

THE APPLYING DENISON MODEL FOR THE ANALYSIS OF CORPORATE CULTURE

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Abstract The corporate culture is an integral part of each enterprise. Analysis of corporate culture may be done using several different models. The following article describes the applying Denison Organizational Culture Survey. The Denison Model selection was influenced by the fact, that this model is very complex. It incorporates an analysis of internal and external environment monitors the stability and flexibility of the company. The Denison model measures four essential traits of all organizations: Mission, Adaptability, Involvement and Consistency. With the Denison model was analyzed corporate culture in selected enterprises of chemical industry in Slovakia. Reached level of corporate culture is compared to an ideal view of corporate culture.

Keywords: corporate culture, analysis of corporate culture, Denison model, mission, adaptability, consistency, involvement

1. Introduction

Corporate culture, as the oldest base of human resource development and as a concept creates the future business model. It is a set of value concepts and standards of behavior that affect basic attitudes toward the enterprise. This mechanism does not only outward from the enterprise. Inside is corporate culture an identity of enterprise.

In business practice, corporate culture is one of the factors that derive performance and prosperity. This influences the further development of the enterprise. Corporate culture can be generally understood as a set of business goals, ideas, rules, standards, beliefs, attitudes, values, social consciousness, beliefs, history, customs, traditions etc. People create, maintain and develop this file (set) in the enterprise. Corporate culture (thus) serves primarily to support fellowship employees with the company, to develop internal and external potential of the company and to create goodwill.

Corporate culture is, as is apparent from the preceding text, a part of the enterprise development, because it also affects the management and behavior of employees. Even though there is no single definition of corporate culture, we can generally say that corporate culture is the character of a company and is its integral part. Corporate culture is dynamic, constantly evolving and changing. It affects the functioning of the enterprise, makes its performance and success in the market. Corporate culture has a social character. Its level, strength and content is highly influenced by employees, enterprise management, i.e. internal environment, but also applied to it and it affects the external environment – the surroundings, social organization, legislation, state etc.

2. Elements, patterns and principles of corporate culture

Corporate culture is a set of standards, rules and values that are specific for each enterprise. They also show the thought processes of and determine human thinking, feeling and behavior in business. Corporate Culture expresses some character, rules that affect thinking and acting employees (Šigut 2004).

Elements of corporate culture are characterized by Schein (2006) as three levels of corporate culture (Fig. 1). Elements of corporate culture from an outside perspective can be divided into:

- **Visible elements** – symbols, logo, business, work clothes, work environment, equipment, architecture, etc.
- **Invisible elements** – language, stories, management style, values, attitudes, standards of conduct and the like.

In shaping the corporate culture is imperative to respect the relevant laws and principles. Let us describe briefly some important:

- Corporate culture is a reflection of human dispositions thinking and behavior. This means, that if any time is considered about “creating” culture in concrete enterprise, is considered about the specific characteristics and the nature of its employees. Corporate culture operates in human consciousness and

subconsciousness. Ideas, attitudes and values of corporate culture affect a person's behavior. One can not even realize it. This fact is very important in changing the corporate culture.

- Corporate culture is a qualitative variable and is very difficult to quantify it (often only indirectly). This fact does not facilitate anything, when taking into account, that the human way of thinking has a rational view of things. The rule: "What we want to manage, we need to know to measure" must be partially waived in case of corporate culture.

- Corporate culture is the product of past activities and also affects future activities. In the relationship between concepts, approaches and values on the one hand, and operational activities on the other, pays double conditionality.

- Corporate culture is shared, not agreed. Corporate culture can not be changed or affected by, that we will issue an instruction its change. Management and staff cannot agree on the corporate culture. It is necessary to achieve that employees voluntarily choose to share and develop certain ideas, attitudes and values.

- Corporate culture is knowable and extremely inertial. The corporate culture is difficult to change and it takes a long time.

- Corporate culture is a normal part of enterprise. The employees often do not perceive it.

