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Organizational Culture and Its Implementation in the Choice of Strategic Option - Case Study Montenegro

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The topic of this paper is to examine the influence of organizational culture on determination and implementation of the appropriate strategy within the company. Specifically, the author has tested the hypothesis about the influence of organizational culture on determination of strategy in Montenegrin companies. Firstly, in the theoretical part of the paper, the author defined organizational culture and business strategy and then analyzed the nature and manner of influence of organizational culture on formulation and implementation of strategy, as well as influence of implemented strategy on organizational culture. Organizational culture affects formulation of strategy determining information gathering, perception and interpretation of the environment. Namely, culture can facilitate or prevent implementation of the strategy through legitimization process. In the same way, the application of chosen strategy may, through its institutionalization process, reinforce or change the existing organizational culture. The empirical part of the paper refers to research results and testing of hypotheses about the influence of organizational culture on strategy of companies in Montenegro carried out on sample of 16 companies (324 respondents) in Montenegro.

Keywords: *organizational culture, business strategy, strategic management, Montenegro*

JEL Classification: M14

1. Introduction

The organizational culture affects almost every aspect of company's business operations by its influence on employees' interpretive schemes. This influence may be observed through a large number of factors affected by organizational culture like determination of appropriate strategy, control systems within the company, leadership styles, models of organizational structure, organizational changes, knowledge management, job satisfaction, motivation, leadership style, communication, etc. Many studies point to a causal relationship between organizational culture and organizational performance where it can be "a magic wand for the success" and "a silent killer." Regardless of different opinions regarding organizational culture, there is general agreement about its crucial influence on the success of the company, except that some factors may be affected more and some of them less (Saffold, 1998, 42-48).

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The importance of organizational culture and its influence on business operations of the company arise, among other things, from its role in the process of formulation and implementation of business strategy within the company. The strategy is very important plan decision that has a decisive success on company's business operations. The influence of organizational culture on business strategy of a company may be observed through three very important areas, such as: the content and nature of the strategy, the process of strategy formulation and implementation process of the same. Studies that analyzed influence between companies' strategies and their organizational culture point to a conclusion that there is mutual cause-and-effect relationship between these categories. Notwithstanding the fact that remains unclear what is the cause and what is the consequence in this relationship, studies have shown that organizational culture affects both the formulation and the selection and implementation of a business strategy. Likewise, the selection and implementation of a certain strategy through different mechanisms may reinforce or change the existing organizational culture. What remained less known in theory and practice are the nature and mechanisms of organizational culture and strategy (Klein, 2011).

Regardless of large number of papers published with regard to this topic, this problem has been rarely empirically researched and reviewed so far. Therefore, the aim of this paper is, in addition to theoretical explanation of mechanisms through which organizational culture influences the business strategy, to set up the hypothesis about the influence of organizational culture on the strategy that will be empirically tested. The paper first defines organizational culture and presents its significance and content. The strategy and types of strategies that will be used in research are defined thereafter. Then follows a theoretical explanation of the manner the organizational culture influences the business strategy. The hypothesis about implications of certain types of organizational culture on business strategy in Montenegro is set at the end.

2. Definition, content and importance of organizational culture

Organizational culture is difficult to define precisely, i.e. there is no single definition of organizational culture. It can be said that some of definitions are more recognized and some less, but neither of them is generally accepted. The organizational culture includes the "system of assumptions, beliefs, values and norms of behavior that members of one company have developed and adopted through common experience, which are manifested through symbols that guide their thinking and behavior" (Janićijević, 2013, 4-7). From the above stated definition three important components necessary for better understanding of organizational culture arise. First, organizational culture consists of collective cognitive structures such as assumptions, values, norms and attitudes, but also of symbols which materialize and manifest its cognitive content. Second, organizational culture is the result of organization members' common experience in solving problems they face with in dealing with external adaptation and internal integration of the collective. Third, collective cognitive structures that make organizational culture represent a framework and become a guide for members of the company in interpretation of reality and the world around them. Culture helps members of the company in determining the meaning of concepts, things and events within the company and outside of it and act in accordance with them.

