



# Corporate Culture

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## **Abstract**

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As an executive, identifying, understanding, and influencing the organizational culture can ensure corporate agility and financial success. As a potential employee, catching a glimpse of the true culture of an organization will help one decide if the company is a place where one can contribute and flourish. In both cases, misunderstanding the culture can lead to disaster.

Corporate cultures have both gross and subtle manifestations that provide clues to the underlying norms and beliefs. Paying attention to the work practices, environment, communication paths, and even the level of humour in a company, will give one a hint of the dominant organizational culture. Identification and understanding the culture is necessary to affect any minute or large scale changes in response to market imperatives. If one does not have a clear picture of the culture one cannot effectively modify it.

This paper touches on four key questions in relation to corporate culture:

- What is corporate culture?
- Why is it important to understand the corporate culture?
- How can one identify the corporate culture?
- Can corporate cultures be changed?



## **What is Corporate Culture?**

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Corporate culture is the personality of the organization: the shared beliefs, values and behaviours of the group. It is symbolic, holistic, and unifying, stable, and difficult to change.

Made up of both the visible and invisible, conscious and unconscious learnings and artefacts of a group the culture is the shared mental model. This model is taken for granted by those within the group and is difficult for outsiders to decipher. It is important to remember that the corporate culture is not the ideals, vision, and mission laid out in the corporate marketing materials. Rather, it is expressed in the day-to-day practices, communications, and beliefs. According to Borgatti (1996) a strong culture:

- Is internally consistent
- Is widely shared, and
- Makes it clear what appropriate behavior is.

Resulting in an organization with a vision that everyone understands to which everyone is committed.

Whenever human beings gather and particularly when individuals with a common purpose begin working together, work strategies and thinking processes will develop and an organizational culture will be created. Most corporate or organizational cultures have key features in common with the larger culture in



which they exist. For example, corporate cultures in America all have some similar underlying thread. Corporate cultures in other countries also have a unifying, cross-company flavour. However, even within a social culture, each corporate culture is unique.

Put more simply, corporate culture is the way things get done in an organization. It is what drives action in the organization, guiding how employees think, act and feel. It is the systematic set of assumptions that define day-to-day working behaviour. “Culture can be described in a circular fashion where philosophy expresses values; values are manifest in behavior; and behavior gives meaning to the underlying philosophy. Philosophy, values, and behavior describe an organization’s culture and culture is the glue that holds the organization together.” (DeWitt, 2001)

Corporate culture can also be looked at as a system with inputs from the environment and outputs such as behaviours, technologies and products. It “is dynamic and fluid, and it is never static. A culture may be effective at one time, under a given set of circumstances and ineffective at another time. There is no generically good culture. There are however, generic patterns of health and pathology.” (Hagberg & Heifetz, 2000)



According to BOLA (2001) culture is the shared beliefs, values and norms of a group and it includes:

- the way work is organised and experienced
- how authority exercised and distributed
- how people are and feel rewarded, organised and controlled
- the values and work orientation of staff
- the degree of formalisation, standardisation and control through systems there is/should be
- the value placed on planning, analysis, logic, fairness etc
- how much initiative, risk-taking, scope for individuality and expression is given
- rules and expectations about such things as informality in interpersonal relations, dress, personal eccentricity etc
- differential status
- emphasis given to rules, procedures, specifications of performance and results, team or individual working

In the beginning corporate culture is shaped by the leaders and by the purpose for which the company has been created. It then develops within the constraints of the environment, technology, values of the leadership, and performance expectations. "The initial culture is altered by the design variables of the company, experiences of the company, management's leadership style, the structure of the company, the nature of the tasks of the groups, the way



decisions are made, and the size of the company. In addition, the developing culture is affected by the internal integrity of the company, the climate, and how well the company is competing in the marketplace, its effectiveness.” (DeWitt, 2001)

While there may be a dominant organizational culture that is pervasive throughout the company, this level of cultural integration is rare. More often there are many cultures and sub-cultures (the basis for silos in organizations) which may be of differing strengths and which may have differing levels of influence. “Subcultures may share certain characteristics, norms, values and beliefs or be totally different. These subcultures can function cooperatively or be in conflict with each other.” (Hagberg & Heifetz, 2000)

### **Why is it Important to Understand the Corporate Culture?**

Corporate culture is a hidden mechanism of coordination directing each individual towards the common goal. The goal and the ways of achieving the goal cannot be changed without understanding key attractors and drivers in the culture. The causes of many profitability and responsiveness issues in corporations are not found in the structure, in the leadership, or in the employees. The problems are found in the cultures and sub-cultures of the organization.



