

Aspects of Company Culture and Its Impact on Financial Results

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Abstract.

In order to put a number on how successful a company's culture is, this article surveys the many approaches used both domestically and internationally. Based on our research into the views of Russian managers and specialists, we suggest revising the index that measures the effectiveness of corporate culture's calculation level.

Keywords: corporate culture, business efficiency, quantitative methods of assessment, the mission of the organization, the index key values, leadership style.

INTRODUCTION

Research into corporate culture, an emerging multidisciplinary field with high demand in contemporary management, requires a solid methodological foundation that accounts for Russian peculiarities.

What makes up an organization's corporate culture are the shared values, norms, and practices that all workers adhere to. It has a significant impact on how individuals behave and, by extension, how they do their tasks [8]. There is widespread agreement that a company's culture may have a significant impact on its strategy and bottom line [18]. The effectiveness of achieving strategic objectives depends on leadership, corporate spirit, mutual understanding, and support at all levels of the organization, from upper management to lower-level personnel. A thorough evaluation of the company's organizational structure, the efficacy of employee communication, and an impartial evaluation of the company's culture are all necessary for good management. Therefore, in order to assess company performance, a cultural diagnostic is necessary. You can utilize diagnostics to fix tactical issues, like how

to make employees more invested in the company and less likely to leave, and strategic ones, like how to expand your market share and boost your bottom line.

When a business is undergoing restructuring (i.e., the formation of new departments, mergers, acquisitions, the entrance of new owners, or the installation of management accounting systems), it is important to conduct a diagnostic of the corporate culture in order to forecast the firm's potential. In this research, we look at a variety of ways that companies' corporate cultures might be diagnosed. A first point to make is that there are essentially three distinct schools of thought when it comes to researching company culture [6]:

There are two main approaches to this kind of research:

(1) the holistic approach, in which the researcher fully immerses themselves in the organization's

culture and actively observes it, and (2) the metaphorical approach, in which the researcher samples language from papers, reports, current news, and conversations. Thirdly, quantitative research requires the researcher to weigh a number of perspectives, all of which are relevant when assessing the characteristics of a company's culture. Because of its use in comparing company cultures and understanding the connection between culture and financial success, our research centers on quantitative approaches to diagnosing corporate culture. The most pressing issue, however, is settling on an assessment-ready collection of characteristics or aspects of corporate culture. American researchers in the 1980s were the first to publish on the topic of corporate culture diagnostics. The findings of a large-scale research on the cultural differences in organizational behavior of corporate personnel were published in 1980 by G. Hofstede [12]. Hofstede found that there are five primary factors that differentiate the corporate cultures of nations:

1. distancing from authority;
2. the desire to avoid uncertainty;
3. individualism / collectivism;
4. masculinity / femininity;
5. short or long term orientation .

1. Hofstede made the observation that national culture and corporate culture are fundamentally different. Consistency in practice is what gives rise to corporate culture, whereas consistency in national ideals is what gives rise to corporate culture, according to Hofstede. The field of corporate culture studies owes a debt of gratitude to Hofstede.

Diel and Kennedy [11] identified aspects of company culture in 1983 according to the pace of feedback and the level of risk.

1. Minimal risk and immediate response. Excessive activity level with little danger. The excellence of the job is what motivates everyone. Industries like fast food, software development, retail, and real estate tend to have this culture.
2. An individualistic culture that values speed, profit, and high-risk transactions with rapid feedback. Common in the advertising industry, consultancies, the entertainment industry, and the currency and financial markets.
3. Process culture, relaxed, risk-free work, with

gradual feedback and little risk. Companies in the banking and insurance industries, as well as those in the pharmaceutical and public service sectors, tend to have this culture.

4. An investing culture focused on the future with a high level of risk and sluggish response. The impending outcome is the motivating factor. Workers take great care to safeguard assets to the best of their abilities. Companies with this culture are common in the investment banking, construction, aerospace, and capital equipment industries.

In 1992, American scientist Shane proposed a model for studying corporate culture that included three tiers of manifestation:

1. Artifacts are tangible representations of the organization's existence that can be seen and touched, such as the way personnel dress, the language used in the organization's physical space, symbols, and the results of long-standing traditions and ceremonies. People think that artifacts are only the surface-level expression of a culture's inner workings.

Second, an organization's declared values are the words and deeds that its members say and do to represent its shared principles and beliefs. Typically, managers' efforts during strategy formulation lead to the declaration of values. As a result, the remaining staff members start to feel a way about these principles. You may adjust the specified values if your approach changes, and you can go to the next level of fundamental concepts if you succeed and consolidate.

