

Subcultures as a Specific Construct and their Role in Corporate Governance

MILANOVA Adelina¹

¹ Economic Research Institute at Bulgarian Academy of Sciences (BULGARIA)
Email: nalidea@yahoo.com

Abstract

An important aspect of the broad range of issues concerning the role of the cultural context in corporate governance is explored. The paper's focus is placed on identifying typical subcultural constructs in economics and more specifically in corporate governance and analysing their role in effective management.

The purpose of the author is to reveal the genesis and to evaluate the rationality and irrationality in the manifestation of subcultural constructs in corporate governance. The basic idea is that deepening the study of the cultural context favours the development of current conceptual models for the management of human capital, as well as the introduction of proper and adequate practices for effective corporate governance. The main thesis is that the specificity of the subculture problem fits in the context of corporate governance and plays a role in its adequacy and effectiveness. By accepting this view, it could be implied that these elements are identified and analysed.

After all, the options for overcoming the negatives caused by the subcultural elements could be viewed as realistic or not realistic in the current Bulgarian business environment, given the socio-anthropological dominant.

Keywords: Social anthropology; Corporate culture; Behavioural economics; National cultural matrix; economic subcultures

Introduction

In many different situations, the behaviour of real economic agents is either limited rationally or obviously irrationally. Reasoning and explaining this fact would contribute to the adequate management of human capital at the corporate level. At the same time, a significant challenge could be finding its own solution, or at least creating opportunities for its adequate interpretation – the phenomenon of deviance and its consequences. All deviations and specifics that transcend the boundaries of their own ethos become determinants of bad practices, poor strategic decisions, and subsequent ineffective results. Some scholars, mainly in the field of sociology, point at social anomie as the main cause [1] The author's view is that the anomie itself is dictated by the insufficient focus and comprehension of the socio-cultural context, within which the rationality – irrationality interaction is manifested. When this context is neglected in the business, the consequences for the business unit, its "life" and development are called into question. The failure to consider the context is an essential prerequisite for the unfolding of irrational actions in which individuals make economic choices with poorly defined preferences. This choice is referred to by behavioural economists as a "constructing preferences" [2], [3], which reflect deviations from rational choice theory by "modelling" preferences.

The culture of the individual business unit includes a set of characteristics that determines its unique nature and the ability of individual members of the company to identify them through it. The values that determine the behaviour of the company build its culture and direct its activity. [6]. This conclusion once again confirms the fundamental question whether corporate culture is ultimately rational in nature and rationalizes the behaviour of corporate structures or, on the contrary, has

encoded irrational components in its nature and must be managed and directed in a specific way in the process of the corporate governance.

Here, so far, although positive dynamics has been established and confirmed, both the “strong” and the “weak” corporate cultures are determined by the national specifics, and it is still quite difficult for the national “mind programming” to yield in front of the company’s “software” (especially in the case of Bulgaria).

Obviously deviant manifestations are diverse and sometimes ambiguously interpreted. In principle, deviation is defined as a manifestation of irrationality, but in certain situations, especially typical in the case of uncertainty about socio-anthropological dimensions and their combination at different levels, deviance may be observed in some rational actions. In this sense, deviance itself should be defined more as a reason for anomalies, not vice versa. We tend to perceive deviance as a supreme abstract category that has different pragmatic manifestations that can be identified on the basis of social empirics.

Rationality and Irrationality of the Culture

As mentioned several times [4], the culture is a dichotomous system of rational and irrational components that, with good business traditions and philosophy of business structures, can be managed and contribute to greater efficiency, but at the same time, could lead not only to deviance, but also to the undesirable and difficult to overcome negative manifestations of human capital in a corporate environment.

As mentioned above, the values connected to the behaviour of a company shape its culture and guide its activity, which is in fact a behavioural formalization and is largely dependent on the validation of specific practices [5], [6].

In the presence of suitable specialists, any company or corporation could develop partial and specific conceptual models for mastering and even managing irrational manifestations in the national-corporate culture, taking into account the character manifestations and conceptualization of the reciprocal links between social capital and cultural dimensions.

Values and norms are not the result of discretionary or informal bargaining, but are passed on from generation to generation through the process of socialization. In the established values and norms, habit and tradition are of greater importance, and this statement is also valid for the manifestation of human capital at the corporate level.

The thesis that subjects of economic behaviour are not strictly rational beings to appear in various representatives of orthodox or heterodox economic doctrines, but finds definite expression in behavioural economics. As emphasized by the author [4] economic entities, in addition to rational ones, can also be irrational in their behaviour: they are subject to emotions, intuitions, beliefs, sometimes they are short-sighted, and on the other hand, moral and social norms provoke in them loyalty, empathy, solidarity, that is, they do not aim solely to increase their own economic gain.