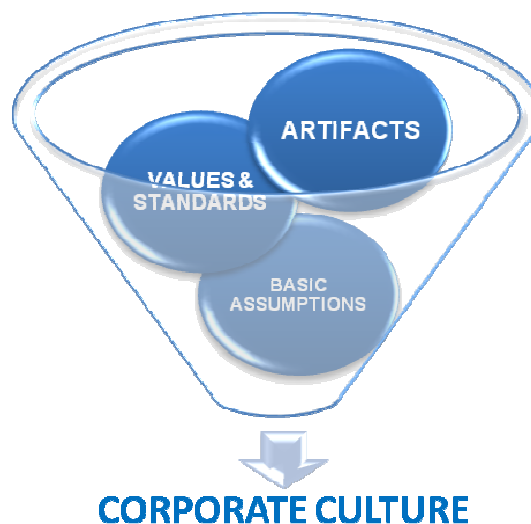


Fig. 1 Elements of corporate culture (Schein 2006)

3. Methods of analysis of corporate culture

Corporate culture can be analyzed by using different models. Analysis of corporate culture helps to diagnose the current state of the level of corporate culture, its content and strength. Based on the results of diagnostics is possible to define the strengths and weaknesses of corporate culture. These results are important for influencing, changing and creating a desired culture in the future. Basic types of diagnostic methods are:

- Qualitative methods used to analyze the corporate culture, standardized instruments (Ouch, Schein, Deal, Kennedy). These tools include interviews, role playing etc. (Jaššo 2009). Qualitative methods are very consuming in terms of time and implementation. The evaluators must have expertise, be independent and objective. The objectivity is the stumbling block –no matter what we do, the subjectivity of these methods is difficult to eliminate.

- Quantitative methods are based on the assumption that different corporate cultures have common features and their further optimization is possible, only if is possible benchmarking (Cameron, Denison, Havaleschka) and comparison with similar social systems. The advantage is the possibility of validation, usually of large data files (Jaššo 2009)

4. Characteristics of the Denison Model

D. R. Denison and W. S. Neal and research team investigated the corporate culture in more than 1000 enterprises. Based on this research they created a questionnaire DOCS (Denison Organizational Culture Survey, available at www.denisonconsulting.com). DOCS questionnaire examines four key factors which are elaborated in the questionnaire to battery of 4x15 questions (issues). Each question in this questionnaire is scored on a scale from 1 to 5 (1 – the best grade, 5 – the worst grade. It is desirable to achieve in all areas of the best grades. Achieved level in each quadrant is then expressed by percentile in chart.

It is appropriate to use Denison model in terms of its complexity. This model analyzes the content and the strength of corporate culture. It examines the external and internal environment of the enterprise and also shows, which level the company achieved in zone of stability and flexibility. This model divides the corporate culture into four quadrants:

- Mission – sets out a clear sense of existence and direction of the enterprise.
- Adaptability – an enterprise's ability to adapt to change, to the external environment.
- Involvement – is the rate of participation and initiative of all employees
- Consistency – indicates the extent to which the values, beliefs and standards of behavior are acquired and shared among employees.

These quadrants represent the characteristics (traits) that affect efficiency of enterprise. All four characteristics should be in dynamic equilibrium. (Lukášová, Nový 2004)

Each trait of the corporate culture consists of three parts – indices, which specified it closer. Modification of the Denison model is shown in Fig. 2.

Internal dynamics of the enterprise, i.e. internal environment is represented by “*Involvement*” and “*Consistency*”. Relationship between enterprises and external environment express quadrants “*Adaptability*” and “*Mission*”. Orientation to the stability of the enterprise is characterized by features “*Mission*” and “*Consistency*”. The combination of quadrants “*Adaptability*” and “*Involvement*” refers to the degree of flexibility the enterprise and its ability to adapt to changes.

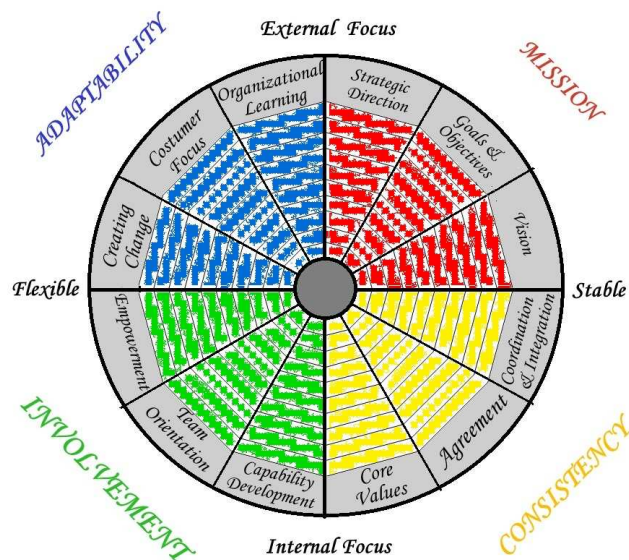


Fig. 2. The Denison ideal model of corporate culture (Own source)

According to Denison is efficiency (business performance) determined not only by economic indicators. All four examined characteristics of corporate culture ensure the effective functioning of the enterprise as a whole, are a mark of quality and express satisfaction and degree of motivation among employees. (Lukášová, Nový 2004).

