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Identifying Corporate Culture: A Theoretical Perspective

Abstract

In this paper the authors systematically, detach, but do not separate, corporate culture from organizational culture. Further on corporate culture, from a theoretical viewpoint is established as a specific part of organizational culture, which attains much of its characteristics, but is still a specific area of research. The authors also identify the fundamental, theoretical, definitions and attributes of corporate culture, and at the same time using these subjective definitions and characteristics attempt to provide their own specific, central, perspective on corporate culture.

Key terms: Corporate Culture, Organizational Culture, Corporations, Human Resources

Introduction

The business activities of contemporary corporations are becoming ever more dynamic and changeable in the 21st century, and along with these process' enormous changes in their day to day transactions arise. Such an occurrence is the result of the widespread use of information and communication technology (ICT) in every sphere of our live, along with the fact that we are in a consistent rush to gain information and statistics now and at this very moment, with very little time to waste. At the same time, human communication has no borders and has been transformed into a consistently active process (24/7), with a continuous exchange of widespread information within seconds. As a result, the concept of corporate governance is becoming wider and wider. Even though the level of industrialization has reached a momentary peak, and many view that technology will begin to replace the individual, we must point out that above all, the most important variable which puts the corporation ahead in today's vicious market is human capital.

It is undeniable that every business entity employees the best individuals it can attain, and is in a consistent search for the best human capital which the market can provide. Yet a key issue that has consistently been questioned is how to motivate employees within a corporation, on both the collective and individual level. Slowly, the research in this field begins to leave the science of human resources

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management, and becomes the study of research of corporate culture. Contemporary business activities are ever-changing because the nature of the global community has changed, as a result of the quick process of information exchange which leads to new information being consistently accumulated and dispersed in a manner of seconds. Contemporary employers, in such circumstances, need employees who are creative, responsible, responsive and dedicated to their organization (corporation), while at the same time having that same organization achieve their expectations as employees. The aim of corporate culture, at the most basic level, is having ones employee wake up every Monday morning with the thought that they are happy and want to go to work.

Systematically, this paper will aim to, **firstly**, detach, but not separate, corporate culture from organizational culture. Corporate culture, from a theoretical viewpoint will be established as a specific part of organizational culture, which attains much of its characteristics, but is still a specific area of research. Secondly, this paper shall identify the fundamental, theoretical, definitions and attributes of corporate culture, and at the same time using these subjective definitions and characteristics shall attempt to provide its own specific, central, perspective on corporate culture.

1. The Relationship between Corporate Culture and Organizational Culture: A Star in the Solar System

The title of the first part of this paper begins with an analogy in its title referring to corporate culture as a star in the solar system i.e. organizational culture. Through this we want to point out that, empirically, we are introducing organizational culture as the basic part, while corporate culture is the specific part. Such a viewpoint is not always generally accepted within theory mainly as a result of the fact that most theorists research corporate culture as an inseparable piece of organizational culture. However, such an argument does not give the entire picture of what corporate culture is, especially in the context of its particulars and specifics, which can impose it is a new academic discipline that, of course, could be in a certain form subordinated within organizational culture. So that we can adequately support this critical premise we must first identify the points of correlation between these two areas of research. As so, above all, we must first analyze certain theoretical viewpoints on organizational culture.

According to *Edgar Schien*³, in the most formal sense, the culture of one group can be defined as *a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems*. So that the concept of culture can be utilized special attention should be paid to the things which are a product of our human need for stability, consistency and meaning. Schein argues the creation of a culture is always, by definition, an effort towards the creation of patterns of integration. In the interest of the further development of these

³ (Schein 2004, 17)

concepts within this paper it is necessary to point out that when referring to organizational culture, according to Schein⁴, there are always two problems faced by all groups, regardless of their size: *1. survival, growth, and adaptation in their environment; and 2. internal integration that permits daily functioning and the ability to adapt and learn.* These two areas of group functioning, in essence, reflect the wide culture context in which the groups exists, while at the same time, through them, we pick out the subterranean basic assumptions on the nature of reality, time, space, human nature and human relations.

Jan Pfister⁵, adds on to Edgar Schein's definition, stating that *organizational culture is a pattern of basic assumptions that a group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, which is represented in a system of shared values defining what is important, and norms, defining appropriate attitudes and behaviors that guide each individual's attitudes and behaviors.* Pfister, who studies the relationship between internal control in organizations and organizational culture, has the viewpoint⁶ that even though internal control is in the most part connected to checks and balances such as the maintenance of databases, the maintenance of records and the division of responsibilities, these aspects of working with information are always reliant on the labor force, and the confidentiality and the discipline of the individuals who are included in these processes. As so, it is necessary to highlight the importance of organizational culture in promoting awareness of control in the organization, because this would be the only manner to achieve effective internal control.

