

CORPORATE CULTURE – ITS ROLE, POSITION AND PROBLEMS IN BUSINESS

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ABSTRACT

Numerous articles, publications and researches show a strong impact of a good corporate culture on business success and economic performance. A strong corporate culture can be responsible for the process of creation of internal organization values, and it can also influence the proper functioning of the company and even its competitiveness. In those companies, that recognize the importance of corporate culture, corporate culture can become the most important tool, which can help them to achieve their strategic objectives. According to opinions of some authors, an excellent corporate culture is “the spirit” of organization. It is a part of entrepreneur’s core competitiveness but also it is a bas of core competencies. The present article is focused on identification and evaluation of problems during the forming process of corporate culture. The identification of problems was realized through questionnaire at the sample of 130 respondents. The result of the research shows that certain issues such as “*buying your own people*” (69% of respondents believe that remuneration is unfair), “*sanctions*” (more than ¼ of respondents think that work environment is not open for new ideas) or “*copying of culture*” (almost ¼ of respondents answered that they do not feel comfortable in existing culture) are still appearing in the shaping of corporate culture of companies.

Key words: Corporate culture, competitiveness, competitive advantage

1. INTRODUCTION

The term or better said the topic of Corporate culture is so called „hot“ theme, which has become intensively studied, analyzed and used only in last few decades. The reason is simple; managers realize the need of a corporate culture, which is one of the most important factors in companies live. This is given by the strong link between organizational culture and organizational performance and competitiveness- bureaucratic control could only buy employees bodies, but not their hearts. A strong organizational culture, however, can be a primary generator of real motivation and commitment. In a strong and cohesive culture, the organizations core values are both, intensely held and widely shared. This high intensity of common beliefs makes it relatively easier to draw consensus among employees, to build a focus on important goals and objectives, to reduce potential conflicts, to cultivate a learning environment, and to lower staff turnover. A strong culture has a unique absorptive power to congregate people. Employees no longer need to be compelled to work hard, but do so willingly. They identify themselves with their organization, just as they do with their families and communities. According to Straub-Bauer (2005) this means that “*on one hand organizational culture influences what organizational members think about knowledge sharing and how they subconsciously behave in relation to it, and on the other one, through certain organizational practices, it influences directly knowledge sharing behavior.*”

2. OBJECTIVE AND METHODS

The aim of the article was to identify and evaluate problems in shaping the corporate culture in a selected group of companies.

The research was conducted by a questionnaire and personal interview of a sample of ten commercially- oriented companies. The questionnaire consisted of

fifteen questions, which were structured as closed, so that the respondents (total number of respondents was 130) had the opportunity to a multiple choice.

The questionnaire was evaluated by using contingency tables, which were prepared by Excel, under which they were subsequently developed graphic representations.

3. RESULTS

Numerous researchers have defined organizational culture, but the well known and mostly used definition is that one given by *Schein* (1992), which says, that corporate culture is "*a pattern of shared basic assumptions that the group learned as it solved its problems that has worked well enough to be considered valid and is passed on to new members as the correct way to perceive, think, and feel in relation to those problems.*" Some authors like for example *Brooks* (2003), *Šigut* (2004), or *Bono & Heller* (2006) agree with this definition, but they complement it with an opinion, which says that corporate culture is often regarded as responsible for a variety of organizational problems and occasionally it attaches the creation of positive qualities.

In general we can say that corporate culture is an essential and indispensable part of business, which is reflected in the serious situations as well as those less. For this, but of course for many other reasons is this term becoming much more and thoroughly studied, because it is necessary to understand the behavior of business and identify and explain organizational issues and activities.

According to *Armstrong Consulting Competence* research (2010) which was conducted on a sample of Czech and Slovak companies, almost a fifth of employee performance is explained by differences in corporate culture. The research focused on several indicators, such as Identification Index, which proved to be the strongest predictor of business results and explains between 13-25% of the variability of business results, further information saturation of 27-33% and 19-30% self-realization. Perceived behavioral consistency to employees is explained by 14-27% of business results, and performance management, which dominates the space for pro-activity of 12-38%. The impact of the positive characteristics of corporate culture on business results is immediate. The increase of identification and improvement of the characteristics of leadership style is reflected in customer satisfaction, according to the results, typically after twelve, in some cases up to eighteen months. The impact on customer satisfaction demonstrated by their awareness of changes in the behavior of employees is delayed, and premises a long-term operation of high-quality suppliers.

