

# The Most Important Dimension of the Corporate Culture of Indonesian Companies (A Case Study)

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**Abstract.** Kotler et al., underlined that Corporate Culture provides guide to employees. It provides consensus among people in an organization about how to run a business. Corporate Culture contributes to the cohesiveness among employees [1]. Therefore, it reflects how close the relations between the company and the employees are. All these statements about Corporate Culture underlay the conduct of this research on the corporate culture in 4 subsidiary companies of PT. Krakatau Steel. Corporate Culture in each of the companies has up to 8 dimensions. This study aims to find out which dimension benefits the companies most. The results of the study, which applied the Analytic Hierarchy Process (AHP), show that Integrity is the most important dimension that benefits the companies most.

**Keywords:** corporate culture, integrity, Analytic Hierarchy Process (AHP)

## INTRODUCTION

There are 4 subsidiary companies of PT. Krakatau Steel which always makes profits every year, namely PT. Krakatau Bandar Samudera (KBS) [2], PT. Krakatau Daya Listrik (KDL) [3], PT. Krakatau Industrial Estate Cilegon (KIEC), and PT. Krakatau Tirta Industri (KTI). Profit is indeed the goal of a business. If the profit of a company is obtained continuously and above the average amount of that obtained by other similar companies, it will be an extraordinary achievement. The four companies give high profits to PT. Krakatau Steel. This study is not focused on the financial conditions of the companies, but on factors that have some influence on their excellent performance.

In their book *Sustainable Marketing Enterprise in Asia*, Kotler et al [1], stated that Corporate Culture is one of the most essential elements for a company's success. It can even be said that a company that is successful in the long run and sustainable in a changing business environment certainly has not only a strong culture but also a culture that can adapt in the face of changes. Hari Sulaksono [4], in his book *Organizational Culture and Performance*, stated that Corporate Culture has

an important influence on work motivation. Kotler at al. [1], 2008, after considering the results of the surveys of 207 companies in 22 business fields, concluded that Corporate Culture is one of the factors for a company's success. All this underlay the conduct of this research on the Corporate Culture of the companies above.

It is known that Corporate Culture has several sub-cultures (dimensions), The Corporate Culture of PT. Krakatau Steel has 4 dimensions, i.e. Competence, Integrity, Reliable, and Innovative. The Corporate Culture of each of the companies studied also has several dimensions (see Table 1.).

Table 1. Scope of business and Corporate Culture

No.	Company	Businesses	Acronym –Dimensions of Corporate Culture
1	KBS [8]	Stevedoring & Logistic	I-CIRI - Intact-Sincerity; Competence; Integrity; Reliable; Innovative
2	KDL [9]	Power Plant & Energy Distributor	Execution; Newness; Efficient; Reliable; Grateful; Integrity
3	KIEC [10]	Property & Trade	IKHLAS –Integritas (Integrity); Kreatif (Creative); Handal (Reliable); Loyal; Akuntabel (Accountable); Sinergi (Sinergy)
4	KTI [11]	Industrial Water	EQUIPOISE - Excellence; Quality; Innovation; Professional; Optimize; Integrity; Service; Eco-friendly

Sources: Management Reports 2019

Because Corporate Culture has more than one dimension, this study was conducted to find out which dimension is the most important in helping the companies get high profits, hence the title of the study above.

## METHOD

This study is qualitative because what is measured in it is human perception. The respondents were asked to make a pairwise comparison among the dimensions of the Corporate Culture over the degree of importance, whether one dimension is equally as important as the other, or moderately more important than the other, or more important than the other. To carry out the analysis,

the Analytic Hierarchy Process (AHP) method developed by Dr. Thomas L. Saaty was used. Why? Because it still meets the criteria of simplicity to use by practitioners and academics [1].

