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## Corporate Culture as a Tool of Adaptation of TNC to the Russian Economic Conditions

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**Abstract:**

*Modern economic conditions are characterized with growing global processes, whose source and conductors are transnational corporations (TNC). They operate in the structural units located in different countries of the world. The specific of transnational corporations is to follow the international standards of the company. Every country has its own mentality, peculiarities and traditions of the economic activity. And all countries carry out the economic policy influencing the economic activity.*

*While penetrating into the receiving countries TNCs come across the problems they solve through the adaptation tools. The objective of the article is to identify the contradictions in the food industry TNC in Russia, to identify tools for the transnational corporations to adapt the Russian economy. One the most important adaptation tools to the Russian economic conditions is introduction of the transnational corporation values. The article looks into the corporate culture elements and it is marked that it determines the norms, laws, traditions and company values and is based on corporation global strategy.*

*The corporate culture principles determine the key factors of the corporation success. It is possible to realize these principles through the search and selection of the highly qualified personnel and formation a comfortable working environment. Recruitment is carried out around the world in accordance with the corporate culture requirements. The expert assessments methodology is proposed to assess the working environment. The experts are the representatives of the main functional departments. They do a survey the employees through a questionnaire.*

*The analysis and assessment of the obtained results allow to identify the company strong points and problems which need managements' special attention. Positive changes in the problem areas mean the improvement of the company activity final results and promote a TNC successful adaptation to the Russian economy. The fact that highly qualified Russian professionals familiarize with new management methods through corporate culture values introduction is an advantage for the Russian economy.*

**Keywords:** Globalization, transnational corporation, adaptation tool, corporate culture, corporate culture values to form the investment climate.

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## **1. Introduction**

The Chairman of the Russian Federation Government Dmitry Medvedev quite fully described the features of the modern stage of the Russian economic development: “Now for several years we have been living under increased turbulence manifested in all spheres of social and economic life - in the dynamics of production and foreign trade, the welfare and employment level, in financial and foreign exchange markets. Modern economic and technological development in general is difficult to forecast, but in the period after 2008 a qualitatively different level of instability is observed, the possibility to predict even the near future is sharply reducing” (Medvedev, 2016; Hapsoro and Suryanto, 2017; Thalassinou *et al.*, 2015; Giannarakis, 2016; Arslan-Ayaydin *et al.*, 2014; Tupcu *et al.*, 2015).

The main trend of the global development at the current stage is global process intensification. The driving force of this process is the spread of TNCs all over the world, which use the advantages of the global economy in the activity hoping for reduction of the production costs and sales market expansion due to penetration in the economies of different countries. According to UNCTAD transnational corporation is a joint-stock or private company comprising a parent enterprise and its affiliates. The TNCs mostly operate outside the country where it is registered, more often in several countries where it has a number of divisions, affiliates, enterprises (Podmolodina, 2012; Hadi *et al.*, 2016; Giannakopoulou *et al.*, 2016).

The world experience shows that the production trans-nationalization is important for the growing economies, because it attracts modern and advanced technologies and, knowledge; employees get acquainted with new labor organization methods. All these facts have positive impact on the national economy. Thus, international production provided by the TNC as well as their sales networks are the basis for the international economy and a conductor of global processes.

Transnational corporations do not only decide which goods and services to offer to the consumer, but how to organize business processes, what management tools to apply for successful activity in extremely uncertain business environment of the receiving countries as well. “TNCs turned into a main force of the market production and international labor division, into the dominating factor of the world economy and world economic relations” (Podmolodina, 2011; Shmaliy and Dushakova, 2017; Ivanova and Bikeeva, 2016; Savina, 2016).

However, despite growing power of TNC in the countries-recipients they face difficulties due to national economic peculiarities. As a rule these are protectionism measures used to protect national producers. Moreover, the consumers are loyal to their national traditions, rituals, habits and this fact directly influences upon consumer preferences formation in this or that country (Morkovina, 2016). Consequently, TNCs work under competition with national enterprises and other TNCs willing to operate in this market and expand their influence. In the last decade

the Russian market has been attractive for the TNCs of different industries which are seeking for new markets to sell their products.