Mats Alvesson⁷ views corporate culture as a part of organizational culture, and according to him organizational culture is *central in all aspects of organizational life, even in those organizations where cultural issues receive little explicit attention, how people in a company think, feel, value and act are guided by ideas, meanings and beliefs of a cultural (socially shared) nature.* Alvesson's critical approach leads to the conclusion that in cases where managers have a strong awareness of the meaning of culture in most cases there is a lack of deep understanding of how people and organizations function in terms of that culture. Alvesson adds⁸ *that culture is complex, inaccessible, fuzzy, holistic phenomena, and much talk about corporate culture reduces culture to a set of espoused and vague values that do not vary that much between organizations, thus conflating rather different phenomena.* He observes that it is tiring to hear about values such as 'technological excellence', 'people-company' or 'market-orientation' without further exploration of what this or, more precisely, is supposed to mean.

Taking into consideration the deliberated theoretical viewpoints we come to the question of why we would aim to study corporate culture as a specific discipline? The answer to this question is very clear: it is undeniable that corporate culture, within a very wide scale, is part of the

⁴ (Schein 2004, 18)

⁵ (Pfister 2009, 3)

⁶ (Pfister 2009, 2)

⁷ (Alvesson 2002, 3)

⁸ (Alvesson 2002, 14)

science of organizational culture, with many even arguing that they are sui generis synonyms⁹. **Nevertheless, it is necessary to study corporate culture as a specific discipline, above all, because organizational culture incorporates a wide opus of entities who have much specificity in their internal culture, and whose activities do not correlate with the particular elements of corporate culture.** For example, the science on organizational culture can consider public services and NGO's whose basic aim, in most cases, is not profit. This tectonic difference leads to immense differences in the adaptability of the internal culture. It is very different when an organization has its activities primarily aimed at achieving a wide public interest, rather than profit. As so, in this paper we will endeavor to analyze, in certain detail, the substantive aspects of corporate culture.

2. The theoretical aspects of corporate culture

What is corporate culture? How does it affect the activities of corporations? How is it created and how is it changed? An attempt to answer these issues will be made in the content of this paper. Primarily we will establish a clear theoretical viewpoint on corporate culture and its essential elements. Even before we begin to directly dissect corporate culture it should be noted that there are various opposing views on which elements has the strongest effect on the culture of a corporations, and how corporate culture can be used in the most effective manner to serve in the interests of all stakeholders. Our aim, at this point of research, shall be to portray the solutions that we view as those with qualitative applicability, as well as those that have often been considered in practice and/or can be best applied in practice.

As stated, the content of this paper will portray various viewpoints of theorists in relation to corporate culture, including certain definitions. *We view corporate culture as the specific character of a certain corporation which incorporates various elements, such as: the substantive values of the corporation, the rules on corporate ethics and the rules of internal organization and behavior. Practically, corporate culture represents the methods through which there is an established synergy between the foreseen interior of the corporate premises (e.g. offices) where the business activities are conducted, the slogan of the corporation, the system of decision-making, the methods of communication between employees and third persons, the dress code and the model of internal organization.* Good corporate culture must always establish an atmosphere where every employee has opportunities for career growth, opportunities for further specialization/education, as well as a clear vision for achieving long-term career aims. Every corporate culture must create a feeling of stability and personal identification in the relationship between employees and the corporation.

According to certain views¹⁰ corporate culture appeared, for the first time, in the closest replica to the form that we have today, with the formation of the Cadbury Corporation in the United Kingdom in 1861. The corporation, which was founded in 1861, functioned in concurrence with Quaker beliefs according to which every individual should have an

⁹ (Business Case Studies LLP. 2014)

¹⁰ (AG Salesworks 2013, 2)

established relationship with love and respect (labor is not a commodity or an ends to a means), belief in brotherhood of man, and the soulful equality of women (there was a hate and disbelief in the motive for profit). The Quakers hated conflict, and as so felt that the corporation represented a true fundament for entrepreneurship. As so, the founders of the corporations conducted view few activities in the name of the corporation and were dedicated to a method of linked control, which began from the board of directors and lead all the way to the store, thus creating an approach where all decisions were brought with the consensus of all employees¹¹. It should be duly noted that this was one of the first organizations which provided specific educational programs aimed at further developing employees.

