

PAPER • OPEN ACCESS

## Corporate culture as one of the key factors of effective industrial enterprise development

To cite this article: E A Putilova and A V Shutaleva 2020 *IOP Conf. Ser.: Mater. Sci. Eng.* **966** 012132

View the [article online](#) for updates and enhancements.

### You may also like

- [Research on internal control management optimization of power grid enterprises - a case study of China](#)  
Qiliang Hu
- [Preliminary Study on the Evaluation System of Technological Innovation Index for the Central Enterprises of International First-class Enterprises](#)  
Yan Chang and Yongpeng Shi
- [Design and Implementation of Company Financial Management System based on J2EE Technology](#)  
Qiyang Jiang

# Corporate culture as one of the key factors of effective industrial enterprise development

E A Putilova<sup>1,4</sup> and A V Shutaleva<sup>2,3</sup>

<sup>1</sup> Ural Federal University named after the First President of Russia B N Yeltsin, Nizhniy Tagil Technological Institute, 59, Krasnogvardeyskaya str., Nizhniy Tagil, 622000, Russia

<sup>2</sup> Ural Federal University named after the first President of Russia B N Yeltsin, 51, Lenin Avenue, Yekaterinburg, 620000, Russia

<sup>3</sup> Ural State Law University, 21, Komsomolskaya, Yekaterinburg, 620137, Russia

E-mail: <sup>4</sup>eazhiltsova@mail.ru

**Abstract.** The article is focused on the investigation of the impact the corporate culture makes on industrial enterprise development. It demonstrates that the formation of the corporate culture principles contributes to raising the level of staff involvement, its labor activity performance, maintaining and reproduction of human capital assets of an enterprise. Investments in the development of corporate culture are considered as an alternative to traditional methods of increasing the efficiency of an enterprise in an uncertain economic environment. Corporate culture development, which involves a commitment to raising the level of knowledge, innovativeness and organization, has a positive effect on the performance and efficiency of the entire company, and aids in the regulation of internal labor relations, preventing potential critical situations. The introduction and development of corporate culture, which includes a certain system of values and behaviors, in modern domestic industrial enterprises is becoming a necessity. The application of the principles and values of corporate culture leads to the long-term success of an industrial enterprise.

## 1. Introduction

In the modern world, corporate culture is becoming one of the significant factors of the existence and development of industrial companies. An industrial company can be defined as personnel united by work activity under the supervision of a management structure. The issues of corporate culture development are related to the issues of economics [1], social identity [2–4], business and production ethics [5], management [6, 7] and other aspects of human activity. Under conditions of the global economic crisis, which, due to the changes occurring in the modern world, objectively affects all the aspects of human activity, the role of the corporate culture at the enterprises is constantly growing. Therefore, researching the impact corporate culture makes on industrial enterprise development is of immediate interest.

The world crises lead to changes in the market of the entire industry, which in turn makes it necessary for companies to search for new solutions, tasks, targets, strategies on the macro- and micro-levels [4, 8]. In the article titled ‘Ethical Turn in International Development’ (published in ‘International Encyclopedia of the Social & Behavioral Sciences’), E Fisher describes the ethical turn that is taking place in business and manufacturing [5]. E Fisher indicates that new directions of operation for socially just and environmentally sustainable development of society are dependent on



the formation of the corporate culture. The ethical turn takes place as a result of production and trade globalization affecting social development.

Uncertain and volatile situations in the economy make it necessary for industrial companies to constantly look for ways to improve their performance. Usually, this goal is achieved through optimization, or decrease in the volume of resources spent on manufacturing, marketing and product research. However, there is another option – investing in corporate culture, which is becoming one of the more important tools, capable of changing the strategy of industrial enterprise development. .

## 2. Materials and Methods

Company efficiency depends both on the financial and non-financial indexes. M Zack, J McKeen and S Singh suggest estimating the effectiveness of the enterprise performance using five indicators that include innovativeness, rates of new product development, customer satisfaction, customer loyalty and operation costs [9].

Changes in a person's social role, knowledge and experience should lead to the re-evaluation of their value of a professional with unique skills and impact on company productivity – this is a precondition for implementing corporate culture at an industrial company. This evaluation is aided by the processes informatization and computerization that has led to the transformation of the entire social world and civilization culture. The growing role of individuals, their self-expression, their social partnerships has become one of the determining reasons for corporate culture development at industrial companies.

Social identification is directly associated with the ways of thinking and acting that correspond to a certain identity and supported institutionally. In her exploration of social identity issues, S L Brickson demonstrates that social identification depends on how an individual perceives their unity with a group of people [10]. Organization of the professional activity, leisure activities and holidays by the corporate employees plays an essential role in corporate culture development [11]. Therefore, corporate culture forms in the employees an identity, stereotypical image of themselves as well as the image of other people. As a result, corporate culture has an impact on group formation and introduces the preconditions for human identity. The distinctive features of social identity are reflected in the corporate culture, which affects the ways in which social involvement, intergroup relations and conflicts are managed within the company.

