

## Transformation of Corporate Culture in Conditions of Transition to Knowledge Economics

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### ABSTRACT

This article is devoted to the problem of corporate culture transformations which are conditioned by changes in social-economic situation. The modern paradigm of knowledge management is assumed to become the main value for forming a new vision of corporate culture. The starting point for transformations can be found in the actual corporate culture of the company. In the paper the selection of corporate culture concepts according to the modern paradigm of economics is carried out. New approach to the study of the corporate culture based on the analysis of available typologies is established. Reflection is chosen as the method for probing of the current status and potential possibilities of changes of corporate culture. The concept of "intermediate type of corporate culture" is substantiated. Within the frame of practical experiment the influence of hidden factors upon the process of corporate culture transformation is established. The expediency of diagnostics of corporate culture for its further transformation is substantiated.

### KEYWORDS

culture, typology, diagnostics, knowledge management

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## Introduction

The modern world is characterized by the growth of changes in the life and economics. The changes affect all the processes of economic decision-making and penetrate the entire system of labor relations. The changes manifest the company's ability to self-updating. A visible increase in the rate of changes requires correspondingly fast response to market requirements, instant estimation of circumstances, pro-active solving of problems. All the business activities directed to developing and bringing to market new products and services, to customer service, to relations with partners and suppliers are inextricably linked with the process of adaptation to the new conditions that have arisen as the result of changes. One of the adaptation factors is the corporate culture that allows mobilizing and orienting

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the company and each employee to achieve common goals, and thus plays an important role in the economic success.

The transition to the concept of Knowledge Management in the economics has had a huge impact on changing approaches to the formation of corporate culture. One can talk not about a complete transformation in certain cases, but the adjustment of the existing cultural features that ensure the circulation of information and knowledge within the organization is required by the most of the companies today. Corporate culture provides determination of participants' values, gives them conscious choice that allows building productive relationships within the company and interaction with the environment.

The nature of corporate culture is provided by the existence of different value systems, the possibility of an independent choice of values and the alignment of their hierarchy. However, everyone has to build relationships with other people in the organization, and this requires certain rules and regulations that are emerging under the influence of values. Focusing this choice towards the value of knowledge contributes to the performing of company's tasks. Corporate culture is designed to create a favorable environment for creativity and to realize the full potential of each employee that allows him to bring the matter to real result (Gates, 2007).

In practice each organization bears the features of different types of culture. That is why the manager who has taken up the challenge of building the intellectual capital and of efficient use of human resources has to identify the dominant type of existing corporate culture taking into account the developing trends of modern economics (Loginova, 2011). However, this solution is difficult due to the specific correlation of corporate culture with the set of latent factors of business functioning. It is only possible to outline some framework of this or that corporate culture by comparison with the real existing typology and thus to develop the strategy for future action. Current state of the corporate culture of the organization becomes the starting point of purposeful movement to the formation of the adequate corporate culture in new socioeconomic conditions.

### Literature Review

Researches in corporate culture have a fairly extensive history. Our goal is to find out the approaches that can be implanted into the contemporary economics. In the early 30s within a famous Hawthorne experiment, it was found that labor productivity was heavily influenced by "hidden" psychological and social factors (Mayo, 1933). Scientists have formulated guidelines for a corporate culture which are suitable nowadays:

- Individuals have unique goals and motives.
- Human beings' problems can't be simple.
- Personal problems can affect productivity.

Their conclusions became the kind of impetus for further attempts to study the needs and behavior of employees in terms of the culture of their organization.

By the 1980th corporate culture had been defined as the totality of the following features (Deal, Kennedy, 1982):

- Dependence upon the external business environment.
- The presence of a comprehensive system of values that are shared by the staff.

- Personification of values.
- The establishment of behavior standards.
- The internal environment suitable for the transmission of values.

The classification of a corporate culture based on these features affords the following types:

- Tough-guy - culture or Macho-culture (World of individualists who regularly run the risk and recognize if their actions are right or wrong rather fast).
- Work hard/Play hard - culture (Action and game - the basic rules of this type of culture).
- Process-culture (There is no focus on what to do, but on how doing it).

Edgar H. Schein updated his understanding of culture and demonstrated the crucial role that leaders played by applying the principles of culture to achieve organizations' goals. He showed how to identify the cultures at any stage of the company's development (Schein, 1992). He represented the corporate culture in the form of a pyramid: at the top level, there were visible organizational structures and processes; in the middle - shared values; at the bottom - cognitive mechanisms.

