

The Potential of Corporate Culture in the System of Interactions between Companies

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Abstract. In this article, the author makes an attempt to look into the key characteristics of positioning corporate culture within the system of interactions between companies, taking special consideration of such a concept as the potential of corporate culture. The author stresses the importance of corporate culture in corporate interaction processes, explores the nature of manifestation of corporate culture in associations with various types of corporate integration, and describes the impact of such characteristics of culture as separability, power, etc., in the corporate space.

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Introduction

The actuality of this article is determined by the degree to which the subject has been explored as well as the degree of interest in issues related to understand the role and significance of cultural interaction both in specific companies and society as a whole. In dealing with the problematic of corporate culture, many authors stress in their studies the special role of this phenomenon, pointing to the need for constantly analyzing it [1 and 2].

Main part

This article's primary idea or aim is to bring to light the potential of corporate culture through the example of corporate integration.

The attainment of the goal set is associated with accomplishing the following objectives:

- determining the major concepts which characterize the interaction process;
- examining the cultural aspect in various types of corporate integration;
- working out proposals on augmenting the significance of cultural potential as the central link in the chain of interactions between companies.

In exploring reasons behind discrepancies between goals set and specific results in the process of effectuating various corporate deals, one can come to the conclusion that [3 and 4]:

- goals set by the parties can be far from reality;
- companies oftentimes underestimate the likelihood of discrepancies between their corporate cultures. In this context, the potential of corporate culture can be realized both with the sign “+”, i.e. have a positive impact on conducting a corresponding, chosen type of deal, and with the sign “-”, i.e. act as an obstacle in the path of a planned result.

To fully comprehend the features of cultural potential, one has to take into account the characteristics of corporate governance and organization theory [5 and 6]. In this regard, we shall clarify certain definitions.

The system of interactions between companies is an aggregate of business and inter-firm relations directed towards establishing a common understanding of the companies' goals within the corporate space. We shall construe the **corporate space** as a multitude of corporate governance entities whose activity is of an economic, managerial, and social nature [7 and 8].

As we noted earlier, one of the most difficult-to-assess factors in the process of effecting corporate integration deals is the nature of corporate culture and psychology existing in each of the companies. There the question arises of their co-existence and interaction. Table 1 illustrates the existence and manifestation of cultural norms in effecting corporate integration deals.

Table 1. Forms of manifestation of culture in various types of corporate integration

Forms of manifestation of culture Types of corporate integration	Cultural potential	Cultural integration
Mergers	separability of norms, rules, values, etc.	continuity
Acquisitions	existence of conventional principles	cultural domination
Hostile takeover	absence of ethical value guideposts	Objectives: <i>market, competition, profit maximization</i>

The above table also contains the concept of the dynamicity of corporate culture as a factor of cultural integration, which shows that there is a dependency of specific types of corporate integration on the very form of manifestation of culture. For

example, speaking of a merger between two companies, we understand that there is a cultural match that ensures interaction and mutual complementation between the cultures.

For instance, the result of a deal will be largely impacted on by the cultural potentials of the companies – i.e. it is about the emergence of a new cultural space based on the synthesis of corporate cultures, which, in turn, is predicated on the so-called balance of interests principle [8].

Consequently, an outcome of uniting cultural potentials will be the continuity of views and principles or, in other words, cultural integration.

In the case of acquisitions, as well as hostile takeovers, corporate culture acts as a convention and is not a basis for effectuating the deal – the focus is, normally, on financial, economic, and legal indicators.

The term “cultural potential”, proposed in the above table, is the supporting element for the subsequent effectuation of corporate integration deals. Its existence is especially crucial in merging companies’ assets, since cultural potential is but a part of these assets. From this standpoint, cultural potential is defined as an aggregate of original rules, principles, and value guideposts established within the company, which can be directed towards resolving an objective in the cultural integration process [10].

The indicators of culture’s thickness and power should act as cultural potential assessment indicators. Culture’s thickness is a number of values accepted in organizational culture. Culture’s power is a number of values of organizational culture shared by the organization’s members.

The separability of culture is the extent in which corporate values are reflected at all the levels of the organizational hierarchy. In this respect, D. Nadler and M. Tushman come to the conclusion that “the higher the degree of fit – or “congruence” – among the various components, the more effective the organization” at multiple levels.

Based on the concept delineated above – the impact of cultural potential on cultural integration – it is expedient to introduce a cultural integration matrix, the principal method for constructing which is the method of positioning. In the author’s view, parameters in constructing this matrix should be the separability of the corporate culture and the power of the organizational culture of the “new member” of the corporate space. The first indicator is defined as a portion of corporate values accepted by the subsidiaries; its value lie within a range of 0 – total rejection of corporate values – to 100 – complete overlap between corporate and subcultural values.

The power of corporate culture is defined as a share of values accepted by the organization’s employees against the total number of those declared.

Information for constructing the matrix should be collected using polling methods. After calculating the indicators, we have to determine a “position” in the matrix for each member of the corporate space.

Depending on combinations of the values of the matrix’s parameters, we can mark out the following fields.

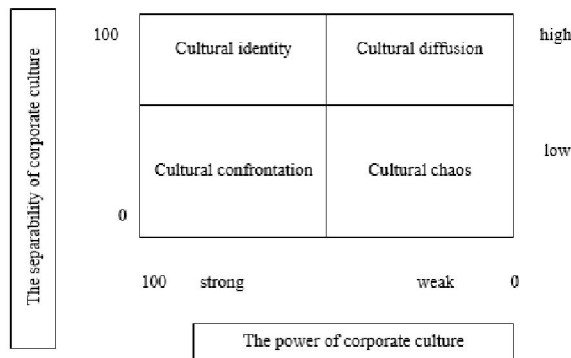


Figure 1. A matrix of managing cultural integration within the corporate space

The “cultural identity” field is characterized by a high level of separability of corporate values by participants in the corporate space who possess a powerful culture; cultures falling within this field are characterized by the identity of values and, as a consequence, employee behavior models.

The “cultural diffusion” field is characterized by the interactive translation of the values of corporate culture which are accepted by the members of an organization with a weak subculture. Competently implemented “cultural engagement” programs can lead to that in lieu of a weak culture in the organization there will be created a powerful one, which is identical to corporate culture, i.e. there is a possibility of achieving a shift to the “cultural identity” field over time.

Participants falling within the “cultural confrontation” field are characterized by the collision and conflict of the two cultures, which, in the end, will tell on the value of corporate indicators; the stronger the cultural collision the faster a decision has to be made on expelling the participant from the corporate space.

If the organization’s employees are not bound by common value guideposts influencing their conduct and reject corporate values too, there arises the “cultural chaos” situation, which is characterized by the existence of a large number of small groups of different cultural orientation.

Arranging corporate participants into the fields of the matrix makes it possible to conduct an analysis of the structure of the corporation’s corporate space and draw conclusions as to the degree to which it is balanced and the level of cultural integration.

Conclusions

Thus, this article's primary inferences are:

- exploring the corporate interaction system should be of an integrated nature, i.e. take account of all the parameters in the assessment of the company;
- cultural potential as a factor is characterized by a certain degree of flexibility;
- the positive or negative orientation or extent of cultural potential is determined by the companies' goals;
- and, as the main point, the augmentation of attention for issues related to cultural interaction is a definite guarantee of the company's success in the market.

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