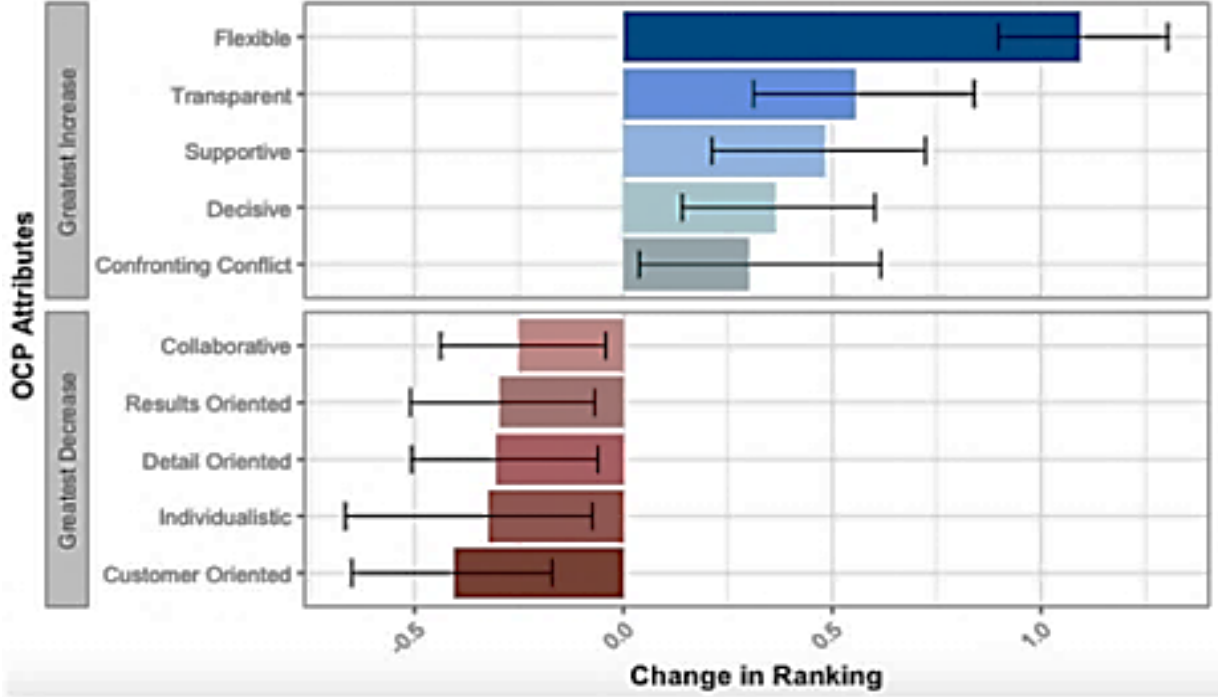
The chart clearly shows that when respondents received recognition more often (e.g. in the last week) they had significantly higher levels of engagement compared to those who received it on rarer occasions (e.g. recognition received more than a year ago).

⁹ The Business Benefits from the Creation of a Recognition Mindset and Culture, 2021

(3) Emphasis on certain cultural elements

A study conducted by Brown (et al., 2021), aimed at identifying patterns of culture change across a diverse range of organizations, included 2,771 individuals from over 40 organizations (from different sectors, such as technology, finance, consulting, with individuals from different hierarchical levels). As the study showed, the COVID-19 pandemic led organizations to emphasize certain cultural elements and to downplay others. In particular, the five cultural elements that organizations placed greater emphasis on were: flexibility, transparency, supportiveness, decisiveness, and confronting conflict. At the same time, the five cultural elements that organizations deemphasized in response to the pandemic were: customer orientation, individualism, detail orientation, results orientation, and collaboration. In short, organizational cultures in the pandemic era have generally shifted away from a high performance orientation to one that prizes empathy, understanding, and mutual support.

Graph 13: Cultural attributes that became more and less prominent during the COVID19 pandemic



Source: Brown et al., 2021

A recent study¹⁰ showed that 51% of senior leaders worry, that maintaining their corporate culture will be challenging or difficult within the new flexible working arrangements. As Schaninger (McKinsey, 2021) said, culture is a predisposition to behave in a certain way. During the pandemic, there was no rulebook. Previously, a lot of culture focused on getting the work done, however, over the past 15 months, the focus was on employees. This stressed many cultures.

That said, it is important that, as organizations move into the “new normal” working environment, they consider how to maintain their corporate culture, the driving force behind employees’ performance and the key to their satisfaction and engagement.

¹⁰ Global Survey #6: Globally, how are companies flexing for the future and returning to the workplace? (July 15, 2020)

4.4.2 Maintaining organizational culture in the “new normal” working environment

Organizational culture is an important driver of organization’s success, since it greatly affects employee’s motivation, commitment and engagement. Majority of organizations built their culture through personal interactions and relationships. When the pandemic turned corporate world into a virtual one, the culture landed on uncertain grounds. It is vital that managers and leaders figure out how to hold onto it and maintain it, as they continue to work remotely.