Charles Handy argued that the key to successful organizations lied in a better understanding of the needs and motivations of the people (Handy, 1988). We pay special attention to his classification of corporate cultures which is based on power, role, task and personality in our research work:

Power culture — the head is dominating and all powers are concentrated in the center. Employees are implementing the prescribed policy. There are not many formal rules of the organization, but strict codes of conduct and labor are implicit.

Role culture — the job is determined by the clear and detailed descriptions and other formal requirements.

Task culture — the focus is concentrated on the successful completion of tasks or projects, the emphasis is on the integration of resources and staff to carry out the work. Employees are evaluated according to the contribution they can make to the job. They usually work in teams that allow productive use of various combinations of knowledge and skills to achieve a common goal. Such organizations are characterized by high adaptability to changes in the environment, as the teams have the ability to switch quickly to new projects.

Personal culture — the activities of employees significantly affect the wishes of individuals - members of the organization.

We find the important methodological support for our research in the organizational model type Z which shows the importance of integration processes in the economics and creates an efficient variant of the corporate culture in a company (Ouchi, 1981). This model is based on seven variables of the corporate culture:

1. Liabilities of the organization in relation to the employees.
2. Evaluation of the work done.
3. Career planning.
4. Control system.
5. Decisions making
6. The level of responsibility.
7. Interest to the person.

When considering items of corporate culture we have tried to highlight the theoretical schemes which reflect our approaches to the study of this phenomenon in the contemporary socioeconomic situation.

## Methods

Some methodological orientations are of great importance in the definition of the main strategic lines of activities for the development of the corporate culture. A successful company must harmonize the external and the internal space of its employees and ensure the integrity of its development in a variety of activities in the unity of intellectual, emotional, social experience. Corporate culture is one of the most effective resources for solving this problem. In turn the emergence and development of the cultural forms of activity are determined by adequate integrating factor - "the basis" of the social space of the company.

Values play a decisive role in the lives of people at all times. In the modern world they have the functions of orients; they form a complex world of meanings and symbols that are the basis of individual or collective judgments and actions. They have regulatory and normative components. The values contribute to human world stability and organize a purposeful human activity. In some sense, the values are the targets of the individuals and society; they are the criteria for assessing any cultural phenomenon.

The transition to an innovative economics is the imperative of modern development. So the value of knowledge becomes the key element that affects the employees, forms a unity of views and actions and helps to achieve the objectives of the organization. This value should be declared in the corporate culture and the way to embody it must be found. So it is possible to create an environment where knowledge management will ensure the results of content, technology and conditions to satisfy needs of all its subjects of self-realization and self-development (Korsakova & Korsakov, 2015). Following this approach we choose reflection as the method for probing of the current status and potential changes of corporate culture. Reflexion always generates new knowledge (Lepsky, 2010).

One of the common means of describing the organization's culture is a typology that classifies different cultures according to certain design features. As the most appropriate typology of corporate culture in terms of value orientations of personality we have adopted a typology proposed by Charles Handy. This typology reflects the idea of polarity of two types of culture: Power culture and Person-Role culture. Task - culture can be regarded as the "golden mean" which implies the harmony of distinct individual optimum of performance. It means that the probability of existence of organizations with a "pure" type of corporate culture is extremely low (Tihomirova, 2008). The most often we have to deal with the so called "intermediate type". But within the framework of solving the problem of corporate culture, it is necessary to emphasize the difference of terminological concepts of "Formalized corporate culture" and "Formed corporate culture ". It is possible to speak either about the degree of corporate culture formalization, or about the extent of its formation. It is accepted in our study that these two variables are not associated with each other. The corporate culture not matching any of the selected types may exist in the organization. It is a kind of variant of intermediate typology that is created thoroughly enough. So, it seems we have the need to assess the accuracy of certain qualitative tendencies in the direction of one of the selected types. On the basis of "knowledge economics" methodological orientations, we

assumed it possible to use the methods of assessing the “awareness of the knowledge internal environment” as the way to the corporate culture of Task type (Yasvin, 2001). Taking into account that there are four types of intermediate culture into a functioning of the company, we have accepted the objective to determine them (Figure1).