In our view there is one issue which should be highlighted. The problem consists in ability to measure how a "positive" changes in corporate culture affect the economic efficiency of the company. There is huge number of factors that affect economic efficiency and although a resultant of these factors is measurable, the final effect does not have to be only result of “positive” changes in corporate culture.

5. The Denison ideal model

First Denison model was modified into a form that is found in fig. 2. The reason for this modification was the fact that we wanted to illustrate difference between the achieved level of corporate culture in surveyed enterprises and the "ideal" corporate culture. The fig. 2. depicts the ideal model. In this case there is a strong corporate culture in the enterprise and the company is in dynamic balance. "Ideal enterprise" is stable, yet able to respond to changes not only at the market, but also in its internal environment. Has clearly defined objectives and strategy, with which employees identify themselves and are doing everything possible to achieve the goals set out together. On one side, satisfied employees who are sufficiently motivated and committed to a work in the business. On the other hand, there is a management, which sets out the objectives and strategy for all staff, informs them and creates conditions, in those can be employees involved in the business. Values, standards of behavior and other elements of corporate culture are accepted and respected at all levels of the organizational structure.

This situation would occur, if all of the surveyed areas in business achieved top grades. In all four quadrants and all parts would be its percentile 100. The modification of Denison model distinguishes the level of corporate culture on decimal scale and the results are rounded up to integer numbers in decimal system (no matter whether the company achieved percentile 51 or 59 in one of the areas it will be still depicted in a chart at the same level, i.e. 60). Denison model in graphical form works on the principle of cobweb graph, i.e. the larger area is plotted on the chart, the better is level of corporate culture.

6. The overall results of the analysis of corporate culture by DOCS

We applied a modified Denison model in our survey. The survey was conducted so far in the three enterprises in the chemical industry in Slovakia. All three businesses are located in the same region. Corporate culture has been studied by a DOCS questionnaire. Altogether 558 respondents took part in the analysis, which represents 71.3% of the total number of all employees in these enterprises. Questionnaire was filled out by staff as well as by management. Characteristics of the enterprises is shown in Table 1.

Table 1. Characteristics of enterprises

ENTERPRISE	Number of employees	Number of employees surveyed	Number of employees surveyed [%]
Enterprise X	598	430	71.91
Enterprise Y	56	39	69.64
Enterprise Z	123	89	72.36
	777	558	71.30

Results of the analysis of corporate culture in selected enterprises shown in the Fig. 3, showing the overall results of achieved level of corporate culture in each quadrant. The achieved level of corporate culture in selected enterprises is quite high. If we take the results of all enterprises together, we can say that the corporate culture is relatively dynamically balanced.

The weakest quadrant is "Consistency", where the analysis achieved in all companies the lowest score. The values and principles that determine the way of conduct in the business are not integrated and respected at all levels of the enterprise. These values and standards of conduct are among employees acquired and shared only in part. On the contrary, the strongest overall characteristics of the enterprises were "Adaptability", which refers to orientation of the enterprises on continuous education, supporting of changes in work activities and their focusing on the teamwork. Enterprises are aware of that, how important is a position of the customer in a market. The results revealed that enterprises are customer-oriented. It forces them to respond quickly to changes and new requirements. Analysis of corporate culture has shown that enterprises are flexible.

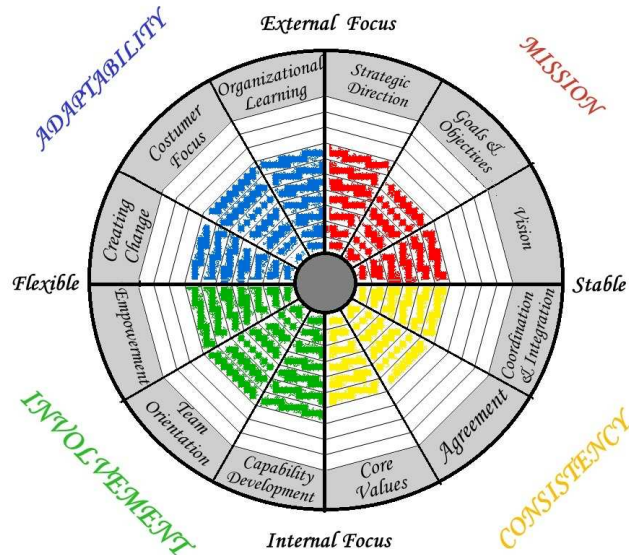


Fig. 3. The total results of the corporate culture analysis (Own source)

7. Results of DOCS in individual enterprises

The following section displays the results of the analysis of corporate culture in the individual enterprises. The below graphs depict what level achieved by individual undertakings given to the "Denison ideal model" in four major traits of corporate culture.

