Ouverture de
'Corporate Culture and Market Complexity'

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Abstract

The critical role of corporate culture is particularly evident today in large corporations. In complex organizations oriented toward overcoming physical competition (market-space management), corporate culture thus assumes a central role in the governing of internal, external and co-makership relationships.

Corporate culture is an expression of corporate personality. It permeates all aspects of organizational life in relationships with the external environment (customers, intermediaries and competitors) and especially within the organisation.

Globalisation pushes toward a corporate culture aimed at competition, and encourages the development of communication and information flows, de-centralised manufacturing and operational responsibility.

Keywords: Corporate Culture; Cross-Cultural Management; Global Markets; Market Complexity; Co-Makers; Partners

1. Overture

The critical role of corporate culture is particularly evident today in large corporations. Indeed, the largest companies face globalisation and over-supply according to a concept of competitive space that goes beyond physical boundaries and is enlarged by the exploitation of intangible assets (*market-space competition*)[1].

□ *Philips, a leading European producer of consumer electronics, announced its intention to close or sell one third of its current 150 plants, to cut costs and specialize production with respect to competitors. Philips had already reduced the number of manufacturing sites compared to the 270 of five years ago, and since 2001 the number of employees has decreased from 200,000 to 170,000 (NRC Handelsblad and Corriere della Sera, August 2003).*

In a *market-space competition* environment, companies operate with organisations that are complex, extended and strongly interconnected. In these complex markets internal relationships between employees must develop in synchronisation with the larger systems of continuous connections that must be developed with co-makers and outside partners. Therefore the culture of an organization must open itself up to a more competitive concept of corporate culture.

In an 'enlarged competitive space', corporate culture allows for the achievement of uniformity in constructing the organization - stimulated and controlled by communication network: Internet (a public, worldwide, freely-accessible network), Intranet (private corporate networks that can be used by employees only), Extranet (the extension of Intranet networks outside a company to involve selected, authorized co-maker companies).

In complex organizations oriented toward overcoming physical competition (*market-space management*), corporate culture thus assumes a central role in the governing of internal, external and co-makership relationships. It brings out the value of an extended concept of corporate belonging, basically freed from local and physical space characterization.

2. Market-Space Management and Corporate Culture

Market globalisation and over-supply have profoundly changed business management by requiring corporate policies characterized by *time-based competition,* the overcoming of physical and geographic operational boundaries and the adoption of a systemic vision of intangible assets. In particular, it has required the evolution of corporate culture toward a stronger emphasis on its competitive nature and its external development components.

In effect, organizations operating within complex market relationships manifest a structured corporate culture, with an internal dimension interfaced with several other levels of responsibility in the management of consensus (Figure 1), concerning specifically:

Internal dimension	→	employees
Networking dimension	→	co-makers and partners
Integration dimension[2]	→	global markets
Transparency dimension[3]	→	shareholders & finance
'Corporate Ethics' dimension[4]	→	government & media
'Brand Responsibility' dimension	→	intermediate and final demand

Figure 1: *The Dimensions of Corporate Culture*
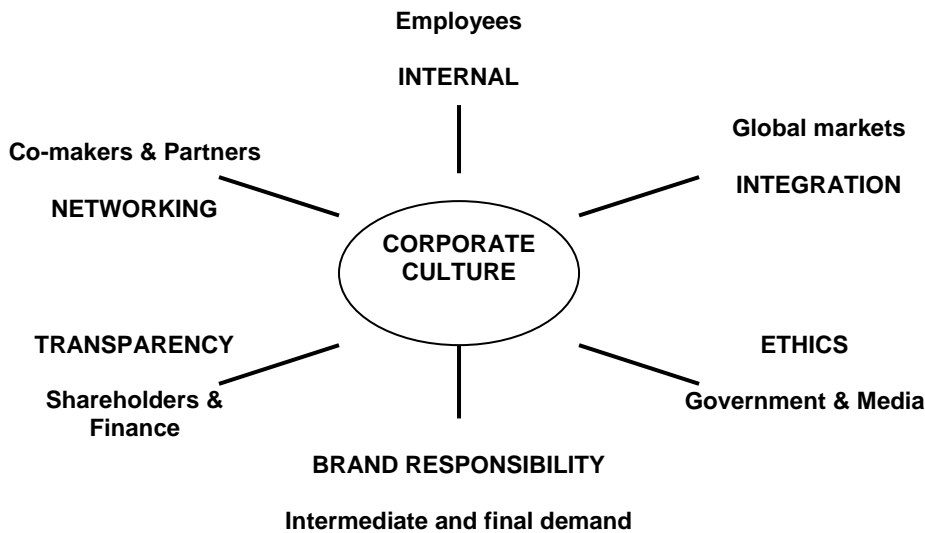
Corporate culture is thus an expression of *corporate personality.* It permeates all aspects of organizational life in relationships with the external environment (customers, intermediaries and competitors) and especially within the organisation. It is felt in relationships with operating units differentiated by the type of relationship (employees, co-maker, partner) and geographical spread. In any case, it is oriented toward uniformity in behaviour (thus overcoming the specificity of local behavioural patterns) and synchronous on an international scale (*i.e.* with action/reaction times independent of the geographical location).

Concerning external relations, in particular, corporate personality influences company *image,* that is, its specific competitive elements. Customers, shareholders, financial backers, suppliers, public authorities, distributors, competitors, etc., themselves contribute, based on the relationships established, in determining a corporate image profile. They continuously re-evaluate it based on their own perceptive and cognitive frameworks. Image is, indeed, the result of the main groups of partners (key opinion-makers) processing a system of signals, transmitted directly by a company or from other sources that contribute to qualifying - according to specific values - the behaviour of the company[5].