These are the national economy specifics and peculiarities of business environment, which in many cases determine the possibility for TNCs to operate and seek the set of tools, which in their turn promoting, on the one hand, corporation adaptation to the economy, on the other, the receiving party gains additional competitive advantages and learn modern management methods.

The said above proves the timeliness and topicality of the research aimed at developing an approach to select and design tools to adapt the transnational corporations activities to the Russian economy at the mutual beneficial basis. The rationale for selecting a set of tools for TNC adaptation, in our view, should include several stages.

Corporations first have to identify the factors which form the economic environment. Then they have to assess these factors to identify the most important ones, on which the economic subject success depends, then according to the obtained results to select the tools and the most effective solutions for company adaptation in this or that sphere. The TNC division (affiliate) in the receiving country does the identification, assesses the factors and adapts activity to the economic conditions. These management solutions the TNC Russian division are based on the experience gained by a parent company.

One of the first American food manufacturing TNCs entering the Russian market was Kellogg's Company the biggest producer of cereal and convenience foods. Having analyzed the work of the divisions of the Russian affiliate of the biggest American transnational company manufacturing food Kelloggs – UNITED BAKERS LLC, the authors identified the main problems the company faces in the Russian market. Difference in the regional investment climates (Morkovina, 2016), insufficient monitoring of the credit risks to provide organization economic security (Podmolodina, 2010), tools and mechanisms of the Russian industrial policy (Ershova, 2016), difference in the enterprise controlling systems (Voronin, 2014), lack of monitoring of small and medium business (Busarina, 2014) are among them.

The researches show that the contradictions between the requirements of the international standards of the TNC activity and peculiarities of the employees' mentality, traditions of the raw material supply, difficulties to enter the market which form the Russian business environment prevent a TNC from the successful adaptation.

The content of the main contradictions associated with food manufacturing TNC activity in Russia is shown in Figure 1.

**Table 1.** Major contradictions preventing the successful adaptation of TNCs in the Russian market

№	The essence of the contradiction	The content of the problem generated by the contradiction	Need to use the tool
1	High requirements for employees, and their work evaluation in accordance with international standards, on the one hand, and the peculiarities of the Russian mentality, on the other	The need to seek for highly qualified specialists in the business process planning sphere, in production, in quality management, etc.	The introduction of the corporate culture values (the "keys of success" of the company)
2	Meeting the requirement of "transparency" in the TNCs activities, on the one hand, and the need to implement a "fee" for the shelf required by Russian trade networks	problems of the promotion and finished products sale of through retail chains	the market assessment methodology improvement, including the reliability of Russian counterparties - suppliers
3	Strict requirements to the product quality, ensuring the continuity of the company's work due to compliance with delivery deadlines, certification of the of raw materials and products quality required by the of international standards system, on the one hand, and the established practice of meeting the obligations of Russian suppliers, on the other hand	an development of the methodology to estimate and forecast the Russian market, and a raw materials supplying system	the production process and sales activities optimization

The solution of the enumerated problems demands the application of the tools to promote TNC adaptation to the Russian business environment and to allow the Russian employees to use the advanced foreign experience and management methods making the company successful. The main tools used by Kellogg's to adapt to the Russian market are:

1. to introduce the TNC corporate culture values (company's "keys of success");
2. to perfect market assessment procedure, including the reliability of the Russian counter agents – suppliers;
3. to optimize the production and sales processes, to develop an integrated chain of the company's supplies.

The most important and priority tool is to introduce the TNC corporate culture values in the Russian division activity of the considered transnational corporation.

According to the parent company requirements the branch's activity, including the Russian one, is based on the Kellogg's global strategy. Presenting the company strategy as The Maslow pyramid it is reasonable to single out the following elements: mission, strategic goals, principle of activity, employees' social responsibility, TNC's corporate values (Figure 1).