Organizations like IBM and Yahoo have tried virtual cultures in the past, however the practice was abandoned, since they realized that the benefits of in-person collaboration were too valuable and the risk of virtual working was too big. However, with the new reality that organizations are facing today, as well as limited options available, they need to find the way to mitigate the risk of losing or harming their culture.

There is no formula for maintaining organizational culture, since it usually develops organically; it is shaped by decisions, attitudes, shared experiences and demonstrated values of its members. However, there are several common factors, that fit into it.

Gallup (2020b) recommends two steps that build a strong virtual culture, mitigating the risks of virtual work:

(1) Defining the drivers that create organizational culture

Before anything, the organization needs to be clear on what are the drivers of their culture. Meaning, it first needs to examine each angle of employee experience, not only to define the culture but, first and foremost, to understand what drives it. Usually, the common drivers are beliefs, values traditions, structures, unwritten rules, and the repeated moments that make up the employee experience and

create the culture. Only once the organizations is clear about that, it can be proactive in its intent to create and maintain a high-performing culture.

(2) Measuring the central elements of employee experience that create culture

As remote work increases the risk of cultural breakdown, it also increases the need for constant feedback to employees about what is important. Gallup (2020) used the world's largest database of teams and cultures (data from over 70 million employees) and identified globally benchmarked items that any organization can survey in order to measure common cultural drivers, which are predictive of positive business outcomes (innovation, collaboration, customer orientation, etc.).

For instance, in organization where the culture is driven by collaboration to get the work done, they mitigated the risk of remote working by instituting a quarterly survey that measures the following:

- There is cooperation between my department and other departments with whom I work.
- My team takes time to reflect on and discuss how we can make things better.
- My organization has systems in place to encourage collaboration.
- At work, I have a lot of strong personal partnerships.

With such surveys, Gallup created an index that organizations can use to benchmark themselves against others around the world. Gallup found that for those with top-quartile scores for this index, 75% of employees were engaged, compared with only 4% of employees in the bottom quartile. And Gallup research has shown time and again that highly engaged work units outperform the rest.

According to the PwC and their global research (2020), it is clear that culture is more important to organizational performance and success than strategy or operating mode. As they say, protecting and nurturing organizational culture should be a part of the

crisis management approach. They recommend the following steps for protecting the culture during and after coronavirus crisis:

- **Acknowledge the new reality:** Acknowledging the reality of the human impacts on what has happened, for peers, colleagues, leadership. Showing this awareness will help build a sense of belonging and connection.
- **Understand and assess:** Clear understanding of the culture prior to the pandemic. Based on that the organization needs to see how and to what extent has this been impacted by the remote work, to what extent do employees still feel as part of the organization? In addition, organizations need to identify few 'critical' behaviours, which will help achieve, or get back the traits of the pre-pandemic culture, which will help strengthen those traits and mitigate potential arising issues.
- **Leverage informal leaders** – individuals who have influence not by hierarchy but by the social capital they have earned. Involving them in various processes and decision-making will keep the leadership transparent and tap into the power of the already existing informal network of the organization. With the help of informal leaders, organizations can build social resilience and create connections.
- **Role model** – organizations need lead by example with right behaviours, such as leadership, empathy, communication, engagement and resilience, which are more critical than ever. Whenever there is opportunity, it is good to demonstrate such behaviours, also reinforce when someone else exhibits this and challenge those who demonstrate unhelpful behaviours.

Singh and Kumar (2020) conducted a study on how the pandemic affected organizational culture during April 2020. They applied a descriptive survey method among hundred full-time working professionals in IT sector, in India. The results showed that remote work has an evident impact on their organizational culture. An

overwhelming 9 out of 10 respondents agreed that there is a critical need to protect and maintain organisational culture. Some of the suggestions received from the respondents were:

- re-communicating values and culture regularly,
- setting clear expectations and frequent communication,
- speaking to each other twice a day,
- providing training on effective communications skills,
- building trust and empower employees.

Lutherone¹¹ (2022) developed a guide with practices that successful companies have been applying when building a thriving culture in remote working environment. They recommend the following:

(1) Clear vision and Communication strategy

Employees need to understand organization's vision and strategy, and they need to know who their leaders are. There needs to be a clear communication channel, a two-way street, allowing employees to express themselves and to be heard. That said, leaders need to develop a communication plan, show employees that they value their opinion, they themselves need to be transparent, since employees want to know what is happening, what decisions are being made, etc. There is no such thing as over-communication, when it comes to managing remote teams, since it helps people retain critical information

(2) Team support + Identity

As the remote work is becoming new normal, social support and the opportunity to share personal experiences with colleagues are one of the key factors that help

¹¹ Collaboration and performance platform

promote mental health and well-being. Experiencing a sense of belonging drives people to increase their focus, productivity, collaboration and performance. In light of this, Lutherone suggests creating channels for sharing non-work related topics (e.g. random team building activities, chat groups), celebrate professional and personal accomplishments, regular check-ins as a daily rituals, etc.