7.1. Mission

The mission consists of three parts: vision, objectives and strategy. All enterprises have achieved in this quadrant the highest score in the strategy part. There is interdependence between strategy and corporate culture. The strategy is a determinant of corporate culture and corporate culture affects the process of creating and implementing the enterprise strategy. The analysis shows that strategy of enterprise is comprehensible for employees and they are well informed about this strategy Fig. 4.

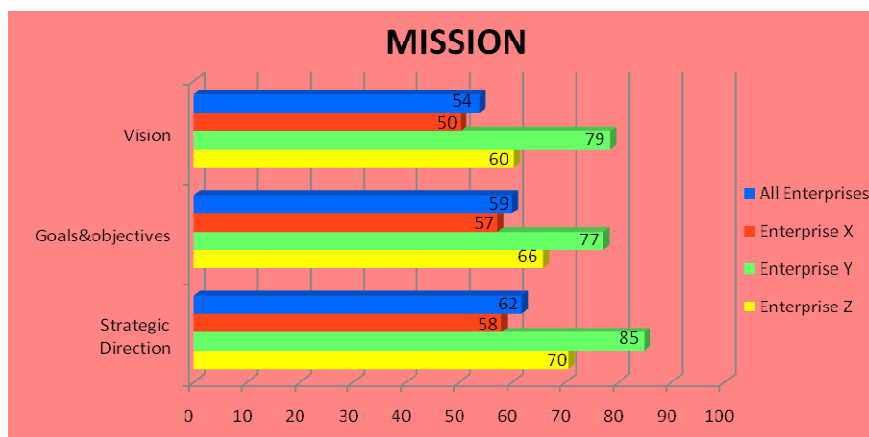


Fig. 4. Mission

7.2. Adaptability

The quadrant "Adaptability" achieved in all levels balanced results. The analysis revealed the ability of enterprises to adapt to changes in internal and external environment. The enterprises are consumer-oriented. They are forced to react to changes that are happening in the external environment (the needs and requirements of customers, competition, etc.) It brings them changes also in the internal environment

(introduction of new technologies, work organization, etc.) Adaptability is strongest trait of corporate culture in the surveyed enterprises fig..5.

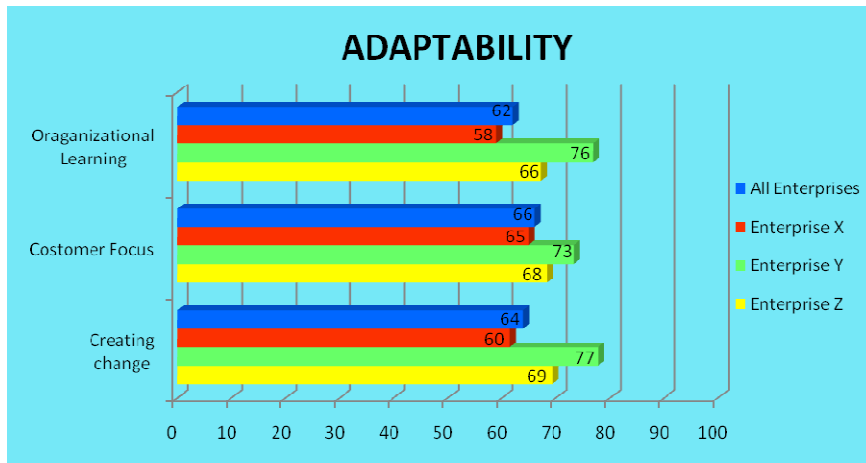


Fig. 5. Adaptability (Own source)

7.3. Involvement

For the third essential characteristic of corporate culture is clearly designed orientation to teamwork, expertise, skills and transfer of competencies to the workers. In the enterprises exists teamwork, but each employee has responsibility. Therefore, each team member must have expertise and skills, that are necessary for his employment. Involvement is the second strongest trait in the corporate culture of surveyed enterprises Fig. 6.

