

Diagnosing Corporate Culture Construction Problems in China

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Received: December 30, 2014

Accepted: April 14, 2015

Online Published: May 22, 2015

doi:10.5539/ijbm.v10n6p234

URL: <http://dx.doi.org/10.5539/ijbm.v10n6p234>

Abstract

Corporate culture has become an important topic during the last thirty decades. Although it is intangible, it plays a more and more important role in the development of a corporation. Yet in China, there exist some problems in corporate culture construction. These problems, to some extent, are due to not having though understanding of corporate culture and its history. Therefore, this paper reviews the development of corporate culture both in and out of China, summarizes the characteristics of corporate culture, and from the perspective of in-depth understanding of corporate culture analyzes some of these problems of corporate culture building and the causes.

Keywords: corporate culture, basic concept, problems

1. Introduction

Corporate culture is an important intangible part of an enterprise's software for success. Lacking of a positive corporate culture will greatly affect the liveliness, cohesion and operational efficiency of a corporation. Currently, the theories and practice of corporate culture construction in domestic corporations lag far behind compared with those in western country and especially in their large corporations. The distance in this field is one of the main factors which impair the efficiency, development and competitiveness of domestic corporations. This lag is highly related to the insufficient research of corporate culture in our own country. Though a lot of works about corporate culture has been translated into Chinese, numerous books about corporate culture have been written, many institutions of corporate culture construction consulting has been established, the basic things—what is corporate culture and the essences of it are ignored. After almost thirty years of development, there still exist some misunderstandings or not-in-depth understandings of the basic concepts of corporate culture, which will directly influence the corporate culture construction of companies. So it is quiet necessary for us to review and restudy the essentials of corporate culture, and to analyze the problems existed in corporate culture construction from the angle of the basic concepts of corporate culture for the purpose of drawing due attentions and giving some suggestions to how to solve the current problems of corporate culture construction in China.

2. Corporate Culture and Its Development in China

2.1 Corporate Culture in Western Countries

The promotion of corporate culture as a field of study and a practical management technique took off in the early 1980s in the United States as a response to the Japanese economic “threat”. It begins with the publication of Bill Abernathy's *Management in Recession* on Harvard Business Review, which established the theoretical foundation of management through culture. Between 1981 and 1982, Four influential works about corporate culture are published: William Ouchi's *Theory Z: How American Business Can Meet the Japanese Challenge*, Pascale and Athos' *The Art of Japanese Management*. Deal and Kennedy's *Corporate Culture: the Rites and Rituals of Corporate Life*. Thomas J. Peters and Robert H. Waterman, Jr.'s *In Search of Excellence: Lessons from America's Best-Run Companies*. The four books symbol the establishment of corporate culture management theory. And the study of corporate culture in 1980s is the era of theory discussion. In 1990s and in 21st century, the study abroad of corporate culture is mainly focus on application aspect. For example, Miller L M's *American Spirit: Visions of A New Corporate Culture*, Schein E H's *Organizational Culture and Leadership*, John P Potter James and L.Hesket's *Culture and Performance*. Susan C. Schneider's *Managing Across Cultures*.

2.2 Evolution of Corporate Culture in China

The study of corporate culture in China begins with the translation and introduction of western countries'

theories about corporate culture, but it did not attract a lot of attention. In mid 1990s, a lot of domestic works are published and the studies during this period mainly focus on CI (corporate image), the concept of corporate culture attracted widespread attention but little attempts was made to apply it in details. In this new century, more books devoted to this subject are published, these books provide step-by-step accounts of the various kinds of core values, corporate philosophies, rituals, employee incentives, and other techniques that will result in a stronger and more positive corporate culture, and at the same time these theories are applied to practices, most of enterprises began to establish their own corporate culture. And on 16 March 2005, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) issued the “Guiding Opinion on Strengthening the Building of Corporate Culture in Centrally Controlled Corporations”. Though this opinion only clearly sets out our government's prescriptions for corporate culture within the 155 large state-owned corporate groups directly under central government control; it indicates that China goes into a corporate culture nourishing period.

The previous research in China formed the theoretical framework of corporate culture, and it gradually fits the practice of corporate culture construction in China. But we still have a long way to go. The corporate culture in China is in its preliminary stage, most corporations are faced with corporate culture construction problems.