Third, an organization's culture is based on core values, which influence employee behavior in an unconscious way. In the eyes of the workforce, these realities are quite clear.

Several prominent European and American researchers have used empirical studies of multinational firms' operations to build quantitative methodologies for assessing corporate culture. The OCAI method developed by Robert Quinn and Kim Cameron is among the best known [2]. It is presumed in a research that every structural unit of the organization has characteristics of the overall organization's culture. Various degrees of inheritance are assumed to be present in each of the four models of corporate culture and their respective six primary qualities in the technique. The following characteristics are considered attributes: relationship principles, leadership style in general, management of staff, organization's linking essence, strategic objectives, and criteria for success. "As is" and "as should be" profiles are created throughout the research, and the

adjustments that are needed to remove discrepancies are identified. Using the following seven criteria, American researchers O'Reilly, Chatman, and Conwell [15] demonstrated in 1991 that organizational culture can be diagnosed:

2. innovativeness and willingness to take risks, i.e. the degree of encouragement of risk, experimentation, approval of innovations;

3. attention to detail - how much the organization expects from its employees accuracy in completing tasks, scrupulousness and attention to detail;

4. orientation - the extent to which management is outcome oriented rather than the methods and processes used to achieve it;

5. orientation - the level of staff value and respect for employees, the degree of encouragement of talents;

6. focus on team or individual work;

7. aggressiveness - the level of internal competition as opposed to friendliness;

8. stability - the desire to maintain the current position as opposed to the desire for innovation. 1, 2 and 7 projections reflect the attitude to work. 3,4,5,6 - relations within the team and the norms of personal actions. The developed methodology is called OCP, the assessment of corporate culture is carried out by examining the agreement of the employees of the organization with 54 statements characterizing individual and organizational values.

Other examples of the use of the quantitative method is the OCI method of Cook and Lafferty [9], originally developed to formulate the behavioral norms, values and beliefs shared by the members of the organization. The methodology focuses on the study of management styles and diagnoses the organization in terms of compliance with one of 12 organizational styles. As a result, the company belongs to one of three types of corporate culture:

1. Constructive - people strive to interact with each other and look for ways to reach a compromise on all issues;

2. Passive-protective - people believe that they must act carefully, without violating safety in any way;

3. Aggressive-defensive - people actively fight, protecting their status and safety.

Another well-known example of a corporate culture diagnostic technique is the van de Post and Koning technique, developed at the Stellenbosch Graduate School of Business in 1997. Post and Koning study 114 parameters that

characterize the culture of an organization, reducing them to 14 generalizing factors. Unlike previous methods, the factors include parameters that reflect the organization's relationship with society - the organization's purposefulness, clarity of goals, consumer orientation. However, the remaining 11 factors relate to leadership style and internal values of the organization.

The next step in diagnosing corporate culture was the calculation of corporate culture performance indices,

i.e. an integral quantitative assessment of the level of all the studied parameters in terms of their overall impact on business performance. At the same time, business efficiency is understood both from the point of view of its internal manifestations, such as the degree of staff satisfaction, staff turnover, labor productivity, and from the point of view of external results - an increase in market share, an increase in profitability, an increase in the quality of goods and services, the development of new types of products.

Based on the methods described above, a number of corporate culture indices were developed, the most famous can be considered Norms Diagnostic Index [16] and Culture gap Survey [13]. These tools measured the values of the members of the organization, from the way of setting goals, avoiding conflicts, self-protection, the propensity to innovate and the degree of risk taking.

In my opinion, the disadvantage of all these methods is an excessive focus on individual values, internal relations of employees and leadership style to the detriment of the study of interaction with the outside world

- the mission, customer orientation and image of the organization.

The most balanced approach to calculating the corporate culture performance index was proposed in 1993 by Daniel Denison is professor of organizational development at the International Institute for Management Development in Lausanne. Denison, together with William Neal [10], conducted an empirical study of the relationship between corporate culture traits and organizational effectiveness.

As a result, 4 main projections of corporate culture were identified that affect business performance, for each of which several indices are calculated:

1 projection - adaptability, within the framework of this projection, the indices are calculated:

- creation of changes (innovation,

adaptability);

- customer orientation; - organizational learning.

Projection 2 - mission, within the framework of this projection, the following indices are calculated: - strategic direction;

- goals ;
- visions .

