

What is the significance of corporate culture to the practising manager?

Corporate Culture

by Liam Gorman

Introduction

The study of corporate culture has been recognised as a valuable contribution to the study of organisations. Corporate culture consists of values, norms, feelings, aspirations and hopes that are subtly hidden from view, but distinctly recognisable to a discerning manager. It is a powerful force that gives meaning to people's lives, reduces uncertainty and creates stability. It is important that managers are aware of the corporate culture so that they can facilitate these outcomes. By becoming more aware of the elements of the culture, i.e. its deeper assumptions and the forces that sustain those assumptions, managers will find it easier to cope with cultural change.

Attempts to explain the marked success of Japan in matching and exceeding levels of productivity, quality, innovation and service attained in Western economies have emphasised the importance of values shared by Japanese management and workers. These shared values determine the success of Japanese business. They result in behavioural norms that demonstrate a commitment to quality, problem solving and co-operative effort in greater degree than is general in comparable organisations outside Japan.

More recently, Western researchers have noticed that aspects of culture such as the strength and pervasiveness of core values are characteristics which greatly contribute to the success of companies.

Partly stimulated by this work and by increasing international competition to capture new markets and maintain old ones, the emphasis on quality and customer

service has highlighted the importance of "people" aspects in organisations. This commitment to customer needs must derive from internalised values, and not simply be a result of following routine, set rules and procedures.

The focus on culture, values and norms and on commitment which is above the ordinary has, in turn, led to a focus on the kind of appeal that organisations make to people. Until relatively recently, feelings and emotions have been largely ignored in management theory. However, it is feelings, aspirations, hopes and fears that motivate and act as energisers. Actions come from feelings not logic; logic is applied after the event.

The study of corporate culture has helped to broaden the field of organisation theory and to focus attention on topics such as power and organisational politics, subjects which, until quite recently, were rarely dealt with in textbooks. The study of corporate culture has contributed to an acceptance of the need to deal with organisations as they exist in the real world. It has brought into the study of organisations, words, not new, but rather old-fashioned, such as mission, vision, courage, and indeed leadership — concepts which may be less exact operationally than the ones we are used to, but words which have a certain robustness about them and a great appeal to managers.

What is Corporate Culture

Let us now look more specifically at the question of what corporate culture is, the types of corporate culture that may exist, and at the question of best fit between culture, company and environments.

All definitions of culture refer to the underground nature of culture and to the hidden hand with which culture guides behaviour, thought and feelings.

Looking at how culture is formed helps us to understand its character and impact. Schein[1], for instance, points out that culture is the total of the collective or shared learning of the group as it develops its capacity to survive in its external environment and to manage its own internal affairs. It comprises the solutions to external and internal problems that have worked in the past and that are taught to new members as the correct way to perceive, think about and feel in relation to those problems.

Culture is composed of:

- (1) *Values and assumptions* which prescribe *what* is important.
- (2) *Beliefs on how things work*;
- (3) *Behavioural norms* — a set of attitudes that are easier to decipher than values and assumptions.

In the past, culture was thought of as a set of attitudes at the bottom of organisations which could be problematic, in that it was frequently an anti-management culture and thus “bad”. It was assumed that management had the “right” attitudes, or attitudes in support of company goals.

Culture, however, operates at all levels, and we are now more aware that there can be aspects of culture affecting all hierarchical levels which can be self defeating for the organisation. Past crises, achievements, successes and failures lead to the creation of assumptions about:

- reality (you cannot trust banks);
- truth (people are a company’s most important asset);
- time (you must always be seen to be busy);
- human nature (women are less committed to work than men);
- human relationships (do not let subordinates get close to you).

The conditions under which past organisational issues and problems were resolved do not remain in the consciousness of the organisation. Responses to these conditions become automatic and accepted as the way things are done. In this way, severe limitations are set on individuals’ behaviour and thought, and the strong but hidden impact of culture is established. This is not to say that because culture embodies past solutions, it is inappropriate *per se*. Obviously, some solutions found in the past do not have applications in the present, e.g. the wheel. The danger, however is that the problems facing an organisation may undergo change, and the past solutions and methods may be inappropriate to the new problems. More devastatingly, decision makers may be unaware of how the hidden forms of culture are influencing them. Culture can influence *what* managers see, and thus how they respond. Lorsch[2] contends that the beliefs that top management hold can inhibit strategic change in two ways:

- (1) beliefs can produce a strategic myopia leading them to see events with tunnel vision, and this leads them to overlook the significance of changing external conditions;
- (2) when top management recognises the need for strategic change, they respond within their existing culture, using responses that have worked in the past. In this way, yesterday’s solutions may become today’s problems.

Variations in Culture

Culture can vary from one organisation to another, or even within one organisation. It varies along such dimensions as strength, pervasiveness, direction and obviously, content.

- *Strength* of culture refers to the extent to which members of an organisation embrace the values of the culture. Customer service, for instance, will take a higher priority in some organisations than in others.
- *Pervasiveness* refers to the extent to which beliefs and values are shared amongst departments in an organisation. Culture depends on experience and departments are likely to have different problems to solve, different experiences and, hence, differences in culture.
- *Direction* refers to the extent to which the culture embodies behaviour in line with the expressed strategy of the organisation, or behaviour counter to the expressed strategy. For example, the existence of alternative cultures arising from trade union commitments have, on occasion, threatened the survival of some business organisations.

