

Diagnosis on Corporate Culture and Construction

A Case Study of Limin Chemical Co., Ltd.

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Abstract. Along with the gradual improvement and development of China's market economy, some state-owned enterprises have gradually restructured into private ones. The culture of some enterprises has changed greatly in this structural reform process. This paper selects Limin Chemical Co., Ltd., a successfully restructured high-tech enterprise as the object of study, and extracts a method system to measure the enterprise culture through analysis of cultural differences before and after its restructuring. Based on the Denison Model of Organizational Culture, a cultural measuring model of Limin is established to diagnose current conditions of culture in Limin. According to the evaluation results, combining market trend, this paper presents the strategic object and plan of Limin's future culture construction, and discusses the establishment process of Limin's culture system in detail.

Keywords: Cultural changes · Culture diagnosis · Case study

1 Introduction

Enterprise culture is the soul of an enterprise and the driving force in its development (Kotter and Heskett 2004; William 1984). From the view of practical cases, either famous corporations like IBM, Sony, and GM, or domestic ones like Lenovo, Haier, Huawei and Beijing TRT, they all pay much attention to the construction of enterprise culture (Chen 2005). Enterprise culture is the interior quality of an enterprise that shows its personality and the highest level of business management. Only powerful enterprise culture can unite persons having different goals, beliefs and experiences together and form the centripetal force of a corporation.

Limin Chemical Co., Ltd. grows out of Xinyi County Glass Factory. It takes less than 20 years for it to be created, developed, and transformed from state-owned to private. It has now changed from a small loss-making factory to a national large-scale pesticide manufacturer that has over 1000 employees and an output value of 500 million RMB. Due to the enterprise restructuring, its organizational culture has had

different characteristics in different stages, which have affected the management and operation of the enterprise fundamentally.

The middle and senior managers and technical backbones bought out the property rights of the enterprise when it transformed from state-owned to private. However, this was also the most dangerous period when enterprise restructuring brought cultural innovation and broke the backward ideas that state-owned employees had for a long time, such as equalitarianism, “iron rice bowl” - a lifelong job, depending on the enterprise.

This research paper aims at helping the enterprise smoothly pull through the cultural transformation to obtain persistent competitive advantages. This paper focuses on the cultural transformation of Limin Chemical Co., Ltd., starts from theories and conducts a complete analysis of the enterprise in consideration of its current status. The paper also adopts Denison Model of Organizational Culture diagnose and rebuild the enterprise culture and to cultivate core competitiveness.

2 Cultural Changes at Different Stages

Since its bankruptcy, policy reform and reshuffling, Limin has experienced four major development stages of seeking ways out after bankruptcy, consolidation after survival, stagnation after becoming stronger and reform and innovation after hesitation. In the over 20 years of development for the enterprise, enterprise culture building has always been one of its work priorities of enterprise development and building.

When Xinyi Town Glass Factory, the predecessor of Limin, went bankrupt, the factory director led the top management team of the factory to decide to produce pesticide which was in higher demand. At the beginning of starting the new company, everything started from zero and all efforts of the enterprise had been put on seeking ways out. The joint objective for all is to “earn the basic allowance and have jobs to do”. Moreover, the leaders of the enterprise displayed great charm. Therefore the employees were extremely united and dedicated. So the core of enterprise culture at this period was the organizational culture that centered on taking painstaking efforts in starting the company and getting united for further progress. The cohesion from the strong desire for survival greatly boosted the development of the company.

In the following five years, Limin enjoyed rapid development. Compared with the start of the company, the products were initially recognized by the market. Even so, the overall technical foundation of the company was weak, the scale was small and the product competitiveness was not strong. In this period, Limin had already become aware of the importance of enhancing management. The company started to shift its focus from the external market to internal management. Drawing upon the managerial experience of foreign enterprises, it abolished the “fixed wage and no dismissal” policy, posts are determined scientifically and all posts were open for competition. The desire to be stronger and the positive attitude of the employees gradually formed the culture at this stage, mainly reflected in the dedication of employees and the sense of responsibility for taking pride in the enterprise.

Since the second half of 1996, the Chinese market had gradually become saturated and the pesticide industry had shifted toward the excessive economy. Limin was

confronted with huge setbacks. Employees' sense of belonging dropped dramatically. The matching in technology, procurement, production and sales was not smooth and employees did their job in their own way. The company lingered and stagnated. To solve these problems, the enterprise adopted wage reform and boosted cost management, aiming at improving the operation efficiency. However, since the organizational culture represented by self-satisfaction was brewing in the company, employees sought for stability and lacked the motivation and initiative for creation. The reform was met with huge resistance and was not able to be implemented thoroughly.