An interesting example of a strong corporate culture is the Japanese company Toyota. The competitive advantage of this company is based on corporate philosophy known as the Toyota Production System. This partly depends on human resources management policy that stimulates employee creativity and loyalty, but also depends on a highly efficient network of suppliers and component manufacturers. The average annual performance of the company is more than 700,000 improvement suggestions submitted by employees of Toyota. This represents an average of more than 10 suggestions per employee per year and more than 99% of the proposals are implemented.

Corporate culture as a product

Many companies choose so called "best customer service" competitive strategy. Those companies need to build their internal culture to support the willingness of employees to benefit the customer. If it succeeds, the company sells more. So the culture to a customer receives a reward, and thus becomes a product.

In general, it is possible to specify the three generic competitive business strategies:

- *"price leader"* strategy - in this case, the company sells at a lower price than the competition, but the quality of products or services is the same one. If a company chooses this strategy requires a highly productive production process and low cost labor. In this case, is appropriate if the corporate culture is at first process- oriented and just then profit or loss-oriented. This strategy was successfully selected by many air carriers, for example by Slovak Airlines.
- *"best service"* strategy - this strategy is a situation where the company examines the needs of specific customers and satisfies them better than competitors. That is why it is necessary for employees to build a full understanding of the objectives of the company and ask them to meet customer expectations. In this case is appropriate if the corporate culture is at first profit or loss-oriented, so that everyone had done everything what is needed to satisfy customer needs. This strategy is mostly used by service companies, like for example banks, restaurants, or car companies.
- *"product leader"* strategy – this strategy is typical for those companies, which are providing products with better parameters as competition. For this reason, company elects agents capable for creating new products, innovating them and to compete to existing products. They need freedom, space, the atmosphere of creativity and confidence. This can be achieved only in the result-oriented corporate culture, because creative people are intolerant to restriction given by the rules and do not recognize "authorities" (see Figure 1). The claim was confirmed by a research in selected companies, where the result was that only 52% of respondents prefer to work independently without an influence of other people, and only 7% of them prefer a direct line manager. Further 5% of respondents would like to see work as a couple and the last 36% would prefer to work in creative groups. This strategy is used by suppliers of technologically oriented market like photo, video, IT.

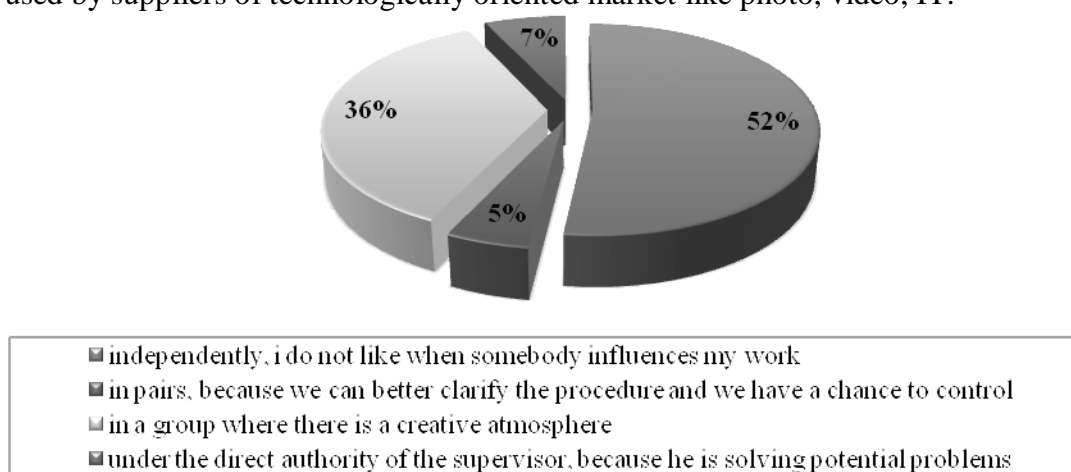


Fig. 1. You better like to work

Source: Own processing of

The decision depends primarily on the customs of the market, on consumer expectations for the type of product, but also on the company's potential. The company usually needs to implement only one competitive strategy. If the company decides to combine the "price leader" strategy with the "best service" strategy, it will probably end up with a higher price than specialists in low prices and with worse service than specialists to meet customer expectations.

