# Corporate Culture in Management Systems

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 *Abstract:*

*The article describes the results of researching a corporate factor to enhance management efficiency in the contemporary context. Because of a research based on open sources, a necessity to enhance the role of corporate culture in management systems has been substantiated, main factors are determining the growth of significance and efficiency of socio-cultural and moral-and-ethical tools in management have been disclosed.*

*The characteristics of a management system are necessitated both by the laws and the consistent patterns of the economy and management, the level of development of the system, as well as by historical and geographical factors, national and cultural peculiarities, industry-specific features, and by the personal properties and the potential of the organizations' managers.*

*The functions that corporate culture implements suggest a broad range of tasks addressed today with its help by the organizations, and, moreover, accentuate the importance of such a social institute. Setting up a strong positive corporate culture aligned with the development strategy is a prerequisite for an effective management, the sustainability and the competitiveness of the organizations in the present-day conditions.*


*Keywords: Management system, corporate culture, changes in business environment, human capital, market institutes, extra-market forces.*

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## 1. Introduction

A feature of corporate culture that emerged as early as in the works of the representatives of the behavioral school of management in the 40s of the 20th century, was further elaborated in the 60s with the studies of the organizational climate and in the 70s as a necessity of researching a human factor to get an understanding of a non-formal "shadow" side of a corporate life and that reached its peak in the 80s. It is a conscious necessity to create a high-level of corporate culture as a prerequisite of an organizational effective management with sustainability and competitiveness in mondern conditions (Mullakhmetov, 2016).

The 80s of the 20th century were marked with a boom for promotion of the organizational (corporate) culture. Culture gained general recognition as a powerful management tool. This was largely attributable to the success of the Japanese economy, which several authors (Ouchi, 1982; Pascal and Athos, 1981) linked with Japanese culture. The dynamics that Japanese economy's development demonstrated in the 80s ultimately persuaded the world that the technologies and structures were not the sole economic development factors. Casson (2006) affirms that an *"effective culture has a strong moral content. Morality can overcome problems that formal procedures based on monitoring compliance with contracts – cannot. A strong culture therefore reduces transaction costs and enhances performance – the success of an economy depends on the quality of its culture"* (Casson, 2006; Cummings, 2010; Giannakopoulou *et al.,* 2016).

Based on the outcomes of our previous surveys we made a conclusion that a corporate culture, being one of the essential characteristic features of a management system, to a large extent determines both effectiveness of the management and of the management objects overall (Mullakhmetov, 2013). The level of a corporate culture and the characteristics of a human capital are closely inter-related and, under the condition of their effective interaction, are critically important variables that enhance the inner potential of an organization (Sharafutdinov *et al.,* 2017).

Functional areas of management as sub-systems of the management system have all its system characteristics. A corporate culture is most vividly traceable in the system of a procedure for preparation, adoption and implementation of managerial decisions (Mullakhmetov, 2016), as well as defines approaches to the implementation of managerial processes in various subsystems of the management system (Mullakhmetov *et al.,* 2016; Mullakhmetov, 2015; Krotkova *et al.,* 2016; Suryanto and Thalassinos, 2017).

When applying a phenomenon of culture to an organization the researchers most often single out the following spheres of manifestation, forms of functioning, problems addressed by and purposes of an organization's culture:

- management of internal integration that has a significant impact upon an organization's inner potential;
- a response to the factors of an organization's external environment which largely determine its efficiency and competitiveness;
- development, adoption and implementation of managerial decisions;
- distribution of authority (powers, discretions) and responsibility;
- visions of common philosophical categories (time, space, veracity, truth and deceit, the good and the bad, etc.);
- beliefs about human nature, activities and communication.

Edgar Schein considers that management and culture of an organization are inseparable and consistently impact perception and attitudes (Schein, 2004).

## 2. Methodplogy

The present-day status of theory and practice of management does not allow for a definitive identification of the notion of "corporate culture" in the context of management. The existing differences in many interpretations are largely based on a different understanding of the concept of "culture" itself. The semantic problem that exists in this aspect is further deepened by the application in the management, along with the category of "corporate culture", of a category of "organizational culture", and by the different approaches to determining their relation (Mullakhmetov, 2016b).