For better understanding of organizational culture definition it is necessary to know its characteristics. Organizational culture is a social phenomenon since it is expressed at the level of a certain social group in the process of social interaction. Building organizational culture represents a long-term process, because it is changed hard and slowly. One part of its content is of subconscious character which makes this process more difficult. Further, culture as a combination of single experiences of members of an organization makes an organization different from others. Since it determines the meaning of events and things by its meanings, organizational culture provides a sense of certainty and order in them (Alvesson, 2002).

Organizational culture has its cognitive and symbolic component. Cognitive component comprises elements of interpretive schemes of managers and employees that are imposed by the company and through which it affects not only the way they behave, but also the way they understand the world around them. Cognitive components of organizational culture are: assumptions, values, norms and attitudes (Brown, 1998).

Basic assumptions explain the world as it is to the members of the company. Basic assumptions arise when solutions to problems the members of the company are facing with and which proved to be successful, gradually become the rules of how to behave in certain situations. Out of these problems solutions that proved to be successful, explanations of how the reality in which these problems arise works, are gradually developing. Those explanations are the basic assumptions as the deepest element of organizational culture (Schein, 2004).

Values are defined as "stable belief" that a particular behavior is more desirable than the opposite behavior. Values are defined as durable, extremely positive attitude to underestimated objects that we access as important. Values guide employees' behavior and influence the formation of their attitudes (Rokeach, 1973).

Norms are often included into the content of organizational culture, but always within the value. On the one hand, norms are largely overlapping the values they arise from and the practice of behavior they determine, on the other. That is the reason why norms represent connection between values and behaviors. Norms are rules of behavior, often informal, deriving from values and represent guidelines for everyday behavior of company's members (Kotter and Heskett, 1992).

Attitudes are based on and derived from values. However, attitudes generate behavior in a slightly different way from the norms. In contrast to the norms that represent certain rules that lead behavior of employees in the company, the attitudes represent beliefs about the object of behavior that will produce certain behavior towards the object. "The attitudes include basic ideals and principles of business conduct" (Žugaj, 2004, 13-15).

Cognitive content of organizational culture is made of invisible culture elements. Symbolic components of organizational culture manifest cognitive elements of organizational culture and include everything that can be seen, heard and felt in the company (Bouman, 2003).

The importance of organizational culture arises from the fact that it largely determines the meaning attributed to events and occurrences, both within the organization and outside of it, by members of an organization. So it is a system of assumptions, values, norms and attitudes that are shared by all members of the organization, employees and managers of the company, which essentially determines their thinking, behavior and influences their decisions and actions. Therefore, all decisions, both of managers and employees in an organization, are to a large extent determined by culture. In that sense, organizational culture affects not only strategic decisions of top management but also operational, i.e. everyday decisions within the organization (Kotter and Heskett, 1992).

3. Business Strategy

"Strategy is a planning decision on basic ways of achieving company's goals" (Milisavljević, 1997: 27). According to Robbins strategy is "a broad concept of behavior which sets out manners of achieving goals" (Robbins, 2005: 35). Strategy is the most important planning decision through which a company is managed, i.e. company's objectives realized. The strategy shows the extent to which a company managed to harmonize its skills and resources with the environment in which it operates. It is a dynamic process through which a company seeks to take advantage of all opportunities and avoid the dangers. In this sense, we say that the strategy is not formulated in advance, but it must be formulated (Đuričin et al, 2012).

Determining of company's strategy means choosing one of strategic options. The company needs to make the right strategic choice that will allow it to achieve its goals, and thereby take advantage of opportunities and avoid dangers from the environment. The company can do this through: (Porter, 1980)

1. Positioning - meaning to position its resources and activities in such a business environment in which the influence of unfavorable factors or circumstances is the weakest.

2. The influence on the balance of given factors - representing the impact of certain factors. Namely, in an attempt to improve its positions through various types of innovations, the company can develop business in a particular industry, thereby improving its position.

3. Strategy of timely use of new opportunities. This strategy is based on the fact that a company recognizes and takes advantage of its opportunities before others do. The company will choose a strategic option that will enable it to achieve a competitive advantage. In this sense, strategic choice should be focused on:

- efficiency of capitalization, which means provide the position in the industry through cost and pricing advantage,
- differentiation of its offering in order to move the demand curve in favor of own offering through promotion of difference of its own products compared to other competitive products,
- orientation on an enough large market segment with the expectation to strengthen itself in a given market and provide a competitive position through activities marketing.