3. The Essences of Corporate Culture and Its Characteristics

3.1 What Is Corporate Culture

In trying to define corporate culture, the most logical place to start would be with the definition of the term culture. The English Oxford Dictionary's definition of culture is: noun, the customs, institutions, and achievements of a particular nation, people or group. Culture (from the Latin cultura stemming from colere, meaning “to cultivate”) generally refers to patterns of human activity and the symbolic structures that give such activities significance and importance. Culture can be defined as all the ways of life including arts, beliefs and institutions of a population which are passed down from generation to generation. Corporate culture is a kind of subculture, every corporation, like every society, has its culture, but the difference is that whether it is spontaneously formed or not, whether it is positive or negative. The corporate culture in most books and articles refers to positive corporate culture. There are many ways of defining it; it can be defined as “a cognitive framework consisting of attitude, values, behavioral norms and expectations.”(Greenberg & Baron, 1997), “collective thoughts, habits, attitudes, feelings and patterns of behaviors” (Clemente & Greenspan, 1999) “the pattern of arrangement, material of behavior which has been adopted by a corporation as the accepted way of solving problems” (Ahemed et al., 1999). No matter how it is defined, it typically includes four key elements: First, corporate culture is people-oriented management, employees are highly valued and there exist interactions within and across functional departments. Second, shared values are the core element of corporate culture, which are consistent with corporate purpose and aligned with the personal values of its staff. Third, the foster of corporate culture relies on various visible carriers. Fourth, the criteria of evaluation corporate culture is whether it can adapt the competitive environment of the marketplace.

3.2 Characteristics of Corporate Culture

The corporate culture discussed in this paper refers to positive corporate culture. Once established, it can make significant contributions to a corporation's success. There are totally 7 characteristics of corporate culture.

- (1) Stability. The cultivation of corporate culture needs a long period of time. Japan is the country which cultivates most successful corporate culture in the world, and it is also the country with the top number of longevity companies. According to a recent report made by Korea Bank, there are, in the world, 5586 companies with more than 200 years history. Among these companies, there are 3146 Japanese companies. And the number of companies with more than one hundred years of history in Japan is 50,000. During enough long period of time, these companies have established their positive corporate cultures and it will remain stable. It will not take fundamental changes with the renewing of products, reconstruction of organizational structure and the change the top managers
- (2) Plasticity. This means corporate culture can be cultivated. There are two ways of cultivating corporate culture. It can be realized either by accumulation during the every day operation and management or by establish with a clear purpose following corporate culture theories.
- (3) Differentiation. Different companies in different societies, different nations, and different regions have different corporate culture; even companies in similar industry have different corporate cultures. This characteristic is determined by external environment which includes societal, regional, economical factors and internal factors such as the industry it involved in, its operational pattern and personal style of top managers.

(4) **Adaptability.** Corporate culture can adjust quickly in response to both the external and internal conditions. Successful corporations adapt and continually improve their cultures in response to changes in the external and internal business environment.

(5) **Sociality.** Corporate culture is a kind of subculture; it inevitably bears some characteristics of the culture of the society in which it exist.

(6) **Invisibility.** Corporate culture is invisible, a company's corporate culture does not equal to its expressed logos, slogans, mission statement, and objectives.

(7) **Integration.** Corporate culture, with the company itself, forms an integrated whole. It likes air, permeates through every aspect of a company.

4. Analysis of Corporate Culture Construction Problems

4.1 Politicalization of Corporate Culture

One of the major problems of Chinese corporate culture is confusing corporate culture work with political and ideological work. Political and ideological work is a tradition we cultivated during the construction of our communist party and army. It is the life of party and it plays and will play an unsubstitutable role at present and in the future in China. But it is not the key of unlocking all locks. If we confuse the two, that means we overestimate the functions of political and ideological work and underestimate the functions of corporate culture.

In fact, this phenomenon is partially associated with our special national conditions. All the enterprises are public-owned before reform and opening up policy. Though after that, enterprises have undergone transformation, its though change is impossible in relatively short period of time. In many universities, research on corporate culture is still the orientation of Marxist Theory & Ideological and Political Education major. I am not saying that their researches are not good, but their research bears too many characteristics of political and ideological work. More researches in this field should be conducted under economics major, because the fundamental objective of corporations is to maximize their profits, and this means placing their primary emphasis on economic returns. But political and ideological work places its primary emphasis on political objectives. These two emphases are fundamentally different. If a corporation lists political and ideological work as one of the "core values" of its corporate culture, and includes various policies promoted by the government within the definition of its corporate culture, it means that this "corporate culture" will simply not be aligned with the corporation's own developmental requirements. Corporate culture is a concept in economics, in management, it is used to enhance efficiency and to maxim profits. So political and ideological education should be kept as far away from corporations as possible and allow corporations to truly become independent entities guided primarily by their own economic interests- based corporate culture.

4.2 Formalization of Corporate Culture

Corporate culture was first introduced into our country as an advanced mode of management after the implementation of reform and opening-up policy. Corporate culture in China has undergone nearly three decades of development. Today, almost every company values this as advanced management, but many companies simply misunderstand it as the visible slogans, and they do not carry out systematically constructions of corporate culture, not mention its being identified by all the employees. Many companies have tall buildings, beautiful uniforms, and careful designed promotion materials, but when you go to these companies, you can experience their cultures nowhere. Their understanding is partial; they only see the marginal but not the core aspect of corporate culture. Edgar H. Schein (1985), in his book *Organizational Culture and Leadership*, states that corporate culture should be divided into three levels, artifacts (visible organizational structures and processes), espoused values (strategies, goals and philosophies) and basic assumptions (unconscious, taking-for granted beliefs, perceptions, thoughts and feelings). Peg Neuhauser, Ray Bender, Kirk Stromberg (2000) in their book, *Culture.com: Building Corporate Culture in the Connected Workplace*, states that there are three layers of corporate culture, the outside layer includes symbols and language, the second layer includes behaviors and habits, and the deepest layer includes shared Underlying Assumptions and Core Values of the Group. Synthesizing the advantages of the above mentioned theories, I make a figure of the structure of corporate culture. (see figure 1) The whole structure is like lotuses in water, its flowers and leaves on the surface, its stem in water, and its roots in under- water soil. The printed slogans, mission, CI, values, holding art and sports activities for employees are only the visible flowers. Without the nutrition of the roots absorbed in soil, the soil of shared assumptions and core values, and the transportation through the stem of behaviors and habits of all staff of a company, these flowers will not stay long. So every company should understand that corporate culture construction does not only superficially mean some simple symbols and written materials, but means behaviors

