MODERN UKRAINIAN CORPORATE CULTURE AND TRANSFORMATION OF BUSINESS PROCESSES

© 2019 **MUKHA S. V.**

Mukha S. V. Modern Ukrainian Corporate Culture and Transformation of Business Processes

The article analyzes the current state of the Ukrainian corporate culture. The most common points of view on changes in business processes and their impact on the corporate culture of an enterprise are identified. The main mistakes of Ukrainian entrepreneurs in relation to corporate culture are revealed. The current directions in the development of the Ukrainian corporate culture and stereotypes which hinder it are defined. A comparison of two main points of view on the primacy of changes in corporate culture and changes in business processes is made. The features of the corporate culture of different countries are identified. Some aspects of the corporate culture of developed enterprises which can be introduced in Ukrainian realities are highlighted. It is established that changes in business which lead to changes in corporate culture are necessary under the following conditions: the corporate culture does not meet the strategic goals of the company; there are signs of an unhealthy corporate culture, which prevents the company from achieving positive results; stagnation: all innovations meet strong resistance of employees, which hinders dynamic development; fragmentation and separation of organizational units; mergers or other forms of business restructuring.

Keywords: corporate culture, change in corporate culture, transformations, modern Ukrainian corporate culture, management.

Mukha Svitlana V. – Postgraduate Student of the Department of Management and Business, Simon Kuznets Kharkiv National University of Economics (9a Nauky Ave., Kharkiv, 61166, Ukraine)

E-mail: lanamukha@gmail.com

Муха С. В. Сучасна українська корпоративна культура та трансформація бізнес-процесів

Проаналізовано сучасний стан української корпоративної культури. Визначено найпоширеніші точки зору щодо зміни бізнес процесів та їхнього впливу на корпоративну культуру підприємства. Виявлено основні помилки українських підприємців щодо корпоративної культури. Визначено сучасні напрямки розвитку української корпоративної культури та стереотипи, що її гальмують. Порівняно дві основні точки зору щодо первинності змін у корпоративній культурі та змін бізнес-процесів. Визначено особливості корпоративної культури різних країн. Виокремлено деякі аспекти корпоративної культури розвинених підприємств, які можна запровадити в українських реаліях. Встановлено, що зміни у бізнесі, які призводять до зміни корпоративної культури, необхідні, якщо корпоративна культура не відповідає стратегічним цілям компанії, є ознаки нездорової корпоративної культури, що заважає компанії досягти позитивних результатів, наявність стагнації (всі нововведення зустрічають сильний опір працівників, що перешкоджає динамічному розвитку) тощо.

Ключові слова: корпоративна культура, зміна корпоративної культури, зміни, сучасна українська корпоративна культура, менеджмент.

Муха Світлана Віталіївна – аспірант кафедри менеджменту та бізнесу, Харківський національний економічний університет ім. С. Кузнеця (просп. Науки, 9а, Харків, 61166, Україна)

E-mail: lanamukha@gmail.com

Муха С. В. Современная украинская корпоративная культура и трансформация бизнес-процессов

Проанализировано современное состояние украинской корпоративной культуры. Определены самые распространенные точки зрения на изменения бизнес-процессов и их влияние на корпоративную культуру предприятия. Выявлены основные ошибки украинских предпринимателей по отношению к корпоративной культуре. Определены современные направления развития украинской корпоративной культуры и тормозящие ее стереотипы. Произведено сравнение двух основных точек зрения по первичности изменений в корпоративной культуре и изменений бизнес-процессов. Определены особенности корпоративной культуры разных стран. Выделены некоторые аспекты корпоративной культуры развитых предприятий, которые можно ввести в украинских реалиях. Установлено, что изменения в бизнесе, которые приводят к изменению корпоративной культуры, необходимы, если корпоративная культура не соответствует стратегическим целям компании, есть признаки нездоровой корпоративной культуры, что мешает компании достичь положительных результатов, наличие стагнации (все нововведения встречают сильное сопротивление работников) и т. п.

Ключевые слова: корпоративная культура, изменение корпоративной культуры, изменения, современная украинская корпоративная культура, менеджмент.