Basically, as it has already been mentioned, there are three basic strategic options available to organizations for gaining competitive advantage. These are: Cost Leadership, Differentiation and Focus. Which of strategies will the company choose depends on the structure of industry, demand and possibilities of a company.

According to Miller and Dess (1996) a cost leadership strategy is based on abilities and expectations of the company to gain competitive advantage as a result of lower costs because the same product is offered at lower prices. In fact, it is the pretension of a company to build the position of its business within a given industry, through the possibility of gaining competitive advantages based on lower costs and selling prices. Namely, a company expects that, using economy of scale it will gain cost advantage that allows it to provide greater market share due to lower selling prices. Product differentiation represents orientation in which a company seeks to make the same product different from competitive ones through functional and aesthetic properties of the product. Doing so, the company expects to provide affection and loyalty of its customers to the brand of its products. Market Focus is a strategy that starts from the assumption that the market is not homogeneous but that is made of larger or smaller number of recognizable parts. The essence of this strategy is that a company strengthens its position by engaging in certain market segments. That is, the focus here is on the narrow market or on one enough large segment where the position will be provided through either differentiation or lower selling prices (Hill and Jones, 1989).

It is important to mention the so-called stakeholders of a company that can significantly influence the choice of business strategy of the company. They function in sense to provide the necessary resources and services for the company, and in return they expect their goals to be adequately met. The following are the above mentioned stakeholders of the company: shareholders, customers, suppliers, etc.

4. The influence of organizational culture on business strategy

The impact of organizational culture on the strategy is reflected in phases of formulation and implementation of an appropriate strategy (Janićijević**,** 2013: 291-297).

Process of formulation of the strategy consists of the following phases: analysis of external environmental factors, analysis of internal factors of a company, generating of strategic alternatives, evaluations and selection of the best strategy. In the process of strategy formulation, the environment in which the company operates, i.e. opportunities and dangers that come from the environment must be examined first. The company observes events in the environment, interprets them, determines their significance and makes further forecasts. Then it is necessary to analyze internal capabilities of a company, which includes an analysis of material, financial and human resources in the company. Starting from these resources, a company will identify its own strengths and weaknesses with respect to competition. Based on internal and external analysis, a company will generate those strategic options that best align company capabilities with the situation in the environment. These options should enable a company to exploit its opportunities and avoid dangers that come from the environment, i.e. to exploit the strengths and minimize the weaknesses. In the next phase, a company evaluates strategic options and makes selection of the best. The company will choose those strategic options that contribute to the great extent to the achievement of strategic goals of the company.

The impact of organizational culture on business strategy, as it has been said, is reflected in the process of strategy formulation. In this regard, the organizational culture affects strategy as follows:

1. Organizational culture determines the way in which the company monitors its environment. What information a company will collect from the environment and what picture of the environment it will build in the process of external analyses depends on company's manner of collecting information. By its assumptions, values and beliefs, organizational culture determines the sources and manner of collection of information. Therefore, whether a company will choose qualitative or quantitative information and how it will monitor the environment depends on organizational culture, i.e. values and beliefs of employees and managers of that company. If the company is dominated by relations of openness and flexibility towards the environment, a company will have more developed practice and mechanisms of monitoring environment in relation to closed and less flexible companies. However, organizational culture affect s not only the external but also the internal analysis of a company. Evaluations of resources and capabilities in a company also depend on values and beliefs shared by employees and managers.

2. Organizational culture causes selective perception of events in the environment. Through mental patterns and interpretative schemes of employees, organizational culture affects perception in the process of making strategic decisions. This scheme represents a systematic knowledge of an individual of certain phenomena and helps him/her to interpret events around him/her. As known already, organizational culture, by its assumptions, values and beliefs determines a significant part of employees' mental patterns in a company. However, people have tendency to anticipate certain events that are not in accordance with their mental patterns. Such information is more difficult to remember, but is very easy and quickly forgotten. Since part of these patterns is determined by assumptions and values of organizational culture, it means that

organizational culture represents a kind of a filter through which some information passes and some does not. Thus, organizational culture as such affects the people to see certain phenomenon and not to see the others. This can lead to significant errors in strategic decision making. That is why selective perception represents a cause for many failed investments, because in deciding to enter into a certain project some people take into account only those facts that support the chosen option, while rejecting others.