(3) Sufficient & Uniform information

Employees need to have access to the right information, anytime and anywhere. Leveraging technology platforms to enhance collaboration help employees save time and energy, as they do not go through different tools to navigate critical information.

(4) Keeping a finger on company pulse

During the pandemic, some companies lost track of multiple indicators, such as engagement and company culture. With reduced face-to-face interactions, it was hard to spot engagement changes, let alone potential risks, such as burnout. Despite working remotely, people are impacted by things like leadership practices, culture, operational strategies, and all this adds to how people feel, how motivated and engaged they are.

(5) Managing day-to-day work

Employees need to have clear goals and objectives, therefore, having a systematic task management is important, not just to manage work and performance, but because it helps employees feel a sense of purpose. When they prioritize work and offer clear deliverables, they get the feeling of accomplishment. In order to achieve this, leadership should set clear roles and responsibilities, clearly define tasks and objectives, track deadlines and progress, provide access to helpful tools, etc.

(6) Nurture feedback culture

As Reward Gateway reported, 70% of employees affirm morale and motivation when managers recognize their good work. It is important that managers support feedback culture, give opportunities for it and even use tools that allow structure and anonymity, if needed. Tools proved as successful since they can offer feedback in terms of data, following trends over time, the information is stored there and not 'forgotten' after few days, etc.

(7) Recognition

Next to feedback, when people work from home, they often miss appreciation. Leveraging recognition is important when tackling nuances behind engaging remote workforce. This can be done in different way, such as digital tools and space to celebrate success (e.g. virtual wall of fame), loyalty programs (e.g. collecting points in exchange for an agreed reward), employee development, etc.

(8) Managing development

It is important to invest time and resources in developing manager's capabilities, so that managing employees will be successful.

(9) Technology

Right conditions for remote work are essential, as this determines performance, engagement and mental and physical wellbeing. In addition to the basic technical infrastructure, it is important to provide employees with the tool that enable communication and collaboration, performance management, feedback.

(10) Wellbeing

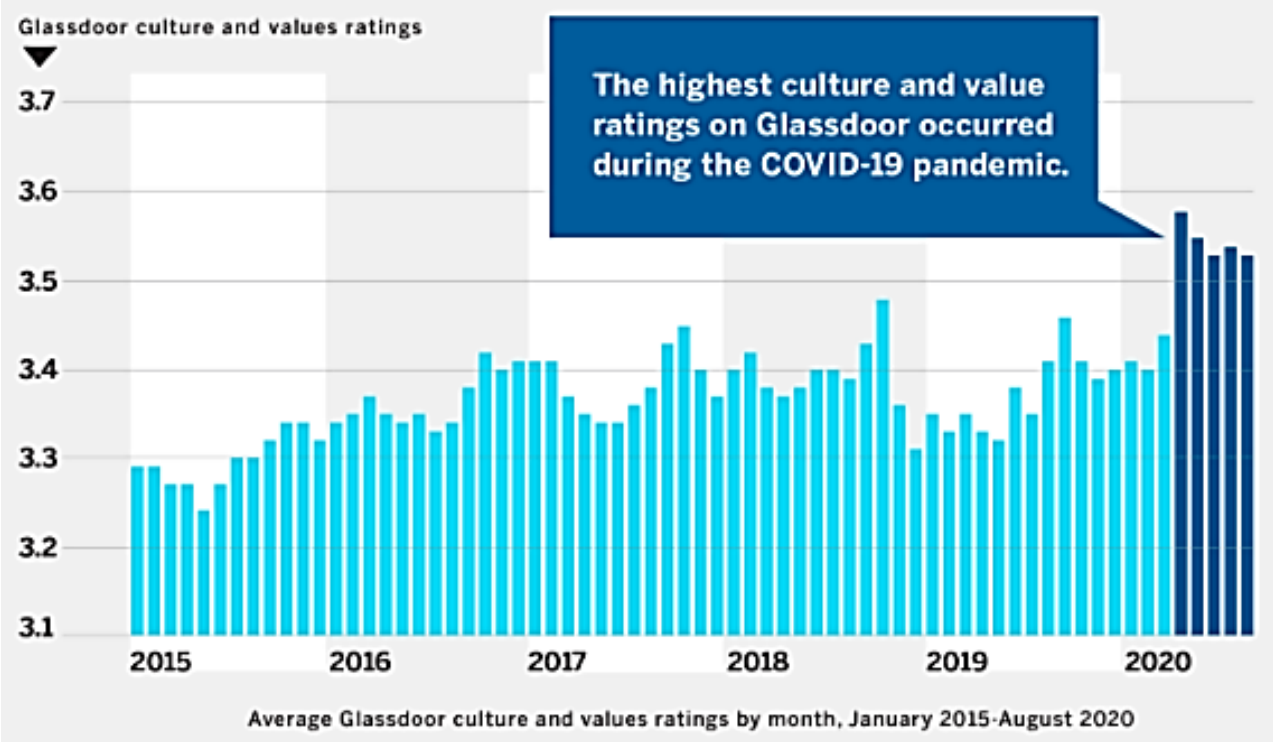
Normally, for wellbeing, offices had different kind of benefits, such as modern equipment, office gym, coffee machines, yoga classes, and so on. When working