Муха Светлана Витальевна – аспирант кафедры менеджмента и бизнеса, Харьковский национальный экономический университет им. С. Кузнеца (просп. Науки, 9а, Харьков, 61166, Украина)

E-mail: lanamukha@gmail.com

ЕКОНОМІКА МЕНЕДЖМЕНТ І МАРКЕТИНГ

One of the most controversial aspects in studying corporate culture is the linkage between changes produced by business and changes brought about by corporate culture. This is a truly challenging and important issue and there is still no consensus among numerous researchers about it.

Many foreign and some Ukrainian scientists have studied modern corporate culture and considered this phenomenon in their books and articles. For example, Adam Bryant conducted a terrific research on the so-called "start-up culture phenomenon" and how its implementation and development can improve business process of "mature" companies. The international bestseller "The Toyota Way" by Jeffrey Liker and Michael Hoseus has inspired many companies all over the world, including some modern Ukrainian and Russian companies, to implement the so-called "lean production" into the production management concept. Other important international researches highlighting the issue of corporate culture were carried out by Edgar H. Schein, Tony Hsieh, Blake Mycoskie, Dave Logan, John King, Halee Fischer-Wright, and others. Unfortunately, Russian and Ukrainian scientists do not pay enough attention to studying corporate culture, though modern local business starts realizing the true importance of implementing a healthy corporate culture and its impact on business results. Among influential domestic researches dealing with corporate culture particular attention should be paid to works presented by V. Zhuravleva, E. Karasyuk, Jaap J. Boonstra, John P. Kotter, and M. Batyrev [1].

The purpose of the research is the modification of business processes and its influence on corporate culture of an enterprise.

The ability to distinguish the changes produced by business and those brought about by corporate culture is crucial. It is important to answer the question: do all changes generated by business have an impact on corporate culture? If not all changes produced by business have an impact on corporate culture, how can such changes be separated from the changes which actually have a strong impact? If any change in business is inevitably reflected on corporate culture, what would be the consequences for the culture?

In fact, changes in business are often equated to changes in corporate culture, which is not correct. Thus, first of all, it is important to separate the concept of changes produced by business from the concept of changes brought about by corporate culture. Secondly, the focus should be on smart planning and organizing changes in business so that the corporate culture would not reject them but even support.

In other words, the point is to build an interconnection between corporate culture and changes in business. However, Ukrainian business often neglects or doesn't pay enough attention to the linkage between changes produced by business and changes brought about by corporate culture. Further research of this topic is relevant and highly important [2].

There are two most popular points of view:
+ Corporate culture is primary. Supporters of this approach think that change in corporate culture is a mandatory first step towards other types of organizational transformations. According to this approach any modification within an organization should include changes in its corporate culture and without these changes it would be impossible to successfully implement any strategic change. Among the followers of this approach there are Mark Rozin, Friedrich Glasl, Jaap J. Boonstra.
+ Corporate culture is secondary. One of the followers of this approach is Dr. Kotter. According to this approach, change in corporate culture occurs as a result of organizational changes and is a final phase of this process. Modification of corporate culture is the 8th step of Dr. Kotter's award-winning 8-Step Process for Leading Change.

We share the opinion that corporate culture is primary. Successful implementation of organizational changes greatly depends on the existing corporate culture. Such changes can either match or contradict the existing corporate culture. Organizational changes can also threaten the existing corporate culture.

Ukrainian entrepreneurs still neglect the phenomenon of corporate culture. D. Dyomin, in his book "Corporate Culture: the Ten Most Common Misconceptions" accurately describes popular mistakes of Ukrainian and Russian entrepreneurs in their attitude and understanding of corporate culture.

One of the most popular mistakes of Ukrainian and Russian entrepreneurs is their perception of corporate culture as a simple way of manipulation or brainwashing of their employees. They neglect the importance of translation of the corporate culture and do not pay attention to the determination and formal declaration of the key components of the business philosophy – vision, mission, and values [3].

Besides, many Ukrainian and Russian entrepreneurs still believe that there are companies without corporate culture. They have no understanding of the true nature of corporate culture and its importance for business results. The special business climate of early 90s is one of the causes of this misconception regarding corporate culture.