3. Organizational culture directs interpretations of events in the environment. To make decisions in a company to have an impact on formulation of the strategy, it is necessary for them to be interpreted in a way that will cause certain effects. Interpretation and explanation of these events depends on the mental patterns and experience of those who participate in the formulation of strategy. Given that a large part of mental patterns derived from organizational culture, it can be concluded that culture is a factor that determines the manner of how the internal and external factors of strategic choices would be understood and interpreted.

4. Organizational culture determines the reaction of a company and its choice of strategic option. If there is an agreement about the manner of interpreting information from the environment and their meaning, it does not mean that there is an agreement in which direction to direct actions and choose a certain strategic option. Direction in which activities should be focused in the selection of certain strategic option also depends on the assumptions, beliefs and values that prevail in organizational culture.

In the implementation phase culture can be a stimulating factor, i.e. it can support the defined strategy or represent its serious obstacle, when we say that culture does not support the defined strategy. To what extent culture will or will not support the defined strategy depends on degree to which organizational culture agrees with the chosen strategy. To implement the strategy it is necessary to take certain activities. In this regard, two situations may arise. The first is when undertaken activities are in accordance with cultural assumptions, values and norms and we say that the strategy is easy to implement in the company. Formulated strategy is not only compatible with the existing organizational culture, but is also a stimulating factor for implementation of a strategy and legitimizes the chosen strategy. Another situation is the case when the formulated strategy is incompatible with the existing organizational culture (due to pressure from the environment, change in leader and his associates, where new management formulates the strategy that contradicts the values and beliefs of the majority of employees and managers in the company or acquisition that represents the situation where one company acquires another, so the bought company usually changes its strategy and accepts the strategy imposed by the new owner). This results in implementation of such operational activities that are not in accordance with cultural assumptions, values and norms of behavior, i.e. they are not culturally acceptable for the company. Such activities are not easily to implement and we usually say that in such a case the culture becomes a barrier to implementation of the strategy and delegitimizes the same. This situation is referred to as a cultural risk. To reduce a cultural risk a company must behave in different ways: (Schwartz and Davis, 1981)

- It may ignore culture, which is not recommended, unless it is a small and young company where management still believes that the defined strategy will shape culture.
- It may adapt culture to the strategy. It happens when the new management wants to impose a new strategy for taken over company. Implementation of this procedure is quite expensive and uncertain. Namely, it may happen that the time required to change culture is much larger than the time required for application of the strategy. That is why it is much easier when only certain norms of behavior are changed and not culture in whole.
- It may adapt the strategy to adapt to culture, which is used in a situation where merged companies change their strategies that are not in accordance with organizational culture of the company that merged them.
- It may change implementation strategy plan, which represents situation where the strategy is of essential importance for the company and where culture cannot be adapted to the strategy. Then the company will retain the existing strategy, but it will change the implementation strategy plan and adapt it to culture itself.

Therefore, the influence of organizational culture on business strategy has been explained in the previous part of the paper on a theoretical level. In the following part the hypothesis about the influence of organizational culture on business strategy in Montenegro will be examined. In this regard, we started from the *hypothesis* that:

~ Organizational culture affects the choice of strategy in the company ~

4.1. Research methodology

The research was carried out on sample of 16 companies in Montenegro, of which 8 were private-owned (50%) and 8 state-owned companies (50%). It included 324 respondents, of which 165 (50.9%) are employed in private-owned companies and 159 respondents (49.1%) in state-owned companies. Respondents were selected randomly. A total of 400 questionnaires were distributed of which 76 questionnaires were not returned (5 questionnaires in 12 companies and 4 four questionnaires in 4 companies) so that the research eventually included a sample of 324 respondents. Companies were of different sizes, performing different types of activities (manufacturing, trading, service) and of various technical and technological level of development. When selecting a sample, we have tried to secure presence of all categories in order to make a reliable conclusion. In this context, attention was paid to facts that respondents are of different sexes, different work experience, level of education and that they are employed in different positions, all in order to examine a diverse sample and obtain more extensive and more accurate results. Therefore, we provided that the structure of sample corresponds to the structure of company's employees. Quite diverse and differentiated sample dictated breadth and depth of the research. The research was conducted using the classic survey method, i.e. a standard questionnaire method. In addition to primary information collected by the survey, in order to get acquainted with the factual situation, informal contacts with the management of companies were of significant benefit. Efforts of a resaerch carrier in the course of research to get familiar with actual and specific situation in the company as well as with the potential problems that occur in the company were of relevant help. Prior to carrying out a questionnaire, the researcher made a deal with the management representatives to ask employees in writing to participate in the research. The same was done in all companies encompassed by the research.