remotely, employees do not have access to these things. As shown before, work from home can be stressful, creating a feeling of detachment, which is why it is important to foster wellbeing in other ways. Lutherone suggest wellbeing programs, in terms of creating safe spaces for sharing and asking for help, redesigning benefits schemes, support employees with setting up their home offices, etc.

However, Sull and Sull (2020) also wanted to examine how the pandemic has affected corporate culture and found a different story. They studied how employees at Culture 500¹² companies rated their employer for five years through August 2020. They were asked to rate their culture and values on a five-point scale, from 'very dissatisfied' to 'very satisfied.' They found that the average culture rating across the Culture 500 companies experienced a sharp jump between March and April 2020 (Graph 12).

¹² The Culture 500 is an interactive index created at MIT that measures and compares the cultures of over 500 of the largest companies in the United States. The Culture 500 data set includes more than 1.4 million employee reviews from Glassdoor to provide a data-based view of how a given company's culture performs across a range of important cultural values. The Culture 500 is updated annually, incorporating the latest employee reviews

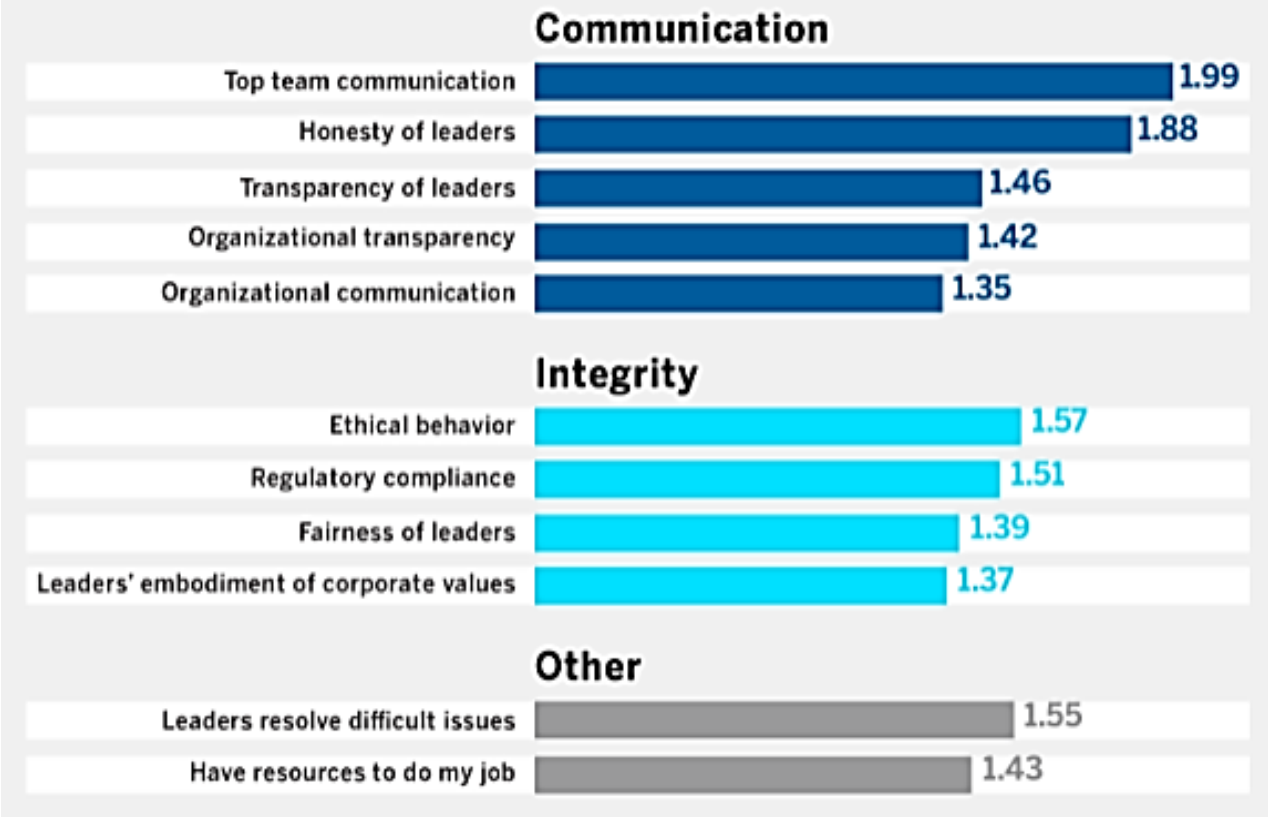
Graph 14: The average culture and values ratings across the Culture 500 companies during early months of the COVID-19 pandemic



Source: Sull & Sull, 2020

To understand what was behind this positive spike in the ratings, they analysed how employees discussed over 200 topics in company reviews during the 12 months before the pandemic. They compared to how often and favourably those topics were discussed pre-pandemic and during the pandemic. One important theme that does stand out in the months of the pandemic is the quality of communication by leaders. Employees of Culture 500 companies gave their corporate leaders much higher marks in terms of honest communication and transparency during the first six months of the coronavirus pandemic compared with the preceding year (Graph 15).

