Crucial Role of Corporate Culture to Align Organizational Goals with Economic Success

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Abstract: The success of enterprise is bounded with achievement of the set targets and progress of enterprise in accordance with its mission. Performance of any enterprise is determined by the level of performance of individual employees. Starting from setting the objectives, from the strategic to the operational, procedures for their achievement, and the criteria for their evaluation, is the issue of performance management which is in consideration of industrial enterprise management in their day to day activities. Access to this issue affects the success of the enterprise on the market and its competitiveness. Objective indicators are supplemented by subjective evaluation of the representatives of the enterprise. Main challenge is to measure performance in the context of corporate culture, respectively to discover relations between corporate culture and the success of the enterprise. On the basis of the partial findings in this area, we have come to the conclusion about importance of relationship of corporate culture and the success of the enterprise and the suitability to continue its investigations in more details. In this article we present results of our previous researches. Outcomes and conclusions, which we present in the paper, are based not only on theoretical knowledge, theories and results of published studies as well as several already completed results published under researches carried out by our institute but also on our researches focused on organizational performance. This contribution is a particular outcome of research project VEGA 1/0787/12 “The identification of sustainable performance key parameters in industrial enterprises within multicultural environment” and research project VEGA 1/0055/13 “Systematization of the impact of factors and conditions of knowledge management in the context of business strategy on work incentives and its reflection in growth efficiency, respectively sustainable level of business”.

Keywords: corporate culture, effectiveness measurements, indicators, performance management

1. Introduction

The market environment, which is now full of turbulent changes in all fields of social life and influenced by globalization, creates a completely new set of conditions for industrial enterprises and their activities. To ensure that enterprises are able to respond to the changes and to secure long-term sustainable development, it is necessary to optimize their performance significantly. In addition, finding a satisfactory solution for this problem is complicated because of the fact that the growing influence of globalization not only refers to the macro-economic environment, but it also influences significantly processes inside organization.

Enterprises in Slovakia are constantly facing to challenge to be competitive and to improve their performance. It is management of the enterprise who is responsible for adequate response to changes in market and so to ensure sustainability of enterprise performance. But, what is more, is long term successful businesses, managements of enterprises not only respond to the changes but they ourselves are initiating them.

One of the key factors of industrial enterprises success is their sustainable performance. Therefore, the attention of the owners and managers is aimed at increasing competitive advantage through attractiveness and quality of the products, as well as competitive prices. It means to continuously improve processes and technologies. The quality of the processes and technologies can be improved constantly and increase their effectiveness. Crucial for overall performance of the enterprise is than employee performance.

2. Theoretical and empirical background

As written by Mlkva (2013), performance is an economic category which is closely linked to the systemic view of its measurement and evaluation. The system whose performance is to be measured and evaluated corresponds to its internal structure.

To measure the performance of the enterprise is, therefore, necessary to know which (and also how) subsystems of its internal structure contribute to the overall performance. One of these subsystems is workforce, which significantly influence whole performance of enterprise.
Trebuňa (2011) defines work performance as a result bounded with strategic objectives of organization, combined with the satisfaction of customers that contributes to the economic result. Management of employees is based on rewarding their contribution and targeted development of their potential in modern business. Precondition of objectives fulfillment is ongoing monitoring and evaluation of work, removing undesirable discrepancies, addressed rewarding and employees' development.

Therefore, just the work performance contributes to customer satisfaction and economic results. As performance of employees directly affects the performance of the enterprise, the effectiveness of workforce performance management is the limiting factor to the enterprise success. Workforce performance management must therefore be systematic and comprehensive.

Workforce performance will not increase, if:

- we do not have clearly defined corporate objectives and strategy,
- we frequently change corporate strategy and objectives,
- we do not have clearly discussed strategy and objectives of the enterprise also with employees,
- we have implemented multistage and confusing organizational structure,
- we have a tenuous flow of relevant information,
- we have applied only authoritative control that commands and shows only the failures of employees, we have in the enterprise groups and individuals who do not respect generally accepted rules and standards.

(Team of authors, 2009)

As Sakál confirms, to ensure continuous performance improvement in the present time, in increasingly demanding conditions of global and domestic market economy, requires to master and develop modern methods of management. (Sakál 2013)

As discussed elsewhere (Čambál et al 2012), to reach the required organizational performance, many different performance management models have been created recently. In spite of the fact that it is possible to identify different approaches, all of these models contain one clear element and that is the individual employee, employee with his abilities, skills, knowledge, personal characteristics, attitudes, inner motivation, effort to work and willingness to deliver certain performance and reach certain level of performance.