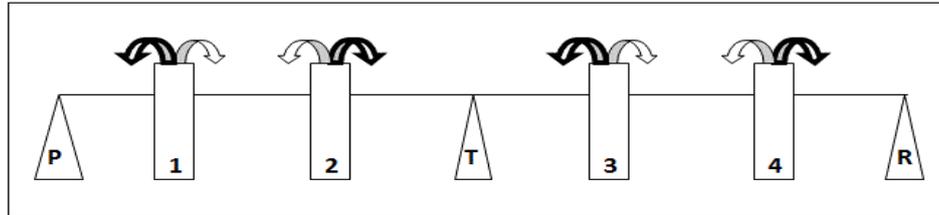


Figure 1. The intermediate types of corporate culture

On the horizontal axis there extreme points are indicated by the "P" and "R" (Power-type and Role-Personal-type). The middle position corresponds to "T" (Task-type). Intermediate types of corporate culture are shown with rectangles 1 - 4; trends of qualitative changes in the direction of a particular type of corporate culture are designated with arrows above the rectangles. The conditional factors designed to quantify the obtained empirical data are introduced with: K1 - factor of culture formalization; K2 - factor of its creation. Both coefficients can be expressed in percentage form: 100% of K1 will indicate the degree of qualitative changes of trends; 100% of K2 - the degree of formation.

To determine the capacity of achieving the ideal result of the production process as a criterion of corporate culture some questionnaires based on the self-determination of personnel were produced. Respondents (top managers, line managers and staff) were offered cards of questionnaire containing brief descriptions of options for Power-culture, Role-culture and Task-culture. In the process of diagnosing respondents were asked to choose one of the options with respect to each of the three characteristics presented. They had to put these characteristics in some hierarchy according to situation of corporate culture in his organization.

The predominant type of corporate culture was determined by the majority of evaluations marked "X - is typical". If the predominant type turned out to be Task-culture the final result would be regarded as an intermediate type with a tendency towards the qualitative changes to the Task-type. Its location on the axis was determined according to the type that scored the majority of evaluations "F - has fitted some signs"; if it was a Power - type, the organization was situated near the rectangle 2, if it was the Role - type the organization was situated near the rectangle 3. If Power-type became predominant the organization was situated near the rectangle 1, if it was the Role - type the organization was situated near the rectangle 4, regardless of the results of other types. We were sure it was possible to affect the focus of qualitative changes in the direction of the Task- type of culture, even if initially they were manifested in a very low degree.

## Results and Discussions

In the context of the study it was crucial to focus attention and efforts primarily on organizations' differences on a number of quality parameters and to determine

the form of the culture type. There were the values of K1 (coefficient of formalization of corporate culture's type) and K2 (coefficient of corporate culture formation (creation) established. Clarity of the experiment required finding significant differences due to this typology in view of the focus on the prospects of the company.

Top managers, line managers and staff were involved in the analytical and diagnostic process. Qualitatively different results were obtained according to four companies. The results allowed identifying them as belonging to different types of corporate culture. K2 values were defined as the average number of respondent's percentage whose views coincided with the final predominant type for each of the corporate culture (Table 1).

Table 1. Aggregate values of the predominant type of corporate culture (K<sub>2</sub>).

Company	Predominant type of corporate culture	Value of K <sub>2</sub>
1	P	54,1
2	T	55,5
3	T	47,6
4	R	46,3

The task of comparing the position of top managers, line managers and staff had arisen in that phase of the study. It was formulated as a working hypothesis that: a) the groups of respondents would have no significant differences in the definition of the predominant type of corporate culture; b) the greatest proximity of position would be shown by top managers and line managers as they were directly involved in the process of functioning. To test this hypothesis the methods of mathematical statistics were involved. Student's t-test determined the unreliability of the differences in estimation for all three pairs of respondents: Top managers, line managers and staff.

According to quantitative indicators not top managers and line managers had the greatest proximity of positions, but the line managers and staff. It is logical to assume that the difference of positions of top - managers, compared with the positions of line managers and staff is due to a number of factors, which remained hidden for line managers and staff but certainly were obvious to the organizers of the production process.

However, the value coefficient of corporate culture formation (K-1) is the most important in the context of our study. Analytical and diagnostic procedures were carried out in full accordance with the system of criteria for the diagnosis of corporate culture creation (Kuznetsov, 2013).

