

CHAPTER 3

Organizational Culture

"Culture eats strategy for lunch"

—Attributed to Peter Drucker

"Businesses often forget about the culture, and ultimately, they suffer for it because you can't deliver good service from unhappy employees."

—"Tony Hsieh, Zappos" CEO



Chapter Sections

- 3.1 Organizational culture
- 3.2 Organizational culture profiles
- 3.3 Strong versus weak cultures
- 3.4 How organizational culture is learned

3.1 Organizational culture

Organizational culture refers to assumptions, values, principles, traditions, and beliefs that are shared by organizational members influencing how they are to act, and dictating what is appropriate and inappropriate behavior. In most organizations, these shared values and practices have evolved over time and determine, to a large extent, the way “things are done around here.”

As previously mentioned in Chapter 2, values have a strong influence on employee behavior, as well as on organizational performance. In contrast to other topics in business such as organizational structure or leadership, which has spanned several decades, organizational culture is a nascent but fast-growing area within management. The unique characteristic of culture whether is organizational or national culture is that for those individuals in it, it largely goes unnoticed, just like the sea is invisible to the fish swimming in it. Even though it affects all employee behaviors and thinking, individuals tend to become more aware of their organization’s culture when they have the opportunity to compare it to other organizations—just the way we become more aware

of our own national culture when visiting a foreign country.

Why does it matter?

Company culture is at the heart of competitive advantage, because it points to how unique things are done, and how unique the integration of resources and capabilities affect the behavior of employees. A culture where passionate performers create an environment with a unique personality and soul is very difficult for competitors to replicate. Examples of companies that embody a strong culture include Southwest Airlines, Google, Zappos, and Apple. People in these organizations develop a bond, making their work unusually meaningful and rewarding. They orient themselves outward, focusing on customers and competitors rather than on internal politics. The result is that people will make the right decisions and do the right things, even when no one is watching.

In a 2007 survey conducted by the management consulting firm Bain & Company, worldwide business leaders found corporate culture to be as important as corporate strategy for business success.⁷ The adage “culture eats strategy for breakfast” widely attributed to Peter Drucker further illustrates this truth.

3.2 Organizational culture profiles

preferences to organizational values. 34

Which dimensions characterize an organization's culture? Even though culture may not be immediately observable, identifying a set of values that might be used to describe an organization's culture helps us identify, measure, and manage culture more effectively. For this purpose, several researchers have proposed various culture typologies. One typology that has received a lot of attention is the Organizational Culture Profile (OCP) which was initially developed in 1981 to assess person-organizational fit and recognize the importance of matching individuals

Innovation- Companies with cultures that place a high value on experimenting with new ideas and encouraging their employees to take risks and innovate in the performance of their jobs. Employees are quick to take advantage of opportunities, with few rules to follow and low cautiousness.
Emphasis on Rewards- Companies that value fairness, professional growth, diversity and respect of individual rights. There is a greater emphasis on treating people with dignity which in turn energizes employees because it makes them feel appreciated for the work they do. High pay and high praise for good performance.
Social Responsibility - The company is reflective, has good reputation with high levels of social responsibility. It has a clear guiding philosophy.
Performance Orientation - Companies that emphasize high achievement, results and actions as important values. Highly organized, enthusiastic, with high performance expectations.
Supportiveness - Companies that organize work activities around teams instead of individuals. People who work for these types of companies tend to collaborate, share information freely, and have a positive relationship with their coworkers and managers.
Competitiveness- Dictates whether group members are expected to be assertive or easygoing when dealing with companies they compete with in the marketplace. Companies with an aggressive culture place a high value on quality, being distinctive, and outperforming the competition.
Stability - A company whose culture places a high value on stability are rule-oriented, predictable, and bureaucratic in nature. These types of companies typically provide consistent and predictable levels of output and operate best in non-changing market conditions. Low internal conflict is observed.