Another popular mistake of Ukrainian and Russian entrepreneurs in their attitude to corporate culture is the idea that it is possible to "order" corporate culture or business philosophy at a PR agency and have a different kind of corporate culture for clients, partners, and employees. This stereotype is created by a wrong perception of the idea of corporate culture. Variable corporate culture usually illustrates contradictions between values of top management and staff members. While values have a great influence on behavior and attitude of employees, variable corporate culture can greatly decrease the level of authority of the leaders and the and the level of the company's reputation.

Furthermore, there is still a stereotype among many Ukrainian and Russian entrepreneurs that corporate culture is a trick which was invented in the West and cannot be applied to Eastern European business environment. In 1912 Russian entrepreneurs developed a peculiar set of rules for

entrepreneurs called "7 rules of conducting business in Russia". The set of rules created at the beginning of the 20th century included the following guidelines:

✦ respect authority;
✦ be honest and sincere;
✦ respect the private property rights;
✦ love and respect the individual;
✦ keep your word;
✦ live within your means;
✦ be goal-oriented.

Unfortunately, these rules were changed to "the Moral Code of the Builder of Communism".

Another popular misbelief among Ukrainian entrepreneurs is an idea that it is impossible to change corporate culture. Pretty often they also underestimate the influence of behavior and attitude of the owner or top management to the formal rules and regulations of an enterprise [4].

Unfortunately, too often Ukrainian entrepreneurs and top managers do not have exact expectations of the corporate culture of their enterprise. They don't try to determine the current state of the corporate culture and, of course, cannot plan exact steps to implement necessary changes. The majority of local entrepreneurs still believe that the only mission of their company is to increase profits.

Thus, it is possible, though not easy and rather time-consuming, to change corporate culture. Let's discuss the first point of view: corporate culture is primary.

E. Krasyuk, in his book "Elephant at the Dance Floor. How Herman Gref and His Team Teach Sberbank to Dance", describes how Head of Sberbank Herman Gref implemented drastic changes into the management and corporate culture of Sberbank, including a popular Japanese model – Toyota Production System (TPS). The process of implementing the new model has turned into a huge confrontation of the management and staff members.

Philip Mirvis, Karen Ayas, and George Roth, experts in the area of organizational psychology, the authors of the bestseller "To the Desert and Back: The Story of One of the Most Dramatic Business Transformations on Record", demonstrate, using the example of the major corporation Unilever, how business can achieve extraordinary results by focusing on fundamental changes of corporate culture.

The positive experience of Unilever proves that successful business modifications require changes in the attitude and vision of employees. All business processes within one company, which was part of Unilever, were drastically modified by conducting a special educational program organized not only for the management but for all staff members as well. The transformation strategy was focused on people (managers, specialists, workers) and the main goal of the transformation was to change their mindset and attitude to their work. The changes have led to impressive business growth [5].

Blake Mycoskie, the founder of TOMS Shoes, in his book "Start Something that Matters", wrote about the virtues of social entrepreneurship and the concept of businesses using their profits and company assets to make charitable donations or engage in other charitable efforts, based on his experience with Toms to demonstrate both the intangible and real returns.

Mycoskie founded Shoes for Better Tomorrows (TOMS) in 2006. Designed as a for-profit business which could continually give new shoes to disadvantaged children, he created the One for One business model: the company would donate a new pair of shoes for every pair of shoes sold. An early example of social entrepreneurship, the Shoes, similar to the

Argentinian Alpargata, was created to appeal to a worldwide audience, which would both sustain the company's mission and generate profit. TOMS is a great example when mission and goals of the company are vital for its success. Special business philosophy has attracted not only numerous devoted customers but also has formed a unique team of people with the same vision and passion.

We do not agree that all changes within an organization have to focus on changing its corporate culture. If it was true, companies would be reluctant to implement any changes because changing corporate culture is a complicated process. Hence, such transformations should take place only when changes in the core values and understanding of the process is required or when it is clear that the existing corporate culture contradicts necessary modifications or is outdated.

Let's discuss the second point of view: corporate culture is secondary. We agree that a change in corporate culture can take place after transforming the business process under the condition that the change was thoughtfully implemented and didn't have destructive influence on the corporate culture.