3 projection - consistency (consistency), indexes are calculated: - coordination and integration;

- consent ;
- key values.

4 projection - involvement (involvement); indexes are calculated:

- powers ;
- benefits development index ;
- command orientation index .

- The indices are computed by analyzing employee surveys, which include many statements for every indicator and are assessed using a five-point scale. Corporate culture is shown as a circle in the indices' findings, while the organizational characteristics are divided into internal and outward emphasis by the horizontal line. The internal processes are characterized by involvement and consistency. Inside the company, while goal and flexibility are outside factors. The line dividing a flexible organization from a stable one is indicated by the vertical cut of the circle. Organizational stability and manageability are determined by their purpose and consistency (consistency), but organizational flexibility and change propensity are determined by engagement and adaptation. Mission and alignment, according to the Denison model, are more important for financial metrics like ROA and ROI, as well as sales profitability, than alignment and engagement, which are more important for quality, staff happiness, and customer loyalty.

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Innovation and product development are affected by engagement and flexibility. A high degree of inventive activity in production and service, originality, and rapid responsiveness to the changing demands and requirements of customers

and staff are indicated by indexes of these criteria in the range of 3 to 4 points.

- Profit, sales growth, and market share are driven by a sense of purpose and agility. The company should expect a rise in sales and market share if the respective indices are between three and four points. Consequently, the Denison model of corporate culture research aids businesses in making decisions, guiding operations, controlling employee conduct, and influencing the efficiency and output of their workforce.

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To wrap off this overview of international approaches to corporate culture effectiveness diagnostics, I'd like to mention that new methodologies have emerged that can address all three tiers of organizational culture at once: individual, intraorganizational, and interorganizational [16]. One such approach is known as "A Multilevel Profile of Organizational Culture". This method establishes five aspects of corporate culture that impact three levels: the individual level, which includes factors like dedication to the company, outlook on lifetime employment, and involvement in decision-making; the intra-organizational level, which includes the HR system, the mission, and organizational structure; and the inter-organizational level, which includes external factors, such as the environment.

M.N. Pavlova's techniques are the most well-known in Russia for assessing company culture [4],

First, V.N. Voronin, and second, I.D. Ladanova.

The methodology of M. N. Pavlova is based on the approaches of G. Hofstede. The main features of corporate culture are:

- "individualism- collectivism" - the degree of integration of individuals into groups is assessed;

- "power distance" -

characterizes the level of democratization (authoritarianization) of the management style;

- "tendency to avoid uncertainty" -

the manager's business with private issues, focus on avoiding risk and responsibility.

- "Muscularization - Feminization" -

reflects the motivational orientation of the staff

to achieve the goal (male role) or the process of completing the task (female role).

This technique allows you to build a profile of organizational culture, but is not related to the calculation of quantitative indices. A comprehensive attempt to evaluate the entire set of corporate culture parameters with the calculation of a composite index was made by V.N. Voronin with the help of the DIAORG questionnaire developed by him. This method is aimed at studying the satisfaction with the work of employees of the organization, the leading motives and needs of individuals involved in labor activity. V.N. Voronin divided the value and motivational components of the organization into blocks that reflect the most significant aspects of the life of the organization: management style, established work standards, attitude towards activities, attitude towards the organization, motivation system (external and internal), selection system, decision-making system, balance of power and responsibility, clarity of distribution of functions, the structure of business communications, the level of group development of departments. In the course of the study, two blocks of motivation factors were identified: motivating (stability of the organization's position, positive image of the organization's employee, high level of remuneration, an attractive system of benefits for employees, the opportunity to acquire new knowledge, a close-knit and friendly team, the existence of opportunities for a fast career, interesting work) and demotivating: (high intensity of work, high degree of responsibility for the results of work, strict requirements for discipline, lack of job security, lack of free time, lack of authority to perform functions. According to the results of the study of motivation, on the one hand, the presence of any employee of the system of needs that affect his behavior in the organization, and, on the other hand, the presence of organizational conditions that need to be optimized to increase their motivating effects. It should be noted that the choice of corporate culture factors and the structure of the questionnaire adapted for commercial banks.

Another example of a quantitative approach to the diagnosis of corporate culture in Russian theory and practice is the method of I.D. Ladanov [3].

The study is conducted by answering respondents to 29 questions, which are a series of statements grouped in 4 sections: work, communications, management, motivation and morality. For example, the first section includes the statements: "At our enterprise, newly hired employees have the opportunity to master their specialty" or "We have equipped our jobs." The second section, in particular, includes statements: "we have clear instructions and rules of conduct for all categories

of employees" or "we cultivate various forms and methods of communication (business contacts, meetings, information printouts, etc.).