Graph 15: Sentiment scores – how positively employees discussed cultural topics in Culture 500 companies during March – August 2020



Source: Sull & Sull, 2020

Dull & Dull (2020) also analysed which topics were employees more likely to mention during the first six months of the pandemic, compared to the previous year. For most topics there was little difference, however, few things stood out; not surprisingly, and in line with the afore mentioned, employees mostly talked about topics related to employee well-being, transparency and inclusivity.

Whether we work from the office or at home became irrelevant and this irrelevancy of location is the future of work. And the future is now. This is why it is important that organizations properly support remote work by also adapting their culture in this new normal working environment. Strong and positive employee experience must extend

outside the office walls. Employees must feel as part of the team, which drives their engagement and, overall, performance.

This chapter clearly showed what the main pillars for maintaining organizational culture during the times such as the COVID-19 pandemic were and how that can affect overall performance, related to engagement of employees.

4.5 Employee engagement in the “new normal” working environment

With the new ways of working and the onset of remote work, organizations need to think about how to keep their employees engaged and motivated in order not to lose their competitive edge or, even worse, their talent. Numerous studies have confirmed that the turnover tsunami is on its way and now, more than ever, organizations need to focus on cultivating employee engagement.

The concept of ‘work environment’ in relation to employee engagement was usually defined as a social environment, rather than a physical one. This understanding is in line with myriad of studies mentioned, which emphasise the importance of social relationships that affect engagement (e.g. with supervisor, peers, colleagues). However, considering the upcoming changes in work, i.e. increasing shift towards remote or hybrid work, the virtual relationships that come with it may dramatically change the way we perceive employee engagement (Surma, et al., 2021, 2).

Recent academic studies show that most of the work during the pandemic lockdown was carried out comfortably from home. On the other hand, the Total Workplace analysis¹³ showed some bigger concerns related to remote work; 57% of respondents

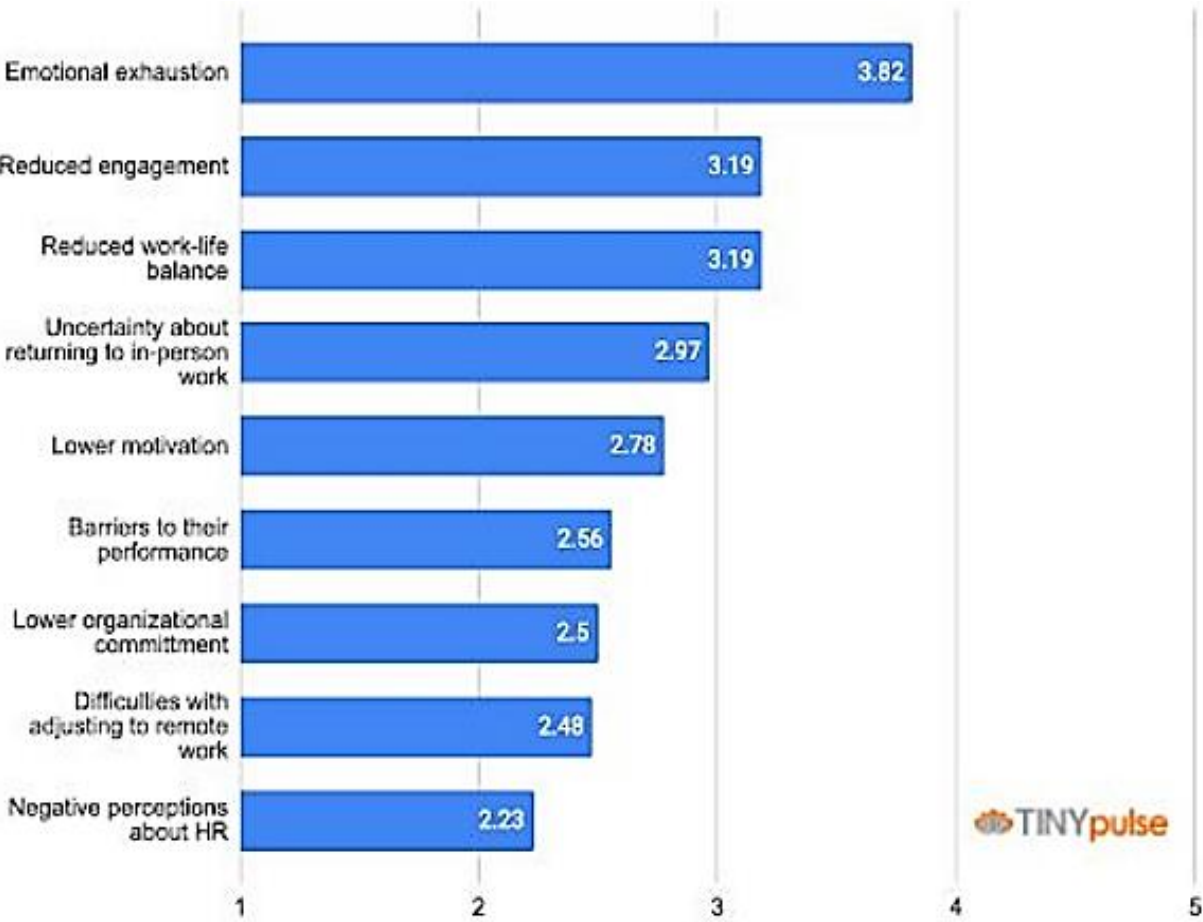
¹³ “The Future of Workplace; how will COVID-19 and data shape the new workplace ecosystem, by Cushman & Wakefield