Human capital provides the foundation for the improvement of company performance through corporate culture development. Human capital can increase company efficiency since it is one of the competitive strengths of the enterprise in economic and social environments. It can be argued that the most significant part of the human capital is intellectual capital since it is comprised of competencies, knowledge, skills, creativity, communicativeness, loyalty and experience of the employees.

Human capital comprises the values, beliefs and established ways of communication between people in the organization; leadership and management modes play a major role in motivating employees to reveal their potential within the organization [12]. A Mention and N Bontis point out that the human capital of one organization might be fundamentally different from the human capital of another, which makes it a unique, rare and irreplaceable resource [13].

- Corporate culture deals with the human, informational, physical and technological resources and capabilities that are influence the performance and long-term competitive strengths of companies. Analyzing the corporate culture, J Kotter and J Heskett distinguish two levels;

- valuable (the concept of vital existential aspects that vary in different companies and may include money, intellectual property, inventions, the welfare of employees, relationship);

- behavioral (behavioral patterns that are encouraged by the organization and maintained by its employees).

In their studies, they have demonstrated a direct link between the performance of companies and the strength of their corporate cultures, which are defined by J Kotter and J Heskett as ‘socially constructed realities’ [14]. Modern industrial enterprises are arriving at the point where there is a need to familiarize the employees with the corporate culture, to promote their involvement, which leads to

the change of views on human resources in general. In recent years, a growing number of industrial enterprises have adopted the following fundamental principles of corporate culture:

- customer-focused and employee-focused approaches that complement each other;
- openness of communication and interaction between employees on different levels of the organization;
- prioritizing employee security;
- focus on staff motivation;
- promoting self-identification with the company among its employees;
- team-building events, corporate parties;
- promoting distribution of responsibilities between structural subdivisions;
- promoting mutual help and other beneficial principles of communication between employees.

An industrial company that develops and makes use of the corporate culture, create on its basis a specific company image, reputation, moral principles and codes of conduct for the employees. In other words, it is the corporate culture that serves as a primary attractor for potential employees that are interested in adopting the company rules, existential categories, beliefs and standards of cooperation. With time, the principles mentioned above are internalized by employees to be applied without conscious effort.

In recent years, domestic industrial enterprises have been developing a tendency towards informality and flexibility of workplace communications [15, 16]. Such informal relationships have long been practiced in Western companies. However, in Russia, this tendency appears a freer form within isolated companies, since official documents do not regulate it. It is worth noting that such deformalization is one of the possible risk factors because introducing too much flexibility into an established system of corporate relationships can carry destructive potential. Moreover, the question arises of the appropriateness of changing the way of relations between management and team members and changing corporate culture. Therefore, it is necessary to build a mature axiological base of labor relations at large industrial enterprises in order to find the optimal ratio of formal and informal [17]. Digital technologies [18] and social technologies can help in finding such a balance, through innovations, information and constant development of the qualities of workers that reflect the always-changing demands of manufacturing. The introduction of social technologies in domestic industrial enterprises helps employees achieve their goals most rationally and quickly, thus increasing the productivity and overall performance of the entire organization, as well as helping manage internal labor relations and preventing critical situations.

### **3. Results and discussion**

The corporate culture of modern domestic industrial enterprises is a certain system of values and behaviors, imposed on and approved by both the enterprise and employees. The corporate culture is based on the moral and ethical principles used in the course of work and communication activities. The mismatch between the values of the employee and the organization makes it more difficult, if not outright impossible, to help them realize their professional skills in a way that would also contribute to the development of the company. Corporate values are the basis of organizational culture, and as such require active investment in the development, support and assimilation of employees.

The employees' performance does not depend solely on the development of skills and competencies necessary for professional activities. Improving the performance of an industrial company is a complex process that depends on both corporate culture and discipline.

Corporate culture is a major factor in industrial enterprise development since it affects the organizational effectiveness and communication of the enterprise employees. A dynamically changing world requires that enterprises develop and adapt to this dynamic world. Therefore, the demand for flexibility and readiness to meet the needs of the market and consumers makes such features as dynamism and innovativeness mandatory for a successful industrial enterprise. There exists a need for industrial companies to be able to resolve the contradictions between such contradictory processes as innovation and adaptation, conservation of the traditions and optimization. To compete successfully, a

company should always be able to meet the challenges of the times, which reinforces the importance of the management style and decision-making system of the company management – the factors that affect the perception of the company among its employees.

Of particular importance are the personal characteristics of the company leaders. Their ideals and values become part of the company culture only when all interested parties, especially managers and employees, accept them. This is why the corporate culture, which consists of beliefs, values, behaviors, and decision strategies that shape the actions of company employees and form the basic identity of the organization and how it interacts with society, plays an especially important role in the activities of an industrial enterprise.