Without focusing subsequently on any existing differences in interpretation, we shall use in this work the term of "corporate culture" which represents a system of visions and ideas related with the management of an organization, with the strategy of its functioning and development, manners and methods of achieving a goal, as well as with the business code of an organization. A corporate culture unites such concepts as a business philosophy (mission of an organization), organization's culture and business ethics; it is an outcome of interaction between internal social factors under the existing business environment characteristics. A corporate culture is recognized to be an internal compass of a company's employee. In this understanding, a culture is an environment, ways of employees' behaving and acting; it may be created consciously to influence thereby the results of an organization's performance. A culture therefore becomes a peculiar additional management tool.

There may be different kinds of cultures: organizational, information, technological, culture of economy and production, as well as a management culture. A management culture is viewed as a qualitative characteristic of a management system, as a factor determining the effectiveness of managerial decisions. A management culture constitutes the experience gained during evolution of the theory and practice of management in socio-economic systems; it is used as an indicator of the level of development of social and economic relations. One of the characteristics

of the management culture is the management style that reflects the implementation of authorities within the management system. The management style largely determines the nature of formation and functioning of subsystems and elements in the management system.

A culture establishing the borderline between the permitted and the non-permitted is always of regulatory nature. When taking on a job in an organization a person will accept its culture overall, and the management culture either in essence, by consenting to the system of values and social institutes or by not recognizing them. An employee's actions and behavior that cross the boundaries of what is permitted by a culture will result in that person being ousted from the team, and, subsequently, the person being dismissed from the organization. This is one of the manifestations of the role of culture in the system of management as a management tool (Mullakhmetov, 2013a).

The culture initially served as an integrating mechanism in the system of management. Being a more delicate management tool, an organization's culture will either help or prevent the effective achievement of an organization's goals. The study of culture as a management tool, which was initiated by the theorists of the behavioral management school (in the 40s), is based on informal, immaterial, social (interpersonal and moral) factors which are hardly quantifiable. This creates additional difficulties for a unified identification of this institute within the management system. Nevertheless, as the doctrine of corporate culture evolved, within the period from 1960-1970 such indicators as the employees' attitude and conditions within an organization (degree of delegation, level of employee involvement in managerial processes, development of vertical links (subordination), etc.) prevailed, which are quantifiable and may be treated as quantitative indicators. Such an approach facilitated the survey of the organizational climate and its impact upon the processeses' effectiveness.

## 3. Results

Quantitative indicators traditionally employed in the ordinary management, overlooking non-financial indicators, such as product quality and customer satisfaction, personnel quality and ability to learn, product innovation, flexibility and adaptability of production and management systems and technologies, all result in a short-term optimization of organization's activities and in disregarding the influence of internal environment and competition. In this context the use of non-formal factors of the organization's culture will enhance the influence and role of the quantitative indicators; it will induce effective achievement of the organization's goals and ensure its competitiveness in the long-run.

Presently, a corporate (organizational) culture is regarded as an asset which may and should be managed; through its effective management there may be created a competitive advantage: *"A strong culture consistent with the strategy is a valuable*

*asset…", "…and, in a rapidly changing external environment, the adaptive culture becomes a valuable competitive asset, and, sometimes, a direct necessity"* (Thompson and Strickland, 2002). In managing a corporate culture an important task is singling out and ensuring effective interaction between its key characteristics (systemically important subsystems), ensuring of uniformity (consistency) between the basic and secondary characteristics (different level subsystems), prevention of inter-element conflicts. Achievement of such a stage calls for a daily painstaking labor of the managers from all parts of the organization and for continuous attention of a company's chief executive.