Using the AHP method [5], the first step taken is Decomposition Process. This structure the problem in a hierarchy consisting of 3 levels. The Goal of the decision is at the top level. The second level consists of the Criteria. The Alternatives (which, in this study, are in the form of Corporate Culture dimensions) are located at the third level. The purpose of the structure is to make it possible to judge the importance of a dimension at a given level concerning on the dimensions at the adjacent level above. We selected a judge from the management who knew exactly about the problem.

The second step taken is Comparative Judgment [5]. This compares the importance of factors (criteria and dimensions) with that of the factors at the adjacent level above. The Pairwise Comparison Form is prepared against Criteria concerning to the Goal, and Alternatives to Criteria. The comparison was carried out using the AHP's nine-point scale (The Fundamental Scale of Absolute Number by Saaty) on which 1 means equal importance, 3 means moderate importance, 5 means strong importance, 7 means very strong importance, 9 means extreme importance. If you doubt an odd number, you may use an even number [6].

The third step taken is Check Consistency. This maintains coherence among the judgments. Since perfect consistency is not always possible, an inconsistency of up to 10% is acceptable. If it is more than 10%, the AHP model allows one to retrace and revisit the judgment (see Figure 1 and Figure 2). To check a consistency lead to an eigenvalue formulation,  $Aw=nw$ , where  $w$  is Eigenvector of matrix  $A$ , and matrix  $A$  is a pairwise comparison matrix (a positive reciprocal matrix) Eigenvalue  $n$ . We form the matrix of ratio comparison and multiply it on the right by  $w$  to obtain  $nw$  as follows:

$$\begin{bmatrix} \frac{w_1}{w_1} & \frac{w_1}{w_2} & \frac{w_1}{w_n} \\ \frac{w_2}{w_1} & \frac{w_2}{w_2} & \frac{w_2}{w_n} \\ \frac{w_n}{w_1} & \frac{w_n}{w_2} & \frac{w_n}{w_n} \\ \vdots & \vdots & \vdots \\ \frac{w_n}{w_1} & \frac{w_n}{w_2} & \frac{w_n}{w_n} \end{bmatrix} \begin{bmatrix} w_1 \\ w_2 \\ \vdots \\ w_n \end{bmatrix} = n \begin{bmatrix} w_1 \\ w_2 \\ \vdots \\ w_n \end{bmatrix} \quad \text{Consistency}$$

Index (CI) as follows:  $CI = \frac{\lambda_{max}-n}{n-1}$ , Saaty [2].

In general, we cannot give the precise value of  $w_i/w_j$  but only an estimate [7]. Then  $Aw=nw$  becomes  $A^k w = \lambda_{max}^k w$  where  $\lambda_{max}$  is the largest Eigenvalue of  $A^k$ . To simplify the notation, we write  $Aw = \lambda_{max} w$ . Saaty stated that to obtain the priority vector, we need to raise the matrix to sufficiently large power, and then sum over the row and normalize it:  $w = (w_1, w_2, \dots, w_n)$ . The process

is stopped when the difference between the components of the priority vector obtained at the  $k^{th}$  power and at the  $(k+1)^{st}$  power is less than some predetermined small value or very small, almost zero. The other way to get the priority vector is by normalizing the geometric means of the rows or by normalizing the elements in each column of the judgment matrix and then averaging over each row.

The Consistency Ratio (CR) is obtained by comparing the CI with the appropriate one of the following set of numbers (see table 2) each of which is an average random consistency index (or random index, RI) derived by Saaty based on 50000 simulations of the positive n-by-n reciprocal matrix  $A$ . Then  $CR = CI/RI$ . If CR is not less than 0.10, we need to study the problem and revise the judgment. The AHP includes a consistency index for an entire hierarchy. After all, CR is less than or equal to 0.10, then we need to calculate the global priority.