It also confirms the norm ISO 9004: 2009, which states that total potential of employees can be used to enterprise profit through shared values, by forcing mutual trust and facilitating initiatives. Staff involvement and communication with employees enables to use their skills to bring profit for organization.

Some authors are of the opinion that a certain type of corporate culture can help to maintain the long-term performance of the enterprise and be a source of competitive advantage.

That is why we also carried out secondary research of existing available studies from subject area, in addition to the structured interviews and questionnaire survey as a part of our project.

Many authors tried to prove a connection between corporate culture and enterprise success. Carried out surveys and studies (e.g. Peters and Waterman, 1982) focused on successful enterprises and their characteristics in the United States. Later other authors included into their research portfolio even less successful businesses (e.g. Kotter and Heskett, 1992). Long-term studies revealed differences in the selected factors influencing enterprise success, these showed mutual interdependence with various characteristics of the corporate culture.

Existing differences are in social programs, continuous education, as well as in status equality.

Other significant differences can be found in information and communication, e.g. regular information of all employees by management, open communication, more opportunities for independent action and decision making for staff, more responsibility, favorable business climate and social commitment have been identified in more successful enterprises.
3. Research and Results

The success of any enterprise can be measured in different ways. Generally, we can talk about the social and economic success. As social success we can understand better material and nonmaterial conditions of human work. As to measure economic success are usually perceived monetary indicators (profit, turnover and nonmonetary indicators (quality, market share). Monetary variables are preferred in business practice.

An enterprise management should define what is understand and considered to be a success, and how to measure it, to establish a clear process steps, incentives and resources to consolidate best practices. The enterprise success cannot be measured by only a single variable but have to be evaluated by set of variables.

These variables have to describe economic dimensions of success as e.g. profit, value creation, turnover, return on equity, on the one hand. These variables also can be expanded, for example with indicators of absences and fluctuations. Topic of importance of social, psychological, not economic or monetary dimensions of success is often discussed in the literature.

Research, which we present in the paper, is based not only on theoretical knowledge, theories and results of published studies but also on several already completed results published under researches carried out by our institute.

In presented research, aimed at exploring the parameters of sustainable performance was used a questionnaire as data collection technique.

There were involved 142 enterprises from Slovakia, from various sectors of the industry into research. 65% of these enterprises have a management or a regional subsidiary abroad. Partial results of the research have pointed out that the managements of these enterprises are actively engaged in the issue of enterprises performance management and measurement.

The results showed that only the minimum number of representatives of enterprises associated enterprise performance with the performance of its staff. The missing link between the performance of the employees and performance of whole enterprise may cause serious lacks in performance management of the enterprise as a whole.

One of the findings, which brought partial results of carried out research was that some companies use a combination of financial and non-financial indicators, when monitoring enterprise performance, although this combination of indicators is used by only half of represented enterprises. The measured financial indicators are shown in figure 1.

![Figure 1: Measured financial indicators (own source)](image-url)

Where:
EBIT /EBITDA are Earnings Before Interests and Taxes/Earnings Before Interest, Taxes, Depreciation and Amortization. ROI is Return on Investment.
ROE is Return on Equity.
EVA is Economic Value Added.
Answers from the additional field were ORF—Order Request Fulfillment, reduction of prices for the customer, the number of complaints, the level of stocks and earnings on m2 of sales area.

Financial characteristics are very useful because they are quite easy to count, compare and specify. Their measuring has undeniable importance in evaluation of the effectiveness of consumed resources and the financial health of the enterprise. Measuring of financial indicators is relatively easy due to the fact that their counting is clearly determined and these financial indicators can be easily calculated from data in the financial statements. Harder it is to keep track of non-financial indicators, although even there are certain norms, which can be used as basis for their formulation. For example, requirements which directly results especially from the quality system standards (ISO 9001:2008), refers to the need to measure and monitor the performance of business processes.

Financial indicators describe only part of the reality, because they can be created in different ways. Measurement of corporate performance with only financial indicators is then often subject to criticism. Objective indicators are supplemented by subjective evaluation of the representatives of the enterprise. Main challenge is to measure performance in the context of corporate culture, respectively to discover relations between corporate culture and the success of the enterprise.

As already mentioned above, they measure their performance using also non-financial indicators only in half of the enterprises using financial indicators. Measured non-financial indicators are reported in Figure 2.

![Figure 2](image-url)  
**Figure 2:** Measured non-financial indicators (own source)

Data detected by using this indicators, are used primarily for determining the further target values for the next period (87,9%), department or workforce assessment and evaluation (69,7%) and activities or processes improvements within individual departments (69,7%).