As a management tool, the culture significantly influences the overall management system, its basic subsystems and elements, thus causing both quantitative and qualitative changes. As the results of surveys undertaken in the western companies show, nowadays such qualities as sense of duty and conformism have become valued decreasingly and those of creative approach, being able to work in a team, ability to accept a compromise, customer orientation and community service have been valued increasingly. The characteristics of a human capital have been changing. In the end of the 20th century such categories as being active, success, work, humanism, effectiveness, being practical, craving for progress, financial comfort, possession of scientific knowledge, rationalism, pragmatism, patriotism, democracy and individuality. Changes in a society necessitate a transition from the autocratic management styles and command-administrative methods to democratic management styles, social-interaction based methods with the use of leadership and confidence institutes and to a concept of social partnership.

To ensure sustainability and competitiveness of organizations in the contemporary business environment with its characteristics of complexity (multifactorality), variability (dynamism) and uncertainty, a management system must have both a hierarchical component (structure, subordination ties, a procedure strictly established in internal regulatory documents and in the framework of the applicable legislation, prioritization of the staff's sense of duty, non-developed delegation of authority, strict managerial control, etc.), and the cultural moral and ethical tools based on the social impact exerted upon employees.

In accentuating the necessity of a balance of the basic components in terms of management Fliyer (2014) writes that: *"… nevertheless, it should be noted that a nation is not managed by political methods only ("from the top"), but also, to an essential extent, by the tools of a more or less spontaneous sociocultural self-regulation ("from the bottom"). This is the main social function of culture, its biggest social "usefulness".* Although what has already been said is applicable to the culture's role mainly in the governmental management, it is also relevant to the management of an organization. Of relevance in the conditions of the globalization and integration processes is the opinion of that author being necessary to use a well-balanced approach to the multiculturalism doctrine: *"indefinite multiculturalism leads to an inevitable decrease in the significance and effectiveness of the self-*

*regulation means…", "…as a moral principle multiculturalism is remarkable; it is based on a great idea of ensuring the equality of all human rights… , however, at the same time, the maintenance of the social order will require significant political efforts"* i.e., the impact *"from the top"* (Fliyer, 2014).

It is worthwhile noting that a brief overview of using a culture as a management enhancement factor which was undertaken based on open sources makes it possible to infer that the application of the cultural and moral and ethical tools by the Russian businesses is at a low level, thus hindering introduction of a number of new perspective management technologies (Sadriev *et al.,* 2016a; 2016b). Let's also note that this situation presents a significant reserve for enhancing the effectiveness of the Russian businesses.

## 4.  Discussion

In the end of the 20th – beginning of the 21st century a clear trend to the growth of the importance of socio-cultural component in management was formed. As main factors necessitating that trend the researches single out, mostly, the following:

1. Integration processes create multinational players who become the main force in international markets and raise new demands to management. Among the top managers of such companies are representatives of different nationalities, belonging to different cultures and treating the work differently. The complexity of managing such an organization increases exponentially (Griffin and Pustay, 2002; Adizes, 2017).

2. Today, any company works in a most complex social and political environment that requires from it much more than mere profitability. A skill of interaction with out-of-market forces (which, although not creating a shareholder value, still may destroy it), presupposes not only flexible and consistent thinking of the managers, but also a deep understanding of the motives of "social interest groups" and their leaders, an ability to distinguish the matters which are relevant and useful for a society from unrelated issues, which in its turn requires skillful use of the cultural and socio-psychological management tools (Charan, 2008).

3. Cultural split of generations. Younger generation's ethics and approach to work is fundamentally different from that of older people being the managers of many companies. With their craving for self-realization, freedom of choice, claims for a flexible work schedule, with their new approaches to operating processes a new generation does not fit in the cultural space of older people who have their own requirements to discipline, loyalty, self-sacrifice, being loyal to one company, etc. (Adizes, 2017). As a result, it is no longer possible to manage *"as they used to before".*

4. In addition to emergence of a new generation (Generation Z, according to Adizes), the quantitative and qualitative composition of the workforce has changed, namely:
    – the level of education of the workers has grown;

– the number of working women has increased, including those holding managerial positions;

– the average age of the workforce has increased (raise of a retirement age);

– a share of the employees in the production sector dropped, while a share in the service sector increased (different work characteristics, and, hence, different demands to the employees), etc.