Figure 3-1 Organizational Culture Profiles

The OCP was later validated and updated in 2005⁷ as presented in Figure 3.1.

Innovative cultures

According to the OCP framework, companies that have innovative cultures emphasize flexibility, adaptability, and risk taking. These companies are characterized by an organic structure where experimenting with ideas is encouraged. For example, Xiaomi, a Chinese electronics company and the world's third-largest smartphone distributor, sold 19 million smartphones in 2013; up more than 150% from 2012. It is staking out a significant piece of the Chinese and Indian smartphone markets. One model sold out of its initial run of 100,000 units in less than two minutes thanks to its innovative low-cost, feature-rich design, and the use of flash sales. At a razor-thin margin, it takes advantage of the potentially longer revenue stream from paid apps, games, advertising, and other fee-based services earning the company the distinction as one of the Top Ten Most Innovative Companies by Fast Company magazine in 2014.⁸ This company is young and vibrant and ready to take on the American market. Other companies closer to

home with innovative cultures include, Nike, Apple, Google, and 5M to mention a few.

Competitiveness cultures

Highly competitive cultures value aggressiveness in the market place and outperforming competitors. Consider Nike's mission statement which at one point read "To experience the emotion of competition, winning and crushing competitors."⁹ However, by companies over-emphasizing competition they often fall short in social responsibility. For example, Zynga, the creator of Farmville, is often identified as having an aggressive culture, and treating talent as a commodity. Zynga's management is cited as data-obsessed, focusing heavily on data metrics to carefully track the progress of all company employees. Employees are constantly measured, and game designers are pushed to meet aggressive deadlines. As a result, some staff feel that the work environment is crushing, rewards for achieving goals can be lavish, but those who do not perform can perish.

There is fear, however, that potential talent will decide to avoid Zynga due to its reputation, which could hurt the company over time as it attempts to grow beyond its roughly 9,000 employees.⁹

Performance-oriented cultures

The OCP framework describes performance-oriented cultures as those that emphasize achievement, results, and action as important values. A big part of what makes these organizations work and become successful in a very competitive world is a reliance on data in driving decisions to raise productivity. Two good examples are the electronics retailer Best Buy and the online retailer Amazon.

Having an organizational culture that emphasizes sales performance, Best Buy send its stores revenue, productivity and close rate figures department by department several times a day. Employees are trained and mentored to sell company products effectively, and they learn how much money their department makes every day, and how they ranked. Every morning, department supervisors are given a sales goal for the day.⁹

Amazon is often depicted as having a work culture where staffers are under constant pressure to deliver strong results on a wide variety of detailed metrics the company monitors in real time. Top management believe that things do not improve unless they are measured. Therefore everything that can be

measured is, including the actual performance of people. And it is not just web design or product features (such as what gets abandoned in peoples shopping carts and what videos people stream) , but Human Resources (continual performance improvement algorithm), finance and operations processes.¹⁰

Competition to do well is fierce, sometimes brutal, and that inevitably creates winners and losers. The hiring approach brings in lots of really smart young people and work them hard, with the understanding that only a minority get to slick around and get rich.

In a study of more than 200 well-established management practices as they were employed over a ten-year period by 160 companies, the researchers found that the more successful companies promoted an environment that champions high-level performance and ethical behavior. They encourage outstanding individual and team contributions. In nearly 90% of these companies, rewards were tied to performance metrics as opposed to seniority or loyalty. Research indicates that organizations that have an performance-oriented culture based on

outcomes tend to outperform companies that are lacking such a culture.¹¹

The biggest risk for performance-oriented companies is when performance pressures lead to a culture where unethical behavior becomes commonplace, short-term goals are rewarded, and individuals see their peers as rivals resulting in a toxic workplace.

Stable cultures

Stable cultures are predictable, rule-oriented, bureaucratic, hierarchical and slow to react to changes in the environment. When the environment is certain, these cultures may help the organization's effectiveness by providing consistent and constant levels of output. However, these cultures prevent quick action and, as a result, may be a misfit to a changing and dynamic environment.