85,1% of enterprises carries out a regular assessment of employees’ performance and the frequency of measurement and evaluation of performance of employees most often annual (34,7%) or monthly (32,7%).

Most commonly are used assessment interviews (52%) and standardized forms for employees (41,8%) when evaluating performance of employees.

Competition ability of enterprise is necessary to ensure by alignment and balance between growth oriented efficiency, humanity, social responsibility. Previous studies have shown that humane and efficient formulated corporate culture, as well as exemplary management behavior may be critical factors of enterprise success.

Employees’ performance is the basis for overall performance of the enterprise. If employees do not have a feedback, how their performance is assessed, how their employer is satisfied with their work, it is unlikely that they will change their behavior.
If enterprise management wants to manage employee performance, it must give them clearly know what is expected of them (set goals), create the conditions for the work and give feedback to employees how is satisfied with their current performance and what is seen as their further development potential (assessment). It is important to allow and ensure further development of employees for performance enhancement. Interesting results bought another study, which we carried out on a sample of 76 enterprises in Slovakia. 39% of them were large, 35% medium sized and 26% of small enterprises. Among other things, we focused on the feedback and information provided to employees in context of their performance assessment.

Figure 3 shows answers to question relating to employees performance assessment, if employees performance assessment is provided with regard to the implementation of the objectives achievement. Also, differences by size of enterprise can be found in this issue. Regular assessment of employees’ performance in a larger scale is used in large and medium-sized enterprises. Performance is assessed only irregularly in small enterprises.

Majority of respondents (58%) stated, that set objectives are in most cases derived from the strategic goals of the company and broken down to the lower levels in accordance to their enterprise performance management. Set objectives are broken down to particular departments resp. teams and so on to individuals in the form of specific goals or so called performance indicators (KPI - Key Performance Indicators).

Most of enterprise representatives are aware that success of the enterprise depends on several factors, among which are included in particular: the products uniqueness, their quality, flexible respond to changes, customer satisfaction as well as company and brand image. However, not in all enterprises they recognize, that people who work in it are the most important factor determining success . Employee satisfaction is measured in 43% of the survey participating enterprises. Subsequent use of measured indicators and their link to the strategic documents declared only 15% of the enterprises.

In general, there is an absence of specific and proven methods for management, which would consider corporate culture. Creation of corporate culture based on values, which promotes performance of individuals and the overall performance of the enterprise at the same time, is a challenge for management.

Performance assessment and evaluation of enterprise prosperity in a market economy is reasonable, in particular, for enterprise owners and potential investors. An important factor in ensuring the success of the enterprise is the ability of its management to decide right. A prerequisite for decision making are available information about the decision-making object, which can be obtained by monitoring all relevant, not just financial, performance indicators.

They must display the context of the strategic and operational objectives in the past, as well as the opportunity to set new goals for the future. Finding achieved objectives, as well as their determination shall be carried out by means of indicators obtained from data on enterprise performance. Indicators can be used as a source of information.
For the purpose of the analysis of performance data, it is important to "pull out" and to draw the consequences, because only in this way it is possible to properly assess performance and set goals for the next period. In addition to the registration and evaluation of performance data is an important part to set the range and scale of each set of indicators that can be used as a benchmark.

4. Discussion

Authors in their studies indicated that successful organizations have a clear identity, function and mission. Management and employees know why organization was established, what is accepted, what is important, which attitudes and behaviors are important and what resulting priorities for the enterprise proceedings are as a whole. It is often used in this context, the concept of "values". Identity, mission, function or values are communicated and thus known inside the enterprise and beyond, in successful organizations.

Closely associated with the clear identity is a strategy (target) orientation. Target orientation strictly goes through relevant organizational units and is enshrined in both, managers and employees inside the enterprise in successful organizations. In addition to the existence and communication of strategic vision is available as an indicator of the target orientation also uniform process of management by objectives (MBO) as well as its united and consistent application over the specific objectives at different levels throughout the enterprise.

Cultural norms and system of corporate values provides orientation to enterprise members when managing and controlling their behavior and during decision making with regard to corporate goals.

It is clear that the real guidance and unification is easier if it is preceded by the unification of the essentials. If the essential continuity is established, there are instructions, since it was understood what is important. Management by objectives works, therefore, on the basis of formulating target attributes, because the contents of activities and values is known and mastered.

