

THE CORPORATE CULTURE MANAGEMENT MODEL

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Abstract

In this article are compared the theoretical basis of the corporate culture management with the practical experiences of companies. The most important issues are outlined in the corporate culture management model. The aim of the corporate culture management is strategically appropriate corporate culture, which enhances the company's performance. Corporate culture is a very important success factor of the company; it influences both "soft" and "hard" areas of the company. Company should deal with its corporate culture when there is a difference between current and strategically appropriate corporate culture. The primarily responsibility for the corporate culture management has the general manager together with top management, external consultants could only help. The process of corporate culture management has four phases: analysis, development, implementation, and control. It should hit the whole organization and be relevant to all the employees.

INTRODUCTION

Strategy of many companies is aimed to building a long-term competitive advantage. This means for the company to achieve a unique position on the market and enables it to compete successfully with its competitors. The company could achieve the long-term competitive advantage through development of strategically appropriate corporate culture, which enables and supports the implementation of a right strategy. On the other hand, unhealthy culture could be due to its persistence strong internal barrier for implementation of strategy and making needed changes in the company (Papula, 1993, p. 136-137). It is difficult to imitate the corporate culture.

Many companies in Slovakia currently define new strategies and are heavily transformed. They want to improve their business result, orientate themselves more on customers and have better-motivated employees. That is why many companies are intensively dealing with their corporate cultures. Management of the corporate culture is quite a difficult process and the result could be a successful as well as disrupted company. The Faculty of Management, Comenius University in Bratislava focuses long-term on strategic management (Smolková, 1999) and corporate cultures. This paper is based on previous research at the Faculty of Management and on the author's thesis.

Šajgalíková and Bajzíkóvá define the corporate culture as: „a set of credos, values, and norms, which are shared inside a society / company and which substantially affects the behavior of its members. This set has been built by collective experience of successful problem solving by the society during a longer time period. This set is transferred as relevant to new society members.” (Šajgalíková, Bajzíkóvá, 2000, p. 16). Luptáková and Vargic define the corporate culture as: “categorizing principle of employee opinions and understanding of their work, their approach to it and the way in which they anticipate to be treated.” (Luptáková, Vargic, 2001, p. 276). We can say that the corporate culture is a very important dimension of the company. It affects how employees and managers access each other, problems, and customers, deal with suppliers, react to competition, and how they perform various activities. The corporate culture is not completely clear and is difficult to interpret in a company. It is stable,

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persistent, but dynamic at the same time. It is transferred to new organizational members. The leaders of the company have very significant impact on its corporate culture.

A number of researchers (Peters, Waterman, 1982), (Deal, Kennedy, 1983), who studied companies, which achieved above average results over a long period of time, showed that the most successful companies have built and managed their corporate culture. Kotter and Heskett found a strong correlation between the type of corporate culture and business results (Kotter, Heskett, 1992, p. 78). Corporations with performance enhancing corporate cultures grew in comparison with corporations without performance enhancing corporate cultures much faster in revenues (682% vs. 166%), employment (282% vs. 36%), stock price (901% vs. 74%), and net income (756% vs. 1%).

THE CORPORATE CULTURE MANAGEMENT PROCESS

Due to its importance, many companies are attempting to manage or change their corporate culture, but only few of them are successful. Sárkányová did a research about organizational change in 34 companies in Slovakia. Five of the researched companies tried to change their corporate culture, but none of these changes of the corporate culture was evaluated as successful (Sárkányová, 2000, p. 72). Gál and Múčková found that only 26% of 57 researched companies in Slovakia actively manage their corporate culture and they evaluate this process to be successful (Gál, Múčková, 2003, p. 92). The management and change of the corporate culture is quite a difficult process. It demands also changes of individuals – their personality, abilities, or skills, as well as a change in understanding of a role and position of managers within the organization (Sulíková, 2003, p. 813). However, it must be done, because in some cases the change of the corporate culture is a question of the company's survival. The major corporate culture change is time-consuming and very expensive. To achieve even half of the change a company attempts, it must spend an amount equivalent to between 5 and 10 percent of its annual budget for the personnel whose behavior is supposed to be changed (Deal, Kennedy, 1988, p. 161 - 162). The major corporate culture changes last about four to ten years; their most intensive part takes about two years.

The primary responsibility for the corporate culture management has the CEO of the company. In case, when company only starts to manage its corporate culture or needs an important change in it, the cultural manager and a steering committee focused and responsible for the corporate culture management could be established. Members of this committee should be high-level managers, key decision-makers as well as the CEO. The process of corporate culture management has four main phases: assessment and diagnosis, development of corporate culture, implementation, evaluation and control.