It is very likely that when you go to the department of motor vehicles to get a drivers license you are dealing with a stable culture, as are most public sector institutions. In the private sector, according to John Kotter and James Heskett, Sears is an example of a company out of touch with reality

where the behavior of executives is based on the assumption that the world is a relatively stable and predictable place.¹² The great innovator in the late 19th fell victim to its own culture-environment mismatch to the point that it is selling off its assets and closing hundreds of stores.

Kraft Foods is another example whose bureaucratic culture prevented the company from innovating. New product launches were failing regularly. Even Tang, their power brand, had lost its appeal and market share. The company had become complacent—a force that historically had proven to be lethal to even the largest organizations, such as Kodak or Borders. Eventually, necessary transformations took place and put Kraft Foods on the path to adding new life to facets of the company that had begun to fail.¹³

Emphasis on rewards cultures

This organizational culture values fairness, professional growth, supportiveness. Within these organizations, there is a greater emphasis on treating people with respect and dignity, which in turn energizes employees by making them feel appreciated for the work they do. One of the biggest benefits of rewards-based management is that the focus on

employee relationships makes employees feel that they make a difference in the company. Additionally, more effective efforts come from motivated workers who feel that they are involved in a company's success.

Starbucks is illustrative of a culture built on a emphasizing rewards. The company pays their employees above minimum wage, provides health care benefits for both part-time and full-time partners, and full tuition reimbursement through the College Achievement Plan and has creative perks like free coffee for all associates.¹⁴ The company describes its culture as one of collaboration, communication, belonging, inclusion and diversity, where managers support the growth of subordinates.¹⁵

Why else would you work at Starbucks Corporation? One reason is that you can become a partner at the company, not just an employee. This enables the company's team members to grow both personally and professionally. Another reason to work at Starbucks is the chance to connect to something bigger—you will not be just selling food and drinks, but also selling a brand that promotes positive change through community service. The company also features a diverse and inclusive workplace. Bringing together employees and suppliers with a variety of perspectives demonstrates the willingness for everyone at Starbucks to be a part of the company's success.¹⁶

It is important to observe that the rewards being discussed in this culture are those that motivate the employees to bring the best in them—those based on the job itself like giving employees more job autonomy, a chance for an education, and opportunity to grow— and not those that would pit one employee against each other, discourage creativity and lead to unethical behavior. These types of rewards work in opposition to culture.

In late 2016, Wells Fargo was slapped with a \$185 million fine for illegally opening more than 2 million accounts without the consent of the customer. Why did the company allow it? Because doing so was rewarded, and not doing so was punished. Bank tellers and personal bankers were under intense unrealistic sales pressures to perform using extrinsic reward system. Instead of using pay-for-performance they should have encouraged "whole person" performance.

Supportive cultures

Companies with this culture are team-oriented, and emphasize cooperation among employees. All employees work together to achieve three goals: Safety, On-time performance and creating satisfied

customers. For example, Southwest Airlines cross-train its employees so that they are capable of helping one another when needed.¹⁷

It is stipulated in the job description that employees do not work in isolation and each employee is expected to do whatever is necessary to make a flight successful, even if that requires pilots to help to load luggage. Supervisors work alongside the employees, maintaining managerial responsibility but also performing the same tasks as the frontline workers. Turning an airplane around is a complex task which requires the combined efforts of 12 distinct functions like flight attendants, mechanics, pilots, gate agents, ticketing agents, ramp agents, baggage transfer agents, aircraft cleaners, caterers, etc. With most airlines, these functional departments are inharmonious. At Southwest, things happen differently. Everyone knows what is happening when, and everyone gets the same flow of up-to-date and accurate information. By doing so, Southwest employees can respond to changing circumstances quickly because everyone is abreast of the situation, allowing employees to be able to make better decisions, and judgment calls.¹⁸

Socially responsible cultures

Socially responsible organizations have a reputation for being fair with their employees and being green with the environment. In addition they adhere to a list of clear values which act as their guiding philosophy. We will study examples of such organizations in our next chapter, for now you can think of companies like Starbucks, Google, Microsoft, Disney, BMW, Sony, Intel, Apple, Nestle, etc.

