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# APPLYING DOCS MODEL OF DENISON TO EVALUATE CORPORATE CULTURE IN SOME CONSUMER GOODS SMALL AND MEDIUM ENTERPRISES IN HANOI

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*Corporate culture has positive impacts on business performance of enterprises. Studies on corporate culture have proven the relations between corporate culture and business performance of enterprises. Well aware of the roles of corporate culture in raising competitiveness, many Vietnamese enterprises have cared of and invested in to develop corporate culture. However, how developed corporate culture has become in each period of time, what activities enterprises should take to further corporate culture is not really clear, thus causing difficulties to enterprises when making plans to develop their corporate culture.*

**Key words:** *Corporate culture, Denison model*

## **1. Theoretical backgrounds**

Corporate culture is considered as a distinctive feature to distinguish one enterprise from another. At present, corporate culture has been used as a criterion to evaluate enterprises. From another perspective, corporate culture can also be seen as an invisible asset of enterprises. So far, there have been around 400 definitions of corporate culture. Each researcher approaches the concept from different angles.

According to E.H.Shein (2002): "Corporate culture is the combination of procedures and principles to deal with problems of external adaptation and internal integration, which prove effective to the past and present urgent problems. These procedures and principles are the origin for employees to make appropriate acts, analysis and decisions. Members of organizations and enterprises do not hesitate or question about these procedures and principles but take them for granted right away" [1]. E.H.Shein's definition places emphasis on

core values to deal with internal and external relationships of the enterprises.

According to Georges de Saite Mairie(2005) "Corporate culture is the combination of values, symbols, legends, rituals, taboos, philosophy, ethics that create the profound foundation of the enterprises" [3]. The approach of Georges de Saite Mairie stresses both explicit and implicit values of the enterprises.

According to International Labor Organization (ILO), (2008):"Corporate culture is the special mixture of values, standards, habits and traditions, codes of conduct, rituals which are unique to an organization" [5]. The definition of ILO highlights the uniqueness of corporate culture in each organization.

According to Rolff Bergman and Ian Stagg (2010): "Corporate culture is a system of common senses that cover the entire enterprise and are decisive to all behavior and activities of all members in that enterprise" [5]. This approach emphasizes the meaning that

corporate culture can affect the behavior of employees in the enterprises.

Each researcher has their own approach to corporate culture but they all reach consensus on the orientations of corporate culture on the business performance of enterprises. In this research, the author chooses to define corporate culture as follows: *"Corporate culture is all cultural values that are constructed, consolidated, maintained and developed along the survival and development process of an enterprise and becomes values, concepts, customs, traditions that are deeply imbedded in the enterprise's operations and can affect the attitudes and behavior of all members in the enterprise to pursue and realize goals"*

## 2. Research model and methods

This research employs the corporate culture evaluation model developed by Daniel R. Denison, a former professor at Michigan University which has been used by 5000 enterprises across the world over the past 20 years. This model has also been applied by many international researchers to evaluate corporate culture. Denison model addresses the four following questions:

*Firstly*, do members of the enterprise well understand their direction and development paths? - the evaluation results reveal the awareness of members of long-term orientations, often known as Missions, which include the following factors: 1. Strategic directions; 2. Objectives; and 3. Visions

*Secondly*, do members of the enterprise well understand their market and customers to turn into specific actions? - the evaluation results reveal the respects to cultural values via the effectiveness of procedures and operational system of the enterprise, known as the Consistency, which include the following factors: 1. Coordination and integration; 2. Agreement; and 3. Core values.

*Thirdly*, do members of the enterprise develop systems to implement their business orientations effectively? - the evaluation results reveal the abilities to build up capacities and responsibilities to staff, also known as Involvement, which include the following factors: 1. Empowerment; 2. Team orientation; and 3. Capacity development.

*Fourthly*, do members of the enterprise commit to the set-forth targets and orientations? - the evaluation results reveal the capacity of the enterprise in turning customer demand into specific activities, also known

as Adaptability, which include the following factors: 1. Organizational learning; 2. Customer focus; and 3. Creating change.