When evaluating each statement, a 10-point scale is used. The corporate culture index is evaluated by the total score. The maximum value of the index is 290. The indicators indicate the following levels of corporate culture: 290-261 - very high. 260-175 - high, 174-115 medium, 115 - with a tendency to degradation.

The advantage of this technique is the possibility of quantitative comparison of the corporate culture of different organizations or one organization in different time periods. However, in my opinion, the question of the mutual significance of each statement specifically for the company's business performance remains unexplored, since the model has no weights, all factors are recognized as equivalent, and the overall corporate culture index is obtained by simply summing up the scores for each of the 29 statements.

As part of our study [5], an attempt was made to clarify and shorten the list of corporate culture parameters that really affect the business efficiency of Russian companies, as well as to find out the mutual significance (weight) of each parameter for compiling a composite index of corporate culture effectiveness.

At the same time, it was also necessary to clarify the question of whether the choice of factors for the effectiveness of corporate culture depends on the field of activity of the company, the age of the company and the size of the company.

At the first stage of the study, a contextual analysis of the materials of the business press and the Internet (more than 100 articles) was carried out to identify a set of factors that experts, specialists, owners and managers of firms associate with the concept of the effectiveness of corporate culture. Based on the results of this stage, 41 parameters of corporate culture were identified, which, according to the author of the articles, has an impact on the efficiency of the company's business. By grouping factors similar in meaning, it was possible to identify 20 factors of corporate culture that affect business performance. This list included factors of value orientation, such as the mission, image of the company, factors that set relationships in the team, such as leadership style, working atmosphere, organization and coordination of actions), as well as factors of material incentives (social package, remuneration system), factors internal motivation (the possibility of self-realization, the possibility of learning) and other groups of factors. An analysis of the frequency of mentioning parameters in articles made it possible to construct factors in descending

order of importance for business performance. The largest number of mentions as a factor in business efficiency was received by the parameter

- the mission and image of the organization, then the atmosphere in the team, the third place was taken by the organization and coordination of employees' actions.

At the second stage of the research, a list of 8 first in the list of corporate culture parameters was included in the questionnaire survey, which was attended by 90 owners and managers of Russian companies in various fields of activity. The 8 parameters included:

1. Awareness by employees of the mission and the presence of a positive image of the organization
2. The atmosphere in the team
3. Organization, coordination of actions of employees
4. Presence of corporate traditions and joint leisure
5. The degree and variety of forms of employee motivation
6. Company management style
7. Attitude to the professional level and control of the actions of employees
8. The presence of a social package.

The survey participants were asked to rank 8 parameters in descending order of their impact on the company's business performance, as well as to supplement the list of parameters with new factors not taken into account by the survey organizers. In addition, participants were asked to answer the question: "Why do they consider the first three factors to be the most important?" At the end of the questionnaire, respondents were asked to answer demographic questions about the type of business, the life of the company, the size of the business, and the status and age of the respondent within the company.

Ten in-depth interviews were conducted before the mass survey to gauge the level of consensus among respondents about the meaning and application of the survey's eight criteria. According to in-depth interviews, 90% of respondents have a good grasp on what each of the 8 survey characteristics entail. The poll was filled out by representatives from all three types of businesses: manufacturing, trade, and services. Small and medium-sized enterprises (SMEs) with yearly revenues of up to \$10 million made up the bulk of the firms, and the majority of them had been around for over four years. Between the ages of 25 and 35, over half of the respondents were either business owners or senior managers.

The following was done to process the results of the ranking factors of corporate culture: the factor that was given the most priority in the questionnaire was given 8 points, the second-highest priority element was given 7 points, and so on, up to the eighth-highest priority item, each of which was given 1 point. We averaged the results across all surveys. One component may only have a maximum of 720 points. With 591 points, the element "control of the professional level and actions of employees" was the most highly rated by survey takers. Following in second and third place, respectively, are the following factors: leadership style (474 points), team atmosphere (431 points), employee motivation (384 points), understanding of the organization's mission (357 points), a social package (310 points) and corporate traditions and shared leisure (195 points) for seventh place.