We first determined the type of organizational culture that dominates in companies encompassed by the sample in studying the impact of organizational culture on business strategy. This part of the questionnaire identified, according to perception of the respondents, the type of organizational culture present in companies in the sample. For the purposes of this research, we used Harrison's test for diagnosing the type of organizational culture. This part of research includes 15 multiple choice questions each with four possible answers (a, b, c and d). Respondents were asked to rank given answers numbering them from 1 to 4, assigning number 1 to an answer closest to their opinion, and so on. By summing up the ranks, especially under a, b, c and d, we get the type of organizational culture of a certain company. For classification of the types of organizational culture, we used Handy's classification of the types of organizational culture that differs power culture, role culture, task culture and support culture (Handy, 1996). Therefore, answers under "a" implicate power culture, "b," role culture, "c" task culture and answers under "d" implicate support culture.

4.2. Research results

According to ranking of certain types of organizational culture, perception of each respondent as to what type of organizational culture belongs to his company was determined. Of the total of 324 respondents, the largest number, i.e. 41% of respondents perceived presence of power culture in their companies, 32% perceived task culture, 22% role culture and 5% of trespondents perceived presence of support culture in their companies.

***Table 1**. Type of organizational culture*

Type of culture		Number companies	Srtucture of the company
	Power culture	3133	
	Task culture	0104	3
	Role culture	772	
	Support culture	115	
	Total	3324	

Source: Author's analysis

Further research relates to the type of strategy that applies to companies included in the sample. In analysis of business strategy of the company and for the purposes of this research we decided to classify strategies according to M. Porter (Todorović et al., 2000: 278), under which we distinguish the following strategies market segmentation, according to which the company, taking into account differences among consumers focuses its operations on one or more market segments, cost leadership and differentiation strategy.

Since the type of organizational culture is a categorical variable with four modalities (role culture, power culture, task culture and support culture) and the issue relating to the strategy is also a categorical variable with two modalities (one market segment and all market segments), we used the Chi Square Test to examine their mutual relations. Statistical significance is measured at 0.05 and 0.01 levels, or the confidence based on 95% and 99%. Therefore, organizational culture has no influence on the decision of the company to opt for one or more market segments when choosing appropriate business strategy (x^2=2.824, p=0.420). Namely, the data obtained showed that out of 72 respondents in role culture, 29 of them (40.3%) believe that in choosing business strategy their company is oriented to one market segment, and 43 (59.7%) of them are still oriented to all market segments. In power culture 53 respondents (40.5%) opted for one market segment, and 78 (59.5%) for all market segments. In task culture 32 respondents (30.8%) opted for one market segment, and 72 (69.2%) for all market segments and in support culture 5 respondents (33.3%) opted for one, and 10 respondents (66.7%) opted for all market segments when choosing business strategy in their company.

***Table 2**. Type of organizational culture * the choice of bussiness strategy in the company*

Type of strategy			**Type of organizational culture**				**Total**
			Role culture	**Power culture**	**Task culture**	**Support culture**	
When choosing business strategy your company is oriented to:	**One market segment**	Total	29	53	32	5	119
		%	40.3%	40.5%	30.8%	33.3%	37.0%
	All market segments	Total	43	78	72	10	203
		%	59.7%	59.5%	69.2%	66.7%	63.0%
Total		Total	72	131	104	15	322
		%	100.0%	100.0%	100.0%	100.0%	100.0%

Chi-Square Tests			
	Value	df	p
Pearson Chi-Square	2.824	3	0.420
Likelihood Ratio	2.859	3	0.414
Linear-by-Linear Association	1.877	11	0.171
N of Valid Cases	322		