Table 2. Random Index

N	1 & 2	3	4	5	6	7	8
RI	0	0.52	0.89	1.11	1.25	1.35	1.40
N	9	10	11	12	13	14	15
RI	1.45	1.49	1.52	1.54	1.56	1.58	1.59

Sources: Saaty [2]

The fourth step taken is synthesizing the priorities. According to Saaty [8], there are two ways of doing that. One is the distribution mode and the other is the ideal mode. In the distribution mode, in order to establish the composite or global priorities of the alternatives considered, we need to layout in a matrix the local priorities of the alternatives with respect to each criterion and multiply each column of vectors by the priority of the corresponding criterion and add across each row, which results in the composite or global priority vector of the alternatives. In the ideal mode, the priorities of the alternatives for each criterion are first divided by the largest value among them, and become the ideal and receive value 1. Then we need to multiply by the priority of the corresponding criterion and add as before. Flow chart of AHP in Figure 1.

**RESULT & DISCUSSION**

Results of the analysis of the management responses to the Pairwise Comparison Form show that all the companies selected the same answer, i.e. that Integrity is the most important dimension in their Corporate Culture that can motivate the employees and management to achieve organizational performance excellence. Table 4 shows the global priority of each dimension of the

Corporate Culture (the last column).

Table 3. The Priority Vector of Criteria with Respect to Goal.

	KBS Priority Vector	KDL Priority Vector	KIEC Priority Vector	KTI Priority Vector
Budget	0.280	0.373	0.672	0.551
Human Res.	0.589	0.112	0.170	0.324
Facilities	0.131	0.516	0.158	0.125
$\lambda_{max}$	3.106	3.001	3.015	3.017
CI	0.053	0.000	0.008	0.009
CR	0.091	0.001	0.013	0.015

Table 4. The Priority Vector of Dimension of Corporate Culture with Respect to Criterion.

The Company	Corporate Culture	Budget	Human Resources	Facilities	Global Priority
KBS	Intaq-Sincerity	0.061	0.057	0.056	0.057
	Competence	0.229	0.256	0.371	0.316
	Integrity	0.370	0.370	0.287	0.321
	Reliable	0.108	0.101	0.118	0.113
	Innovative	0.231	0.217	0.168	0.192
	$\lambda_{max}$	5.314	5.220	5.423	
	CI	0.078	0.055	0.106	
CR	0.070	0.049	0.094		
KDL	Execution	0.080	0.167	0.108	0.128
	Newness	0.079	0.087	0.062	0.081
	Efficient	0.153	0.087	0.121	0.116
	Reliable	0.285	0.157	0.238	0.213
	Grateful	0.153	0.095	0.130	0.127
	Integrity	0.249	0.407	0.341	0.341
	$\lambda_{max}$	6.215	6.167	6.185	
	CI	0.043	0.033	0.037	
	CR	0.035	0.027	0.030	
	KIEC	Integrity	0.422	0.414	0.414
Creative		0.108	0.108	0.108	0.108
Reliable		0.049	0.059	0.059	0.052
Loyal		0.233	0.198	0.198	0.222
Accountable		0.127	0.164	0.164	0.140
Sinergy		0.061	0.057	0.057	0.060
$\lambda_{max}$		6.454	6.432	6.432	
CI		0.091	0.086	0.086	
CR		0.073	0.069	0.069	
KTI		Excellence	0.156	0.118	0.156
	Quality	0.134	0.134	0.101	0.130
	Innovative	0.100	0.084	0.103	0.095
	Professional	0.139	0.135	0.134	0.137
	Optimize	0.054	0.049	0.066	0.054
	Integrity	0.295	0.278	0.307	0.291
	Service	0.079	0.132	0.081	0.096
	Eco-Friendly	0.043	0.070	0.053	0.053
	$\lambda_{max}$	8.038	8.422	8.385	
	CI	0.005	0.060	0.055	
CR	0.004	0.042	0.038		