**Figure 1.** THK Kellogg's strategy elements

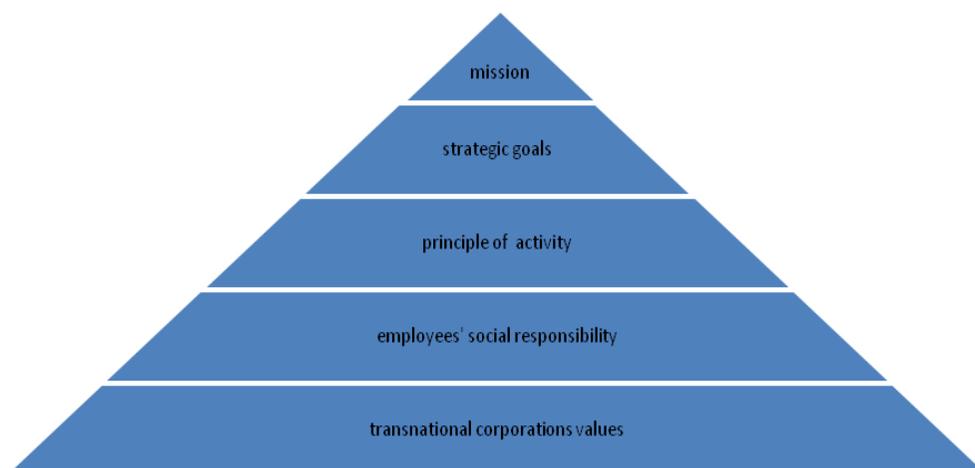


Figure 1 shows that Kellogg's strategy is based on the corporate values, and they are the basis of the corporate culture. The corporate culture principles determine the key factors of the corporate success. The corporate culture principles, their forms of manifestation, characteristics and implementation possibilities are presented in Table 2.

**Table 2.** TNCs Corporate Culture Principles

Corporate Culture Principles	Forms of principle manifestation	Conditions for principle implementing
Honesty and openness	the employee's ethical standards observance; respect for the experienced staff; team members support; respect for others' opinions	Search and selection of highly qualified personnel for the company
Responsibility and participation	Personal responsibility for the results; obligations fulfillment; caring for colleagues; interest in the success and well-being of the company	
Commitment to the business, brands and products of the company	Pride of the company; assistance in creating a creative environment; guaranteeing the high quality of the products and services; manifestation of creative initiative and implementation of innovative ideas and	

	solutions	
Continuous striving for improvement	Desire and readiness to learn and improve skills; providing objective feedback regardless the employees' position; susceptibility to organizational and technological changes; mistakes recognition; objective assessment of the competitors advantages	comfortable working environment formation in the company
The pursuit of success	Achieving high results; knowledge and gained experience exchange, teamwork, optimism, cooperation for success; overcoming difficulties	
Striving for simplicity	different level employees' cooperation, the use of management methods and procedures that contribute to the company effective operation	

To following the corporate principles such as “Honesty and openness”, “Responsibility and participation”, “Commitment to the business, brands and products of the company” is possible only with highly qualified personnel, i.e. it demands special selection of the specialists. Trainings, internships in accordance with the values and principles of corporate culture are performed to form the personnel in the TNC.

In different regions in Russia the problem of the personnel selection for the TNC is solved in different ways. In some subjects of the Russian Federation it is difficult to find the employees with needed qualification meeting the requirements and principles of the corporate culture. It is empirically proven the heads of the TNC branch often appeal to the international recruiting agencies.

The Russian Kellogg’s division finds HR solutions through the recruiting holding “ANCOR”, the member of The American Chamber of Commerce and the Association of European Businesses. The holding attracts the employees with needed qualifications not only from the region, the branch's location, but from other Russian regions as well as foreign countries and from the former Soviet Union republics. For three years the “ANCOR” holding have recruited 149 people who passed the probationary period. 125 (84%) of them worked for company more than a year. Three fourths of the company management was selected by the recruitment agency. It proves that transnational corporations employ highly qualified specialists and seek for the suitable work force all over the world. Corporative values of the given TNCs are known in all countries in the world, not only due to the fact the TNC branches are located in these countries, but because the staff are being sought in these countries.

## **2. Theoretical, Informational and Empirical, and Methodological Grounds of the Research**

Corporate culture principles “Honesty and openness”, “Responsibility and participation”, “Commitment to the business, brands and products of the company” is based on the selection of the relevant personnel. It is possible to follow the corporate culture principles “Continuous striving for improvement”, “The pursuit of success”, “Striving for simplicity” only with special working environment, comfortable working atmosphere in the team. The working environment formation requires regular monitoring working conditions to take timely management measures and introduce necessary changes in case of unfavorable atmosphere (Podmolodina, 2015).

