

The Management of the Corporate Culture

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Abstract

The change of the corporate culture is one of the key elements in transformation of companies in Slovakia. 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, influencing both "soft" as well as "hard" areas of the company. Company should deal with its corporate culture when there is a difference between strategically appropriate and current corporate culture. The primarily responsibility for the corporate culture management has CEO and secondary senior management. The process of corporate culture management has four phases: assessment and diagnosis, development, implementation, and evaluation. It should hit the whole organization and be relevant to all employees.

Introduction

There were privatized almost all enterprises in the last twelve years in Slovakia. New owners want to improve the overall performance of these enterprises as well as their business results. This is especially important, because the competition increases and is expected to increase even more after Slovakia will join the European Union in May 2004. The companies hire new management teams, define new strategies and are heavily transformed. To be able to implement successfully new strategies and to transform these enterprises, it is necessary to change their corporate culture from a „socialistic-bureaucratic“ type to a different one, business oriented. The corporate culture determines relations and climate in the corporation for implementation and execution of the company's strategy. The corporate culture is determined by previous development and could cause persistence and resistance to change (*Papula, 1993*).

Bajzikova and Sajgalikova 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 longer time period. This set is transferred as relevant to new society members (Bajzikova, Sajgalikova, 2000).“ Luptakova 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 (Luptakova, Vargic, 2001).“ 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, customers, and 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, 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, e.g. Peters and Waterman, Deal and Kennedy, 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*). 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 process of the corporate culture management

Due to its importance, many companies are attempting to manage or change their corporate culture in recent years, but only few of them are successful. Sarkanyova 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 (*Sarkanyova, 2000*). Gal and Muckova found that only 26% of 57 researched companies in Slovakia actively manage their corporate culture and they evaluate this process to be successful (*Gal, Muckova, 2003*). 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 (*Sulikova, 2003*). 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*). 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.

Assessment and diagnosis of the existing corporate culture

The first step in 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.

Development of the new corporate culture

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 and shaping the corporate culture

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. 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.

Evaluation and 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

The main research objective about the corporate culture management was to outline the most important points, which successful companies in corporate culture management have in common. This research had both quantitative (sample 57 companies, structured interviews based on a questionnaire) and qualitative parts (sample 15 companies, case studies). We concentrated in this research on profit-making companies over 50 employees. The researched companies were from 15 industries. The target person in researched companies was competent employee who deals with or is eligible for qualified answers concerning the corporate culture management, mostly human resources manager or general director. The research was conducted by Peter Gal from Faculty of Management, Comenius University, Bratislava in years 2002 and 2003. Waste majority of the researched companies, which responded on the questionnaire, were interested in the research results. These are the points, which successful companies in the corporate culture management have in common:

- ?? These companies have defined their vision. This vision is 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 own behavior affirmed the desired corporate culture.
- ?? 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 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 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.
- ?? 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 corporate culture management was seen as a long-term process, which entails several phases. The most intensive part would take from 2-3 years and continues though less intensively.
- ?? The companies used the results of their corporate culture evaluation as a starting point for practical implementation.
- ?? The companies paid special attention to employees. They concentrated mainly on the area of selection of employees, their socialization and continuous development. They invested alot of money on education and professional growth of employees. They tried to awaken the hidden potential in employees, energize them, 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.
- ?? It seemed that some companies had a very healthy corporate culture despite the fact that they paid very little attention to it. This was due to the fact that the company founders established a healthy corporate culture at the beginning and it was maintained by company policies, e.g. selection process and socialization.

Conclusion

Many enterprises in Slovakia are in a process of transformation. It seems that the change of their corporate culture is one of the key elements in their transformation. In this article about the management of the corporate culture are compared the theoretical basis from the foreign literature with the practical experiences of companies in Slovakia. The research results deepen the theoretical basis and make them applicable for more efficient corporate culture management. The most important issues from this article are outlined in the corporate culture management model (Fig.1).

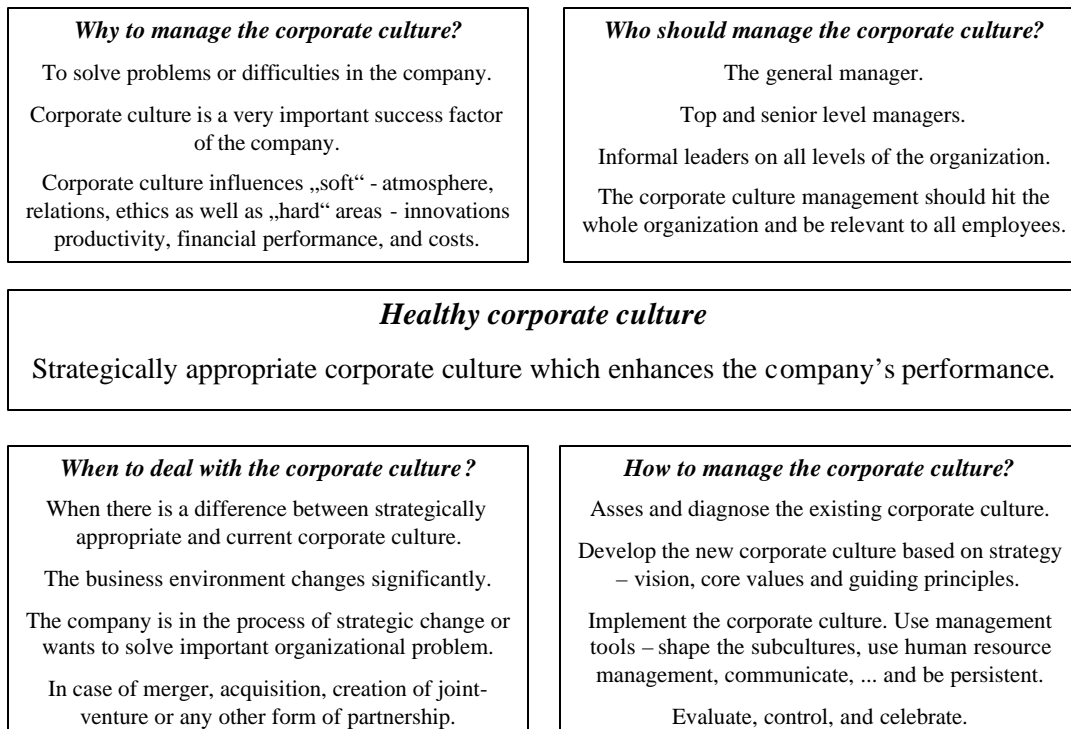


FIG.1 THE CORPORATE CULTURE MANAGEMENT MODEL

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