We disagree that changing corporate culture is a separate stage of the whole transformational process, while we believe corporate culture is primary. Corporate culture exists at all stages of business transformations so it is vitally important to analyze the influence of such business changes on corporate culture before starting any crucial modifications [6].

The implementation plan and the key strategic tools which will translate the changes to employees should be chosen considering the existing corporate culture and its peculiarities, otherwise these changes can lead to negative consequences.

In 1996, John Kotter published "Leading Change". Considered by many to be the seminal work in the field of change management, Kotter's research revealed that only 30 % of change programs succeed.

Since the book's release, literally thousands of books and journal articles have been published on the topic, and courses dedicated to managing change are now part of many major MBA programs. Yet in 2008, a McKinsey survey of 3,199 executives around the world found, as Kotter did, that only one transformation in three succeeds. Other studies over the past 10 years reveal remarkably similar results. It seems that, despite prolific output, the field of change management hasn't led to more successful change programs.

It also hasn't helped that most academics and practitioners now agree on the building blocks for influencing employee attitudes and management behavior. McKinsey's Emily Lawson and Colin Price provided a holistic perspective in "The Psychology of Change Management", which suggests that four basic conditions are necessary before employees will change their behavior:

- ✦ a compelling story, because employees must see the point of the change and agree with it;
- ✦ role modeling, because they must also see the CEO and colleagues they admire behaving in the new way;
- ✦ reinforcing mechanisms, because systems, processes and incentives must be in line with the new behavior;
- ✦ capability building, because employees must have the skills required to make the desired changes.

So when is it necessary to change corporate culture? Modern researchers on change management Emily Lawson and Colin Price have introduced the concept of the "scale of change". They have distinguished 3 types of modifications based on the level of their difficulty [7]:

Modifications of the first type require certain actions to achieve necessary results but do not require any changes in the usual style of work. An example of this type of modification is separation of non-core assets to concentrate on the main business.

Modifications of the second type are more complex and require that employees change their work methods but still rely on the existing rules. For example, a company implementing innovations to grow can receive new ideas by establishing collaborations with Universities and research institutions.

The third type of modifications includes profound cultural transformations, e.g., implementation of entrepreneurial culture and development of a business owner mindset. These drastic transformations require not only changes in the behavior but also in the mindset of employees and thus can meet strong resistance.

As we can see, the modifications of the first and second level touch technological aspects or general business ideas, so they won't meet strong opposition from the existing corporate culture, since they do not endanger it in and have no real influence on it. Such changes can be implemented without any preparation.

The third type of modifications, which comprises profound cultural transformations, will have a huge influence on corporate culture. Before taking a decision regarding these transformations it is important to thoroughly analyze the existing corporate culture and predict the influence of the changes on it. Also it is crucial to carefully plan the implementation and to prepare the internal environment of the company to the innovations [8].

Jaap J. Boonstra, in his book "Cultural Change and Leadership in Organizations", mentions 8 reasons to change corporate culture:

- ✦ survival during a crisis;
- ✦ strengthening the current position;
- ✦ expansion into international markets;
- ✦ restart of the business plan;
- ✦ requalification to implement the future plans;
- ✦ excessive cultural diversity inside the company (complexities in building consensus);
- ✦ breakthrough innovations;
- ✦ maximization of the customer value.

Jaap J. Boonstra believes that each of these changes requires careful and thorough approach, smart leadership and developed methodologies of intervention into the current state of affairs.

Another crucial point for corporate culture is mergers or acquisitions of companies. This is a classic example when a strong corporate culture can prevent successful modifications. Usually mergers or acquisitions require numerous organizational changes, which can contradict the existing corporate culture. Also each of the companies which underwent a merger or an acquisition can have different unique corporate cultures, which can result in a strong confrontation.

We believe that business changes which lead to a change in corporate culture are necessary under the following conditions:

- ✦ corporate culture doesn't meet strategic goals of the company;
- ✦ there are signs of an unhealthy corporate culture, which prevents the company from achieving positive results;
- ✦ stagnation: all innovations meet strong resistance of employees, which hinders dynamic development;
- ✦ fragmentation and dissociation of organizational units;
- ✦ merger or other forms of business restructuring.

