Factors Influence of Corporate Culture on Business Performance

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Abstract.
This article provides an overview of existing in Russia and abroad methodology for quantifying the effectiveness of the corporate culture. We propose a correction of the index calculation efficiency level of corporate culture based on a study of opinions of Russian managers and experts.

Keywords: corporate culture, business efficiency, quantitative methods of assessment, the mission of the organization, the index key values, leadership style.

The study of corporate culture is a relatively young interdisciplinary area of research that is already quite in demand in modern management and needs to develop a methodological base, taking into account Russian specifics.

Corporate culture is a set of beliefs, attitudes, behaviors and values common to all employees of the organization. It determines the way people act and to a large extent affects the course of their work[8]. Currently, corporate culture is a recognized tool for improving business performance and shaping the company's strategy[18].

Leadership corporate spirit, mutual understanding and support both horizontally (between employees) and vertically (between managers and subordinates) are the key to successful achievement of strategic goals. Effective company management requires an objective assessment of the corporate culture, a comprehensive analysis of the organization of business processes and the effectiveness of interaction between employees. Thus, a diagnosis of corporate culture is required in terms of business performance. Diagnostics can be used to solve current business problems, for example, to increase staff loyalty, reduce employee outflow, as well as to solve strategic problems - increase market share, increase business profitability.

Diagnostics of the corporate culture is also necessary to predict the company's potential during restructuring (creation of new departments, mergers, acquisitions, arrival of new owners, implementation of management accounting systems).

The subject of this study is various approaches and methods for diagnosing the corporate culture of a company. First of all, it should be noted that the methods of studying corporate culture can be combined into three groups [6]:

1. Holistic - the researcher is deeply immersed in the culture of the organization and acts as a participatory observer;

2. Metaphorical - the researcher uses samples of the language of documents, reporting, current stories and conversations.

3. Quantitative - The researcher evaluates multiple viewpoints, each of which must be considered in evaluating the attributes of an organization's culture.

Our study focuses on quantitative methods for diagnosing corporate culture, as the most suitable for determining the relationship between culture and business performance, as well as for comparing corporate cultures of various organizations. At the same time, the main problem is the definition of a set of attributes or factors of corporate culture that are subject to evaluation.

The first studies in the field of diagnostics of corporate culture appeared in the United States in the eighties of the 20th century. In 1980, G. Hofstede [12] published the results of a large-scale study on the difference in the organizational behavior of company employees in different national cultures. Hofstede identified five main dimensions that determined the differences in corporate cultures of companies in different countries:

1. distancing from authority;
2. the desire to avoid uncertainty;
3. individualism / collectivism;

4. masculinity / femininity;

5. short or long term orientation .

Hofstede pointed out that culture within organizations is of a different nature than national culture. According to Hofstede , national culture comes from consistency in values, and corporate culture from consistency in practice. Hofstede 's work laid the foundation for the study of corporate culture within organizations.

In 1983, Diel and Kennedy [11] singled out dimensions of corporate culture based on the speed of feedback and the degree of risk.

1. Low risk and fast feedback. High level of activity with relatively low risk. The driving force is the quality of work. This type of culture is typically found in retail, real estate, software development, and fast food restaurants.

2. High risk and fast feedback - a culture of individualists, quick deals and profit. Typical for the advertising business, players in the currency and securities markets, consultants, entertainment business.

3. Low risk and slow feedback - process culture, calm, comfortable, risk-free work. This type of culture is possessed by large banks and insurance companies, administrative divisions of large companies, pharmaceuticals, and public services.

4. High risk and slow feedback – future-oriented, investment culture. The driving force is the long wait for the result. Employees try to work carefully, insuring investments as much as possible. This type of culture is typically found in investment banks, construction companies, aviation and space manufacturing, and capital equipment manufacturing.

The American scientist Shane in 1992 [17] introduced three levels of manifestation and, accordingly, the study of corporate culture:

1. Artifacts are easily visible manifestations of the life of the organization in the form of the appearance of employees, the speech of the space of movement, symbols, traditional events and rituals. It is believed that artifacts are the external manifestation of deeper levels of culture.

2. Declared values are the statements and actions of the members of the organization, which, in their opinion, reflect common values and beliefs. Declared values are usually the result of the work of managers as part of strategy development. The rest of the employees themselves develop an attitude towards these values. In the event of a change in strategy, the declared values can be replaced with new ones, and in case of success and consolidation, they can move to the next level of basic ideas.

