

# ARE COMPANIES WITH DIFFERENT CORPORATE CULTURE REALLY DIFFERENT? THE CASE OF SLOVAKIA

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## Abstract

*Corporate culture is a term commonly used abroad as an indication of principles, values, rules and behaviours that are creating the essence of organization. However, in Slovakia it is a phenomenon that it slowly adapts to academic level and even slower in business practice. Article deals with the corporate culture of Slovak companies. The attention is paid to the type of corporate culture model and consequently selected factors are examined such as (the field of business, company size and residence region of maternity company) which influenced the type of corporate culture. For categorization of corporate culture commonly very good known Perlmutter's EPR theory is used. This was applied on the sample of 145 companies which are single business entities in Slovakia, though they are somehow connected with at least one foreign company (as subsidiaries, affiliations, franchises, ect.). This connection is a prerequisite for examining a relationship between the culture of maternity and daughter company and therefore for application of selected types of corporate culture.*

**Keywords:** corporate culture, factors, company size, internationalization, Slovakia

**JEL classification:** D64, F23, L26

## 1 Introduction

Corporate culture is not a very familiar term in the practice of Slovak enterprises. It has arguably always been important, but even in the developed countries, it's only become a popular point of discussion in the past 20 years (Alton, 2017). In Slovakia, it is a phenomenon that it slowly adapts to academic level and even

slower in business practice. We do not want to consider Slovak companies as a vivid in corporate culture. Unfortunately, in our country it is very common that the corporate culture is applied without the target as a natural part of the business. In addition, corporate culture as a term is little known in company practice.

Corporate culture means the pervasive values, beliefs, and attitudes that characterize a company and guide its practices (Rouse, 2013). It means the principles and behaviours that permeate organization are the essence of culture. While it's not easily defined, culture is a living, breathing aspect of the business that develops and changes as they grow. It also extends to how they work with customers and partners and even how stakeholders and potential hires perceive them (McClain, 2017). Culture represents the unspoken code of communication among members of an organization (Cremer, 1993). A related view is that culture is a convention that helps coordination, like which side of the road we drive on (Guiso, Sapienza and Zingales, 2014). The managerial literature focuses on the notion of culture as "a set of norms and values that are widely shared and strongly held throughout the organization" (O'Reilly and Chatman, 1996). According to Shein (2015) it is the learned outcome of a group's solving its problems of external survival and internal integration.

The benefits of a strong corporate culture are both intuitive and supported by social science (Coleman, 2013). Alton (2017) adds that there are clear benefits to having a strong, unified company culture underlying the business's operation. Coleman (2013) states that there are six main elements of corporate culture: Vision, Values, Practices, People, Narrative, and Place. On the other hand, some authors reported four main components such as Ubrežiová et al., (2015): Values, Heroes, Rituals, and Symbols.

## 2 Data and Methods

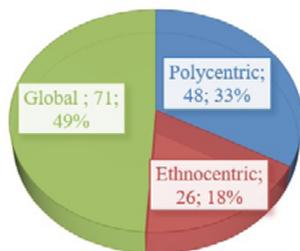
Paper represents the part of the research focused on the Corporate social responsibility and related topics at Slovak business environment. The sample includes data of 145 companies. These all are individual business entities operating in the Slovak Republic, simultaneously connected with at least one foreign business entity which operates out of Slovak territory. Examined companies are subsidiaries of foreign companies which, in the internationalization of their business activities, penetrated the Slovak market. This characteristic is very important due to fact, that pure Slovak companies are considered as not sufficiently focused on corporate culture issues. The connection of the examined companies with the international business environment was a prerequisite for dealing with the corporate culture. Therefore, this research does not have to answer the question of whether or not the enterprises under study deal with business culture. Vice versa, only enterprises that implement

the corporate culture are involved in this research. The goal was to describe selected aspects of the implementation of corporate culture in Slovak companies. Data collection was carried out in 2017 in the form of structured interviews conducted by trained interviewers. Each subject was physically visited and answered by his authorized representative. Paper based on the findings of what type of corporate culture (which model) chosen by the examined companies enter the Slovak market. Consequently, attention is paid to the deepening of the characteristics of these companies such as focus on their business interest, residence region of their mother company and their economic size. We consider these three characteristics as essential for choosing an appropriate corporate strategy with respect to culture. Considering different approaches of multinational companies regarding respect of the culture of maternity company and/or daughter company we used Perlmutter model.

### 3 Results and Discussion

In the process of internationalization, companies which carried out business activities in more than one country have had to focus on the question of the cultural dominance. When invested in the foreign country with similar political, economic and religious background it was easy to assert the same culture (rules, habits, values, ect.) as in the domestic country. The problem usually occurs in cultural distant countries (which used to be also geographical distant) in which it was not possible to apply the same habits and values. As a result of these discrepancies, multinational companies in different subsidiaries have begun to apply different approaches to promoting corporate culture.