Formulated objectives are implemented via taking concrete action and achievement of these objectives is controlled through appropriate indicators. Isolated monitoring of indicators would not be meaningful; it is therefore appropriate reciprocal linking and hierarchical organization of causes, through the effects of financial success. From this can be deduced, how individual goals are linked through focus on employees, learning, customers orientation directly to the economic success and business performance.

Corporate culture is so provide fundamentals of enterprise economic success. Mutual interdependence and interconnection of corporate culture and the economic success describe model on figure 4.

Pyramidal decomposition of aggregated indicators (e.g. ROA – Return on Assets) to partial indicators of lower levels is usual part of financial analysis. This decomposition allows to analyze factors that have an impact on aggregate indicator. In non-financial indicators and their links to the financial indicators are not indicated any pyramidal decompositions in business practice and theory, yet.

Model of linking performance indicators in the context of corporate culture to the economic success of enterprise (market value of a enterprise) allows an analysis to show how non-financial factors influence development of market value of business. Change of any partial variable causes a change in the other partial indicators, as well as change of whole synthetic indicator.
Figure 4: Model of linking performance indicators in the context of corporate culture to the economic success (own source)

As a summary indicator – an indicator of business performance is actually often considered growth of market value of company, value for the owners. This growth is not possible without profit achievement, which may be regarded as an indicator of financial success (performance). The profit, as a performance indicator, it is necessary to take into account in the wider context, since it is "only account book category "which is often subject of "optimization". Profit ensures sales, which overpass production costs, resp. provided services.

Also, quality of production reveals as important in the questions of importance of individual factors of competition ability of enterprises. Achieved market price very often depends on production quality. Buying of product (service) is acceptance of the terms and conditions by customer and there (at market) shall be valorized whole endeavor. It is important that the customer will do not buy just once, but repeatedly returns. It depends, in particular, from his satisfaction, from the fair treatment, quality-price balance, contact personnel approach, etc. This can ensure staff of enterprise.
Studies show, that the most successful businesses consider commitment to employees to be the most valuable factor of competitiveness. Less successful enterprises often compete with price of their products. Enterprises management should, while respecting cultural differences, find ways to communicate with employees, but also with the public and Governments.

Corporate culture as a basis for all actions and decisions must be transformed into everyday business processes and operations.

Competitive enterprises "keep up" with the development and upgrade their products and services. Employees are involved into innovations and to improvement of processes by form of ideas management. Innovation and the number of improvement ideas growth lead to a stronger dimension of learning and development. The join support for employees and recognition of their ideas increase satisfaction and reduces the rate of fluctuation. Improvements will be reflected in customers' satisfaction and leads to sustained profitability and high growth rate. This creates the potential for growth of the enterprise value and the value growth for owners.

Orientation on employees and mutually related orientation on teamwork, support of the work development of employees, mutual fairness and fair treatment, as well as ethical behavior of management have the biggest impact on engagement of employees.

Fluctuation is an important indicator in the current work market conditions (rising unemployment), however, also the existing, or the lack of willingness to recommend their employer, an assessment of overall quality of working environment respectively working place has also certain explanatory value. Employees are more likely to leave if the employer does not allow flexible work hours, does not provide any social benefits, if there is in general the lack of responsible behavior of management, the adaptation process is disregarded, if there is the lack of support for professional development, tolerance for errors is minimal and the joy of the work is very small. Casually then follows the low identification of employees with their employer. The opinion, that the job satisfaction is related to the performance, makes this concept interesting for enterprises respectively for management. Job satisfaction is a precondition for general life satisfaction and, ultimately, physical and mental health of employees.

Fluctuation of employees increases the costs for the enterprise. The amount of these costs also depends on the qualification of employees. Competencies ensuring the competitiveness of the enterprise are often bounded and associated with individuals. The enterprise is thus losing valuable knowledge (specific human capital) with departure of employees. In addition to the long time period and costs of finding and training of an appropriate employee, loss in production and the loss in know-how, fluctuation can be also reflected in a reduction in the performance of the remaining staff (rethinking their relationship with the company), as well as in the loss in confidence and "breaking down" relationships with business partners, who will get a new contact person in the company.

The phenomenon motivation plays an important role in enterprise performance, as well as in work psychology. We understand motivation as concept of to explain internal and external individual differences leading to the intensity and the level of performance. Employee motivation is considered to be a decisive factor in productivity of the enterprise. High work and performance motivation may be regarded as a necessary but not sufficient condition for sustainable success of enterprise. Important is how employees feel to be linked and bound with the enterprise, it is a prerequisite for individual performance and, in particular, to remain loyal to the enterprise. Commitment and satisfaction of employees in mutual interdependence, play an important role, decrease fluctuation and than can be expected higher work performance.