Before we move into the next topic it is important to note that a company can have several of these OCP types and at various degrees. Starbucks can be considered to have a socially responsible culture as well as a supportive and reward-based culture. Where as Amazon could be categorized as highly competitive, performance oriented and innovative.

3.3. Strong vs. weak cultures

The degree to which agreement and commitment is shared among people in an organization determines the strength of a business culture. A culture in which most employees in the organization tend to march to the same drummer, with unusual level of motivation, commitment and loyalty is said to be a strong culture.¹⁹ In these companies there is a strong connection between shared values and behavior. For example,

cultural values emphasizing customer service will lead to higher-quality customer service if there is widespread agreement among employees on the importance of customer service-related values.

In strong cultures, managers spend considerable time in training and in communicating the management philosophy and the essence of the company. Messages about what is important are consistently communicated; employees strongly identify with the company and can tell stories about company history or heroes. On the other hand, in weak cultures there is very little employee involvement and engagement, inconsistent and contradictory messages about what the company values the most, and scarce knowledge about the mission and vision of the company or its origins.

It is important to realize that a strong culture may act as an asset or a competitive disadvantage for the organization, depending on the types of values that are shared. For example, imagine a company like Amazon with a culture that is strongly performance-oriented. If this value system matches the current organizational environment, the company may perform well and outperform its competitors, which in the case

of Amazon it does. However, this strength can turn toxic when a culture exhibits disdain for employees, and leaders encourage the practice of impossible performance targets. Members then begin to act unethically to meet quotas and unrealistic goals. The situation at Wells Fargo, which was brought to light in 2016, is an example of a culture that turned dysfunctional and abusive. For years, and due to an extreme command and control leadership style, hundreds of managers pushed employees to behave unethically by opening millions of fraudulent bank accounts in order for the employees to increase sales, commission and bonuses.

Once a culture turns toxic then the difficulty of changing it increases dramatically. If an organization where certain values are widely shared, decides or is required to adopt a different set of values, the disassociation of the old values and the learning of new ones will pose a challenge as employees will need to adopt and adapt to new approaches of thinking and behaving. In the case of Wells Fargo the cultural transformation will take years and will go beyond merely firing top management, appointing new leadership or scratching a badly designed compensation plan.

A strong culture may also be a liability during a merger or acquisition. In these circumstances companies inevitably experience a clash of cultures, as well as a clash of structures and decision making styles.

For example, in 1999, during the merger of Daimler-Benz with Chrysler to create DaimlerChrysler, the differing strong cultures of each company acted as a barrier to effective integration. Daimler had a strong top-down, hierarchical and formal culture. The Germans flew first-class, smoke, drank wine with lunch and worked late hours. Chrysler's culture on the other hand was based on a more consensual decision-making

structure, with relaxed, informal and open cross-

functional teams. Smoking and alcohol were banned in its facilities and hardly anyone stayed late. At Chrysler top executives had broader responsibilities, bigger salaries and larger staff and were the only ones allowed to fly first-class. The different ways of thinking and behaving in these two companies introduced a number of unanticipated problems during the integration process. Within two years of the merger practically all top Chrysler leaders