The increasingly exposed problems in administration had affected the operation performance and the vital interests of stakeholders, thus promoting the initial agreement on internal reform within the company. Taking the opportunity of reform on the property rights of enterprise in 2004, Limin carried out bold and drastic reform and innovation and shifted from a state-owned enterprise into a private one. The middle and high-level managers and major technicians bought out all the property of the company at one swoop, fundamentally injecting vigor into the company. The managerial awareness and self-requirement of the managers underwent fundamental changes. Some fundamental management reforms were quite fruitful and effective. At that time, the company had marched through the initial stage and the middle stage for development and crossed into the mature period. The market at this stage was becoming increasingly mature and culture was likely to be the constraint of innovation development. Therefore we should lead the company to make more glorious achievements through effective culture remodeling.

3 Research Methods

3.1 Measures

This paper adopts the Denison Model of Organizational Culture (DMOC) to measure the company. After going through 20 years of research and practice, this model has been adopted by over 5,000 organizations around the world as an extremely influential measuring model for organizational culture measurement (Denison and Mishra 1995). DMOC includes 12 factors including corporate vision, strategic direction and so on (Denison 1996). This scale has displayed good reliability and validity in many organizational behavior study researches (Block 2003; Yilmaz and Ergun 2008). Considering the current situation of Limin, this research first of all invited experts for discussion and determined the completeness of dimensions and semantic clarity; secondly, a small-scale group filled out the form as a trial so that the sentences with ambiguity could be revised. Finally, the measurement scale was finalized and Likert 5 point scoring method was adopted.

3.2 Sample

The questionnaire was conducted on middle managers, grass-roots managers and some staffs selected by stratified sampling. Altogether 185 questionnaires were handed out

and 185 questionnaires were collected back. The composition of the samples for the questionnaire is listed in Table 1.

Table 1. Descriptive statistics

Category	Content	Percentage	Category	Content	Percentage
Gender	Male	77.2	Degree	Below high school	17.7
	Female	22.8		High school	34.5
Age	Under 25	5.2		College and above	47.8
	26–30	51.0	Position	Middle managers	11.6
	31–35	24.6		Grass-roots managers	14.6
	36–45	19.0		Technicians	12.3
	Above 45	0.2		Other staffs	61.5

4 Results

4.1 General Analysis of the Cultural Diagnosis

According to the revised measurement scale and the Likert five-point scoring method with one point representing 20 points, the average score for each dimension is calculated to reflect the general description of current culture of the company. The result is shown in Fig. 1.

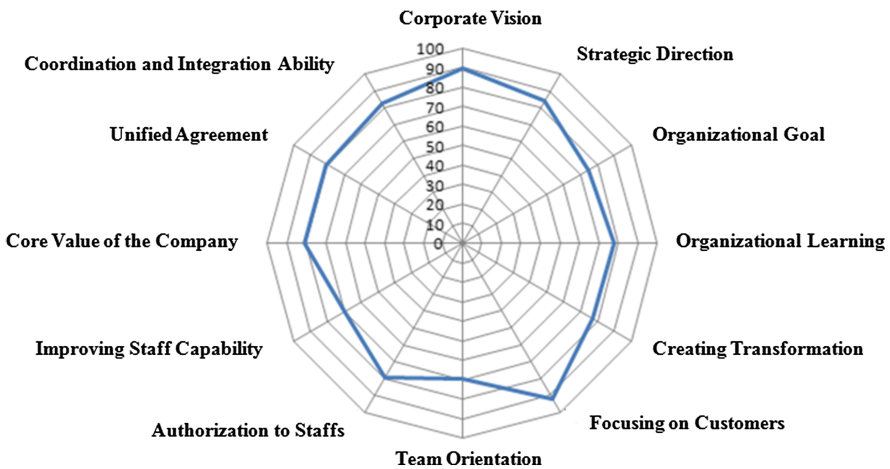


Fig. 1. General description of Limin's current Culture

Figure 1 has clearly reflected the perception of all Limin's staffs on its enterprise culture. In addition to "team orientation" and "improving staff capabilities" have got lower scores of 69.29 points and 69.45 points respectively, the score for the other

dimensions is all above 70 points. The highest score is “focusing on customers” with 92.18 points. It can be seen that the company attaches great importance to customer demand.

4.2 Corporate Vision

From the survey result, it can be seen that most employees highly identify with the corporate vision with 89.36 points for this dimension. On the operation management meetings, the Board Chairman of Limin stressed for many times the corporate vision of “recruiting talents, establishing systems, creating profits, benefiting staffs, and giving back to the society”. The Board Chairman also expressed for many times the strong emphasis on the interests of staffs and the corporate concept of integrating corporate benefits with customer and staff benefits. The company further prompts all staffs to work toward one goal through sharing the future vision with all staffs. This dimension is usually the weak point of a company, but due to the special growth track for Limin, the company and the staffs pull through the difficult period and grow up together and staffs have full confidence in the future of Limin.