3. Core beliefs are the unconscious basis of an organization's culture that determines the behavior of employees. For employees, these perceptions are obvious and self-evident.

Quantitative methods for evaluating corporate culture have been developed by a number of well-known American and European scientists based on empirical studies of the activities of international corporations. One of the most famous is the OCAI technique by Kim Cameron and Robert Quinn [2]. When conducting a study, it is assumed that each structural unit of the organization carries elements of culture that are typical for the organization as a whole. The methodology assumes that there are four models of corporate culture and 6 main attributes, which are inherent in different models to varying degrees. The following attributes are used as attributes: principles of relationships, general leadership style, personnel management, the connecting essence of the organization, strategic goals, success criteria. During the study, two profiles are formed: "as is" and "as should be" and the necessary changes are determined to eliminate inconsistencies.

In 1991, American scientists O'Reilly , Chatman and Condwell showed [15] that the following 7 dimensions can be used to diagnose organizational culture:

1. innovativeness and willingness to take risks, i.e. the degree of encouragement of risk, experimentation, approval of innovations;

2. attention to detail - how much the organization expects from its employees accuracy in completing tasks, scrupulousness and attention to detail;

3. orientation - the extent to which management is outcome oriented rather than the methods and processes used to achieve it;

4. orientation - the level of staff value and respect for employees, the degree of encouragement of talents;

5. focus on team or individual work;

6. aggressiveness - the level of internal competition as opposed to friendliness;

7. stability - the desire to maintain the current position as opposed to the desire for innovation. 1, 2 and 7 projections reflect the attitude to work. 3,4,5,6 - relations within the team and the norms of personal actions. The developed methodology is called OCP, the assessment of corporate culture is carried out by examining

the agreement of the employees of the organization with 54 statements characterizing individual and organizational values.

Other examples of the use of the quantitative method is the OCI method of Cook and Lafferty [9], originally developed to formulate the behavioral norms, values and beliefs shared by the members of the organization. The methodology focuses on the study of management styles and diagnoses the organization in terms of compliance with one of 12 organizational styles. As a result, the company belongs to one of three types of corporate culture:

1. Constructive - people strive to interact with each other and look for ways to reach a compromise on all issues;
2. Passive-protective - people believe that they must act carefully, without violating safety in any way;
3. Aggressive-defensive - people actively fight, protecting their status and safety.

Another well-known example of a corporate culture diagnostic technique is the van de Post and Koning technique , developed at the Stellenbosch Graduate School of Business in 1997. Post and Koning study 114 parameters that characterize the culture of an organization, reducing them to 14 generalizing factors. Unlike previous methods, the factors include parameters that reflect the organization's relationship with society - the organization's purposefulness, clarity of goals, consumer orientation. However, the remaining 11 factors relate to leadership style and internal values of the organization.

The next step in diagnosing corporate culture was the calculation of corporate culture performance indices, i.e. an integral quantitative assessment of the level of all the studied parameters in terms of their overall impact on business performance. At the same time, business efficiency is understood both from the point of view of its internal manifestations, such as the degree of staff satisfaction, staff turnover, labor productivity, and from the point of view of external results - an increase in market share, an increase in profitability, an increase in the quality of goods and services, the development of new types of products.

Based on the methods described above, a number of corporate culture indices were developed, the most famous can be considered Norms Diagnostic Index [16] and Culture gap Survey [13]. These tools measured the values of the members of the organization, from the way of setting goals, avoiding conflicts, self-protection, the propensity to innovate and the degree of risk taking.

In my opinion, the disadvantage of all these methods is an excessive focus on individual values, internal relations of employees and leadership style to the detriment of the study of interaction with the outside world - the mission, customer orientation and image of the organization.

The most balanced approach to calculating the corporate culture performance index was proposed in 1993 by Daniel Denison is professor of organizational development at the International Institute for Management Development in Lausanne. Denison , together with William Neal [10], conducted an empirical study of the relationship between corporate culture traits and organizational effectiveness.

As a result, 4 main projections of corporate culture were identified that affect business performance, for each of which several indices are calculated:

1 projection - adaptability, within the framework of this projection, the indices are calculated:
- creation of changes (innovation , adaptability); - customer orientation; -
organizational learning.
Projection 2 - mission, within the framework of this projection , the following indices are
calculated: - strategic direction;
- goals ;
- visions .
3 projection - consistency (consistency), indexes are calculated: - coordination and integration;
- consent ;
- key values.
4 projection - involvement (involvement); indexes are calculated:
- powers ;
- benefits development index ;
- command orientation index .