Analysis

The first step of corporate culture management is to determine, what the current corporate culture is. This phase could be done internally by organizational members or externally by consultants or combined. The cultural assessment has several objectives:

- to explore all aspects of organizational functioning in order to identify the values, beliefs, and assumptions currently held by organization's employees;
- to identify the personality and beliefs of the strategic leader (CEO);

- to identify the strength and history of the existing culture;
- to identify how well the culture is understood;
- to identify major opportunities for cultural improvement;
- to identify possible barriers to cultural implementation program;
- to promote cultural awareness.

The corporate culture could be analyzed by a variety of techniques, e.g. personal and confidential interviews with a cross selection of employees, group interviews, and written surveys. It is recommended to use more or all of these techniques. Franková recommends examining the less visible and more difficult to approach elements of culture (e.g. core values) by qualitative methods, the visible and accessible elements (e.g. norms) by quantitative methods (Franková, 2003, p. 62).

Development

The next step in corporate culture management is the development of the new corporate culture. In this phase the vision, core values, and guiding principles of the organization should be prepared. A necessary input to development of these documents is the mission statement from the strategic planning effort. The mission and vision should definitely be consistent and supportive, but they will not be exactly alike, since they serve two different purposes.

A mission states what a company intends to do, to achieve, in the external environment on a one-time basis. A vision states what a company intends that its internal (cultural) environment should be or should become on a continuing basis. Because the mission is directly linked to the customers and external environment, it makes sense for the vision to be based on the mission and be developed second. The corporate culture is defined in following documents:

Vision – states, what a company intends that its internal (cultural) environment should be or should become on a continuing basis. A vision is a picture of a preferred future state, a description of what the organization would be like some years from now. The four most persuasive reasons for having a vision are: inspiration, unobtrusive control, focus, and integration.

Core Values – are the organization's essential and enduring tenets – a small set of general values, not to be compromised for financial gain or short-term expedience and not to be confused with specific practices, which are included in the guiding principles. Only a few values can be truly core – values so fundamental and deeply held that they will never change and will never be compromised.

Guiding Principles – describe how the vision and core values will be achieved. They establish the professional standards for the work done inside the organization. They specify the relationship between people in the organization – on all levels. Before implementation, the results of cultural planning must be tested. There are more ways, how to test them, one of them are in-depth discussions in focus groups, consisting of valid cross section of the company's employees.

Implementation

To put the developed corporate culture into the organizational life, the implementation is needed. The behavior of CEO and senior management and the way, how they enforce the cultural values into corporate praxis is very important for the success of the implementation. Creation of an appropriate culture that supports the management of quality and insures constant improvement of quality in a company is a task of top-level management (Fekete, 2001, p. 72). The successful implementations of corporate culture have usually four common characteristics. First of all, they should be trustworthy. They should come from a credible source, like the CEO. The implementation of culture, which seems to be insincere, or which contradicts the basic organizational values would be probably rejected as company's propaganda. Second, the successful implementations of corporate culture should be dramatic. They should naturally be interesting, not boring. Third, the successful implementations should hit the whole organization and be relevant to all levels of employees. The middle-level management, supervisors and all other employees should be involved in the process of implementation. Last, the successful implementations must be easy to remember and to believe. The corporate culture should have clear relevance to the performance of all employees, e.g. it should indicate, which behavior is expected in specific situations.

The implementation of corporate culture is conducted through managerial areas. We outline few examples, how to use managerial areas to shape the corporate culture. Shaping of subcultures might support different parts of the organization. Different subculture is suitable for research and development, which is long-term oriented, innovative, and producing ideas and in production, which is more costs and efficiency focused. The subcultures should not be too strong and act against each other, because then the individual departments do not sufficiently identify themselves with the company as whole.

The human resource management is a very important corporate culture-shaping tool. In the human resource area the important tools are: selection of new employees, socialization, development and evaluation of employees, and rewarding. In the selection process, the technical skills as well as fit of the individual with corporate culture should be taken into account on all positions, not only managerial. The corporate culture could be also shaped by development and socialization of workers. It is reasonable to invest into training activities, which learn not only the needed skills, but also imprint on employees the organizational values. Evaluation and rewarding of employees should also enforce the developed corporate culture. The evaluation criteria should be settled to identify people, who support dominant organizational values and are identified with them. This people should be rewarded and promoted.