Corporate culture can be described as a circle with the cores of belief and concept; This circle is divided into 4 quarters by the directions of the coordinators reflecting 4 main structures, each quarter expresses the components of each structure arranged in clockwise, which in turn include: Missions and strategic directions; Consistence; Involvement and Adaptability. Observing the circle of corporate culture reveals that the upper half represents external focus while the lower half reflects the internal focus. The right-handed structures show the stability and sustainability while the left-handed ones show the flexibility and adaptability of the corporate culture.

It can be seen that Denison model brings about many benefits for users to evaluate corporate culture, including:

1. Showing strengths and weaknesses in the enterprise's corporate culture;
2. Identifying contents or scales that need adjusting in corporate culture;
3. Helping enterprises to synchronize development orientations of leaders and corporate culture.

### Research methods

Using a model with 12 components with direct impacts on corporate culture capacity, this study orients its research towards consumer goods producing enterprises located in Hanoi and develops a theoretical measurement set including 37 observation variables for the components. Qualitative research was conducted with n=12 experts who helped to adjust and correct the research to be suitable for participants and establish the official measurement set with 29 observation variables for 12 research concepts of corporate culture. On this basis, a questionnaire was designed appropriately with features and the initial grounds of corporate culture of small and medium enterprises (SEMs) based on 5-point Likert scale (1: disagree / very weak and 5: agree / very strong).

Research participants are CEOs, organizational and human resource managers, representatives of staff and line workers. The rule for identifying minimum sample size was suggested by Han et al. Accordingly, the minimum sample size is  $5 \times \text{number of observation variables} = 5 \times 29 = 145$ .

The number of delivered questionnaires: 250 in 80 enterprises

The number of collected questionnaires: 184 from 67 enterprises (164 are valid)

Sampling method: convenience

Survey time: 11/2017 - 1/2018

Data processed via SPSS18.0

### 3. Research findings

The statistical evaluation results of corporate culture of consumer goods SMEs in Hanoi are presented in Table 1 and described in Figure 1

Indirect staff (office workers in headquarters) have better awareness of the enterprises' strategic directions while workers in production divisions are quite disinterested in the strategic directions. The subjective reason from workers is line workers have low qualification, thereby do not have habits of discovering and exploring things not directly related to their work while office workers, who mostly graduate from universities, have better knowledge and ability to get information. The objective reason is office workers are in better conditions to participate in enterprises' communication activ-

**Table 1:** Evaluation results of corporate culture structures of consumer goods SMEs in Hanoi

No.	Variables	Evaluation scores	
		Mean	Stan. deviations
<b>1</b>	<b>Missions and organization directions</b>	2.83	0.598
1.1	Strategic directions	3.04	0.603
1.2	Objectives	2.32	0.582
1.3	Organizational visions	3.14	0.616
<b>2</b>	<b>Consistency</b>	3.25	0.628
2.1	Coordination and integration	3.44	0.646
2.2	Agreement	3.41	0.632
2.3	Core values	2.89	0.591
<b>3</b>	<b>Involvement</b>	3.09	0.609
3.1	Empowerment	2.77	0.548
3.2	Team orientation	3.02	0.663
3.3	Capacity development	3.49	0.601
<b>4</b>	<b>Adaptability</b>	3.1	0.753
4.1	Organizational learning	3.12	0.712
4.2	Customer focus	3.16	0.797
4.3	Creating change	3.01	0.748
	<b>Overall corporate culture</b>	<b>3.07</b>	<b>0.714</b>