Figure 1 **Applied strategies of corporate culture enforcement in examined companies**



Source: Own research, 2017.

This article is based on the theory of Howard Perlmutter, who examined this phenomenon and for categorization of different approaches, he developed the

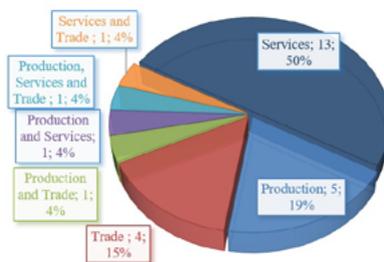
model, well known as EPR model. Model based on the presumption, that the organization's strategy could be influenced by three factors (Perlmutter, 1969): ethnocentrism, polycentrism, or geocentrism in the international environment

According to our research, Figure 1 shows the choices of companies in strategies of corporate culture enforcement. Most of the examined companies (49%) follow the global strategy, 33% of companies choose the polycentric strategy and 18% adhere ethnocentric strategy. This shows that most companies want to create a single corporate culture, regardless of the culture in which the mother and subsidiary companies are located.

### Ethnocentric Corporate Culture

Companies choose ethnocentric strategy in international business when they are trying to keep strong influence of the maternity company and culture of hers country. Usually the main goal of entering foreign market is to increase profit of maternity company and every international functional units (such as research and development, marketing, finance, ect.) are primarily carried out with the needs of the home country. This type of strategy is suitable for companies that will not need a higher degree of adaptation to local conditions and local consumer habits. Successfully it is implemented mostly at geographically and culturally close markets. The degree of autonomy of foreign subsidiaries is low and key management positions are occupied by people from the home country. Even though it looks like it is very simple to implement this strategy, but there are some risks associated with it. The problem can be with the behaviour of the customer or the cultural adaptability of managers and their families, understanding local customs and traditions at foreign market. However, if the cultures of the home country and the host country are incompatible, the implementation of this strategy is not applicable as it would create strong conflicts.

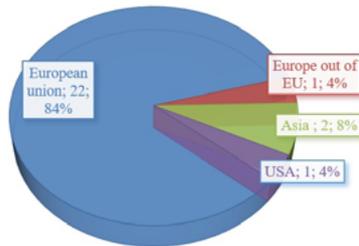
Figure 2 **The business focus of entities applying an ethnocentric model of corporate culture**



Source: Own research, 2017.

Figure 2 shows that half of the companies that chose the ethnocentric model of corporate culture are operating in the service sector. 19% of the sector is occupied by companies in the production area. Trade branch occupies 15%. Only one company from other spheres (services and trade, production, services and trade, production and services, production and trade) follow the ethnocentric model of corporate culture in their business.

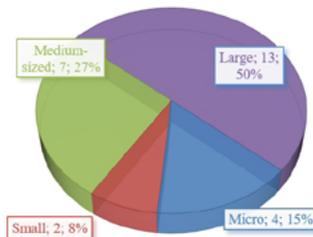
**Figure 3 The residence region of maternity company of entities applying an ethnocentric model of corporate culture**



Source: Own research, 2017.

Figure 3 shows that in most companies which choose an ethnocentric model, mother companies are located in the European Union. The lowest number of such companies is located in Europe, but outside the EU and in the United States.

**Figure 4 Economic size of entities applying an ethnocentric model of corporate culture**



Source: Own research, 2017.

According to research, in Figure 4 it can be seen that small businesses very rarely choose this model of corporate culture. The share of these companies is only 8%. Instead, large companies often choose an ethnocentric model and their share is 50%.

### Polycentric Corporate Culture

Polycentric type of corporate culture is typical for companies which are adapted to local conditions in the host country and local culture. In this case foreign subsidiaries have a great deal of discretion and can more or less independently set local targets. Profit created in host country is usually invested in this country, without effort of maternal company to invest profit in home country. The organization is primarily geographically structured and with the high autonomy of subsidiaries. Human resources management is based on local managers who best understand local market requirements, social and cultural habits and differences. The benefits of extensive autonomy and adaptation to the peculiarities of the local market are usually balanced by major coordination problems between foreign companies.

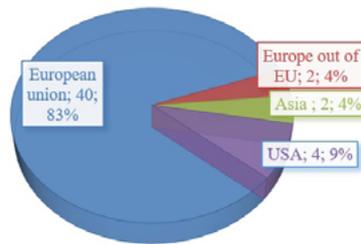
Figure 5 **The business focus of entities applying a polycentric model of corporate culture**



Source: Own research, 2017.