Creation of a positive experience of interaction between employees, the company's management needs to use comprehensive resources, including specialized training that improves business interactions. Corporate culture, with its values and standards, is essential to ensure the long-term success of the enterprise. J Belak has developed an integrated management model – MER [19], according to which the key factors for the success of the enterprise are: compatibility, competitiveness, efficiency, culture, trust, ethics, ecology, entrepreneurship, synergy and philosophy. To ensure the success of an enterprise, its management should take into account both its external environment and its internal environment. In other words, the development of the enterprise should correlate both with the real needs of the external environment, i.e. market, and the needs of its employees, in order to motivate and stimulate their innovative behaviors.

#### 4. Conclusions

The development of corporate culture in industrial enterprises is one of the most effective ways to increase its effectiveness. The corporate culture includes the organizational culture, environment and development strategy of the enterprise, individual and organizational training, and employee commitment to organizational goals. The formation of the principles of corporate culture, which includes a focus on improving the level of knowledge, innovation and organization, industrial enterprises increase the level of employee involvement, the effectiveness of their work. The multiplicity of understandings and studies of the corporate culture at enterprises reflect its complexity and versatility, but in most cases, they are descriptive, narrative. Thus, the process of formation, nature, status and systematic corporate culture at the enterprise is not sufficiently studied and requires further analysis.

#### References

- [1] Kotter J P and Heskett J L 1992 *Corporate Culture and Performance* (NY: Free Press)
- [2] Brickson S L Organizational identity orientation: the genesis of the role of the firm and distinct forms of social value 2007 *Academy of Management Review* vol **32** (3) pp 864–88 doi: 10.5465/AMR.2007.25275679
- [3] Farkhidinova O M and Shumkova V A Overcoming ontological alienation in the urban environment 2019 *Journal of Siberian Federal University – Humanities and Social Sciences* vol **12** (5) pp 771–79
- [4] Adhikari B K 2016 Causal effect of analyst following on corporate social responsibility *Journal of Corporate Finance* vol **41** pp 201–16 doi: 10.1016/j.jcorpfin.2016.08.010
- [5] Fisher E 2015 Ethical Turn in International Development *International Encyclopedia of the Social & Behavioral Sciences (2nd Edition)* ed J Wright Elsevier pp 60–62 doi:10.1016/B978-0-08-097086-8.10153-9
- [6] Deal T E and Kennedy A A 1982 *Corporate Cultures: The Rites and Rituals of Corporate Life* (Harmondsworth: Penguin Books)
- [7] Wan P, Chen X and Ke Y 2020 Does corporate integrity culture matter to corporate social responsibility? Evidence from China 2020 *Journal of Cleaner Production* vol **259** doi: 10.1016/j.jclepro.2020.120877

- [8] Schmitz–Rixen T and Grundmann R T 2020 Surgical leadership within rapidly changing working conditions in Germany *Innovative Surgical Sciences* vol **4** (2) pp 51–7
- [9] Zack M, McKeen J and Singh S 2009 Knowledge management and organizational performance: an exploratory analysis *Journal of Knowledge Management* vol **13** pp 392–409 doi:10.1108/13673270910997088
- [10] Brickson S L 2007 Organizational identity orientation: the genesis of the role of the firm and distinct forms of social value *Academy of Management Review* vol **32** (3) pp 862–71 doi: 10.5465/AMR.2007.25275679
- [11] Brammer S and Millington A 2005 Corporate reputation and philanthropy: An empirical analysis *Journal of Business Ethics* vol **61** (1) pp 29–44 doi: 10.1007/s10551-005-7443-4
- [12] Tarus D and Sitienei E 2015 Intellectual capital and innovativeness in software development firms: the moderating role of firm size *Journal of African Business* vol **16** pp 48–65 doi:10.1080/15228916.2015.1061284
- [13] Mention A and Bontis N I 2013 Intellectual capital and performance within the banking sector of Luxembourg and Belgium *Journal of Intellectual Capital* vol **14** pp 286–309 doi:10.1108/14691931311323896
- [14] Kotter J P and Heskett J L 1992 *Corporate Culture and Performance* (NY: Free Press)
- [15] Anderson C A and Anthony R N 1986 *The New Corporate Directors* (NY: Wiley)
- [16] Bushmarin I V 2005 Formation of the Workforce: Experience of the West and Russia *Mirovaya ekonomika i mezhdunarodnye otnosheniya* vol **2** pp 48–52
- [17] Bakeeva E V 2017 The onto logical sense of the concept of «measure» *Rivista di Filosofia Neo–Scolastica* vol **2** pp 471–83
- [18] Tomyuk O N, Dyachkova M A, Kirillova N B and Dudchik A Yu 2019 Digitalization of the educational environment as a factor of personal and professional self-determination of students 2019 *Perspektivy Nauki i Obrazovania* vol **42** (6) pp 422–34
- [19] Belak J 2010 *Integralni management – MER model* (Založba MER – MER Evrocenter, Maribor)