Each of those changes calls for a change or mastering new approaches to manage a human capital, resulting in enhanced role of the socio-cultural toolkit.

5. People's value orientations have been changing. A rise in religious feelings and in interest to spiritual practices is observed. Such factors become important when hiring some personnel, building a corporate culture and marketing policy the (Adizes, 2017).

6. The conflict level in organizations has been growing due to several reasons (changes resulting in changed financial and social status, a need for continuous adaptation to changes, raised demands to personnel qualification and acceleration of production and management processes, and, therefore, emergence of stress situations, etc.) (Adizes, 2017).

7. Within the times of a transition economy a common algorithm for the managers' activities exists: in practice it is necessary to take into consideration the existing level of development of the market institutes and to monitor the process of their development; and, as soon as the situation allows, to embrace more civilized forms of business making. The rules of play of the developed market must not be mechanically transposed to a yet immature situation.

A new transition economy (or post-socialist economy) of Russia is characterized, among other things, by the immaturity of the market institutes, while, at the same time the already existing institutes differ greatly from their analogues in the developed market (Gryaznova and Yudanov, 2014). Under such circumstances national and cultural factors act as compensating mechanisms in the management system and result in an enhanced role of a cultural component of the management system.

## 5. Conclusions

Establishing, with the help of social norms, a "desired condition" (actions and behavior) throughout the entire range of organization's activities enables to carry out a structured control, make managerial decisions with due regard to the social factors and enhance their quality and effectiveness. As opposed to the norms established by the applicable legislation and internal regulations or organizations, the social norms determined by the organization's culture constitute a product of social interaction of an entire system of social forces and, in their entirety, an unstated contract ensuring the balance of informal institutes in a team. These social norms are acknowledged by and fulfilled by an absolute majority of the team members and facilitate achievement of the organization's goals.

It is necessary to bear in mind that because of the intrinsic characteristic features of the phenomenon of culture per se, there is – and can be – no "the only correct" cultural system. A strong positive culture is provided both by the characteristics of an internal potential of organizations, and by an effective interaction of culture with other tools (models) of management, those of hierarchy and market. The final solution of a task for a definite organization is therefore not only local, but situational. The goal of management lies in forming such a kind of culture and such a combination of its characteristics to ensure a maximum efficiency of the management object. That task is to be solved by the management for each organization on a case-by-case basis, so the top managers must be ready to continuous change to address the challenges posed by the organization's environment (Mullakhmetov, 2016b).

The general trend of the management and control evolution theory shows that management, and control, in particular, have become more "democratic": the volume of managerial impacts and control procedures has been decreasing, whilst their contents has become less strict. The philosophy of control has been shifting, from the centralized and strictly formal procedures to the decentralized results-based control (final control); a constructive role of control has been increasing both in the light of distributing the positive experience and as an educative effect. In the classical dilemma of control that consists in search for a balance between order and flexibility, the emphasis is laid on the latter; in terms of managerial activities the initiative and creativity are coming to the fore in lieu of the sense of duty and order.

Such changes make it possible to use social, moral and psychological and ethical toolkit as well as the organization's culture in the managerial activities, thus contributing to enhanced effectiveness of the managerial activities and to more convenient working conditions of the personnel (Mullakhmetov, 2013b).

For a variety of reasons, the Russian companies' business environment has its own cardinally different characteristics springing both from the period when that environment was established, and from some other grounds (Sadriev and Mullakhmetov, 2015). Owing to this, the management system and its subsystems vary greatly in the Russian companies, thus causing additional difficulties in the practical management when the Western-type management and control systems and technologies are put in place (Sadriev *et al.,* 2016a). The characteristics of the management system are not only necessitated by the economic and management laws and patterns, the level of development of theory and practice of management in a country, but also by historic and geographical factors, national and cultural peculiarities, as well as by personal properties and potential of the organization's managers.

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