This fundamental feature – business maturity that is relevant to business culture – is seen as a rational factor for corporate governance, but at the same time, irrational behavioural dimensions are also emerging when it is endorsed. In some cases, they can play both a positive and a negative role, precisely because maturity of business refers specifically to the interrelated National Cultural Dimensions and Organizational Cultural Dimensions (NCD and OCD) as its parameters.

In the process of shaping individuals’ behaviour, social identity plays a significant role. In the presence of significant social capital, i.e., strong social ties and high levels of mutual trust, the sense of social identity intensifies and the impact of other behaviours on individual behaviour increases.

Thus, social norms and individual behaviours are mutually conditioned in the process of continuous development and change. And this is especially important in determining the priority values that underpin an organizational culture. The introduction of behavioural heterodoxy has a potential application in the corporate governance. For example, when a behaviour qualifies as

undesirable, it could be penalized by anticipating the appropriate effect, depending on how the subject evaluates the penalty.

Practically, there are several dissimilar methods to explain individual behaviour, which is explored as a reaction to the personal motivators and external stimuli through the implementation of adequate motivational techniques by the management team. According to various theories of needs, internal imbalance gives the individual behaviour purpose and direction.

Conceptualizing Subcultures in the Context of the National Cultural Matrix

Subculture creates an identity different from that attributed to official and established socio cultural institutions. In defining a subculture, it is often emphasized that its values are different from those of the more widely accepted culture to which it belongs, but this definition is not universally recognized.

If carriers of a subculture are seen as a subordinate group with regard to the followers of a dominant culture, this creates hostility. The relevant subculture can become a systemic opposition to the dominant culture and then it is considered to be an opposing subculture.

The combination of the NCD (National Cultural Dimensions) and the OCD (Organizational Cultural Dimensions) in a formal environment generates in a peculiar way subcultural constructs, the most prominent of which are: interest groups /lobbies/ influence groups, subculture of motivation and demotivation /motivated and demotivated/.

The manifestation of the NCD in the informal structure reinforces this generated mechanism and shapes these subcultural groups accordingly.

With regard to interest groups: even with not particularly strong social capital down the line:

Trust /empathy/ ----- Trust /recognition of the leader/, the combination of NCD and OCD favours the creation of such a subcultural construct.

With respect to the groups of influence: their formation and imposition is mainly the result of the relation:

Collectivism, Great power distance ----- Orientation towards the work; Orientation towards the process.

The subculture of the motivated and demotivated segment is the result of the link between:

Collectivism, Great power distance, Stress ----- Bureaucracy, Orientation towards the work, Orientation towards the process.

Several types of orientation (similar to analyses in political science), could be identified as the result of observations and studies in a corporate environment and they could determine the conceptual format for further studies in general:

1. Orientation to Institutions, Norms and Rules

This kind of orientation will analyse the perceptions of the institutions, respectively the rules and regulations, taking into account the organizational cultural dimensions, identifying the profile of an organizational unit and the manifestation of national cultural dimensions, especially power distance, individualism or collectivism, stress in cultural context.

2. Economic Policy Orientations

In this type of role, the role of the researcher is quite delicate, because it is confronted with attitudes from an early age, political orientations and moods, as well as in many cases the negative influence of electronic and social media, propaganda, misinformation or the simple misunderstanding of principles and conceptual models launched in public space.

3. Orientations to Economic Entities and Groups

Orientation towards economic agents and groups is in fact a complete manifestation of symbiosis between different types of cultural dimensions, regardless of which one has a particular dominance.

Of particular importance here would be the analysis of the softness or firmness of the culture, combined with its degree of stress, mainly in relation to the manifestation of tolerance towards particular groups or individuals in the corporate environment.

4. Orientation to the Inner or Outer Patron

According to this indicator, the analysis should focus primarily on the meter of power distance and on individualism/collectivism as national cultural dimensions, which in a specific way influenced the characteristic organizational cultural dimensions. In this sense, identifying subcultural constructs along this axis would give a detailed picture of the various components of the business unit's management profile.

5. Orientations to the imposed managerial style/discretionary or advisory/and the results of its functioning in Bulgaria

This indicator is directly related to the above but may provide more specific information on the generation and survival of some of the corporate subcultures under study.

6. Orientations to the role of the Manager /leader/

In this aspect, the focus should be on the strength and role of corporate social capital. The manager's analysis will be done after appropriate interviews and research, but unfortunately, in many cases, he is the bearer of negative subcultural constructs in different business units, especially where the organizational culture is still strongly linked and dependent on the national business matrix.