It is important to consider such significant features of corporate culture as inertia and weak exposure to external influence.

The phenomenon of corporate culture includes not only values but also behavior of employees motivated by these values. This creates one of the biggest difficulties in working on corporate culture, because values and behavior of employees can be irrational and not logical, depending on personal unconscious [9-10].

As early as in 1992, Edgar H. Schein said that transformation of the corporate culture is the most difficult modification within a company. It is possible to change dress code, office, product, management, mission, motivation, and rules, but it is really complicated to change core principles and outlook of employees.

CONCLUSIONS

Even though at present domestic researchers pay more and more attention to corporate culture, and this increasing interest is caused by the growing demand of business, modern Ukrainian corporate culture in not fully analyzed and studied. Those Ukrainian companies which pay close attention to implementing a healthy corporate culture usually use western approaches and do not really adjust them to national aspects. The majority of Ukrainian entrepreneurs still neglect the phenomenon of corporate culture.

ЕКОНОМІКА МЕНЕДЖМЕНТ І МАРКЕТИНГ

One of the most popular mistakes of Ukrainian and Russian entrepreneurs is their perception of corporate culture as a simple way of manipulation or brainwashing of their employees. They neglect the importance of translation of the corporate culture and do not pay attention to determination and formal declaration of the key components of the business philosophy – vision, mission, and values.

Besides, many Ukrainian and Russian entrepreneurs still believe that there are companies without corporate culture. They have no understanding of the true nature of corporate culture and its importance for business results. The special business climate of the early 90s is one of the causes of this misbelief regarding corporate culture.

Furthermore, there is still a stereotype among many Ukrainian and Russian entrepreneurs that corporate culture is a trick which was created in the West and cannot be applied to Eastern European business environment.

The ability to distinguish the changes produced by business and the ones brought about by corporate culture is crucial. There are two most popular points of view: corporate culture is primary and corporate culture is secondary. We share the opinion that corporate culture is primary, since successful implementation of organizational changes greatly depends on the existing corporate culture. These changes can either match or contradict the existing corporate culture. Organizational changes can also threaten the existing corporate culture.

We do not agree that all changes within an organization have to focus on changing its corporate culture. If it was true, companies would be reluctant to implement any changes because changing corporate culture is a complicated process. Hence, such transformations should take place only when a change in the core values and understanding of the process is required, or when it is clear that the existing corporate culture contradicts necessary modifications or is outdated.

We agree that a change in corporate culture can take place after transforming the business process under the condition that the change was thoughtfully implemented and didn't have destructive influence on the corporate culture.

We disagree that changing corporate culture is a separate stage of the whole transformational process, while we believe corporate culture is primary. Corporate culture exists at all stages of business transformations, thus it is vitally important to analyze the influence of such business changes on corporate culture before starting any crucial modifications.

The implementation plan and the key strategic tools that will translate changes to employees should be chosen with consideration for the existing corporate culture and its peculiarities, otherwise the changes can lead to negative consequences.

The phenomenon of modern Ukrainian corporate culture requires further research and analysis and is getting more attention from modern Ukrainian business.

It is important to investigate and analyze how our Soviet past influences the modern Ukrainian corporate culture and which of the currently used western approaches can be adjusted and used in modern domestic companies. Moreover, it is important to research how specific Ukrainian markets and products influence the corporate culture of Ukrainian enterprises. It is truly necessary to study the types of leadership in modern Ukrainian business while the majority of enterprises are still managed by their founders and owners. Cultural characteristics have a drastic impact on the corporate culture of national enterprises and require further attention.

Although the phenomenon of corporate culture receives lots of attention in the West, scientists still do not have the same opinion regarding its nature. Some researchers believe that corporate culture represents, first of all, true values of a company, while others are sure it represents visible behavior of a company's employees. Of course there is an opinion that corporate culture itself is true values of a company and visible behavior of its employees.