(EMEA countries) reported a lack of sense of well-being, 48% reported a lack of learning and 55% struggled with connecting to the corporate culture of employee engagement. Gallup reported “the percentage of U.S. adults who evaluate their lives well enough to be considered ‘thriving’ has dropped to 46.4%, matching the low point measured in November 2008 during the Great Recession.” Currently, significant daily worry and stress are near a record high. Gallup reports a 48% greater likelihood that people with low engagement and well-being will leave their organization (People Element, 2020).

As we demonstrated in previous sections, engagement during the lockdown increased, mostly due to the initial adrenalin rush that came with the big change. However, as the adrenalin eased off, engagement began to fade and decline. Different factors contributed, such as burnout, adaptation to the new circumstances, or similar.

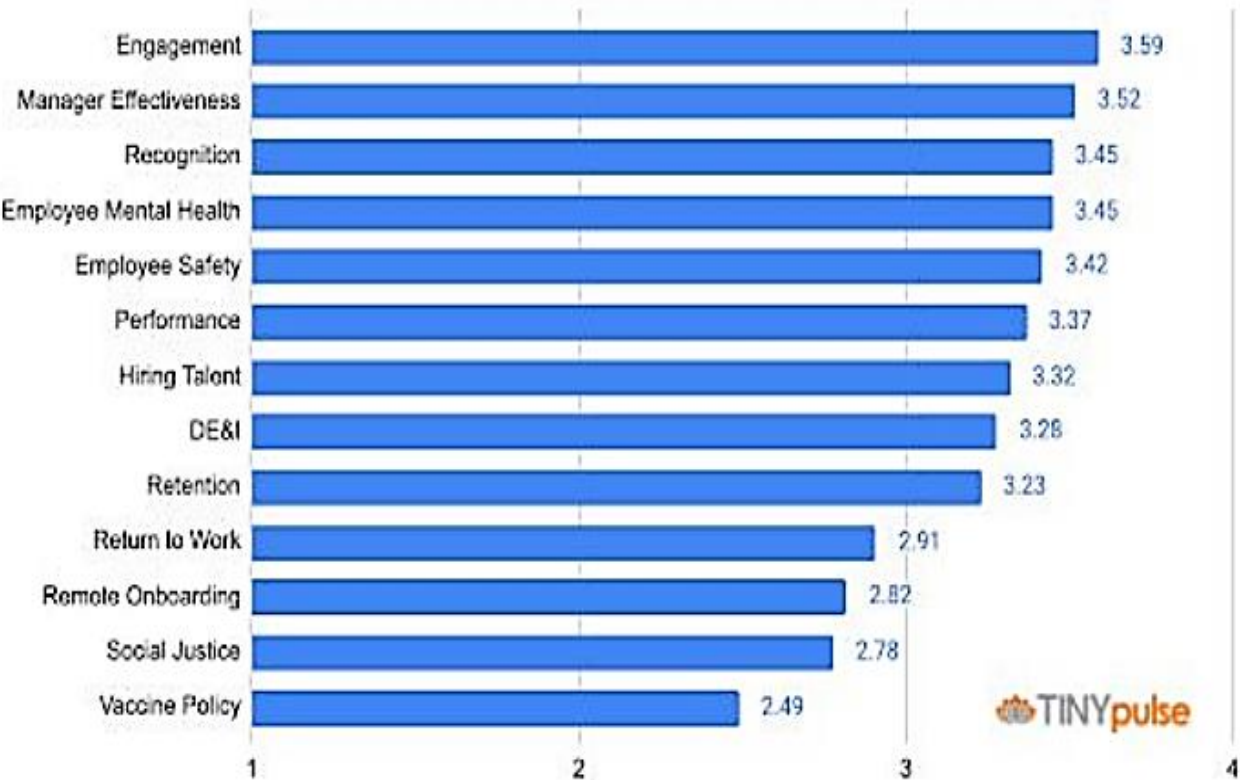
TINYpulse conducted a survey (2021) to see how employees and HR managers responded to the pandemic and how resilient organizations were in general. They interviewed managers and Human Resources teams in organizations ranging from 1 – 500,000 employees (average size of the organization was 3,832 employees), in 46 different countries in US. Although respondents believed that their organizations showed high levels of resilience during the pandemic and found work from home extremely successful, they experienced emotional exhaustion and reduced engagement and work-life balance (Graph 16). On a scale from 1 – 5, employees experienced emotional exhaustion at the level 3.82, followed by reduced engagement at 3.19. Not surprisingly, this was tied with reduced work-life balance, also at 3.19. For 2021, HR leaders listed engagement as their top priority (Graph 17).