Understanding the culture of an organization facilitates:

- Hiring employees that will succeed in the organization (lowering recruitment, development, and human resource maintenance and management costs).
  - “the culture of an organisation affects the type of people employed, their career aspirations, their educational backgrounds, their status in society.” (BOLA, 2001)
  - “the only trustworthy predictor of on-the-job success is how closely an individual’s work habits match the organizational culture...” (Giles, 2000)
- Creating policies and assignments to increase profitability and respond to market demands. Having a firm grasp of a company’s culture and its nuances gives an executive the edge.
  - “New policies and assignments should consider the organizational culture and should be communicated in a manner congruent to the existing work strategies and beliefs. Learning how to communicate to the above listed tendencies can give an executive enormous power.” (Giles, 2000)
  - “If the organization wants to maximize its ability to attain its strategic objectives, it must understand if the prevailing culture supports and drives the actions necessary to achieve its strategic goals.” (Hagberg & Heifetz, 2000)



- Making significant changes to the corporation in response to real threats to its continued existence.
  - “Understanding and assessing your organization's culture can mean the difference between success and failure in today's fast changing business environment” (Hagberg & Heifetz, 2000)
  - “Many companies have turned themselves around, converting imminent bankruptcy into prosperity. Some did it through financial gimmickry, but the ones who have become stars did it by changing their own culture.” (Toolpack, 2001)
  - “The power of cultural change is strong -- strong enough to turn an aging dinosaur into a state-of-the-art profit-maker... Because people working in different cultures act and perform differently, changing the culture can allow everyone to perform more effectively and constructively.” (Toolpack, 2001)
- Facilitating mergers, joint ventures, and acquisitions.
  - Being able to merge and reinvent corporate cultures plays a critical role in national and international takeovers, joint ventures and mergers. If the cultures cannot be merged or reinvented then the business will fail. (Wilms, Zell, Kimura and Cuneo, 1994) Decisions to form joint ventures are made on economic grounds. Their failure to succeed relates to the key non-economic factor, the corporate cultures involved.



- Increasing profitability and growth.
  - Understanding, shaping, nurturing, and proclaiming cultural aspects can increase corporate profitability and growth.

“Companies that display specific facets of corporate culture grow 10 times faster than companies that don't. The average net sales growth for so-called high-culture companies is 141 percent, compared with 9 percent growth at "low-culture" companies” (Kosan, 2001)

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### **How can one Identify the Corporate Culture?**

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Corporate culture can be identified and analyzed and there are several consulting firms in North America making significant profits doing just that. Many focus on identifying workforce attitudes, behavioural preferences, and the work environment including structure, physical artefacts, and communication channels. All agree that attention must be paid to the intangible (unconscious) as well as the tangible (conscious) aspects including the deeply rooted basic assumptions that are often taken for granted by those inside the organization. “Organisational culture may be visible in the type of buildings, offices, shops of the organisation and in the image projected in publicity and public relations in general...An organisation’s culture may be imperceptible, taken for granted, assumed, a status quo that we live and participate in but do not question” (BOLA, 2001)



Another key indicator is the true reward structure: not what the reward and recognition programs advertise but how and why people are really rewarded.

“What management pays attention to and rewards is often the strongest indicator of the organization’s culture. This is often quite different than the values it verbalizes or the ideals it strives for.” (Hagberg & Heifetz, 2000)

Other artefacts, key to identifying aspects of a particular culture, include:

- Architecture and décor. What does the actual physical environment look like? Is it a pleasant airy space with areas intended to encourage chats over coffee? Are employees working in cubicles with management offices along the windows? Remember to consider the type of work being done when looking at the environment.
- The clothing people wear. Is the dress formal or informal? Does dress change depending on the day or the week or interaction with external clients? Does the official dress code say one thing but employees dress a different way?
- Organizational processes and structures.
- Rituals, symbols and celebrations.
- Commonly used language and jargon.
- Logos, brochures, company slogans.

(Hagberg & Heifetz, 2000)



To confirm that the analysis of the artifacts is creating a true picture of the corporate culture, talk to employees who have been with the company for between four and six months and who are planning to stay. Find out what they have run up against, identified, and learned to work with and around. Their continued existence and happiness in the organization depends on their being able to integrate with the existing culture. They have a vested interest and will have identified key cultural aspects that may not be obvious in the artifacts and may be invisible to those who have been there over a year.

Giles (2000) provides a series of questions to identify the dominant corporate culture.

- Is the company primarily market based, technology based, customer based or owner based.
  - “What primarily drives it? The marketplace demand, chief competition changes, technological innovation, government or natural environment dictums, individual customers or senior executive whim?...Identify the priority of the prime movers in making work at your place of business. One clue may be the answer to When do we drop everything and change focus? In response to what? Our customers, the market, industry, or the boss?”