Company	Values
Walt Ager Coca-Cola	Phil, Cattel: Rights awarded to top performers for the last 10 years of an annual turnover. An unparalleled service. If he found a self-made business owner. These ceremonies are conducted in large outdoor arenas where party goes on all evening even come and also company songs that create emotional excitement. During the event employees feel a connection to the company culture and to values such as self-education, respect, and enthusiasm.
Walt Mar	Walt-Mar's Saturday evening meetings have been a big part of the life of the company. Once a month a Top or a Saturday meeting, the US retail giant's top executives gather in an auditorium in Berkeley headquarters. People bring their kids, and there's a company cheer and awards for executives, as well as an announcement of sales figures. The topic meeting have been fundamental to the success that the company wants to project—family friendly, with executives that are intensely loyal to the company and the customer. The company's founder, Sam Walton started the meetings in the 1950s because he thought it unfair for his employees to have to work on Saturday evenings if he wasn't working too.
Procter League Chocola	Chocola's success has come through an "inclusion club". Turns the training camp at the beginning of the season, the new players have to get up in teams, in formal or less formal ways, and sing a company song and have a song. It is hard to get players who come from different cultures to come together after getting over the initial initial sense of embarrassment, players feel accepted, and truly become part of the group.
Carlsberg	One of the world's leading beer manufacturers headquartered in Copenhagen, Denmark encourage beer drinking as a healthy activity. "Carlsberg Open" is a social event in which 1,800 employees from 25 countries participate in sports events including an Olympic-like opening ceremony, a "Carlsberg Open", in which four readers participate, and a award presentation. The company also engages its foreign colleagues to be involved in the Carlsberg Open. Carlsberg's success during the opening event, which has proved to be an incredible effective way to build strong interpersonal bonds and transmit the corporate values.
New Zealand National Rugby Union Team	Wales their matches the team performs Haka, a Maori war cry or protest dance. It expresses the same pride in their heritage and traditions. Neuroscience research shows that Haka like the Haka trigger feelings of connectedness, trust, respect, and meaning, which stimulate mental flexibility. Thus, it can reduce anxiety and increase energetic focus.

Figure 3.1 Values, taken in part from Quinn, Philip "How Rituals Define Performance." Harvard Business Review February 20, 2013, 68-70

had quit or had been fired, thus losing management's expertise in mass car building, one of the major reasons the companies merged in the first place. Finally in 2001 the company recognized a one-time \$3.9 billion restructuring costs, which could have been avoided if both companies had given more thoughts to properly integrating two different organizational cultures.²⁷

3.4 How organizational culture is learned

Employees "learn" an organization's culture in a number of ways. The most common of those are rituals, material symbols, and stories and language.

Rituals

Rituals are routine traditions and activities that bring together various aspects of an organizational culture in a single event.²⁸ They create camaraderie and a sense of belonging among employees. They also serve to teach employees corporate values, and create identification with the organization.

All organizations have rituals—from the mundane (coffee breaks, tea time) to major, less frequent events



Photo credit: Lynn University

convention, will attend events at the celebration of nations week and hopefully will be at the center stage of a ritual which takes place every year in May and that is the graduation ceremony.

Material symbols

A company's building, the office floor plan, the art that hangs on the walls, and physical workspaces communicate important messages about its culture. Just like the architectural remains of past civilizations, office buildings can be regarded as symbols of what the culture is all about. Can you imagine people in the 22nd century with no knowledge of Apple company, would think of its culture when they see the spaceship-like new campus? They probably think

the company was avant-garde, sleek, ahead of its time and innovative, and that is exactly the culture the company wants to portray.

A building's interior, layout, and architecture tell something about the social structure and social relationships of its inhabitants as well. In a highly centralized and hierarchical structure you would likely see large corner offices, followed by smaller offices and cubicles. In younger, innovative and organic organizations, office design reflects how digital work actually happens, and therefore workspaces are highly networked, shared and multipurpose. The general conditions of a company's entrance and reception area, from the standpoint of a visitor, client, or job candidate, represent the first impression and clues about the company and if not paid attention to, it may lead to misinterpretations and an unwanted image of what the company is not. Internal workplace design can also be used to convey a message to its own users as they act as a mnemonic or promoter for desired behavior and working processes. If for example the company wants to encourage collaboration and innovation, then more open space areas sprinkled with temporary private rooms and small conference rooms should be considered.