There are also few exceptions, which are manifested in those situations when the company operates in two different markets, but there is a risk that the value of the company brand is ideal only for the first market, but in the second one not. Then it is better to create two independent companies with different products, strategies, employees and different brand value.

How can be corporate culture measured?

Many authors as for example *Havrdová & col.* (2011), *Vysekalová & Mikeš* (2009), or *Burger* (2007) says that corporate culture is not just a “term”, but also an indicator, which can be measured and evaluated. These mentioned authors also say, that there can be used not just quantitative, but also qualitative methods of measuring and when it is possible to base it on rules and standards embodied in the company, as well as on its strategic objectives in the field of human resources.

In general we can say that there are three basic possibilities of measuring corporate culture:

- Internal survey of corporate culture (questionnaires, interviews, focus groups)
- External Mystery-shopping or Mystery-calling (directly to the company and the customer interface)
- Combination of previous methods and correlation between the repeated shortcomings of several employees in touch with customers and faults in the corporate culture that they can cause.

There can be used any of explained methods, but it must bring the following information:

- How is the corporate culture oriented (in which proportion are the basic orientations – elements of authoritarian orientation, elements of process orientation, elements of the score orientation)?
- What are the positive elements supporting the competitiveness of the chosen business strategy?
- What are the negative elements of counter-strategies in terms of competitiveness?

Problems in the process of influencing the corporate culture

There are countless so-called pitfalls of that individual companies can in the process of influencing corporate culture run into. Investigation and monitoring practices allowed many professionals, respectively expert advisors to define (*Ibis Partner Ireland*, 2010) several basic and most important issues of which are selected as follows:

- *knowledge of context by the managers* - one of the biggest problems is that many managers do not know or incorrectly explain the concept of corporate culture. This suggests the result of research conducted on the sample of companies (see Figure 2).

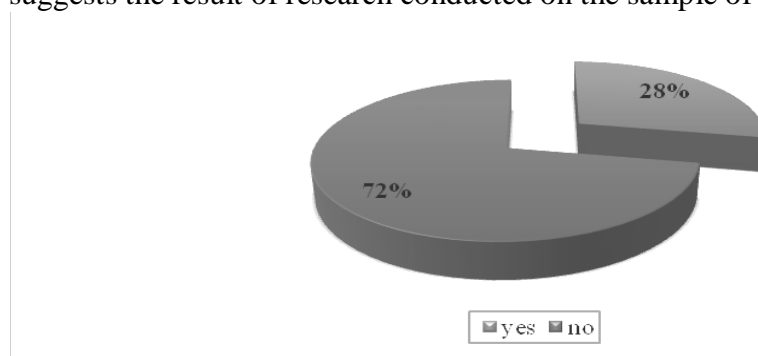


Fig. 2. Do you know what does the concept corporate culture mean?

Source: Own processing of

As the answers represent us, this problem of ignorance still resonates in many companies. Up to 72% of respondents do not have a clear understanding of the concept of corporate culture, which is very often wrongly associated only with a decent human behavior and culture of the environment. Some managers said about corporate culture that they "have given traders sewed uniforms." Conversely, other and more serious problem is that companies do not have clarified their corporate culture. There is given a simple solution consisting of two steps, namely:

- *The first step*- finding that the organization has fully clarified its position and orientation in the environment,
- *The second step*- an informative managerial seminar about corporate culture for the unification of information.
- *creating a project* - project is in general a document, which captures some goals that should be in company culture achieved, but not universally applicable principles applicable in any business. Nevertheless, its development and preparation is important because it is a non-trivial, closed content and time-limited role. In none of the investigated companies, is designed a project just for the corporate culture. They are just trying to download it from their parent companies. In preparing the project are recommended some basic steps that enterprises should use:
 - summarize the objectives, external conditions and internal state of the current business
 - propose desirable design of the corporate culture,
 - examine the real state of the corporate culture,
 - determine significant differences that need to be targeted to remove
 - prepare a plan of action to achieve goals.
- *inappropriateness of coping* – this is an important and not less accentuation term in the concept of corporate culture, which follows to the process of project. Corporate culture must be in accordance with the nature of production. Other corporate culture meets industry and other such, which provides services. In addition, it must respect the market position of company, its target audience and image. That is not a rare problem when so called copied corporate culture of one company is violently enforced in another company, as in 8 out of 10 monitored companies, what often tends to have precisely the opposite effect as was the desired one (see Figure 3).

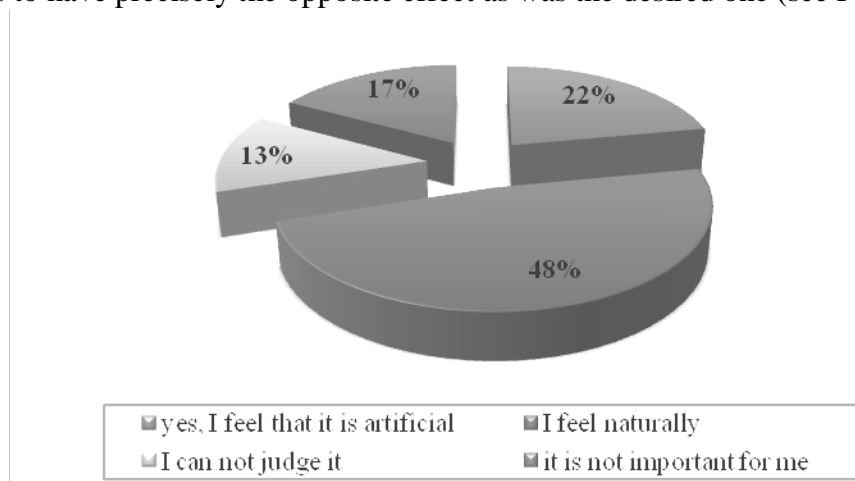


Fig. 3. Do you feel in your business naturally, or you feel like your corporate culture was spurious?

Source: Own processing of

This problem, as the research shows, is in selected companies slowly eliminated, where only 48% of respondents feel themselves in their corporate culture naturally, despite the fact that this culture is taken over the parent company, but is adapted to domestic conditions. However, it is still not completely overcome as it is clear from the figure where 22% of respondents still have unfavorable feelings connected with their corporate culture. As an example can be used a situation when one of the managers modified his facilities the same way as western companies to support employees identification with the environment and business. The result was a decline in consumer interest. The solution to this problem could be the negotiation of chosen strategy with their clients due to the creation of the desired profile of the corporate culture.

- *remove the ideal vision* - a frequent occurrence in the corporate practice is a transmission of the faith of their own business in their own decision-making process. As an example of this claim is suitable the following situation- a director from an unnamed company felt concerned when it was reported him the observations of their environment. He claimed that his company is doing much better than it was expressed by the experts. Years of experience show that the actual profile of the corporate culture is normally worse than senior managers think, but better as it say the lower levels of the organization. As a solution is offered a basic idea, that the real situation in a particular organization may be different from the preliminary assumptions.

- *respect the objective findings* – this is a matter of all members of the organization and on the other hand, it is a perceived and not codified state in each organization. The tool which is supporting this claim is usually a questionnaire survey of the various elements of corporate culture and personal interview for selected samples of various job categories. In practice, it runs as follows- the customer receives not just the report about the findings, but also cross-correlations of the various layers business views on the same issue. Subsequently, the findings are interpreted to identify causation.