In Ukraine local business should concentrate on an in-depth study of corporate culture and its functions to understand true meaning of this phenomenon and its influence on business processes and results. The outdated understanding and approach of Ukrainian business to corporate culture of an enterprise as a "healthy atmosphere among the employees" has a negative influence on the business results. ∎

LITERATURE

1. Скобцев Александр. Корпоративная культура: современная философия успешного бизнеса. URL: http://forbes.net.ua/opinions/1420172-korporativnaya-kultura-sovremennaya-filosofiya-uspeshnogo-biznesa

2. Вумек Дж. П., Джонс Д. Т. Бережливое производство. Как избавиться от потерь и добиться процветания вашей компании. М. : Альпина Паблишер, 2011. 472 с.

3. Журавлева В. Корпоративная культура – зеркало руководителя. М. : ЛитРес : Самиздат, 2018. 213 с.

4. Frederick W. Taylor American inventor and Engineer // Encyclopaedia *Britannica*. URL: https://www.britannica.com/biography/Frederick-W-Taylor

5. Bryant A. Quick and Nimble: Lessons from Leading CEOs on How to Create a Culture of Innovation – Insights from The Corner Office. Times Books, 2014. 288 p.

6. Демин Д. Корпоративная Культура: 10 самых распространённых заблуждений. М. : Альпина Паблишер, 2016. 137 с.

7. Карасюк Е. Слон на танцполе. Как Герман Греф и его команда учат Сбербанк танцевать. М. : Манн, Иванов и Фербер, 2013. 23 с.

8. Blake Mycoskie Start Something That Matters. Spiegel & Grau, 2012. 224 p.

9. Denning S. How Do You Change An Organizational Culture? URL: https://www.forbes.com/sites/stevedenning/2011/07/23/how-do-you-change-an-organizational-culture/#3ec9809c39dc

10. Aiken C., Keller S. The Irrational Side Of Change Management. URL: https://www.forbes.com/2009/05/01/

ЕКОНОМІКА МЕНЕДЖМЕНТ І МАРКЕТИНГ

change-management-employees-leadership-managing-mckinsey.html#24ccec8e2ed4

REFERENCES

Aiken, C., and Keller, S. "The Irrational Side of Change Management". https://www.forbes.com/2009/05/01/change-management-employees-leadership-managing-mckinsey.html#24ccec8e2ed4

Blake Mycoskie Start Something That Matters. Spiegel & Grau, 2012.

Bryant, A. *Quick and Nimble: Lessons from Leading CEOs on How to Create a Culture of Innovation - Insights from The Corner Office*. Times Books, 2014.

Demin, D. *Korporativnaya Kultura: 10 samykh rasprostranennykh zabluzhdeniy* [Corporate Culture: The 10 most common misconceptions]. Moscow: Alpina Pablisher, 2016.

Denning, S. "How Do You Change An Organizational Culture?" https://www.forbes.com/sites/stevedenning/2011/07/23/how-do-you-change-an-organizational-culture/#3ec9809c39dc

Frederick, W. "Taylor American inventor and Engineer". Encyclopaedia Britannica. https://www.britannica.com/biography/Frederick-W-Taylor

Karasyuk, Ye. *Slon na tantspole. Kak German Gref i yego komanda uchat Sberbank tantsevat* [Elephant on the dance floor. How German Gref and his team teach Sberbank to dance]. Moscow: Mann, 2013.

Skobtsev, A. "Korporativnaya kultura: sovremennaya filosofiya uspeshnogo biznesa" [Corporate culture: modern philosophy of successful business]. http://forbes.net.ua/opinions/1420172-korporativnaya-kultura-sovremennaya-filosofiya-uspeshnogo-biznesa

Vumek, Dzh. P., and Dzhons, D. T. *Berezhlivoye proizvodstvo. Kak izbavitsya ot poter i dobitsya protsvetaniya vashey kompanii* [Lean. How to get rid of losses and achieve prosperity of your company]. Moscow: Alpina Pablisher, 2011.

Zhuravleva, V. *Korporativnaya kultura - zerkalo rukovoditelya* [Corporate culture is a mirror of the head]. Moscow: LitRes; Samizdat, 2018.

ЕКОНОМІКА МЕНЕДЖМЕНТ І МАРКЕТИНГ