The indexes are calculated based on the processing of employee questionnaires, where several statements are formulated for each index, which are evaluated on a five-point scale. According to the results of the calculation of the indices, the corporate culture is represented as a circle, the horizontal line divides the organizational parameters into internal and external focus. Involvement and consistency characterize the internal processes

in the organization, while adaptability and mission are external. The vertical cut of the circle draws the line between a flexible organization and a stable one. Engagement and adaptability determine organizational flexibility and propensity to change, while consistency (consistency) and mission determine the organization's ability to stability and manageability. The Denison model assumes that mission and alignment have a greater impact on financial performance such as return on assets and return on investment, sales profitability, while alignment and engagement have a greater impact on quality, employee satisfaction, customer loyalty.

Engagement and adaptability have an impact on product development and innovation. Indexes of these parameters in the range from 3 to 4 points mean a high level of innovative activity in production and service, creativity, quick response to the changing desires and needs of customers and their own employees.

Agility and mission drive revenue, sales growth, and market share. If the value of the corresponding indices is from 3 to 4 points, the organization is likely to experience an increase in sales and an increase in market share. Thus, the study of corporate culture according to the Denison model helps the company to form a decision- making system , set the direction of activities, manage the behavior of employees, influence the effectiveness and productivity of personnel.

Concluding the review of foreign methods for diagnosing the effectiveness of corporate culture, I would like to note that relatively recently methods have appeared that allow simultaneously covering three levels of organizational culture (individual, intraorganizational and interorganizational [16]. One of these methods is called

"A Multilevel Profile of Organizational Culture". This method determines five parameters of corporate culture, affecting three levels: the individual level determines the commitment to the organization, attitude towards lifetime employment, participation in decision-making, the intra -organizational level - the human resource system, the mission of the organization, organizational structure, the inter -organizational level - environmental factors.

The most famous Russian methods for diagnosing corporate culture are the methods of M.N. Pavlova [4], V.N. Voronin [1], I.D. Ladanova . [3].

The methodology of M. N. Pavlova is based on the approaches of G. Hofstede . The main features of corporate culture are:

- " individualism- collectivism" - the degree of integration of individuals into groups is assessed;

- " power distance " - characterizes the level of democratization (authoritarianization) of the management style;

- " tendency to avoid uncertainty" - the manager's busyness with private issues, focus on avoiding risk and responsibility.

- " Muscularization - Feminization" - reflects the motivational orientation of the staff to achieve the goal (male role) or the process of completing the task (female role).

This technique allows you to build a profile of organizational culture, but is not related to the calculation of quantitative indices.

A comprehensive attempt to evaluate the entire set of corporate culture parameters with the calculation of a composite index was made by V.N. Voronin with the help of the DIAORG questionnaire developed by him. This method is aimed at studying the satisfaction with the work of employees of the organization, the leading motives and needs of individuals involved in labor activity. V.N. Voronin divided the value and motivational components of the organization into blocks that reflect the most significant aspects of the life of the organization: management style, established work standards, attitude towards activities, attitude towards the organization, motivation system (external and internal), selection system, decision-making system, balance of power and responsibility, clarity of distribution of functions, the structure of business communications, the level of group development of departments. In the course of the study, two blocks of motivation factors were identified: motivating (stability of the organization's position, positive image of the organization's employee, high level of remuneration, an attractive system of benefits for employees, the opportunity to acquire new knowledge, a close-knit and friendly team, the existence of opportunities for a fast career, interesting work) and demotivating : (high intensity of work, high degree of responsibility for the results of work, strict requirements for discipline, lack of job security, lack of free time, lack of authority to perform functions. According to the results of the study of motivation, on the one hand, the presence of any employee of the system of needs that affect his behavior in the organization, and, on the other hand, the presence of organizational conditions that need to be optimized to increase their motivating effects.It should be noted that the choice of corporate culture factors and the structure of the questionnaire adapted for commercial banks.

Another example of a quantitative approach to the diagnosis of corporate culture in Russian theory and practice is the method of I.D. Ladanov [3].

The study is conducted by answering respondents to 29 questions, which are a series of statements grouped in 4 sections: work, communications, management, motivation and morality. For example, the first section includes the statements:

"At our enterprise, newly hired employees have the opportunity to master their specialty" or " We have equipped our jobs." The second section, in particular, includes statements: " we have clear instructions and rules of conduct for all categories of employees" or "we cultivate various forms and methods of communication (business contacts, meetings, information printouts, etc.).