- *do not regulate culture changes*- after finding the difference between the desired and actual state of corporate culture, managers tend to do so- called immediate action to correct. A good example for this case is the one director, who was trying to put together a set of regulations, that have to put any differences in a particular order, what, when, where and how it has to be changed. This measure would be triggered only climate change, which leads to the expression, because the change in corporate culture responds to a causal rather than symptomatic treatment. A good solution in this case is a meeting, better said conversation with outside counsel, it is necessary to pass the context and ask the same question: "What is due to our people ..." "Up to a set of causal relationships can be taken an adequate measure. For example: "Our people refuse the possibility to decide themselves." Suspected cause: "They know that they need to learn or change." The real cause: "Managers complain, respectively punishable the unsuccessful decisions, but they do not reward the successful." Many employees are not combined with this approach, or better said they are combined with in only to a certain extent (see Figure 4). Despite to the previous results where only 22% of respondents do not feel naturally in the corporate culture of their organization, here only 26% would be willing to undergo a change in exceptional circumstances and 53% would not be willing to undergo a culture change at all. Only 5% believe that culture should be checked and changed continuously.

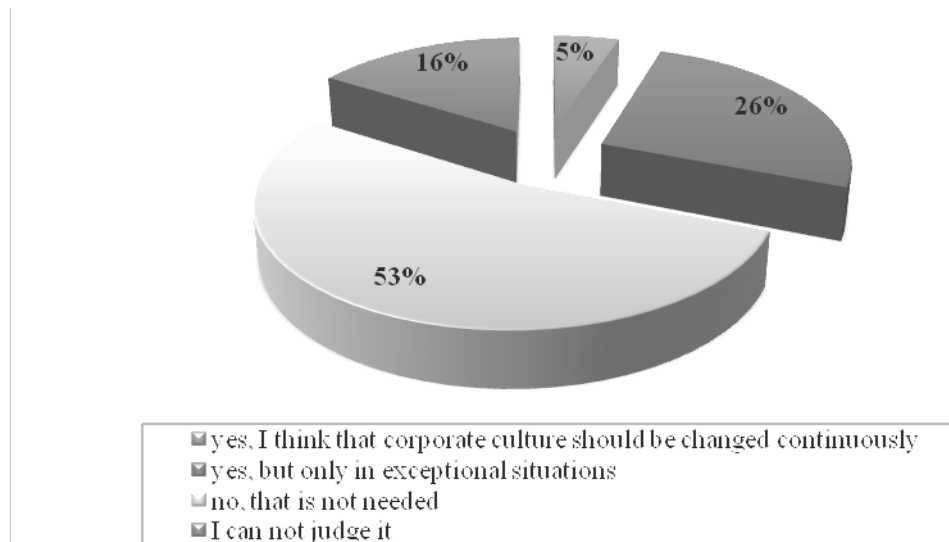


Fig. 4. Do you think, that it is necessary to change your corporate culture?
 Source: Own processing of

▪ *do not penalize* - if there are made penalties for differences in expression of the desired corporate culture, it is reached just a formal conformance and not an internal attitude. As an example, can be used any situation where the departure of a worker is interpreted as a gaffe to the loyalty to the employer. Of damage to the internal climate of a "de facto" spreading negative references in the external environment. In this case is the solution same one as it was explained in the previous paragraph. However, this problem is in reported companies, according to the research, tending to a positive development. As it is graphically shown in Figure 5 70% of respondents think that their working environment is open to creative approaches. On the other hand, more than a third of them still think that, after expressing their own opinion, they will become in some way disadvantaged.

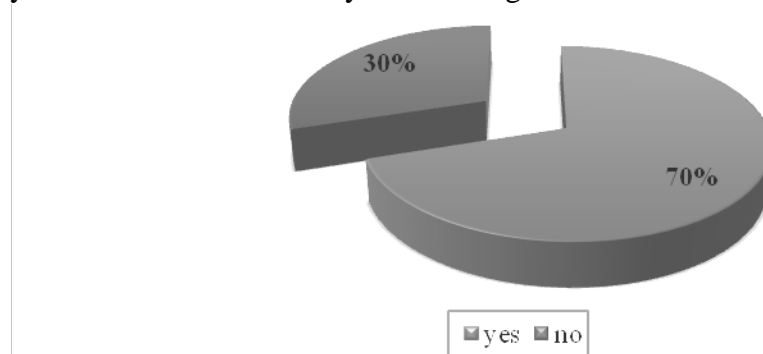


Fig. 5. Do you think that your work environment is open to creative approaches?
 Source: Own processing of

▪ *do not buy your own people* - in many professional articles and publications can be detected managers' tendency to reward better those people/ employees who are conform to the declared corporate culture (see Figure 6). The research confirmed that employees of selected companies see this as a current problem (almost 69% of them think the compensation is not fair).