The research also shed light on the subject of how survey takers' preferences for selecting corporate culture efficiency variables vary by company position, age, and industry. We hypothesized that different demographic questionnaire variables would have varying impacts on ranking outcomes and used statistical techniques of categorical analysis to verify this hypothesis. The study's findings suggest that firm age, size, and industry do not play a role in determining which aspects of corporate culture are most critical to optimizing operational efficiency. Age was the only demographic variable used to select survey takers. Factors such as team spirit, traditions, and free time were more important to younger respondents.

Now I'd like to compare the findings regarding the interdependence of corporate culture factors with the most similar approaches put forth by Denison and Ladanov. When it comes to diagnosing the efficacy of Denison's approach, the methodology fails to take into account factors that are crucial for Russian experts and managers, such as team atmosphere, employee motivation, social packages, traditions, and corporate leisure. Also, the D. Denison questionnaire devotes a lot of space to questions about the company's purpose, long-term objectives, and planned activities, but the Russian survey takers didn't give such questions nearly enough consideration. Our research also turned up several variables, but none of them had anything to do with the company's innovativeness, adaptability, risk appetite, or customer focus. So, it's safe to claim that Russian businesspeople lack a proper understanding of these elements impacting company success.

CONCLUSION

The study's findings are similar to those of the Ladanov technique when it comes to the majority of the corporate culture characteristics used to determine the aggregate efficiency index. Even though they rank last in importance, Ladanov's approach is missing two aspects of corporate culture that our research found to be significant: traditions and leisure and the existence of a social package. While our analysis did not account for working conditions or workplace equipment, Ladanov's technique pays little consideration to the company's objective. The weights given to different metrics by different models in calculating the overall performance index vary greatly. In contrast to other approaches, Ladanov's methodology gives management and motivational aspects a little more weight when considering communication and working circumstances. We were able to derive the following broad index for gauging the efficacy of the company's corporate culture from our research.

$IEKK = (591 / 720) * K1 + (490 / 720) * K2 + (474 / 720) * K3 + (431 / 720) * K4 + (384 / 720) * K5 + (357 / 720) * K6 + (310 / 720) * K7 + (195 / 720) * K8$, where .

K1 - the level of care and control of the professionalism of employees,

K2 - level of organization and coordination of actions of employees,

K3 - effectiveness of leadership style,

K4 - the atmosphere in the team,

K5 - level of employee motivation,

K6 - the level of awareness of

the mission of the organization, K7 - the presence of a social package,

K8 - the presence of corporate traditions and joint leisure.

The calculation of the level of each of the eight factors can be carried out on the basis of a questionnaire that includes several statements for each factor. Based on the use and adjustment of the previously proposed questionnaires, the following approximate list of statements can be proposed for compiling a questionnaire for calculating the corporate culture performance index:

1. The level of care and control of the professionalism of employees:

- the organization continuously invests in the development of its employees;
- human potential of this organization is constantly growing;
- problems rarely arise in my organization because we have the right skills for the job.

2. Coordination and consistency of actions of employees:

- people in different organizational units share a common perspective;
- working with someone from another department is easier than with a person from another company;
- we rarely have problems reaching agreement on key issues.

3. The effectiveness of leadership style:

- majority of employees in this organization are actively involved in the work;
- decisions in this organization are made at the level where the best information is available;
- style is in line with the objectives of the organization.

4. The atmosphere in the team:

- we maintain a good relationship with each other;
- conflict situations are resolved in our country taking into account all the realities of the

situation;

- is dominated by cooperation and mutual respect between employees.

5. The level of motivation of employees:

- the salary system does not cause complaints from employees;
- we have organized a professional (thought-out) assessment of the activities of employees;
- a reasonable system of promotion to new positions.

6. Awareness of the mission of the organization:

- our organization has a clear mission that gives meaning and direction to our work;
- I am clear about the strategic direction of our organization;
- there is full agreement about the goals of this organization between employees and managers.

7. Availability of a social package:

- in our organization, vacation and sick leave are fully paid;
- employees can enjoy free meals, corporate medical insurance, free travel;
- we have the possibility of free access to the gym and other similar institutions.

8. The existence of corporate traditions and leisure:

- I know the history of my company;
- we have a tradition of celebrating joint holidays;
- we hold cultural and sports events, competitions.

The survey participant can rate each statement on a 5-point agreement scale. The results are summarized taking into account the significance index of each of the eight factors.

The task of further research may be to test the adequacy of the proposed index by studying the correlation between its value and the efficiency of companies' business. Business performance must be measured both in terms of external manifestations, financial results and market share, and internally: labor productivity, lack of employee turnover, employee satisfaction and involvement. The unit of study should be business structures .

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