4.3 Strategic Direction

In this dimension, the whole company has displayed a strong sense of recognition with 84.23 points. Since the company is a family enterprise, the top managers are consistent and stable. Therefore the corporate strategies can be carried out and put in place continuously. Having once pulled through the difficult period together with the company, the staffs have a strong sense of belonging. The company has also kept its promise especially in terms of performance-based reward. All departments are consistent in terms of new product R&D, talent introduction, satisfying the customer demand, and the improvement in product technology and quality and strive to realize the corporate strategic goals. Although some of the middle managers and grass-roots managers have been changed, the cultural recognition dimension of the company has not been affected due to the continuity and stability of the high-level policy implementation.

4.4 Organizational Ultimate Goal

Through the trainings organized by the enterprise, the leaders continuously convey the organizational objectives and ultimate goal of “product is the life of a company” and convert the goal into the production habits in the daily operation of staffs, including compliance with the operation standard in the production procedure and strict quality assurance. However, Limin used to be a State-owned Enterprise which went bankrupt and changed products after reform, so the egalitarianism concept has not been shifted completely. So in this dimension, the score of 74.86 points has some gap from the corporate expectation and is quite low compared with the other dimensions. In the future, the company will need to work harder on this dimension and constantly

establishes the ultimate goal of “focusing on quality, improving efficiency, cultivating responsibility, studying and innovating” for staffs.

4.5 Organizational Learning

Organizational learning is the process of creating, retaining, and transferring knowledge within an organization, which will help an organization increase production efficiency, gain experience, improve the innovation capability on product, technology and management (Argote and Miron-Spektor 2011; Huber 1991). Limin has got 77.84 points for this dimension. However, in the survey, it can be found that the company attaches great importance to the technical training, but the directors rarely receive cross-position and cross-department training of multiple skills, damaging their work enthusiasm and adaptability, the optimization of corporate structure and the selection of excellent talents. In the future, the company should stress various trainings, increase exchanges in experience among colleagues, offer to share technology and resources, pull through the difficulties, and try to set up a learning organization.

4.6 Creating Transformation

In 2004, Limin was transformed into a private enterprise from a state-owned one, removed or consolidated the original functional departments, established five departments and one office while adopting a flat management style; fully implemented the position wage system linked with performance; and vigorously increased profit while cutting cost and streamlining the company. After these measures were adopted, the company had generally recognized the results of the reform. The company has got 77.57 points on average in this dimension. It is discovered from the survey that the Production Department can take preventative measures against a series of problems that affect the production tasks to guarantee the smooth production process. However, as for the clients' dissatisfaction, the company is less enthusiastic and sometimes shirks responsibilities. In the future, the company should offer to serve customers and be courageous in taking responsibilities.

4.7 Focusing on Customers

This company has a strong tendency toward meeting the demand of customers with 92.18 points for this dimension. The functional departments as well as the Production Department all focus on customer demand. This culture characteristic has been apparently shown in the concept of staffs in all departments. This company generally attaches great importance to staff training and is willing to invest a lot of time and money to let staffs constantly improve themselves and produce high-quality products efficiently and continuously. In addition, to meet the demand of customers, Limin has improved the small-scale production capability to provide high-quality, pollution and hazard-free products with a short delivery period. In addition to publicity and sales of products, the salesmen of the company also have another important function to understand the product

demands of customers. The salesmen would timely communicate with the R&D Department to timely and rapidly develop products that can really meet the customer demands. To meet the needs of customers has become an indisputable rule for Limin. Due to this value, in this environment with fierce competition, businesses of Limin have continuously grown rather than shrunk.

4.8 Team Orientation

The team cooperation inside Limin leaves much to be desired because the company has only got 69.29 points for this dimension. According to the survey, under the encouragement of managers, various departments can closely cooperate with one another, but when emergencies have gone, they would come back to work independently. The organizational structure of Limin is divided according to functions. In particular, the offices under Department of Market and Department of Technology serve different customers. They just finish their own job targets and rarely cooperate with the other departments. In addition, due to the performance-based evaluation system, staffs don't like to communicate with each other in experience. So in the future, Limin should also step up efforts in strengthening the team orientation and stress the performance of a group or team and team learning. There are still such problems as impeded communication, unclear rights and obligations and shirking responsibilities in the cooperation between departments and these are the work priorities in the following cultural remolding.

4.9 Authorization to Staffs

The so-called authorization is to give corresponding rights and responsibilities to a department or a staff to boost their subjective motivation and realize the goal of the corporate objectives. The company has got 79.32 in this dimension. Limin really trusts the frontline production staffs. It is willing to authorize the staffs to formulate operation norms and standards; in addition, high-level managers and department directors are good at praising lower-level managers and staffs who take the initiative to work hard and carefully. This effectively cultivates the ability of the managers to solve problems and improve their executive forces. However, we have discovered that staffs are still not so active in improving their work on their own, which requires Limin Chemical Co., Ltd. to continue to strengthen training and study and improve staff quality in the following development to improve their responsibility and sense of ownership.