Graph 16: : Top three impacts on employees during the pandemic



Source: TINYPulse, 2020

Graph 17: Top priorities for HR managers in 2021



Source: TINYpulse, 2020

Having strong engagement is especially valuable in the new normal era, when people are seeking connection. LinkedIn reported that there is a growing percentage of organizations who prioritize engagement that see their cost per hire decrease by almost half and their turnover rate by 1/3. A sense of community has psychological benefits, too. In a hybrid work future — where there’s a blend of analog and virtual participation — employers who pay extra attention to connecting teams emotionally will help geographically dispersed workers build resilience and manage job stress (Cavaliere & Hall, 2021).

Although drivers of engagement may differ across industries or organizations to some extent, in general, they are more or less the same. Perceptyx¹⁴ analysed the top 59 drivers of engagement from their benchmark database, across all clients globally, to identify and understand any shifts pre- and post-pandemic. They found that 6 of the top 10 drivers of engagement from 2019 are still in the top 10 drivers post-pandemic. The four leading factor remained largely unaffected (Perceptyx, 2021):

- (1) Feeling valued and recognized is one of the most common and consistent drivers of engagement seen across organizations and industries.
- (2) Growth and development opportunities remained employees' desire either vertically or within their current role. 31% of employees in the mentioned survey said their opportunities for growth and development during the pandemic decreased. Nonetheless, most people are still determined to continuously improve and grow in an effort to gain more control of their professional destiny.
- (3) Change management and clarity of direction; employees seem to be more inclined to think positively about the future if they see timely decisions and communication around those decisions, effective interdepartmental transparency and cooperation and senior leadership clearly communicating the current health and future direction of the organization.
- (4) Well-being became a big concern during the pandemic as employees felt burnt out due to increased workload, a general concern about the pandemic and the related uncertainty about job security. Consequently, they wanted their organizations to show concern for their well-being, either through offering

¹⁴ Perceptyx is a cloud-based platform that allows businesses to use customized employee surveys and people analytics to gather and measure various data within their organization. With this solution, users have access to a tailor-made survey program which helps gather information based on a number of employee experiences, such as the onboarding, lifecycle, and exit stages. With Perceptyx, a team of consultants is also available to present key results to leaders within an organization.

adequate resources, communicating the importance of disconnecting from work, or similar.

It is clear that the aftermath of the pandemic left some scars on employee's engagement as well as their wellbeing. Another thing that is clear is that for most part, those employees still want more or less the same things as before the pandemic; sense of belonging, recognition, involvement, etc. It is therefore crucial that organizations invest time and effort into improving engagement levels, as this has been greatly affected by the virtual work setting.

CHAPTER 5 – CLOSING THOUGHTS ON VIRTUAL OFFICE, ORGANIZATIONAL CULTURE AND EMPLOYEE ENGAGEMENT

Ever since organizations moved from physical to virtual offices, one of the difficulties was maintaining their organizational culture. Organizational culture in this new setting is important since it can bridge the distance between employees who are working remotely and unite teams around their shared set of beliefs and values. This not only drives and engages employees but also attracts new talent.

The past two years have been challenging in so many ways, not only for organizations as a whole, but also for their employees. The overnight change and the sudden need to adapt to new ways of working came unexpectedly. It rushed the adrenaline through everyone who adapted, worked longer hours due to inability to unplug and delivered; however, as time has passed, fatigue and burnout replaced the adrenaline.

As managers are now looking back, they can probably see how much their organizations have changed, and how they will never go back to their old organization anymore. This change was coming for some time now and it was inevitable with the global competition, digital upstarts, generation Z, etc.; COVID-19 pandemic only accelerated this process of change. McKinsey (De Smet, Gagnon & Mygatt, 2021) synthesized their experience and new research of the organizational practises of 30 top companies to see how business should best organize for the future. They concluded that future-ready companies share three characteristics:

- (1) They know who they are and what they stand for;
- (2) They operate with a fixation on speed and simplicity;
- (3) They grow by scaling up their ability to learn, innovate, and seek good ideas regardless of their origin.