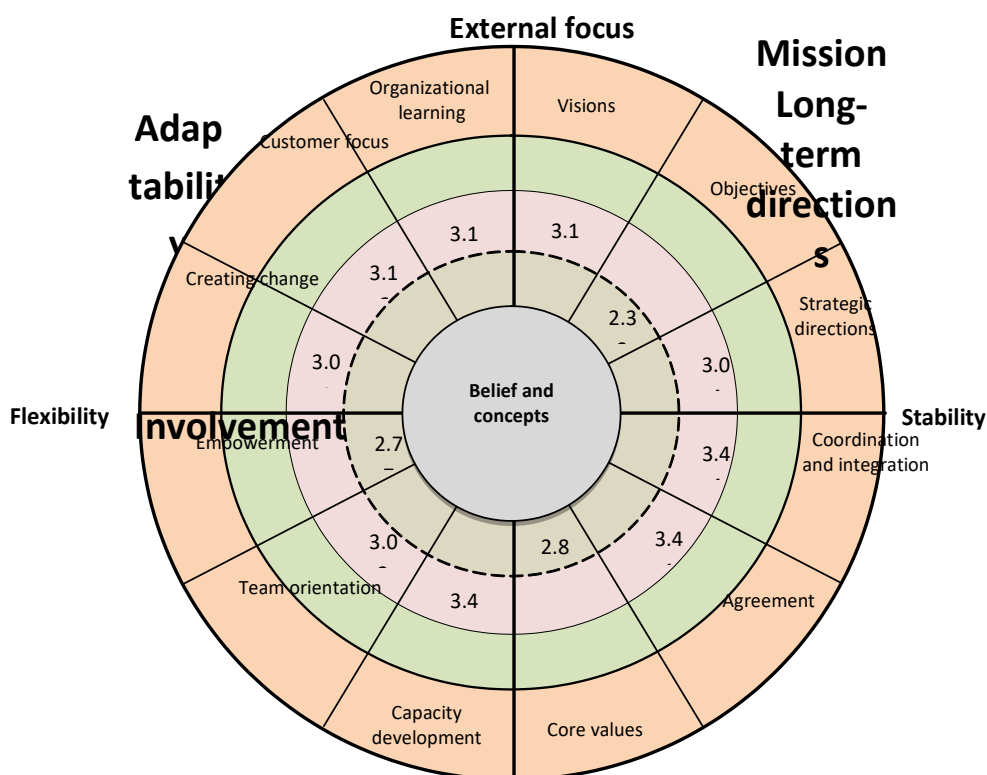
(Source: data processed by the author)

Firstly, Missions and strategic directions:

*Strategic directions:* It seems that strategic directions of the enterprises are quite unfamiliar with individuals in the enterprises. They only hear of strategic directions via some big and periodical communication programs that the enterprises organize in big events such as anniversary ceremonies. However, after these events, strategic directions are quickly forgotten or ignored by most staff. A closer analysis of questionnaires reveals a high level of dispersion in the respondents' answers.

ities, therefore they can acknowledge and think about the enterprises' strategic directions.

*Objectives:* Enterprises have identified their objectives and goals quite clearly. However, survey results indicate that many staff have not integrated their individual activities with the objectives of the divisions they are working in as well as the common goals of the enterprises. Answers from participants in this component have lower level of dispersion than in strategic directions. Workers are not proactive in orienting their



**Figure 1:** Denison's model to evaluate corporate culture - a case study in consumer goods SMEs in Hanoi

work towards the goals of the enterprises. This is a limitation in corporate culture as workers are passive, only care about their individual affairs without close connection with common goals. In return, the goals of the enterprises do not have considerable impacts on behavior of individuals in the enterprises.

*Visions:* Visions of the enterprises have created motivations and inspirations to workers. This component has the most positive result in the first group with the mean value of 3.14.

*Secondly, Consistency:* this feature is evaluated via 3 components:

*Coordination and integration:* The coordination among members in the enterprises is at average level. However, in case of work conflicts, many individuals are not willing to solve them on the spirit of guaranteeing the general effectiveness. The reason is many individuals put their own egos while corporate culture does not place great importance on orienting cooperation at work.

*Agreement:* Despite the quite limited coordination among individuals, the agreement between departments in the enterprises is evaluated at quite high rate (3.41), the cooperation mechanism in the organization has been set up as an important core value in the corporate culture.

*Core values:* When asked about the core values of the enterprises, most staff show limited awareness of the core values that the enterprises pursue. The result of this component only reaches 2.89.

*Thirdly, Involvement:*

*Empowerment:* this component evaluates the division of tasks, the level of power given to members in the enterprises and if members can feel the appropriateness of empowerment in the organization. This component has weak score (2.77), indicating that the organizational structures of the enterprises are not clearly empowered. However, as they are private enterprises, limited companies should centralize their power in key positions. Therefore, when asked if they

can feel individual values in the development of the enterprises, most respondents say that they do not feel clearly about their values in the development process of the enterprises.