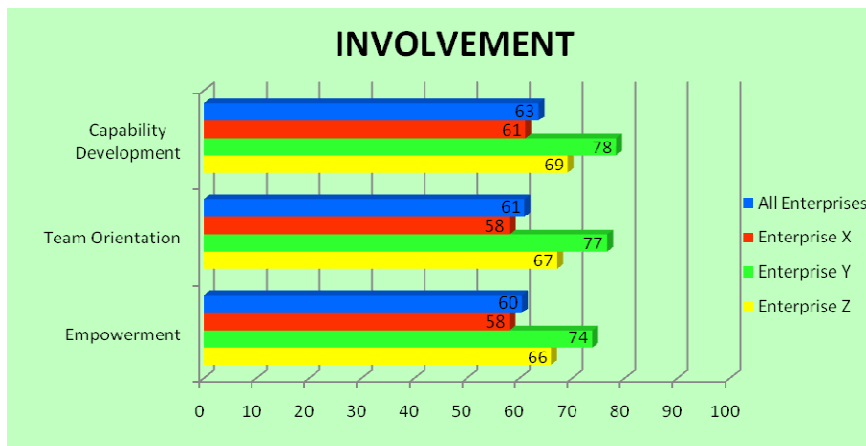


Fig. 6. Involvement (Own source)

7.4. Consistency

The weakest characteristic of corporate culture is consistency. The principles, values and standards of conduct are not equally felt in all levels of the enterprise organizational structure. This part of corporate culture is a source of integration, coordination and control. The employees in various departments do not have a common position in relation to enterprise objectives and the goals at different levels do not perceive in the mutual consistent. The analysis of corporate culture refers to the fact, that employees perceive the departments as separate entities and not as part of a whole enterprise Fig. 7.

The best results in all four quadrants reached enterprise Y and the worst results in the analysis of corporate culture reached enterprise X. This may be partly influenced by enterprise size, because corporate culture has social character, which is directly related to human beings. The more employees an enterprise has, the more difficult to implement the entire contents of the corporate culture (each part of the essential characteristics of corporate culture) at all levels of the enterprise organizational structure.

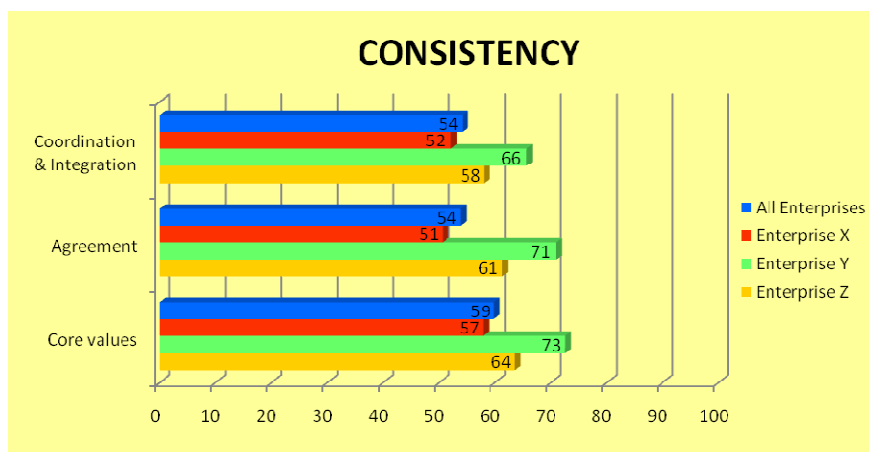


Fig. 7. Consistency (Own source)

8. Conclusion

The corporate culture is made up of people and therefore must enterprise be seen as a social system. An essential element of this system is employees – their behavior, thoughts, beliefs and values influence and form part of corporate culture. Behavior of employees must be in interaction with values, principles, objectives and business strategy.

The enterprise is an alive organism that is evolving and changing. The Development of company depends on corporate culture, respectively on the corporate culture level. It is therefore necessary to analyze the corporate culture. If we want to create, change and influence direction of corporate culture, we must know its current status. Based on the results of diagnostics is possible to define the strengths and weaknesses of corporate culture. It is these results are important in creating the desired content of corporate culture and removing weaknesses. The purpose is to create a strong corporate culture in a dynamic equilibrium.

The corporate culture of the surveyed enterprises is in a dynamic equilibrium. The achieved level of corporate culture has excellent results in all four quadrants. The strongest trait of the enterprises is „Adaptability“ and the weakest quadrant is "Consistency", where the analysis achieved in all companies the lowest score. Analysis of corporate culture has shown that enterprises are flexible. The analysis revealed the ability of enterprises to adapt to changes in internal and external environment. Enterprises should focus on the employees. Employees are part of the enterprise. Values, standards of behavior, objectives and other elements of corporate culture should be accepted and respected at all levels of the organizational structure, but they are not equally felt in all levels of the enterprise organizational structure.

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