The good news is that majority of organizations is undergoing this change and by embracing this, now is the unique opportunity to reflect, change and improve. In their research to define 'radically better' for organizations, McKinsey (De Smet, Gagnon & Mygatt, 2021) embarked on a search to understand how organizations can successfully organize for the new future. They identified nine imperatives (Figure 20).

Figure 21: Nine organizational imperatives that will separate future-ready organizations from the pack

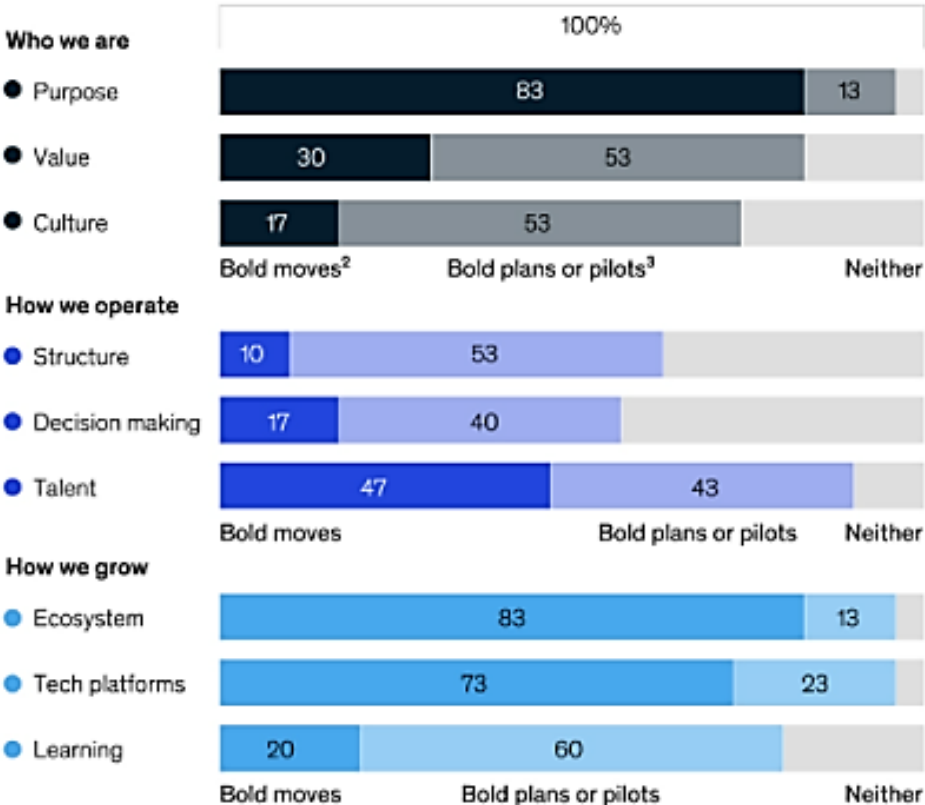


Source: De Smet, Gagnon & Mygatt, 2021

The organizational culture is in the centre, as organizational identity. As suggested, it needs to be the 'secret sauce', chief factor for the success of an organization. As elaborated in Chapter 3, among others, involvement in decision-making, organizational learning and talent management are all drivers of employee engagement, which are also part of the nine imperatives.

As the research showed, top 30 organizations are already making or considering bold moves across these imperatives. These companies are all among the top three in their industry (as measured by total economic profit captured between 2015 and 2019) and represent the vanguard of an increasingly winner-takes-all world. Graph 12 shows that culture and engagement drivers are either part of existing bold moves or bold plans / pilots of more than 70% of mentioned organizations.

Graph 18: Top-performing companies taking bold action across nine imperatives



Source: De Smet, Gagnon & Mygatt, 2021

In his essay, "The nature of the firm," the economist and eventual Nobel laureate Ronald Coase argued that organizations exist to avoid transaction costs of the free market (De Smet, Gagnon & Mygatt, 2021). However, with transaction costs decreasing (due to increasing connectivity) this narrative no longer holds up. Why, then, do organizations exist?

The answer is identity. People want the feeling of belongingness; they want to be a part of something, to connect. Organizations focusing only on their profit cannot compete with organizations that connect, drive and bring people together. These organizations create identity; they have strong culture, meeting people's need for social cohesion, purpose and meaning.

Culture is the 'secret sauce', that unique set of values, beliefs, behaviours and rituals and, as such, it is organization's backbone. It fuels performance and drives employee engagement. And that drives organizations to the top. As F. Frei and A. Morris (2012) wrote in the Harvard Business Review, "Culture guides discretionary behaviour and picks up where the employee handbook leaves off. Culture takes over, when the CEO leaves the room". Organizations must, now more than ever, build a strong winning structure and then foster the often unspoken rules and values that will bring that structure to life.

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