7. Orientations to the Personal Role and Participation in Organizational/Corporate Processes

According to this indicator, in organizational cultures that have overcome the direct influence of the national cultural genotype, all possible subcultural constructs should be sought in connection with the individual abilities of the members of the individual teams and of the whole business community to impose and lead the production and communication processes. In the case of Bulgarian economic specifics, subcultural constructs different in their type and manifestation can be identified and analysed along this line. The role of the individual is the main focus in combining the cultural dimensions on which the authors are based in identifying cultural specificities. That personal ability to participate – fully/partially, satisfactory/unsatisfactory, etc., is directly dependent on the attitudes of leaders/managers/and individual team members, as a reflection of established socio-anthropological determinants.

Most authors who use the term “economic subculture” do not make definitions, but take it for granted, with the meaning of tacit agreement. In most cases, clarity comes from context analysis. As it has become clear above, these are those smaller groups that consciously or not, rationally or irrationally, place profiling determinants in which the components of the national cultural matrix, with a prominent role in the corporate environment, are placed, namely, values, language or religion, lifestyle, ethnicity, region, etc. The research focuses on the analysis of attitudes towards the economic system as a whole or its elements, as well as towards the separate entities as participants in the business processes.

The main directions, which should be formulated and analysed in accordance with the economic specifics and the characteristics of the business unit, the thematic blocks, within which the problems are formulated in general and certain questions are asked, could be defined as follows:

1. Social identity, rational and irrational behaviour in the organization: value system/based on discretion or informal negotiation.
2. Differential interaction analysis – dominance of the informal nature of communication, including political biases, social cause, taste preferences.
3. The essence of subcultures – as role cultures, manifesting the informal grouping in the business environment, as well as outside of business contacts.

However, it would be good to emphasize that the actions of culture are long-term and multidirectional. It is a multidimensional concept whose social function is to stabilize the social community by providing standards for performing basic actions, assessing and sanctioning deviations. In this context, subcultures develop specific ways for encoding and decoding the meaning of information norms, of communication, of a hierarchy of values. In order to identify a subculture, it must confront the culture, the analysis being directed to determine whether these specific constructs always oppose or complement it in a peculiar way, but given that this fact sometimes leads to additional deviations or anomies.

The development of modern economic relations and social life in all its diversity is increasingly linked to the development of institutions (in the broad sense of the word), to the institutional rules imposed and applied as a result of the hidden conflict between rationality and irrationality in human behaviour.

A multifaceted analysis of economic / corporate culture requires a deep insight into the cultural context, incl. in the specifics of subcultures formed at different company/corporate levels. The essential question is to what extent the manifestation of subcultural constructs creates rational and irrational prerequisites for optimal or deviant corporate governance. These issues require adequate interdisciplinary analysis that would lead to the development of an algorithm for building good practices on corporate human capital management. Laying the foundations of such an algorithm, whose format is based on the derivation of certain orientations, is the main purpose of the author in the present studios, which sends a message for a deep insight into the role of the cultural context in contemporary corporate processes.

Traditionally, in some countries, scepticism about the importance of business anthropology and behavioural economics, in particular at the corporate level, has been increasingly damaging in attempts to optimize corporate governance and the business environment. From a number of researches of the author, both individually and in teams, it has become clear that the business environment (in Bulgaria) bears a unique but not particularly positive characteristic, namely the extremely slow overcoming of the established strong dominance of the national cultural dimensions over the organizational cultural dimension, which directly affects the image of the economic structure and its social reputation. This yet-to-be-overcome “business anomaly” is manifested in specific corporate governance models, where the generation of subcultural constructs, at this stage, further complicates the construction of efficient and innovative economic structures.

As mentioned, the quality of the corporate culture is directly related to the manifestation of the business maturity [4]. When examining the genesis of social capital and even exploring religions and social-cultural knowledge, it is clear, that the social capital is very often formed through hierarchical structures, suggesting authoritarianism, imposing norms and expecting obedience, because of a few irrational reasons. In these cases, values and norms are not the result of decentralized and informal bargaining; they are transferred from generation to generation, through a process of socialization where habit and tradition have a greater role than reason.

In this sense, the formulation and implementation of good practices focused on identifying different types and influences of subcultures at the corporate level, the manifestation of the micro-level social capital, is both a generalized and a very specific process for each business unit. Generally speaking, the universalization of good practices at the established level of business maturity is not feasible.

Conclusion

The idea of “subculture” is an attempt to understand the various forms of self-expression of people belonging to a subculture, by offering an insight into the dynamics of relationships between them and by asking questions about internal “subcultural competence”, unifying ideas and styles. These issues are mainly addressed through an “inside look” and are based on original fieldwork in the respective micro-cultures.