- How do people in this company communicate, is the dominant form of communication verbal or written, formal or informal, personal (face-to-face) or technological (phone, email, fax)? Include in this consideration, the level of joking, sarcasm, critique and appreciation visible in the organization.
- What is the level of diversity in terms of hours, personality, and language, as well as the traditionalists (age, gender, ethnicity, disability, etc).
- What are the repetitive patterns?
- “What are the primary value criteria of most of the workers? Listen for value words that are used over and over. “Best price, fastest, most durable, least bugs, most innovative, newest, perfect, reliable, popular, most needed.”
- “What is the primary motivation direction? Is it toward an objective or away from (preventing) problems? What is the primary reference for quality and motivation, internal or external? The guiding question to ask is: How do you know you have done a good job or have a good product?”
- “What is the dominant work flow process, options or procedural? Does work get accomplished through teams, collaboration or individual effort?”
- “Finally, how much change does the company culture allow? The majority of us (about 65%) like sameness with some exception. We seek major change only once every 5-7 years.”



Also helpful in identifying and understanding corporate culture are corporate culture models including:

<b>Proponent</b>	<b>Components of Model</b>
Rensis Likert	<ul style="list-style-type: none"><li>• autocratic</li><li>• benevolent autocratic</li><li>• consultative</li><li>• participative</li></ul>
Burns and Stalker	<ul style="list-style-type: none"><li>• mechanistic</li><li>• organismic</li></ul>
Henry Mintzberg	<ul style="list-style-type: none"><li>• simple structure</li><li>• machine bureaucracy</li><li>• divisionalized</li><li>• professional bureaucracy</li><li>• adhocracy</li></ul>
Roger Harrison	<ul style="list-style-type: none"><li>• power</li><li>• role</li><li>• task</li><li>• personal</li></ul>

Each of these models provides a framework in which a corporate culture can be analyzed.



## **Can Corporate Cultures be Changed?**

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Changing a corporate culture is a complex, long-term, and expensive undertaking that will either revitalize or kill the company. It should not be undertaken lightly. Culture change must be driven by a powerful, transformational reason: The competition is succeeding and you are not: Your company will fail if it does not change. “For change to be successful there needs to be a compelling reason to change, a clear vision of what the change will be, and, a sensible first step.” (Tribus, 2001)

Tan (2001) outlines four instances where corporate cultures need to be changed:

1. When two or more companies of varied backgrounds merge and continuous conflict among people of different groups are undermining their performance;
2. When an organisation has been around for a long time and its way of working are so entrenched that it is hindering the company from adapting to changes and competing in the marketplace;
3. When a company moves into a totally different industry or areas of business and its current ways of doing things are threatening the survival of the organisation; and
4. When a company whose staff are so used to work under the favourable conditions of economic boom but could not adapt to the challenges posed by an economic slowdown.



Corporate culture cannot be changed through changing a policy or issuing an edict. It can also not be accomplished overnight. “The only way to change organizational culture overnight is to fire everyone and hire a new staff with the working behaviors you now want.” (Giles, 2000) Culture change requires consistency of message, goal, direction, and leadership to succeed.

To change a culture one needs to change the images and values, the evaluative, and the social elements of the organization. This requires a strong leader who knows where they want the company to go, why they want it to go there, can articulate both these points, and who has the power to drive the change throughout the organization. This leader, in all the proponents of change in the organization, must consistently and obviously “model the behavior they want to see in others. If they do not send a consistent message and keep that message clear and dominant over time, cultural change may be seen as just another fad.” (Toolpack, 2001)

Given strong leadership, Bijur (2001) has identified the five aspects of a successful change.

1. Values: values that drive the organization toward the realization of a shared vision.



2. Motivation: understand what motivates people. Make them stakeholders in the change.
3. Shared Ideas and Strategies: create an environment that enables the sharing of ideas and strategies and encourages change.
4. Goals: clear and unambiguous goals, frequently communicated and discussed. Clear link between individual and corporate goals.
5. Performance Ethic: a reward and recognition system that instills in the organization a performance ethic.

Changing a culture is an incremental endeavour. The organization should move, in a non-linear fashion, from stability, through chaos, to the realignment with new values, beliefs, norms, and artefacts. The climate must engender organic change, exploration, learning from failure and must adjust as the new culture emerges, anchored to leader-established values, goals, and behavioural guidelines. “Leaders of organizations must lay value foundations, cultural anchors and behavioral guidelines so that growth and development are harmonious and congruent, and not mechanistic, haphazard, harmful, or destructive. Creative conflict and patterned disequilibrium are the paradoxical dynamics for culture, development, and growth in organizational life.” (Stupak, 1998)



Despite all due diligence, commitment, and application, the culture may not change or it may not change in the intended direction, or even in an appropriate direction. It is an expensive and long process without guaranteed results. Changing a culture can take between three to six years during which profitability can be seriously affected (Toolpack, 2001). However, those companies that successfully changed their cultures reap enormous rewards.

One way to mitigate the downside during the long-term culture change is to implement incrementally. Consider approaches such as Morgan's (1996) 15% Solution which advocates incremental change within an individual's 15% sphere of influence. Multiple incremental changes, in the same direction (towards the same attractors) can organically change corporate culture from within.



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