Internally within an organization, corporate personality is aimed at affirming a high level of identification and achieving strong congruency in goals, interests and behaviour. Such alignment makes the corporate key-values and behaviour rules explicit, thus providing a foundation for common action in the pursuit of shared goals. This evidently takes place without the typical features (social, educational, ethics, religious, etc.) of local organisations. It thus delineates the transition from 'Product Management' and 'Country Management' to *'Resource-Based Management'*, with the key resources focused on a limited number of people and with profiles strictly adhering to an international corporate mission that is thus unconstrained by static geographical characterizations[6].

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3. Global Markets and Cross-Cultural Management

In global over-supplied markets the situation of *market-space competition* confers specific features on corporate culture. These features are markedly different from the ones typical of the so-called territory-systems, typical of markets characterized by limited competition intensity and precise physical, natural or administrative boundaries[7].

Indeed, in territory-systems corporate culture tends to develop a knowledge system bound to the inclinations, traditions and resources of specific geographical areas. When assessing operating unit performance, the potential for direct control and individual assessment thus prevails. Typical examples of such territory-systems are local production districts, especially those bordered by natural boundaries or with a limited degree of opening to competition, e.g. with limited transportation networks, limited access to financial resources, strong obstacles to penetration of the workforce from outside, especially by ethnically different groups. These districts tend to be dominated by strong attachment to manufacturing and limited knowledge about international marketing, finance and communication.

Globalisation pushes instead toward a corporate culture aimed at competition, and thus encourages the development of communication and information flows, de-centralised manufacturing and operational responsibility.

> □ *'In the '90's, Xerox held 95% of the market share for graphic arts and did not see the need to further develop its penetration strategy. Indeed in those years Xerox used to assess performance based on the equipment installed and neglected the existence of a potential market. When Xerox realized that the correct calculation should have concerned not what was printed digitally but what could be thus printed, it discovered that its market share was 3-6%: from quasi monopoly to 'one of many'. Since 2001, Xerox has adopted a new business model, with a uniform foundation at the international level to create more effective marketing and control tools. Moreover, many high-potential customers have become Premier Partners'*[8].

In global markets, corporate culture thus requires complex performance assessment, differentiated into estimates of strategic consistency (degree of consistency between process and result, development of complementary relationships, chairman's leadership) and operating consistency (inter-dependency relationships within the organization, shared responsibility and management leadership).

In particular, management leadership in open, highly competitive markets has two distinctive features: market orientation and the balance between technical and managerial functions. These features emphasize the central importance of *cross-cultural management,* that is the opportunities afforded by multi-cultural corporate management.

Indeed, in a cross-cultural approach, management leadership is not influenced by technical skills (that are, by their very nature, strongly constrained by local characteristics), but is instead dominated by managerial competences, characterized by effectiveness, efficiency and profitability.

Moreover, in a multi-cultural approach, management leadership does not end within the organization (as postulated by the traditional operational concept, typical of closed, low-competition markets), but tends to become valuable when confronting the opportunities afforded by open market dynamics, that is, the variability of demand expectations and the instability imposed by competition.

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Notes

[1] Silvio M. Brondoni, Ouverture de 'Market-Space Management'*, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya)*, n. 1, 2002.

[2] 'Companies operating in a global environment must face not only traditional cultural differences, shaped by the boundaries of ancient civilizations, but also new kinds of differences, emerging at the boundary between professions, with their specialized languages and peculiar loyalties. A manager who is sensitive to cultural issues understands these differences and treats them as resources rather than operational limits'. See Giuseppe Mantovani, 1998, Le differenze culturali in un mondo globale*, Rivista Fondazione IBM Italia*, no. 3, p. 18.

[3] In highly competitive economies, corporate market development, leading R&D programs, and supporting market share, together imply great financial demands. Thus self-financing and the banking system are insufficient. It is necessary to resort to financial markets and intermediaries. Financial communication thus becomes crucial, and emphasizes the importance of a corporate culture of transparency, since information flow cannot be limited to direct, simple, occasional relationships with a few partners (banks and associates). On the contrary, financial communication becomes specialized and aimed toward several *important audiences* (i.e. with a global propensity to developing relationships) and toward several *relationship audiences* (i.e. partners with a direct relationship with the company), with a strong commitment to transparency.

[4] 'The main ingredient of the capitalistic system is trust ... with increasing industrial economy complexity, the ethical paradigm of managers becomes loaded with new responsibilities; ... ethical principles imposing respect for people, the environment and the territory, for interests other than that of the capital providers - all become part of the complex social organization that we call a company'. See Marco Vitale, 2003, Senza fiducia il capitalismo si inchioda*, Corriere della Sera,* 14 April.

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[5] See Silvio M. Brondoni, Brand Policy and Brand Equity, *Symphonya. Emerging Issues in Management (www.unimib.it/symphonya)*, n. 1, 2000-2001.

[7] See Jean-Jacques Lambin, Strategic Marketing Revisited after 9/11*, Symphonya. Emerging Issues in Management (www.unimib.it/symphonya),* n.1, 2002.

[8] See Silvio M. Brondoni, Mauro Gatti, Margherita Corniani, 2003, Management Leadership, cultura d'impresa e Market-Driven Management*, Progetto Comunicazione Aziendale*, ISTEI-Istituto di Economia d'Impresa, University of Milan-Bicocca, January research report.

[9] See Valentin Govaerts, 2002, Xerox cambia approccio alle arti grafiche*, Graphicus*, December, p. 25.