When visitors walk into The Nike World Headquarters complex in Oregon, they can witness first hand some of the unique characteristics of its culture. From the beginning, the buildings were named for sports figures who had played key roles in Nike's success. Nike co-founder Phil Knight wanted the headquarters to look and feel more like a college campus than a corporate setting, with tree-shaded pathways between buildings, research labs, sports and fitness centers, common areas for eating and socializing and plenty of space for play. All of the buildings have a museum-quality on their entry levels, with pieces of athlete memorabilia, theaters and general meeting rooms for thousands of people. Today, the campus has 22 buildings and about 44,000 are employed worldwide. Likewise, Nike's European Headquarters in the Netherlands weave green spaces, sustainable materials, and sporty elements into its own unique identity.⁴⁶

Physical layout is also important when the company changes its culture to reflect new growth plans. When Microsoft opened its corporate campus in Washington, in the late '80s, employees believed that software projects were better done behind doors, and the office design reflected. But the company is

very different today because as it is no longer a software company but one that has acquired diverse range of products and services. Many of the 100 buildings on campus, originally designed for a less flexible, office-centric work environment are being remodeled with shared workspaces, dedicated collaboration spaces with giant display screens and interactive, curved white boards and and lounges on every floor. Shared areas also feature climbing walls, game tables or slides to get creative juices flowing. Different kinds of space for different types of activities, is the basic level. Game developers may want a single shared space, for example, while Windows programmers may need more private space.”

Another type of material symbol is a company's dress code. Some conservative or older firms expect their employees to wear professional attire and suits, which is often the case in many legal and financial firms. Other younger or/and less formal organizations encourage their employees to dress casually. Such is the case of Silicon valley type of organizations, start-ups or those on the artistic side of business. In fact, one of the ten things that Google, as learned in chapter two is the idea that his employees can achieve great things without wearing a suit.

Stories and language

Another way in which organizations communicate their culture to new employees are through the skillful use of stories. Telling and listening to stories are ancient means of passing on wisdom and culture. A story can highlight a critical event an organization faced and the organization's response to it, or a heroic effort of a single employee that illustrates the company's values. Simple stories can be an effective source of inspiration and a way to communicate complex knowledge about values, norms, and the solution to difficult problems. They serve as a teaching moment and can influence employees decisions and behavior.

The stories usually inspire, energize and engage employees' emotions and generate identification with the company or the heroes of the tale. ¹⁹

Steve Jobs was fond of talking about how a calligraphy class at Reed college in Oregon from a Trappist monk influenced his sense of spirituality and esthetic that most computer nerds at the time lacked. At a Stanford's 2005 graduation speech he said: "Reed College at that time offered perhaps the best calligraphy instruction in the country. ...Throughout the

campus every poster, every label on every drawer, was beautifully hand calligraphed. . . I learned about serif and sans serif typefaces, about varying the amount of space between different letter combinations, about what makes great typography great. It was beautiful, historical, artistically subtle in a way that science can't capture.”



Photo credit: Lynn University

Lynn University, also has its own storytelling tradition celebrated with a canoe race, a picnic, and a festival during the annual



festival during the annual **Founders Day**. This tradition provides an opportunity to reflect on and commemorate the campus's evolution from Marymount College to College of Boca Raton to today's Lynn University. Former President Donald

Ross retells the early days when he and his wife came from Wilmington College

in Delaware to check out the library of the struggling two-year, Catholic women's college. He remembers driving up and seeing students with cups in hand seeking donations to save their college. Dr. Ross and his wife never left, and in 1974 the college was renamed College of Boca Raton.”

Language, in the form of jargons, acronyms and buzzwords, is another way to identify an organization's culture and set its employees apart from outsiders. As a student you are by now familiar with BUS270, or know what DSS, DSL, DBR and DJC stand for. Even you use your own jargon when texting such as OMG, 2moro, BRB, BTW, lol or LMAO.