When evaluating each statement, a 10-point scale is used. The corporate culture index is evaluated by the total score. The maximum value of the index is 290. The indicators indicate the following levels of corporate culture: 290-261 - very high. 260-175 - high, 174-115 medium, 115 - with a tendency to degradation.

The advantage of this technique is the possibility of quantitative comparison of the corporate culture of different organizations or one organization in different time periods. However, in my opinion, the question of the mutual significance of each statement specifically for the company's business performance remains unexplored, since the model has no weights, all factors are recognized as equivalent, and the overall corporate culture index is obtained by simply summing up the scores for each of the 29 statements.

As part of our study [5], an attempt was made to clarify and shorten the list of corporate culture parameters that really affect the business efficiency of Russian companies, as well as to find out the mutual significance (weight) of each parameter for compiling a composite index of corporate culture effectiveness.

At the same time, it was also necessary to clarify the question of whether the choice of factors for the effectiveness of corporate culture depends on the field of activity of the company, the age of the company and the size of the company.

At the first stage of the study, a contextual analysis of the materials of the business press and the Internet (more than 100 articles) was carried out to identify a set of factors that experts, specialists, owners and managers of firms associate with the concept of the effectiveness of corporate culture. Based on the results of this stage, 41 parameters of corporate culture were identified, which, according to the author of the articles, has an impact on the efficiency of the company's business. By grouping factors similar in meaning, it was possible to identify 20 factors of corporate culture that affect business performance. This list included factors of value orientation, such as the mission, image of the company, factors that set relationships in the team, such as leadership style, working atmosphere, organization and coordination of actions), as well as factors of material incentives (social package, remuneration system), factors internal motivation (the possibility of self-realization, the possibility of learning) and other groups of factors. An analysis of the frequency of mentioning parameters in articles made it possible to construct factors in descending order of importance for business performance. The largest number of mentions as a factor in business efficiency was received by the parameter

- the mission and image of the organization, then the atmosphere in the team, the third place was taken by the organization and coordination of employees' actions.

At the second stage of the research, a list of 8 first in the list of corporate culture parameters was included in the questionnaire survey, which was attended by 90 owners and managers of Russian companies in various fields of activity. The 8 parameters included:

1. Awareness by employees of the mission and the presence of a positive image of the organization
2. The atmosphere in the team
3. Organization, coordination of actions of employees
4. Presence of corporate traditions and joint leisure
5. The degree and variety of forms of employee motivation
6. Company management style
7. Attitude to the professional level and control of the actions of employees
8. The presence of a social package.

The survey participants were asked to rank 8 parameters in descending order of their impact on the company's business performance, as well as to supplement the list of parameters with new factors not taken into account by the survey organizers. In addition, participants were asked to answer the question: "Why do they consider the first three factors to be the most important?" At the end of the questionnaire, respondents were asked to answer demographic questions about the type of business, the life of the company, the size of the business, and the status and age of the respondent within the company.

The mass survey was preceded by ten in-depth interviews in order to find out to what extent the respondents understand and interpret the 8 parameters of the survey in the same way. In-depth interviews showed that 9 out of 10 respondents correctly and equally understand the meaning of each of the 8 parameters of the questionnaire.

Representatives of manufacturing companies, trading companies and service companies equally took part in the survey. Most of the companies have been operating on the market for more than four years and were small and small businesses, i.e. had an annual turnover of up to 10 million dollars a year. About half of the respondents were owners or top managers of their companies and belonged to the age group from 25 to 35 years.

The processing of the results of ranking factors of corporate culture was carried out as follows: the factor that received the first priority in the questionnaire received 8 points, the second - 7 points, and so on up to 8 factors, which received one point. The scores were summed up for all questionnaires. Thus, the maximum possible number of points for one factor is 720. The survey participants gave the largest number of points to the factor "control of the professional level and actions of employees", which received a total of 591 points, 2nd place - organization, coordination of employees' actions (490 points), 3rd place - leadership style (474 points), 4th place - atmosphere in the team (431 points), 5th place - motivation of employees (384 points), 6th place - awareness of the mission of the organization (357 points), 7th place - the presence of a social package (310 points) , the presence of corporate traditions and joint leisure (195 points).

The study also clarified the question of the extent to which differences in the status, age and type of activity of companies and respondents affect the priorities for choosing the factors of corporate culture efficiency. Using statistical methods of categorical analysis, we tested hypotheses about the dependence of ranking results on various demographic characteristics of the questionnaires. According to the results of the study, it can be concluded that the priorities in choosing the most important factors of corporate culture that affect the efficiency of the company's business do not depend on the type of business, size and age of the company. The only demographic parameter that influenced the choice of survey participants was their age. Respondents of a younger age gave more preference to factors: the atmosphere in the team and traditions and leisure.