The social communities in which the subcultures are modelled are family, street environment, school, university, workplace, interest club or sports team, etc. Later, subcultural experience is opposed to the creation of an individual unique distinctive style that is difficult to boil down to group values, behaviours and fashions. Therefore, subcultures can also be conceived as patterns of identity that the individual resorts to at one time or another in his or her life, between which he or she moves more or less freely and from which he or she draws on personal experience.

Regardless of the direct connection between specific corporate cultures, subcultures are at the same time self-constructed constructs that can provoke different corporate/social/anomies that, as stated above, lead or self-generate deviations in corporate /social/behaviour.

Under some conditionality, the concept about the differential interaction stems from the realities of community formation and existing in reality, which are dominated by the informal nature of their communication. They may be united by common or similar ideological and political biases; from a certain social cause; taste preferences for leisure behaviour; from the pursuit of some kind of collectibles.

The subculture of managers, for instance, is a very interesting field for manifestation of the extraordinary in the outlook on life, of the eccentricity and peculiarity of the characters, of freedom in holding. Informal contacts between business men and women facilitate their very serious and subsequently contractual relationships. Different forms of grouping and differentiation of the organizational subculture are possible. Its main layers are: informal groups in the work environment and informal, spontaneous contacts in the workplace.

The existence of subcultural connections in the organization is argued from a new perspective by the thesis that human motives and aspirations occupy a central place in business life, and that the ideal, rather than the material goals and incentives are often leading. The tendency to humanize business is linked precisely to the growing role of informal entities in formal organizational structures.

These communities are able to meet the professional, communicative and existential needs of their members. But this holds true because such groups are built under the influence (usually counterbalanced – as normal reflection) of official life.

In such cases, informal contacts appear as an extension of the service subculture in the sense that they are already more specific in terms of rest, play, relaxation.

As a result of numerous studies, it can be proved that as typically for our (Bulgarian) national cultural matrix remain: collectivism /fertility/, great power distance, high stress, more feminine culture/in direct relation to the first dimension – collectivism, low degree of satisfaction. Regarding the organizational culture, regardless of the specific characteristics of individual business structures, the main characteristics are manifested: bureaucracy, work orientation (not employees), process orientation (not results), and liberal control. [7], [8], [9], [10]

Obviously deviant manifestations are diverse and sometimes ambiguously interpreted. In principle, deviation is defined as a manifestation of irrationality. We tend to perceive deviance as a supreme abstract category that has different pragmatic manifestations that can be identified on the basis of social empirics. The options for overcoming or even preventing it should be sought deep in the overlapping of cultural and sub-cultural disparities.

REFERENCES

1. Chengelova, E. (2014). Models of behavior in the “shadow economy”. In: *Philosophical Alternatives*, vol. 1, pp. 40-57.
2. Payne, J; J. Bettman & D. Schkade (1992). Measuring Constructed Preferences: Towards a Building Code. In: *Journal of Risk and Uncertainty*. February 1999 19 (1-3). Pp. 243-270.
3. Slovic, P. (1995). The Construction of Preference. In: *American Psychologist*, 50. pp. 364-371.
4. Milanova, A. & P. Naydenova. (2019). Behavioural Deviations in motivating the Corporate Human Capital. In: *Improving Enterprise Competitiveness*. Ed. By B. Krstic. Nis, University of Nis.
5. Milanova, A. and P. Naydenova (2018). Influence of the Dichotomy of the Corporate Culture as a Rational or/and irrational determination of the Governance. In: *Strengthening the competitiveness of Enterprises and National Economies*. Ed. By B. Krstic. Nis, University of Nis. pp. 95-113.

6. Milanova, A. (2008). Genesis of corporate culture. C, Academic Publishing House “Prof. M. Drinov”.
7. Milanova, A. (2012). Social Capital and Corporate Culture: the case of Bulgaria. In: ESD – St International Scientific Conference, Frankfurt-Am-Mein, May, 2012. pp. 168-180.
8. Milanova, A., and P. Naydenova (2013). Human capital management in a corporate environment. Socio-anthropological and motivational determination. C, Academic Publishing House “Prof. M. Drinov”.
9. Milanova, A. and P. Naydenova (2015). Management of the Corporate Human Capital: Social and Anthropological Determination and Specific Motivational Techniques (the case of Bulgaria). In: Competitiveness of Enterprises and National Economies. Ed. By B. Krstic and Z. Paszek. Nis, University of Nis. Pp. 49-63.
10. Milanova, A. and P. Naydenova (2017). Corporate Social Capital – Reality and Pragmatic Definitions. In: Improving the Competitiveness of Enterprises and National Economies. Ed. By B. Krstic. Nis, University of Nis. Pp. 155-177.