Figure 5 shows that in contradistinction to the ethnocentric model of corporate culture, the polycentric model is the most widespread in the enterprises, whose activity is concentrated on the sphere of production. The share of these enterprises is 40%. This model is the least used in the production and trade sector (4%).

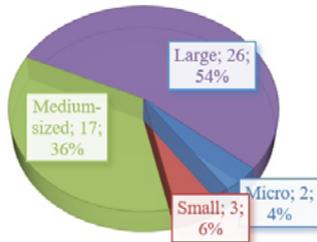
**Figure 6 The residence region of mother company of entities applying a polycentric model of corporate culture**



Source: Own research, 2017.

Figure 6 shows that the lowest number of companies which choose a polycentric model has mother companies in Asia (4%) and in Europe outside the EU (4%). In most companies which choose this model of corporate culture, mother companies are located in the European Union (83%).

**Figure 7 Economic size of entities applying a polycentric model of corporate culture**



Source: Own research, 2017.

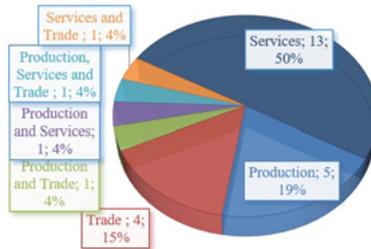
In Figure 7, 54% of large companies adopted a polycentric model in their business. The micro size companies very rarely use this model of corporate culture. According to this research, the share of these companies is equal to 4 %.

### **Global Corporate Culture**

The global type of corporate culture adopt companies which goal is to create a unified management concept and corporate culture, independent of the culture in which parent and subsidiary companies are located. The enterprise strives to optimize business processes globally and knowingly prevents the dominant influence of the national culture of the parent company. Human resources strategy is based on the securing of key functions by the best workers, regardless of whether

they come from a parent country or not. Organizational forms are highly flexible and individual foreign subsidiaries work closely together. The problem of this model can be with unifying the common enterprise culture concept and the compatibility with host country cultures without possibility of any conflicts.

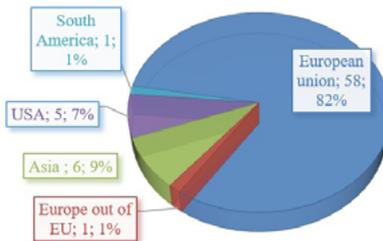
**Figure 8 The business focus of entities applying a global model of corporate culture**



Source: Own research, 2017.

This research shows that the only one company from spheres as services and trade, production, services and trade, production and services, production and trade follow the global model of corporate culture in their business (Figure 8). 50% of the companies that chose this model are operating in the service sector. 19% of the sector is occupied by companies in the production area. Trade area occupies 15%. We can conclude that it is the same situation as with the ethnocentric model.

**Figure 9 The residence region of mother company of entities applying a global model of corporate culture**

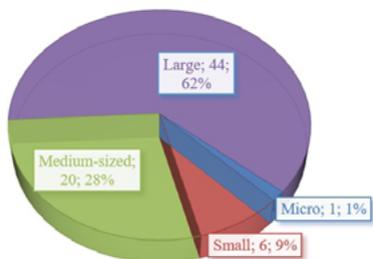


Source: Own research, 2017.

Figure 9 shows that in most companies which chose a global model of corporate culture, mother companies are located in the European Union (82%). The

lowest number of such companies is located in Europe outside the EU (1%) and South America (1%).

Figure 10 **Economic size of entities applying a global model of corporate culture**



Source: Own research, 2017.

According to our research, in Figure 10 large companies often choose a global model of corporate culture and their share is 62%. The share of medium, small and micro enterprises occupies 28%, 9%, and 1% respectively.

These findings can be proved by the similar research of (Rouse, 2013), who states that corporate culture that reflects the broader culture is usually more successful than one that is at odds with it. For example, in the current global culture, which values transparency, equality and communication, a secretive company with a strictly hierarchical structure may have a public relations problem.

## 4 Conclusion

On the basis of the above considerations, it's reasonable to assume that corporate culture is proposed to be understood as rules and norms of behavior based on the material and spiritual values, cultural, ethical and social needs of workers to achieve the goals of the enterprise. 145 companies operating in the territory of the Slovak Republic and simultaneously connected with at least one foreign business entity operating outside the Slovak territory were the object of the study. Practice shows that it is almost impossible to implement the same habits and values as in the territory where the mother company is located. Therefore, it was necessary for enterprises to apply different approaches for the development of corporate culture. According to a study, most of the countries follow the global strategy. This suggests that most companies want to create a single corporate culture, regardless of the culture in which the mother and subsidiary companies are located.

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