4.10 Improving Staff Capability

There are four means to improve staff capability: training, evaluation, work experience and interpersonal relationship (Zhang 2003). Limin has got a low score in this dimension with only 69.45 points. Although the company attaches great importance to the training of staffs, since there are fewer opportunities of work shift, staffs can hardly acquire work experience in the other posts. Most managers or directors have been working in one department. Only when there is a vacancy will one appropriate person be dispatched to

fill the vacant post. However, new problems emerge. The new staffs have not received any training on the skills and knowledge of the new post, so it takes quite a period for them to adapt to the new post after many frictions. This has to some degree reduced the work efficiency of the company. At the same time, it has also reduced the staffs' work satisfaction. Rarely can feedbacks be provided in terms of others' behaviors, communication means and skill levels inside the company, between the superiors and the subordinates or among staffs, so staffs are not aware of their advantages and disadvantages. In addition, in the real production, many masters are reluctant to teach their skills and as a result the apprentices' ability cannot be improved. In the future, the company should try to strengthen the training of multiple skills and promote exchanges and study to cultivate the core competitiveness and innovation capability for the company.

4.11 Core Value of the Company

It takes a long time to form the core value of the company. It requires the leaders to advocate the value with the trust of staffs. Also the core value should be implemented thoroughly. After observation of this company, it can be discovered that the down-to-earth attitude, the guidance of meeting customer demand and mutual assistance among colleagues are the value advocated by the company. Under the persistent and steady advocate and insistence by the core leaders, the core value has been well implemented inside the company and become accepted corporate culture by staffs. The company has got a high score of 81.02 points for this dimension. However, how to maintain the communication between superiors and subordinates and effectively transfer the core value of the company are still the priorities for the future cultural remolding at Limin.

4.12 Unified Agreement

Since the company has sound policies for reward and punishment, strong cohesion, and the high degree of reliance and compliance by staffs to superiors, all members inside the company strictly abide by the regulations of the enterprise. The company has got 80.42 points in this dimension. The superiors have a high degree of authority. As long as superiors assign some tasks and give some requirement, the grass-roots staffs would usually follow the instructions and try to accomplish the task. However, another defect emerges. After the change of high-level leaders, will their charm sustain? In addition, the relevant regulations of the company leave much to be desired in the future.

4.13 Coordination and Integration Ability

Since the high-level leaders of the company are quite stable, the policy implementation has been smooth. The company has got a high score of 82.47 points for this dimension. Staffs trust their superiors who also keep their promises. Therefore, for the tasks assigned by the superiors, staffs would take the initiative to finish them wholeheartedly. After long-time implementation, the executive power of the company would become very strong. Compliance with the coordination and integration of the company has become the basic value of staffs.

5 Discussions

The 1990s is a transformation period for the Chinese economy from the planned economy seriously influenced by ideology to the market economy governed by the economic rules. The enterprise community is also experiencing pains and reforms. Limin began to shift to the market economy at this moment. It has embarked on a hopeful path from the initial purpose of having jobs to do and working for subsistence to becoming the leader in China's national pesticide industry. The phenomenon of Limin is a miniature for China's SME development.

This paper analyzes the corporate culture in a deep manner, considers the reality of Limin, and selects DMOC model to measure the present cultural status of Limin. The measurement result shows that in these twenty years of development, the vision for the enterprise to become stronger and the strategic goals have already enjoyed popular support from staffs; Limin has made some achievements in strategy implementation, policy execution, coordination and integration. However, team study, improving staffs' ability and cohesion building leave much to be desired urgently.

In the future, the company should strengthen the transfer of corporate strategy, prioritize staff training, specially strengthen experience exchanges among departments and colleagues, step up communications, share resources, improve staffs' quality and sense of responsibility, and try to set up a learning organization to improve the corporate culture building and the core competitiveness of the company.

Cultural measurement and evaluation are an important step in enterprise development (Schein 2006; Wang and Zhou 2002). Through Denison's DMOC scale, the paper provides a set of scientific analysis thinking methods for corporate culture; secondly, through systematically analyzing the advantages and disadvantages of Limin culture, the paper finds out the footing for cultural improvement to provide experience for the future corporate culture measurement. The defect of this paper is that it only studies the corporate cultural characteristics of one private enterprise after successful reform, so the sample is not diversified. In the future, more industries and cases are waiting to be explored to probe into the cultural characteristics of enterprises after successful reform to help more private SMEs to become successful.

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