Source: Author's analysis

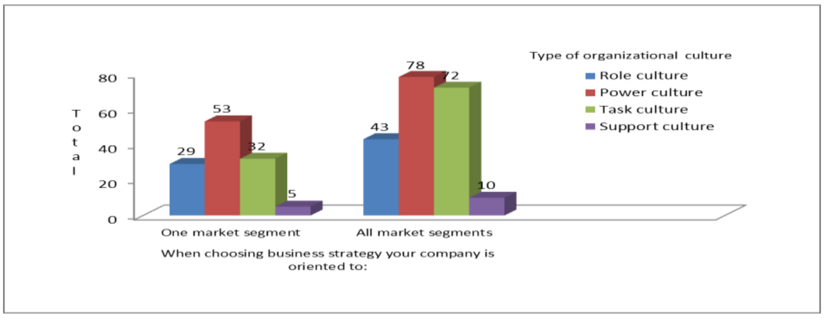

***Figure 2**: The choice of bussiness strategy in the company*
Source: Author's analysis

In this part of the research, besides market coverage, we checked whether the organizational culture affects the choice of one of the two competing strategies, such as: cost leadership strategy and product differentiation strategy. The cost leadership strategy implies that the company, thanks to lower costs, offers a product at prices which are more favorable than the competing ones. Differentiation strategy refers to the fact that through physical and psychological differentiation of own from similar products, the company gains greater customer loyalty and more room to maneuver pricing policy. In order to understand how the company won the competition according to the aforementioned classification, the company may opt for cost leadership or product differentiation strategy. The results obtained show that there is a statistically significant connection between the aforementioned strategies and the type of organizational culture ($x^2 = 10.80$, $p = 0.013$), i.e. different cultures imply the use of different strategies in the company. In that sense, role culture and power culture imply product differentiation strategy. Namely, in role culture 40 (55.6%) out of 72 respondents believe that their company won the competition using differentiation of their own products, and 32 (44.4%) of respondents believe that their company won the competition by leadership in costs. In power culture 77 (57.9%) out of 133 respondents believe that product differentiation strategy helped their company to win the competition in the previous period, while 56 (42.1%) opted for cost leadership strategy as a way to win the competiotion.

Table 3. *Type of organizational culture * your company won competition in the market in the previous period*

Type of strategy			**Type of organizational culture**				**Total**
			Role culture	**Power culture**	**Task culture**	**Support culture**	
Your company won competition in the market in the previous period:	**by leadership in costs**	Total	32	56	2	5	118
		%	44.4%	42.1%	24.0%	33.3%	36.4%
	by differentiation of its own products	Total	40	77	79	10	206
		%	55.6%	57.9%	76.0%	66.7%	63.6%
Total		Total	72	133	104	15	324
		%	100.0%	100.0%	100.0%	100.0%	100.0%

Chi-Square Tests			
	value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	10.806	33	0.013
Likelihood Ratio	11.173	33	0.011
Linear-by-Linear Association	7.364	11	0.007
N of Valid Cases	324		

Source: Author's analysis

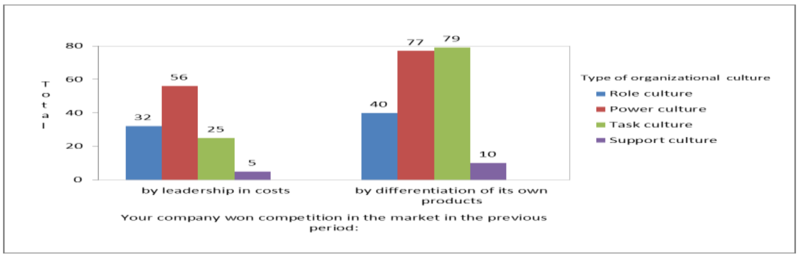

Figure 3*: The company won competition in the market in the previous period*

4.3. Discussion of research findings

The hypothesis that *organizational culture determines business strategy* is confirmed only partially. Therefore, in the part that relates to company's orientation to one or more market segments when choosing a business strategy, it was found that there is no statistically significant connection between the type of organizational culture and the strategy chosen, i.e. organizational culture does not affect the decision of the company to opt for one or more market segments when choosing the business strategy. Thus, the initial hypothesis that *organizational culture determines business strategy* in this area has not been confirmed yet.