and habits cultivated by of core values and basic assumptions of a company.

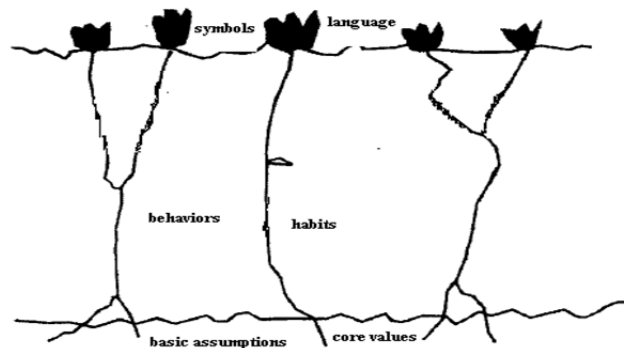


Figure 3. The structure of corporate culture

4.3 Full of Imitations and Similarities, Lack of Differentiation

Another phenomenon in China is that many companies' corporate culture symbols are similar or even identical. One reason for it is imitation of the missions, visions, values and the ways of implement of other companies' corporate culture. Many companies in China now have realized the importance of corporate culture construction, but they think adopting corporate cultures of successful corporations is a shortcut of constructing their own cooperate culture. Draw on the experiences from successful enterprises is quiet necessary, without learning from others, there will be not improvement. But we should always bear in mind corporate culture is a subculture, it has all the characteristics of culture, culture can never be copied, so can not corporate culture. The so called corporate cultures these companies imitate are only something floating on the surface, but not the things underlying or the essentials. Corporate culture only with form can not be regard as real corporate culture. The main purpose of corporate culture construction is to enhance the competitive advantage of a company, to make the intangible tangible. Without it, the construction will lost its meaning of existence. Corporate culture, like culture, can only be cultivated. Fostering the right corporate culture will require long-term commitment to inculcate core values and get people practicing specifically defined behaviors to bring the desired culture and results.

In fact, even companies in similar industries, with different histories of development, of different sizes, at different development stages, in different regions, and facing different can not cultivate same culture. Take Amway and Avon for example, they are two large corporations both mainly focus on commodities and cosmetics production and take the mode of direct selling. Because of similar product lines and same mode of marketing, the two corporations' cultures share some similarities in some respects. Their corporate culture both include values like integrity, trust, respect, partnership, they all have an aim of helping people to discover their potentials and achieve their goals, offering better products and opportunities for people, sharing generously with the global community. But their vision, which the embodiment of core values, are different, The vision of Amway is to Help People Live Better Lives while Avon's is to be the company that best understands and satisfies the product, service and self-fulfillment needs of woman, to improve the lives of women. The people in Amway's corporate culture refer to consumers, business owners, employees and neighbors. But Avon's only focuses on the needs of women. They apply the two different visions to their daily operation, which can be seen through their different categories of products, different scope of consumers. Amway's products include a variety range of goods such as cosmetics and skin care, nutritional supplements, cookware, home care products and so on. But Avon mainly sells beauty products. That's why corporate culture can make intangible tangible, but the prerequisite is it should be different from culture of other companies. In a word, corporate culture without differences, without its unique characteristics, corporate culture will not have differentiating competitiveness, and will lose its soul!

5. Conclusion

A company which is able to develop a positive corporate culture can enjoy many benefits. It increases team cohesiveness among various departments which serves as the glue that bonds people together; shapes the behavior of staff through assimilation of core values which enables the organization to be more effective and efficient; increases staff motivation by providing them a sense of belonging, loyalty values, encourages them to

think positively about themselves and their organization; and enables an organization to maximize staff's potential and gain a competitive edge (Victor S.L. Tan). Due attention has been given to corporate culture construction and a lot of efforts have been made in China. But there still exist a lot of problems. The phenomena analyzed in part 4 are only the typical ones out of many. From the above analyses, we can clearly see that most of these problems are due to the partial or wrong understandings of corporate culture. So, when we judge whether a company is cultivating a positive culture, whether there exists some problems of its corporate culture construction, we had better review the essences of corporate culture to see whether the present corporate culture is conflict with the basic concepts. Only in this way can corporate culture construction be timely adjusted, can a positive culture be developed.

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