According to John Coleman, every corporate culture is unique in its own manner, and many factors have an effect in its creation¹². He recognizes six basic elements¹³ which represent the first step in the creation of a specific corporate culture.

Table 1. The Basic Elements of Corporate Culture

Елемент	Објаснување
Vision	Every good corporate culture begins with a statement of the corporate vision or mission. The basic phrases which are incorporated in these statements represent the values of the corporation and give its aim. This aim has the objective of giving direction to all employees in the process of decision-making. When the vision is authentic and clearly noted it even begins to familiarize consumers and other stakeholders with the corporation. The statement of corporate vision is a simple, but also key element in every corporate culture.
Values	The values of the corporation represent the core of its culture. While the vision represents the

¹¹ (AG Salesworks 2013, 3)

¹² (Coleman 2013)

¹³ Ibid

	<p>aims of the corporation, the values represent the sum of directions for conduct and the methods for consideration, which are necessary towards achieving the vision. While most corporate values are connected to a few straightforward issues (relationships with employees and consumer, service orientation, professionalism), the originality of the values is not as important as is their authenticity.</p>
Practices	<p>The established values of the corporation have no significant meaning if they are not honestly and truthfully integrated within the practices of the corporation. If the corporation highlights that it is “The Clients Above All” then it should show, through practical measures, that it aims to follow through on this. Whatever the values of the corporation are, it must apply these values through criteria for evaluation and rules for promotion, which are to be integrated with the methods of organization of the everyday activities of the employees.</p>
People	<p>A visible corporate culture which produces results cannot be created without the individuals who either share its basic values and/or are prepared and capable of accepting such values. As a result, every successful corporation has</p>

	<p>very strict practice and policies in relation to the recruitment of employees. Contemporary human resources managers are in a consistent search for candidates who are ideal for their corporate culture from various perspectives, because people connect with the culture they like, and thus bringing new employees who are ideal for the specific corporate culture strengthens the nature of the whole culture.</p>
Narrative	<p>In practice, narrative means the creation of a unique storyline for the corporation in a manner through which the story of the particularities of the history and the trade will create a key element in the corporate culture. The elements of the narrative can be either formal or informal. Examples of formal narrative include Coca Cola and Heineken – corporations who invest huge resources in celebrating their heritage, to an extent where both even have their own museums. An example of informal narrative is that of Apple, who consistently highlights the early obsessions of Steve Jobs with calligraphy, and the way it had an effect on the esthetically orientated culture of their corporation. Such characteristics become even stronger when they are identified, built on, and retold in the context, and as an integral part, of the</p>

	existing culture of the corporation.
Location	<p>Google has so many special perks for employees within its premises that there was even a movie filmed on the topic (The Internship starring Owen Wilson and Vince Vaughn). Pixar has an open atrium in its working premises, which was created with the intention of having employees meet and communicate on a daily basis in an informal and unplanned manner. In the White House, since the presidency of Bill Clinton, employees have aquarium style office space. The largest high-tech corporations have premises in Silicon Valley, while most financial corporations have headquarters either in New York or London. The reasons for these occurrences are multi-faceted, yet one thing is sure: location forms culture. Open architecture promotes more collaboration, while certain cities and local cultures can have a counter-effect on the culture which the specific corporation is trying to implement. Regardless of whether we are referring to architecture, esthetics or geography, we can conclude that the location has a very strong effect on corporate culture.</p>

It is fair to argue that corporate culture represents the social and political environment in which the employees of a corporation work¹⁴.

According to Johnson and Phillips, corporate culture is the environment in which the business activities of a company are conducted. They add that it reflects on everything that is occurring within an organization, from the way employees greet each other every morning, to the way they behave during meetings, to the way they bring decisions, and all of this has strong consequences on business activities. If there is a failure to attend to corporate culture algae-like strands of indifference and inertia will grow, making the atmosphere murky and inhospitable. The introduction of a toxic presence will cause the spirit of the company to sicken, and even die. Change it too abruptly, and it will throw everyone into a shock from which the business may never recover¹⁵. Essentially, corporate culture is, at the same time, a process and a factual state. It is a process because it is consistently changing, especially if adequate supervision or control aimed towards its enhancement is not conducted. Corporate culture is a factual state because it is integrated within every working day of the corporation, regardless of whether managers are aware of this process or not. In continuance, Edgar Schein defines the term corporate culture¹⁶ (generally, in a very similar manner to his definition of organizational culture) a pattern of shared tacit assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. Considering all of these definitions we can conclude that the existence of corporate culture, regardless of whether it is interpreted as a process or factual state, is something that occurs, and not something that is created. Referring to this, Edward Cadbury notes that employees should be motivated instead of forced, so that they can take a positive interest in the well-being of the business, and so that they can feel that their work and character is important, regardless of their position in the corporation.