*Team orientation:* this component is understood as the relations in work between individuals in one enterprise with individuals in other enterprises. This component does not evaluate teamwork skills. The survey results indicate that this component is evaluated at average level (3.02). As such, individuals feel that their work has close connection with other individuals and divisions in the enterprises. This has positive impacts on behavior of individuals when cooperating with other individuals and divisions in the enterprises. In general, thanks to community activities organized periodically in the enterprises, individuals in each division and relevant divisions can maintain good relationships. This is the foundation for them to coordinate closely and effectively at work.

*Capacity development:* this component scores the highest among the three components of this structure. The survey results show its mean value of 3.49. The dispersion level of answers is quite low, as both indirect and direct workers perceive that their capacity has been developed while working in the enterprises. This illustrates that enterprises have paid certain attention to training and developing human resources.

*Fourthly, Adaptability:* this is the typical feature of corporate culture in the market economy. Specifically:

*Customer focus:* Enterprise leaders have developed good awareness of this importance but survey results reveal that this component just reaches average score (3.16). The dispersion level of answers is quite large. Office workers who have direct or indirect contacts with customers have answers of at least 4 while production workers show disinterest to this component (most answers have scores of 2 - 3). As such, customer focus culture has not yet spread throughout the enterprises.

*Creating change:* In modern society, innovation is a vital requirement to enterprises. Product structures should constantly change to meet the demand of the market, enterprises should actively approach partners to learn and renew organizational management. However, individuals in enterprises do not have clear feelings about changing culture, so the result is just at average score (3.01)

*Organizational learning:* At enterprises, one of the core values that are highly appreciated is the learning capacity of each individual. At present, enterprises have started to advocate movements to raise learning spirits of individuals at work but the activeness of laborers in learning still remains low with the mean value of 3.12.

### **3. Some conclusions and recommendations to consumer goods SMEs**

*Firstly,* enterprises tend to develop their corporate culture externally rather than internally, so laborers do not seem to understand the cultural values of the enterprises. The impacts of corporate cultural values on behavior of laborers are not clear. Therefore, enterprises should work out clear action programs to help laborers understand and orient their behavior towards the core cultural values.

*Secondly,* enterprises do not evaluate the development of corporate culture at periodical time, so leaders cannot identify the limitations in their corporate culture development. Therefore, enterprises should run specific action programs to develop corporate culture frequently.

*Thirdly,* enterprises have not carried out empowerment scientifically and professionally, so laborers have not connected their individual work with organizational work, nor understood their roles in organizational development. Therefore enterprises should have solutions to manage organization effectively so that laborers can perceive their positions in the development of the organizations.

*Fourthly,* innovation and creativity are urgent needs in the market economy but this core value is not well cared by enterprises, laborers in enterprises do not have adequate and good understanding of this value. Therefore, there should be more positive changes in the awareness of enterprise leaders as well as laborers about innovation and creativity in business activities.

*Fifthly,* enterprise leaders should have appropriate awareness of improving capacities of laborers via learning at work - this goes in line with the new trend of life-learning. However, laborers themselves do not well understand about learning at work, most of them are not active in learning to raise their competence. Therefore, enterprises should have more active action programs to motivate them to learn at work.

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**Summary**

Văn hóa doanh nghiệp có tác động tích cực tới hiệu quả kinh doanh của các doanh nghiệp. Các nghiên cứu về văn hóa doanh nghiệp đã chỉ rõ mối quan hệ giữa văn hóa doanh nghiệp với kết quả hoạt động kinh doanh của các doanh nghiệp. Các doanh nghiệp Việt Nam đã có nhận thức đúng đắn về vai trò của văn hóa doanh nghiệp trong nâng cao khả năng cạnh tranh của doanh nghiệp. Do vậy, nhiều doanh nghiệp đã đầu tư trọng điểm để phát triển văn hóa doanh nghiệp. Nhưng ở mỗi thời điểm, văn hóa doanh nghiệp đã đạt được sự phát triển như thế nào, các hoạt động cần tiếp tục triển khai nhằm phát triển văn hóa doanh nghiệp lại chưa thực sự rõ ràng, gây khó khăn cho các doanh nghiệp khi thực hiện kế hoạch phát triển văn hóa doanh nghiệp.

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