The satisfaction of employees and business climate are not parts of the corporate culture, but its results. These values mostly mean and provide information as to whether corporate culture is accepted and "accurate". Favorable corporate climate is reflected in subjective feelings of managers and employees and has a positive impact on the corporate culture. Satisfied employees are more willing to identify with the company, its values and standards.

5. Conclusion

The role of strategic management is to ensure the long-term survival of the enterprise in the context of market conditions, its opportunities but also limitations. This means that the responsible manager must realize strategic activities to create by the greatest possible consistency between the enterprise, corporate culture and set strategic objectives. Although it has been described a lot about the link between organization, business strategy and success of
the enterprise, in recent years, knowledge remains theoretical, as confirmed outcomes of carried out studies and researches.

The results of the researches have pointed to shortcomings in performance indicators setting. In spite of the constant interest of enterprises in its sustainable performance and its support through setting organizational performance goals and objectives, performance evaluation does not meet the all requirements that will lead to the performance enhancement.

Performance evaluation respectively prosperity of enterprise in a market economy has, in particular, an importance for the owners of the enterprise and potential investors. The ability of its management to decide right is an important factor in ensuring the success of the enterprise. A prerequisite for decision making are available information about the object, which can be obtained by monitoring all relevant, not just financial, performance indicators.

Performance monitoring is mostly demonstration of the strengths and weaknesses of the enterprise. Performance data should document the essential aspects of corporate activities. The important thing is to be understood. They have to display the context of the strategic and operational objectives in the past, as well as the opportunity to set new goals for the future. Finding of achieved targets, as well as their determination shall be carried out by means of indicators obtained from data on the performance of the enterprise. These indicators can be used as a source of information. For better description ability of these performance data, it is important to “pull out” and to draw the consequences, because only in this way it is possible to properly assess performance and set goals for the next period. In addition to the registration and evaluation of performance data is an important part to set of the range and scale of each indicators what can be used as a benchmark.

On the basis of theoretical work studies, obtaining a secondary research data from the past, in mainly foreign studies but also own researches we can note, that a sustainable performance indicators must be developed in the context of a corporate culture. In particular, the non-financial performance indicators should be tracked with regard to the orientation of the corporate culture. These indicators can be used as a complement to the corporate practice to generally recognized and used economic indicators.

It cannot be automatically assumed that mere creation of a corporate culture is responsible for the success of the enterprise and its development. It is necessary to modify and improve performance measurement systems in such a way, to promote objectives of the enterprises and meet their needs, to have a positive impact on the performance of employees. Such a systems should be transparent, to allow minimizing the subjective influences of evaluators, administratively unpretentious, and also a continuous.

There must become to mutual interaction and linking of corporate strategy - corporate culture - corporate structures – corporate communication.

There should be defined performance standards linked to the corporate Key Performance Indicators in each enterprise. Metrics of individual objectives consistent with the business strategy and business goals should corresponded to these standards. To build accurate and corporate culture in long term is possible with using clear system of performance management and evaluation of employees.

It is therefore necessary to establish clear performance indicators. These indicators should be both internal and external. Only with the right criteria can be measured and thus also managed how the performance of individual employees contributes to the enterprise performance and to ensure sustainability or growth of this performance.

Performance indicators should be selected so that they are understandable to all groups of employees and at all levels of management. It is important to aware employees with these indicators, inform employees and to analyze if there are not present barriers eliminating to increase the performance of employees. Workforce performance assessment systems have to be not only evaluating, but to developing, which will allow not only to evaluate, but also to manage the performance of employees. Effective performance management shall be supported by systematic process gathering information about work performance and behavior of employees.

This information should serve as a basis for their evaluation and proposal of requirements to improve the performance that need to be transferred into work and development goals aimed at sustainable improvement of performance of employees and whole teams.
Development and learning ability of the enterprise is based on the development of qualifications and competences of employees. This is possible to achieve with further education. It is necessary to establish an appropriate incentive system for employees, which will motivate employees to exploit their full potential. Targeted personnel development forms the basis for a competitive and innovative ability of the enterprise.

There is not possible any further development of enterprise without ability to learn. High potential to learn presume open and transparent communication, structure that enables collaboration, cooperative style of leadership and a convenient way for harmonization of interests and conflict solution.

Key is also consequent support of top management, convincing, and open communication and awareness of employees with the established systems. Only transparency, clarity and adequacy of the system of evaluation criteria will ensure acceptance of shared values and set objectives by employees and to positively influence their performance and the performance of whole enterprise.

References