Taking all of this into consideration, we can note that there are four different types of corporate culture¹⁷:

1. **Strong Corporate Culture** ➡ A type of culture where all managers have shared values and methods of work, and incorporate them (fairly deeply) into the basic values of the corporation. This type of culture enforces a culture which is deeply entrenched in every employee of the corporation. It should be noted that in theory this model is excellent, but there is a general belief that its application is highly unlikely in practice, even in the best of corporate cultures.
2. **Strategically Adequate Culture** ➡ model in which the values and contents of the culture are more important than its force. At the same time, in this culture, there is no winning culture which is consistent, but to the contrary, the culture is changeable depending on the current strategy. A critique of this model is that it cannot build a stable culture,

¹⁴ (Johnson and Phillips 2003, 24)

¹⁵ Ibid.

¹⁶ (Schein, The Corporate Culture Survival Guide 2009, 46)

¹⁷ (AG Salesworks 2013)

but that it may suit the corporation in changing circumstances, but will eventually lead to frail economic results.

3. **Adaptable Corporate Culture** → Adaptable corporate cultures help the corporation anticipate and adapt to changes in the environment, and in most cases is connected with successful results in the long term.

4. **Unhealthy Corporate Culture** → An unhealthy corporate culture is one where there is an existence of arrogant managers who do not value consumers, stockholders, employees and all other stakeholders, and at the same time have an unfriendly approach to the values which are imposed as agents of change for the better.

According to Schien, the prevalent issue in explicitly defining corporate culture is the oversimplification of the concept of corporate culture itself. On the most fundamental level he identifies three levels¹⁸ of corporate culture, which are mutually interconnected: 1. Artifacts; 2. Espoused Values; 3. Underlying Assumptions.

Artifacts are viewed as the first level of corporate culture and are in most cases the attribute which is identified easily within a corporation as a result of the fact that it is the element which is seen in the factual environment of the corporation when one is present in its premises. Every corporation has a different methodology of functioning. For example, in certain corporations employees are consistently meeting with one another, without walls, in offices within an aquarium concept. In such cultures there is often no huge formalization of relations, and the first impression of an outside observer is that the decision making process is quick and efficient. The opposite of this type of culture is one where the employees where in closed offices, and there is less noise in the process of working, while the dress code is strictly formal. The initial perception of such working conditions would be that everything is moving much slower, then in the first case. Still, we must point out that in the case of corporate culture analysis, more often than not, perception can be wrong. As noted by Schein, differences in working conditions can only establish that corporate culture has different methods for representation and different norms for relations between employees. Namely, artifacts are the level of culture which is visible and produces a direct effect on the basis of what was seen, and evokes feelings, for those who are present in the culture for the first time (various entities, newly employed individuals, and so forth).

The second level of corporate culture, as established by Schein, is espoused values. This level can be easily identified through direct contact with employees, who put the perceived artifacts from the previous level into context, because sometimes artifacts can be unexpected when someone enters the corporation for the first time. Every corporation must have its own values and principles of working which can be interpreted as inherent for its methodology and are thus referred to as espoused values. When an individual is employed in a corporation he/she is in most cases informed that the corporation values teamwork, and in some situations it is highlighted that there is support for independent thinking and the argumentation of ideas in the process of decision-making, regardless of the working position within the corporate hierarchy. Most often, the concept of offices without doors or offices

¹⁸ (Schein, *The Corporate Culture Survival Guide* 2009, 40)

without walls is promoted towards the stimulation of such collaboration. In corporations with developed corporate cultures most new employees receive some form of brochure which contains details related to values, work-time rules, the principles and basic vision of the corporation, and the ways that these issues effect its basic values. Still, it must be highlighted that in most corporations such brochures promote concepts such as market and service orientation, teamwork, integrity, social responsibility and quality of goods and services. As so, a question arises: how can it be that even though most corporations promote the same basic values they are different in the organization of their day to day work? Sometimes, corporations are the bearers of a form of conditional hypocrisy and/or inconsistency of the leading, espoused, values with practice. Namely, almost every corporation promotes teamwork, while at the same time supporting an individualistic relationship in the reward system, which is often targeted towards individual quantitative work. In other cases, there are corporations which promote a high level of quality of goods and service orientation towards consumers, but on the other hand knowingly manufacture products which are not of a high quality, and have employees which are not trained for establishing adequate relations with clients.