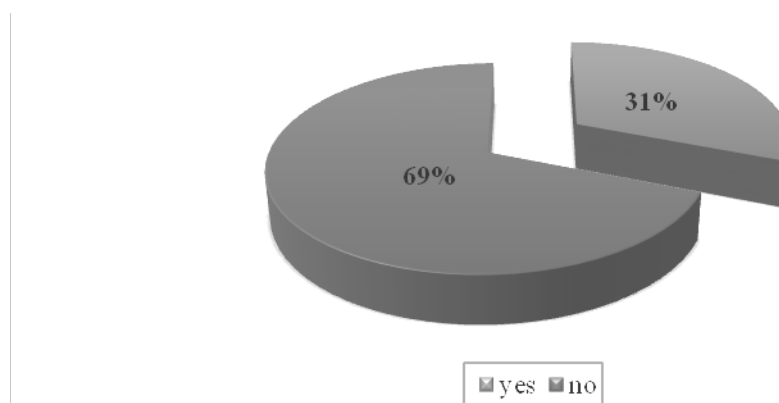


Fig. 6. Do you think that the remuneration by manager is fair?

Source: Own processing of

- *do not produce a campaign* - a campaign seems like a short term solution, which efforts after some time passes. It is a long-term role which is trespassing into the value orientation and the development of the organization, therefore it is necessary to create a project and capture the entire organization in the longer term.
- *Involvement of us* - the top level managers can not be missing if it is necessary to make a change in corporate culture. It is also important to develop a program of building a desirable profile of corporate culture, identify yourselves with him and become a leader of changes.
- *creating a "gravity" environment* - the change in corporate culture must be managed like any other change, it is also important to count with an inertia, misunderstanding and resistance, as it is with any change. This is why it is necessary to create an environment that will include acceleration features, opportunities to communicate and explain, motivate people and eliminate the resistance. In this environment can be things in motion, conformal values in one direction and non-conforming bubbles in other directions.
- *Involvement of the management*- the change of corporate culture is the most challenging and also in many cases, the least thing. Many authors argue that corporate culture can be managed and changed only to a certain extent and then only partially and slowly. They also say that if the company has decided to change the corporate culture, it must seek for allies rather than for critics. Managers must take care and not let lower managers affect things before they are aware of the changes, that they want them and can make them. For this step is necessary to involve the middle and lower management already at the stage of thinking about the issue of corporate culture. They must be present at all stages of the project.
- *choose an external consultant*- an unnamed Italian company has a multi-day program, but usually they also invite external consultants and advisors, not because the "cobbler" did not make the shoes themselves, but because there can be seen things differently and better from a different side. It's a question of another point of view, but also know-how and experience. It is therefore necessary to find an external supplier who is able to assist in all phases of project identification and possible modification of the corporate culture.
- *use appropriate criteria for selection*- the possibility of creating a range of criteria which must external consultants satisfy, for example the oaring of know-how, length of the partnership, the suitability of the proposed procedure, guarantees of quality, price etc.

4. CONCLUSION

The result of the research shows that corporate culture is a mirror of corporate identity and an image of its maturity. It can be also understood as a number of rules and values which tell us how the company operates, communicates and which common values are in it recognized. A good corporate culture is simply that one, in which is the company successful in the process of meeting its objectives and employees needs. Creation as well as the change of corporate culture is not as easy as it seems. There are many steps that must be followed, rules that must be respected and of course many problems which must be managed and overcome. These are just few of many reasons why it is necessary to pay a higher attention to corporate culture especially to her impact on business, its effectiveness and competitiveness.

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