The group of experts used the following criteria for assessing the personal qualities of the subjects of corporate culture:

- motivational and axiological (professional interests, attitudes, value orientations that can be manifested through a set of indicators such as satisfaction with the realization of his profession, a sense of responsibility for the results, recognition of the value of personal communications);

- cognitive (assimilation, understanding and acceptance of the Corporate Code, the acquisition of knowledge, skills, experience, creativity, strong-willed qualities, behavior assessment, competency);

- technology (the degree of ability to implement the core technology, to select appropriate techniques and methods for the implementation of activities at different levels);

- behavioral (the orientation of action on the socially approved norms, judgments, values, beliefs, stability and independence of behaviors, the presence of the social position of the person);

- conception of the world (a complete self-reliance, sustainable judgments about the social, moral requirements, ethical norms that underlie social behavior).

Aggregated values of the creation of corporate culture are presented in Table 2.

Table 2. Aggregated values of the creation of corporate culture (K1).

Company	Predominant type of corporate culture	Value of K <sub>1</sub>
1	P	38,85
2	T	49,05
3	T	43,99
4	R	50,95

We had compared data obtained within experimental activity and presented them in Table 3.

Table 3. Comparative data coefficients of formalization of corporate culture (K2) and the creation of corporate culture (K1).

Company	Predominant type of corporate culture	Value of K <sub>2</sub>	Value of K <sub>1</sub>
1	P	54,1	39,44
2	T	55,5	51,05
3	T	47,6	47,88
4	R	46,3	48,72

These data show no dependence of the values of the coefficients K1 and K2. That is the formalization and the formation of the type of corporate culture act as independent of each other variables. The findings of the study make it possible to get a number of fundamentally important conclusions:

1. The starting point for the formation of corporate culture is its current state.
2. Hidden factors impede creation of corporate culture. In this regard the attention to the psycho-diagnostic tools that allow opening the psychological characteristics of the subjects is justified.
3. It is possible to select four types of intermediate culture in a functioning process, but 100% probability of pure Power-culture, Task-culture and Role-playing (personal) - culture is negligible.
4. The greatest proximity of position was shown by line managers and personnel as they were directly involved in the process of functioning.

5. Uneven formal indicators of existing corporate culture cause uncertainty in the creation of its new particular type.

6. Indicators of formation and formalization of the certain type of corporate culture act as independent of each other variables.

7. There is an inverse relationship between the values of the coefficient of corporate culture creation and opinions of the respondents there: the lower the coefficient of corporate culture creation, the greater the difference in the evaluation of the respondents' opinions.

### Conclusions and Recommendations

The complex nature of socioeconomic development has changed the emphasis in the modern approach to the management of the corporate culture. It operates and develops as a complex organism, providing the vital potential of the company. Corporate culture determines not only the differences between the organizations, but also determines the success of their operation and survival in the competition.

The future of any organization is determined by the innovative development: business processes are accelerating; customer needs are expanding; complicated relations with other market players are rising; the changes in the environment grow and become unpredictable. Therefore, the management of the company must be proficient and use a variety of managerial tools for to find new opportunities to develop and strengthen the company's position in the future.

Modern society and knowledge economics makes the management realize that for to get maximum results they need to rely on employees. Knowledge becomes the reference point of the progressive movement and the core values of every member of the organization. Unaccommodating corporate culture does not allow employees moving to a qualitatively new level of skills and personal potential. Changing the role and nature of corporate culture as an integral and permanent part of companies provides positive dynamics of the process of innovation and transformation as an important component of its strategy.

However, the transformation of the corporate culture of the company is a very complex and delicate point. It turns out that on one hand the existing culture can be positive or negative in terms of the goals of the company, on the other - it can't be changed in an instant. It is impossible to cancel or announce the corporate culture, one can only react to changes or develop it gradually.

But the manager can't use the classic model of the transition from the current to the desired state either. The fact is that culture is intangible category and is based on a set of latent factors that can only be identified in the course of a thorough study of the existing type of the culture at the moment. The definition of the desired state of corporate culture that responds to the problematic situation inside and outside the company and adapts to changing conditions depends on the correct analysis of its current state. The analysis of the current state of corporate culture should become the starting point of the long path of transformation, of improving the company's intellectual potential and of generating new knowledge and ideas that can be claimed by the innovative economics.

### Disclosure statement

No potential conflict of interest was reported by the authors.

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