It is proposed to form a special commission consisting of the representatives of the main functional divisions to assess the working environment in the TNC’s Russian branch. They interview employees through a questionnaire. The employees are offered to assess the environment where they work in terms of comfort and effectiveness of the performed operations. The result was considered positive if there were 65% of the positive answers. The negative one over 30% of the negative answers, it is a sign of the problems in the team and the necessity to introduce changes. This experiment let us obtain the results, whose analysis is presented in Table 3.

**Table 3.** Results of a survey of company employees UNITED BAKERS LLC (estimates are given by the category of questions)

Category of questions	% positive responses	% neutral responses	% negative responses
Endorsement of the company's strategy and objectives	82	14	4
Information and resources	80	8	12
Management of activities	79	9	12
Team work	77	14	11
Conditions for success	74	10	16
Training and professional development	73	11	16
Work of the company as a whole	70	22	8
Involvement of employees in business processes	70	19	11
Authorization distribution	70	12	18
Attitudes towards	69	17	14

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employees			
Organization of work processes	66	16	18

The analysis of the obtained data presented in Table 3 allowed making the following conclusions. More than 65% of the interviewed employees noticed that necessary conditions to reach the success, to train and develop the personnel, to organize all business process stages have been formed in the company. A very positive result is that 75% of the interviewed declared that a comfortable atmosphere favorably influencing the team work was created in the company. Approximately 69% of the employees consider that attitudes towards them are positive, friendly and responsive.

### **3. Results**

In UNITED BAKERS LLC the environment providing the conditions to acquaint the Russian workers with the corporate values: the TNC norms, laws, traditions, were created. To work for this company the employees have to accept this corporate culture. Consequently the application of the “TNC corporate culture values introduction” tool allows the transnational corporations to adapt to the Russian economy and ensure the work of the company's “keys for success”. However the results of the survey in different territorial divisions differ greatly from each other and it proves the regional differences and HR problems in the divisions in different regions.

For example, the company working environment assessment identifies minor problems in Pskov division of the Russian branch, the situation is better in Tyumen and Gorokhovets subdivisions of the Russian branch. The best situation according to this criterion is in Moscow subdivision, though there were 29% of the positive answers that is close to threshold value 30%. The questionnaire answers analysis allows also identifying the most problem divisions. For example, analysis of the responses about the effectiveness of the performed functions signals about not quite favorable working environment in the Sales department, Marketing, Administration where less than 60% positive answers were obtained.

The analysis of the responses about “the effectiveness of working processes organization in the company” in the regional divisions shows similar results with question about working environment in the company. Pskov and Tyumen subdivisions again have the worst results. This trend allows concluding that regional management activity on introduction of the corporate culture and creation of the suitable working environment is not effective enough.

The analysis of the employees’ responses on the above asked question in the functional departments shows the opposite trend: the employees of the Sales department, Marketing, Administration gave the most positive answers.

Analysis and the assessment of the obtained results allow to identify the strong points of the company and to reveal the problem areas for the management to pay special attention and take necessary measures to develop (Table 4).

**Table 4.** *Strengths and problem areas of the company*

Strong points	development areas
Team work	Attitudes to employees
Performance management	powers
Information and resources	Employees involvement
Company objectives and strategies	Working process organization
	Conditions for success

Strong points are: well-coordinated team work, approval of the company's strategy and company goals, the possibility to obtain and use resources and information for the company's activities, strict control over the teamwork effectiveness. Problem areas are: not quite effective working processes organization that affects the success of the work, powers delegation, friendly attitude formation towards the employees, conditions to involve the personnel in the company activity.

#### **4. Conclusions and recommendations**

Thus, while introducing the corporate culture values into the Russian branch of the KELLOGG'S TNC it is necessary to pay attention to:

1. formation positive and friendly attitudes towards the employees to make them feel care for themselves;
2. delegation of powers in the company to raise the employees' responsibility for the results of their work;
3. timely and qualitative presentation of the necessary information and resources for the employees to increase the performed work effectiveness;
4. rational organization of the working processes which will result in effectiveness increase and employees' involvement in the company business processes.

These problem areas demand the measures to improve the company activity final results. It will promote the TNC successful adaptation to the Russian economy, and will be advantageous for the Russian economy namely to offer the highly qualified staff to use the new management methods through introduction of the corporate culture values of big corporations.

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