Other often-used forms to communicate cultural values are organizational stories, myths or legends. The main actors in these stories are usually leaders, founders or key-executives of the company. These stories describe important moments from the company's history, which have implication to the current set of corporate values. Usually they are interesting and catching. Activities are also often used for shaping of the corporate culture. Activities might be annual conferences or Christmas parties, which communicate, that all employees are important for the company. Similar forms are rituals, which often imply equalization activities, like team-sport competitions.

Control

The last phase of corporate culture management process is evaluation and control. The control should look backward, to the history; it should provide feedback to previous phases, evaluate the current situation and identify differences from expected state. This control should be also forward oriented, it should monitor the development of external and internal environment and provide signals and information for potential corrections of existing corporate culture.

THE RESEARCH FINDINGS ABOUT THE CORPORATE CULTURE MANAGEMENT

To verify the theoretical knowledge and to acquire know-how and expertise from companies a research about corporate culture management in companies in Slovakia was conducted.

Research objectives

- Identify the degree of significance the companies give to the corporate culture as a success factor in a company;
- Identify if the companies in Slovakia systematically pursue the corporate culture management;
- Identify if it is possible to manage the corporate culture and if companies do it, why and how they do it, who is responsible for this process in the company;
- Identify the crucial stages of the corporate culture management process;
- Identify the key factors influencing the success of the corporate culture management process;
- Identify the key differences between the successful and less successful companies in the corporate culture management.

Hypothesis

H1: Corporate culture is perceived as a significant success factor in companies – was supported.

H2: It is possible to manage the corporate culture – was supported.

H3: One of the principal conditions of the corporate culture management success is strong support by the general manager, top management and other involved groups – was partially supported.

H4: The management of the corporate culture is a long-term process – was supported.

H5: Systematic planning and careful accomplishment of the fundamental phases of the corporate culture management process is crucial for the success of the corporate culture management – was partially supported.

RESEARCH METHODOLOGY AND PERFORMANCE

Research procedure

- structured interviews based on a questionnaire.
- personal communication in successful companies in the corporate culture management.

Based on the research objectives and hypothesis we designed a pilot questionnaire. We tested this questionnaire on a selected sample of three companies. After we had acquired the feedback on the length, extent, complexity, clarity, and transparency of the pilot questionnaire, we modified it to the final version. We have addressed 100 companies out of which 80 agreed to cooperate with the research team. Because of the respondents needed to fill into the questionnaire both data about themselves and their company, we faced sometimes the unwillingness or concern for information misuse, which negatively influenced the number of respondents. The second negative factor influencing the willingness of cooperation was the lack of time of respondents.

The questionnaires were distributed in person, not sent by mail. The questionnaires were completed based on the structured interview with the respondent. Such an interview lasted from 30 to 60 minutes. 71 completed questionnaires were returned. After the correction and checking were 57 questionnaires available for the final processing. There could be filled only one questionnaire in every company. The research has been conducted from September 2002 till February 2003; the evaluation has been performed from March till May 2003. 79% of companies, which responded on the questionnaire, were *interested in the research results*.

Research target group

- Profit-making companies in Slovakia – 100%
- Companies that have experience with managing their corporate cultures – 91%
- Companies owned by foreign investors (majority or totally owned – 69%, minority owned or no foreign ownership – 31%)
- Middle and big companies – 50 and more employees – 86%
- Companies from a variety of industries – from 15 industries – the highest share of companies from IT sector (14%), insurance sector (14%), and banking sector (12%)

Target person in researched company

- Competent employee who deals with or is eligible for qualified answers concerning the corporate culture management – 100%
- Human Resources Manager, HR Employee – 44%
- General Director – 19%
- Employee from functional level – 35%

The evaluation of the results was done for the whole sample and for four groups, into which the whole sample of the companies was divided. The companies were divided into four groups in the following way:

First-group – 15 companies – companies, which actively manage their corporate culture and they evaluate the result of the corporate culture management process in their company to be successful;

Second-group – 37 companies – companies, which actively manage their corporate culture and they evaluate the result of the corporate culture management in their company to be partly successful or they are in a process of the corporate culture change;

Third-group – 52 companies – in this group are accumulated results of companies from the previous two groups. In this group are all companies, which actively manage their corporate culture, regardless of what they say about the result of the corporate culture management in their company;

Fourth-group – 5 companies – companies, which do not actively manage their corporate culture.

We often compared the results of the first and second group, because we wanted to find out, what the successful companies in the area of corporate culture management do differently. We considered the significant difference in answers to be more than 20%.