In fact, despite the fact that the analysis encompassed companies that are relatively successful in their scope of activities, all companies in Montenegro are faced with the same or similar problems. These problems are actually the consequence of the crisis that caused macroeconomic instability, loss of the market, decline in market share, loss of competition (problems relevant to this study). In such a situation, it is understandable that companies will try to resolve these problems as soon as possible. On the other hand, the choice of strategy, as a business decision, depends on processes in the company (and those depend of in the company's environment). Market coverage represents the orientation of the company to a large enough market segment with a desire to strengthen the company in a given market and provide a competitive position. So, in order to consolidate the company in the market and ensure a competitive position (which is their primary target), regardless of the fact that the findings showed that organizational culture does not affect the choice of the compan to opt for one or more market segments, the findings showed that the majority of respondents, when choosing a business strategy, opted for more market segments, i.e. 63% and 37% for one market segment.

The second part that refers to the way by which the company won the competition, the hypothesis is confirmed. Namely, the research has shown that there is statistically significant connection between organizational culture and the way the company won the competition in the market. Our research has confirmed that the role culture and power culture imply a product differentiation strategy. It may be noted that the concentration of power leads to product differentiation strategy.

Role culture and power culture are both authoritarian cultures with uneven distribution of power , i.e. distribution of power concentrated at leaders (in power culture) and the top management of the company, i.e. technological profession (in role culture). This can be interpreted as a desire of the management to transfer its power to other segments outside the company (customers, suppliers and the like.) They will, through improvement of their products quality, try to build a powerful and recognizable brand in the market, which will , through power and advantage over the competition, provide affection and loyalty of customers.

Besides, cost leadership strategy is quite risky. It is often said that it means "all or nothing". By choosing this strategy the company wants to gain an advantage on the basis of lower costs and sales prices. In that sense, companies that opt for this type of strategy have to withstand price war or not. In addition, there is the risk that the company loses its market, because it neglected development of product characteristics, then the risk of falling behind in technological development and the like. In our enterprises a dose of risk aversion is certainly present. The reasons can be found in current global economic crisis and increasingly caution about investing and also partly in national culture which, in the course of socialism was not exposed to risk (or the risk was minimal). Both role and power culture are bureaucratic cultures characterized by the resistance to risky combinations, inflexibility, resistance to changes and the like. So it is more realistic to expect that the companies in which power and role cultures dominate will avoid cost leadership strategy, thereby choosing product differentiation strategy, which, at this point, seems less risky which has also been shown by our research.

5. Conclusions and Recommendations

Theoretical elaboration of influence of organizational culture on business strategy as well as empirical research on Montenegrin companies' exaample shows that organizational culture and business strategy are mutually interacting categories, i.e. organizational culture influences the choice of appropriate strategic option. Depending on the degree of consistency of organizational culture with the strategy chosen, organizational culture can legitimize or delegitimize the strategy. In the case where culture legitimizes the strategy, the strategy is also easily applied. However, if culture delegitimizes the strategy the strategy chosen is impossible to apply. The strategy affects organizational culture by institutionalizing or deinstitutionalizing the same. If the chosen strategy is in accordance with the existing organizational culture, the strategy will further strengthen the existing organizational culture, i.e. institutionalize it. Likewise, long-term use of certain strategies will deinstitutionalize the existing organizational culture by which its process of change begins.

In order to achieve positive effects of organizational culture on overall operations of the company, it is of particular importance to harmonize the actual organizational culture of the company with the strategy chosen. The existing organizational culture creates the "limits of behavior" of the company that affect the degree of implementation of a business strategy. It presumes constant monitoring and review of the situation in order to affirm the choice of the strategy or to choose another adequate strategy. Therefore, recommendations for the management of the company would be the following:

- Management of the company must actively participate in the creation of such organizational culture that favors the company by whose implementation the effective implementation of business strategy will be ensured. This is the only way for succesful operations of the company, i.e. ensuring a competitive advantage in the market;
- It is required to focus only on those segments in which the company acquired a certain level of trust of its consumers;
- The company needs to innovate the existing product range or create a new product for the segment in which he achieved the planned level of competitiveness;
- It is necessary to continuously analyze and review processes iwithin the company, at the same time reviewing the existing strategies:
- A constant training of employees is necessary in order to achieve the level of understanding for processes that contribute to maintaining and increasing of competitiveness.

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