The third and final level of corporate culture is underlying assumptions. For this level to be understood it is necessary to penetrate the historical development of corporations and to analyze the issue of what were the basic values and beliefs of their founders, who managed the make the corporations successful. One should always start with the assumption that every corporation, regardless of its current state of development, began as a small group of people who enforced certain beliefs and values onto their employees from the star. As so, if the values of the founders are not adequate in relation with the environment, or if they do not enforce specific values, and are sporadic in their relations with interested parties, then there will never be a development of corporate culture, or rather there will be a development of an unhealthy corporate culture. What is essential in this last level is that when there is a developed culture which has its historic roots it is only supplemented after, so that every employee shares these values. The essence of good corporate culture is that it has shared values and beliefs in the working process which becomes an integral element of every employee, and becomes a precondition which is a given, without negotiation. At the moment when these values begin to function as underlying assumptions the corporation has become successful. However, for the highest level of success to be achieved, every employee must believe in these values, who find their roots in a historical context and are adequately developed, serving as the key to success of the corporation.

Through his detailed analysis on how corporate culture has an effect on performance management Howard Dresner¹⁹ notes that on its highest level, culture aimed at efficiency is a culture in which everyone is actively harmonized with the aims of the corporation, transparency and responsibility are on a high level, action on the basis of new information is unified, and conflicts are solved positively and effectively. He argues that there are six criteria which should be used for

¹⁹ (Dresner 2010)

measurement²⁰, by corporations, when an attempt is made to establish and maintain an efficient corporate culture.

Table 2. Criteria for the establishment and maintaining of an efficient corporate culture

Criteria	Explanation
Alignment With Mission and Vision	An organization's mission and vision should be clear so contributors understand how their actions support or detract from them. Some organizations create enterprise goals to help them realize their vision, and, in a coordinated effort create goals for successive parts of the organization—sometimes even for individuals—to help them align with the enterprise goals. Others allow individual parts of the organization to create their own goals that will align with the mission and vision.
Transparency and Accountability	To foster a performance culture, companies need enhanced transparency and accountability within their organization. This entails having full, accurate, and timely disclosure of information within each area and throughout the company. Accompanying this is the need for managers to report, explain, and be answerable for the consequences of their actions.
Action on Insights	Businesses often achieve insight by examining data and information gathered through internal systems (often CPM systems) and feedback from customers. But such insight is of no value unless someone acts on it. If a company designs a new toy and determines that a certain demographic group will greatly demand the toy (insight), unless the company takes action on the insight (marketing and selling to the demographic), it won't benefit from the insight

²⁰ Ibid

Conflict Resolution

(increased sales). Organizations that successfully complete this cycle regularly are referred to as “learning organizations.”

Effective conflict resolution requires the identification of issues, consideration of all factors involved, and the resolution of the conflict on a fair and reasonable basis. Unfortunately, effective conflict resolution is the exception rather than the norm.

Common Trust in Data

In many organizations, there’s more than one version of “the truth” because of multiple, competing sources of data. There may be several ERP systems that define and track data elements differently, or individual data may be extracted from an ERP system at different points in time. The lack of a single, consistent set of data can lead people to distrust it. A lack of trust in data is important because it can impact decision making negatively.

Availability and Currency of Information

Availability and currency of information is the ability to easily retrieve up-to-date information when you need it. For companies to make good business decisions in a timely manner, data must be available to the CPM system in a time frame that’s appropriate for the organization and the decision context. For some, this is near real-time;

for others, it may be daily, weekly, or even less frequently.

Conclusion

It is clear that in contemporary business circumstances, especially considering the state of the global market in the post-financial and economic crisis period, corporations must do everything they can to be competitive and adaptable. What is undeniable is that human capital is and will remain the driving force in corporate success. Currently, most

of the successful global corporations are taking specific steps towards creating and developing strong and successful corporate cultures, with the hope that such cultures will serve as incentives towards enhanced performance. Yet corporate culture is much more than a marketing tool, as noted within the study carried out in this paper. In such a state of affairs the study of corporate culture by academia shall become more and more important, all with the aim of expanding its reach towards the corporate sector, so that the general conditions within the global economy can improve.

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