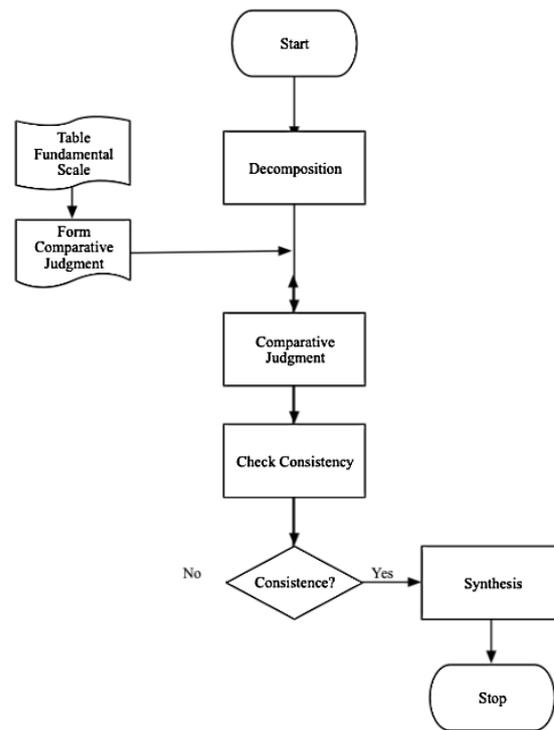


Figure 1. Flowchart of AHP.

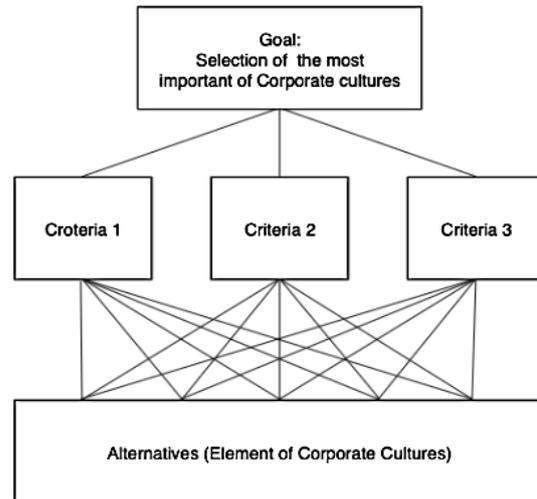


Figure 2. Hierarchy of Problem AHP

Evaluating the Corporate Culture with respect to facilities, KBS chose Competence as the most important dimension, but with respect to budget and human resources, they chose Integrity. It means that in order to operate the machines and facilities well, they need people who have competence, but to manage the company, they need people with integrity.

Evaluating the Corporate Culture with respect to the budget, KDL chose Reliable as the most important dimension, but with respect to facilities

and human resources, they chose Integrity. It means that in order to manage the budget, they need people who are reliable to do it, but they need people with integrity to manage the company.

Evaluating the Corporate Culture with respect to all criteria, KIEC and KTI chose Integrity as the most important dimension. They believed that Integrity is key to business success.

The results of this study differ from research conducted by Daenulhay [9] in the last year, where the object of the study was The Krakatau Medika Hospital and as result they chose Commitment as the first corporate culture. A deeper study needs to be done, is it because of their hospital business or humanitarian services while the 4 companies studied above are purely profit-oriented companies. However, they still have to sign the fact of integrity.

### CONCLUSION

For a long time, the stockholders have been concerned with the reliability and capability of the management and employees to achieve organizational performance excellence. Nowadays, reliability and capability are not enough to support business success. The company must be able to work hand in hand to achieve performance excellence. They need Corporate Culture. It is key to their success in facing challenges.

Corporate Culture has several dimensions/sub-cultures. One of them is Integrity. The management of KBS, KDL, KIEC, and KTI selected Integrity as the most important dimension in their Corporate Culture. They believed that Integrity could motivate the people in their company to do their best. With Integrity, they made profits and achieved organizational performance excellence.

Their choice is reasonable. In this industrial era 4.0, integrity is key to business success, integrity is supporting Good Corporate Governance, and finally, integrity is key to create community development.

It is hoped that such promotion of integrity as the most important dimension in Corporate Culture will be followed by other companies. It is hoped this research will be motivated by other researchers.

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