


Chapter 6

The Cultural Clash: Traditional Automakers vs. Digital Companies – Can They Work Together? Transformation of Business Culture in the Digital Age

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ABSTRACT

Until recently, traditional automakers and digital companies have been working separately at their own pace, preserving their cultures and ways of doing business and driving innovation. In the early 2010s, younger generations of customers were spoiled by seamless ecosystems in digital and started wondering why they are still operating knobs while seated behind steering wheel. From this point, the process of interpenetration of two industries started, provoking transformation and cultural shifts in the traditional automakers industry. How far will it go? What are the main challenges of this transformation? What forms and principles of corporate culture will appear and dominate in the industry in the future?

INTRODUCTION

Until recently traditional automakers and digital companies have been working separately at their own pace, preserving their cultures and ways of doing business and driving innovation. In early 2010s younger generations of customers were spoiled by seamless eco-systems in digital and started wondering why they are still operating knobs while seated behind steering wheel. From this point the process of interpenetration of two industries started, provoking transformation and cultural shifts in the traditional

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automakers industry. How far will it go? What are the main challenges of this transformation? What forms and principles of corporate culture will appear and dominate in the industry in the future?

BACKGROUND

Corporate culture is one of the keystones of strategic development of any organization. As Yuval Noah Harari states, «Huge masses of people unfamiliar with each other are capable to cooperate successfully if they are united by a myth. A limited liability company is separated from the people who founded it, and from those who invested in it or who manage it. Over the past centuries, it was these companies that became leaders in the economy, we got used to them and began to forget that they exist only in our imagination» (Yuval Noah Harari, *Sapiens: A Brief History of Humankind*, 2014). A famous phrase, attributed to Peter Drucker and often quoted, states that “Culture eats strategy for breakfast.” And in practice we often see, that a company’s culture, based on common values and behavioral patterns of employees normally can thwart any attempts to implement a strategy that is contradictory to it’s culture.

The topic of corporate culture influence on strategy execution has been investigated from different dimensions. Hofstede’s Cultural Dimensions Theory (*Culture’s Consequences: International Differences in Work-Related Values*. Geert Hofstede, SAGE Publications, 1980.) long ago has suggested a framework for cultural assessment, and proved, that human beings think, feel and act from their own cultural perspective, and cultural differences could become significant barriers to change.

Five sorts (dimensions) of differences/value perspectives between cultures by Hofstede include Power distance (the degree of inequality among people which the population of a country considers as normal), Individualism versus collectivism (the extent to which people feel they are supposed to take care for, or to be cared for by themselves, their families or organizations they belong to), masculinity versus femininity (the extent to which a culture is conducive to dominance, assertiveness and acquisition of things. Versus a culture which is more conducive to people, feelings and the quality of life), uncertainty avoidance (the degree to which people in a country prefer structured over unstructured situations), long-term versus short-term orientation.

The phenomenon of corporate culture influence on strategy implementation has been investigated by Henry Mintzberg (*Strategy Safari: A Guided Tour Through The Wilds of Strategic Management*. Henry Mintzberg, Bruce Ahlstrand, Joseph Lampel, 1998.). He looks at the strategic process as fundamentally collective and cooperative. Strategic process is viewed as very much influenced by the power of culture. Common interests and integration are the main important drivers of the process.

The influence of culture is widely acknowledged as one of the main factors, important for the success of the company. In the Deloitte research (*Global human capital trends 2016. The new organization: different by design*. Deloitte university press.) (figure 1), culture, leadership and organizational design were named the main human capital trends.

The acknowledgement of corporate culture influence on strategy and long-term success of the organization has been also reflected in the amendments to corporate governance codes.

For example, the UK CG Code suggests, that a company’s culture should promote integrity and openness, value diversity and be responsive to the views of shareholders and wider stakeholders. One of the Code principles states, that “The board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture”(The UK Corporate Governance Code. July, 2018, p.1.). This statement

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