Next, I would like to compare the results obtained on the mutual importance of corporate culture factors with the closest methods of Denison and Ladanov .

methodology for diagnosing the effectiveness of D. Denison's corporate culture lacks such important factors for Russian experts and managers as the atmosphere in the team, the presence of employee motivation, the presence of a social package, the existence of traditions and corporate leisure. At the same time, the Russian survey participants did not pay much attention to the company's mission, long-term goals and direction of activity, vision of the organization's future, business planning, which occupy a significant place in the D. Denison questionnaire . In addition, among the factors obtained as a result of our study, there are no direct references to the company's innovativeness , flexibility to change, risk appetite, customer focus. Thus, we can say that these factors influencing business performance are not sufficiently understood in the Russian business community.

If we compare the results of the study with the Ladanov method , then we can say that most of the factors of corporate culture, according to which the aggregate efficiency index is calculated, are the same for both methods. Ladanov's methodology lacks only two factors of corporate culture that turned out to be significant in our study: traditions and leisure and the presence of a social package, which occupy the last places in the significance rating. Little attention is paid in Ladanov 's methodology to the mission of the company, at the same time, there are working conditions and the equipping of workplaces that were not taken into account in our study. Models differ significantly in the choice of the significance of various factors to determine the overall performance index. Ladanov's methodology assumes a slightly greater weight for management and motivation factors in relation to working conditions and communication.

According to the results of our study, we can offer the following general index for calculating the effectiveness of the company's corporate culture

IEKK= (591 / 720) * K1 + (490/ 720) * K2+ (474/ 720) * K3 + (431/720) * K4 + (384/ 720) * K5 + (357/ 720) * K6 + (310 / 720) * K7 + (195/ 720 * K8, where .

K1 - the level of care and control of the professionalism of employees,

K2 - level of organization and coordination of actions of employees,

K3 - effectiveness of leadership style,

K4 - the atmosphere in the team,

K5-level of employee motivation,

K6 - the level of awareness of the mission of the organization,

K7 - the presence of a social package,

K8 - the presence of corporate traditions and joint leisure.

The calculation of the level of each of the eight factors can be carried out on the basis of a questionnaire that includes several statements for each factor. Based on the use and adjustment of the previously proposed questionnaires, the following approximate list of statements can be proposed for compiling a questionnaire for calculating the corporate culture performance index:

1. The level of care and control of the professionalism of employees:
- the organization continuously invests in the development of its employees;
- human potential of this organization is constantly growing;
- problems rarely arise in my organization because we have the right skills for the job.

2. Coordination and consistency of actions of employees:
- people in different organizational units share a common perspective;
- working with someone from another department is easier than with a person from another company;
- we rarely have problems reaching agreement on key issues.

3. The effectiveness of leadership style:
- majority of employees in this organization are actively involved in the work;
- decisions in this organization are made at the level where the best information is available;
- style is in line with the objectives of the organization.

4. The atmosphere in the team:
- we maintain a good relationship with each other;
- conflict situations are resolved in our country taking into account all the realities of the situation;
- is dominated by cooperation and mutual respect between employees.

5. The level of motivation of employees:
- the salary system does not cause complaints from employees;
- we have organized a professional (thought-out) assessment of the activities of employees;
- a reasonable system of promotion to new positions.

6. Awareness of the mission of the organization:
- our organization has a clear mission that gives meaning and direction to our work;
- I am clear about the strategic direction of our organization;
- there is full agreement about the goals of this organization between employees and managers.

7. Availability of a social package:
- in our organization, vacation and sick leave are fully paid;
- employees can enjoy free meals, corporate medical insurance, free travel;
- we have the possibility of free access to the gym and other similar institutions.

8. The existence of corporate traditions and leisure:
- I know the history of my company;
- we have a tradition of celebrating joint holidays;
- we hold cultural and sports events, competitions.

The survey participant can rate each statement on a 5-point agreement scale. The results are summarized taking into account the significance index of each of the eight factors.

The task of further research may be to test the adequacy of the proposed index by studying the correlation between its value and the efficiency of companies' business. Business performance must be measured both in terms of external manifestations, financial results and market share, and internally: labor productivity, lack of employee turnover, employee satisfaction and involvement. The unit of study should be business structures .

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