THE RESEARCH RESULTS

Results of the questionnaire research

91% companies from the whole sample *say they manage / change their corporate culture*. Companies from the second group (81%) usually deal with the corporate culture to *solve problems or difficulties in the company*. 80% of the first-group companies deal with the corporate culture *long-term*. The main reasons why the companies deal with their corporate culture are *to improve the relationships among the employees* (23%) and *to improve the company's performance* (17%). The research shows that first-group companies *see a conjunction between corporate culture and company performance*. 84% of the companies from the whole sample consider the corporate culture to be *a very important success factor of the company*; in the first-group there are 93% such companies.

Almost all of the companies think that the corporate culture influences “soft areas” such as *the atmosphere in a company* (88%), *employee-company relations* (86%), *relations among employees* (82%), *relations between top management and employees* (82%), and *employee satisfaction* (81%). Most of the first-group companies think that the corporate culture influences not only the “soft areas” but also the “hard areas” as *productivity* (73%), *financial performance* (73%), and *costs* (67%), as well as *the ethics* (80%), *creativity and innovations* (73%).

There is an opinion among all the companies from the sample that *the corporate culture could be managed or changed* (77%), whilst the more the companies manage their corporate culture and are successful in it, the more these companies mark this answer.

In the companies where the corporate culture is successfully managed, the responsibility for this process is well known and precisely defined. The highest commitment – direct responsibility – is with the *general manager* (47%) and *top*

management team (47%), and the executive responsibility is with *top management team* (40%), *personnel manager* (33%), and *management* (33%).

The research discovered that successful companies in corporate culture management always (100%) go through these phases of the corporate culture management process: *formulation* and *implementation*, whereby the companies from the second-group usually *set up a new strategy* (73%), *analyze the current corporate culture* (49%), but sometimes do not continue with the *formulation* (81%) and *implementation* (62%) of the corporate culture.

In successful companies in corporate culture management the core values are not only *defined* (87%), but in contrast to companies from the other groups the employees *are able to list them spontaneously* (80%). *Markedly the core values mark themselves* in 93% of companies from the first group, 46% from the second group and only in 20% of companies from the fourth group. The most frequently listed core values of all companies were: *team work* (68%), *customer orientation* (36%) and *responsibility* (27%). The companies from the second group most frequently also named these values. The companies from the first group listed most frequently values: *team work* (69%), *ethics* (54%) and *professionalism* (46%). The most frequently named core values of the fourth-group companies were *customer orientation* (50%), *candor* (25%) and *mutual trust* (25%).

It emerges from the research that 84% of the companies from the whole sample think the *process of corporate culture management* is a *long-term process*.

The research shows that 68% of the companies from the third-group *use external consultants in the process of the corporate culture management*. 31% of these companies though succeeded with internal experts only. The *main responsibility* for the corporate culture management needs to be on the *company itself* and on its *top management*, which needs clearly to understand the reason of this process. The consultants may only help with this process and in the majority of the companies they also do.

From all the sample, the process of corporate culture management / change is seen as *successful* in 26% of the companies, *partially successful* in 42%, *process is still going on* in 21%, and 11% of companies *did not know the answer*. This was one of the two keys to categorize the companies into groups.

The companies from the whole sample stated averagely *two* most important success factors for the corporate culture management – *communication* (35%) and *top management support* (26%). In the first-group companies the most frequent factors were *top management behavior* (33%) and *to persevere in the process of corporate culture management* (20%). In the second-group companies the most frequent factors were – *definition of the business strategy* (19%) and *of the culture vision* (27%). In the fourth-group the most frequent factors were *definition of the business strategy* (20%), *elimination of employees' fear from the change* (20%), and *building the employees trust* (20%).

From the companies, which manage their corporate culture, 94% *plan to continue to do it the next year* as well. From those not performing the corporate culture management, 60% *plan to start to do it the next year*.

Results of the personal interviews

These are the characteristics that successful companies in the corporate culture management have in common:

- The corporate culture was seen as a very important success factor of the company. Its influence is felt in many areas of the company, including its financial results.
- The companies used the results of their corporate culture diagnosis as a starting point for the corporate culture management. They continued with setting of the cultural vision, implementation of the shared values and culture into the practical life.
- These companies have defined their vision. This vision was positive and well communicated across the whole company.
- The core values of the corporate culture have been set, e.g. good relations among employees, healthy competitiveness, mutual appreciation, cooperation, and support. Mechanisms were created so that employees would accept them. These mechanisms served for changing the attitudes and behaviors of the employees and their value orientation.
- The top management was heavily involved in the management of the corporate culture. The general director and the top management dedicated a lot of time as well as needed financial resources. At the same time their behavior affirmed the desired corporate culture.
- The top management gained the trust of the employees, which is always difficult to obtain and is very easy to lose. Many unsuccessful managers had problems gaining that trust, but very often they were the very cause. E.g. they promised not to lay-off employees and in few months they made mass-lay offs.
- The corporate culture management was seen as a long-term process, which entails several phases. The most intensive part would take about two to three years and continues though less intensively.
- Some companies changed their culture from a „socialistic-bureaucratic“ type of approach to an active, creative, less centralized approach.
- The attitude to change in the company was well balanced; the attention was put on the change process itself as well as the achievement of the business results.
- The management effort was aimed at the whole company, not only on the top-level management, but also on the blue-collar level. Informal leaders were involved in this process on all levels of the organization.
- The companies paid special attention to employees. They concentrated mainly on the area of selection of employees, their socialization and continuous development. They invested a lot of money on education and professional growth of employees. They tried to awaken the hidden potential in employees and make them active.
- The corporate culture management did not start with a radical change in the pay scale, however the change in pay seemed to be necessary later in the process.
- The companies intensively used symbols and celebrations in the corporate culture management; they organized many sport and cultural activities that informally

supported the corporate culture.

- It seemed that some companies had a strategically appropriate corporate culture despite the fact that they paid very little attention to its management. This was due to the fact that the company founders established a strong and healthy corporate culture at the beginning and it was maintained by company policies, e.g. selection process and socialization. The company was successful over a long period of time. Problems may occur when the external environment would change significantly and the current culture would not be appropriate for the changed environment.

CONCLUSION

Every company has a corporate culture. The corporate culture management is a part of the strategic management of a company. In this article about the corporate culture management model are compared the theoretical basis from the literature with the practical experiences of companies in Slovakia. The research results deepen the theoretical knowledge and make them applicable for more efficient corporate culture management in praxis. The most important issues from this article are outlined in the corporate culture management model (Fig.1). The model shows the goal of the corporate culture management and answers four key questions: why, when, who and how to manage the corporate culture. The model is a brief description of the research results and could be used for primary orientation in the corporate culture management.

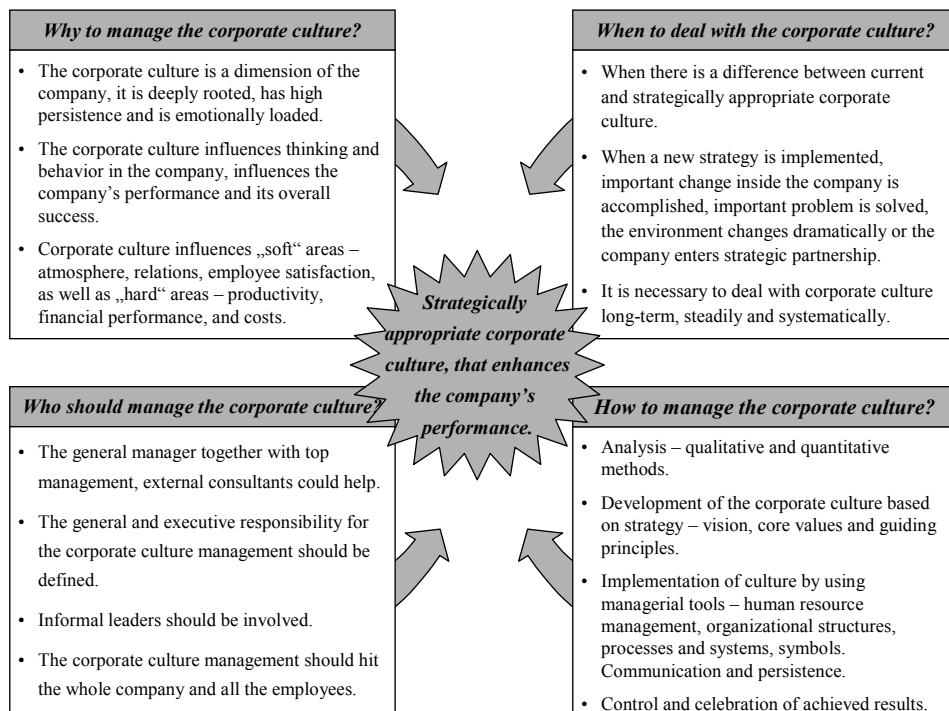


Fig.1 The Corporate Culture Management Model

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