Overall then, a culture can be said, from a managerial viewpoint, to be positive if it creates behaviour consistent with the expressed strategy; if it constitutes values “owned” by members at all levels. It has negative impact if, for instance, the culture is such that it is strong and pervasive but antagonistic to company goals; then the organisation has big problems in the strategy area. Equally, if it is strong and supportive of company goals but only subscribed to by one group in the organisation, this too has adverse strategy implications.

The Appropriate Culture for an Organisation

The appropriate culture for an organisation depends on many factors, including the age of the organisation, its market, its geographical location, history and even the preferences of the chief executive and top management. Organisations which operate in dynamic environments in which consumer preferences change rapidly, technology developments occur frequently, and competition is intense, place a great emphasis on creativity, innovation and adaptability.

However, in government departments, hospitals, welfare institutions etc., stability, predictability and getting it right at all costs may be more appropriate.

Very strong cultures, too, can have disadvantages, as well as advantages. A major disadvantage is that they can prove particularly resistant to change. Awareness of one’s culture, its strengths and weaknesses and its appropriateness to its environment, may be a more basic element than factors such as strength and pervasiveness. It is important to know one’s culture before one thinks about change. It may be more appropriate to tailor one’s strategy to one’s culture, rather than the other way round.

The Functions of Culture

The functions of culture are:

- *Transmission of learning*; through the organisation culture, members learn to perceive reality in a particular way, to make certain assumptions about what is important, how things work and how to behave, thus reducing complexity.
- *To unite the organisation*; consistency in outlook and value makes decision making, control, co-ordination and common purpose possible at all levels.
- *To give meaning to members of an organisation*; people need to find meaning in their lives; it is important that they feel that they are part of a team. Loss of meaning, through the de-skilling of jobs, for example, can result in the development of a culture which excludes management.
- *To handle strong emotions*; emotions ranging from anger, aggression and fear to hope and enthusiasm are handled according to the culture of an organisation.

How to Understand Your Corporate Culture

There are a number of typical cultural indicators that help a manager to understand his/her culture.

Stories and Myths

Many organisations are confronted with overwhelming uncertainty, conflicts of interest and often incomprehensible complexity.

Through the culture's myths, metaphors and symbols, a different world is created, a world in which the perception of complexity is reduced, one in which the organisation seems to have more control and to engage in rational action. Examples of myths include:

- "Too much analysis is bad".
- "It will be OK on the day".
- "We are at our best under pressure".

Organisations might also consider trying to influence the culture directly by creating myths, parables and metaphors that will excite people about problems facing the organisation or that will energise people by creating hope or success feelings by reminding them of difficulties that have been overcome. It has been confirmed that the persuasive power of anecdote, story and metaphors have a greater influence than the persuasive powers of statistical information. Therefore, delving into the stories and myths of an organisation can lead to an understanding of the culture, and at the same time provide us with a possible mechanism for promoting change.

Symbols and their Meanings

As well as symbols of power and status, physical surroundings are also *symbolically* important. Corporate logos and liveries convey style and identity. The location of an organisation within a city and the type of building usually say something about the organisation's values. The care taken with housekeeping can give evidence of attention to quality, just as the quality of physical surroundings for lower-level employees demonstrates how they are valued. These are examples of how observers can go beyond verbal messages to get in touch with the value system of the organisation.

Rituals and Ceremonies: a public celebration of beliefs and values. Rituals and ceremonies serve the purpose of celebrating distinction at a senior level, or of rewarding spectacular contributions at all levels. The functions of ceremonies include:

- integration and cohesion, e.g. we are all in this together;
- reassurance of the strength of the organisation;
- rallying support in an effort to sustain or improve the organisation;
- enabling people to cast off their roles and organisational masks and present other aspects of themselves.

Hero Myths

Some organisations limit their heroes to a small powerful group, whereas others create hero myths at all levels and across all functions. The values of hard work, exceptional commitment to a particular goal, acceptance of personal responsibility and sustained effort in gaining confidence can be reinforced through hero myths. Hero myths serve many purposes:

- they serve to set standards of performance;
- they show that with effort, success is attainable;
- they provide the role models for the organisation;
- they symbolise the organisation to the outside world.

However, hero myths can be dysfunctional. In a counter culture, for instance, hero myths may focus on those who have triumphed in an interdepartmental conflict, or by conforming ("to get along, go along") or they may enshrine the success of low-trust approaches ("do unto others before they do unto you").

Taboos

Organisations generally reserve their strongest sanctions for breaches of taboos. Taboos are not usually made explicit, nor are the consequences of violating them. The outcome from offending against a taboo typically involves

dismissal, social isolation or humiliation. Frequently, taboos do not become public until they are violated, and people do not even talk about them. In family firms a taboo can be concerned with disagreeing strongly with one of the founding family. Some organisational taboos centre on not challenging the moral assumptions being made by the business. The real danger of such taboos is that tolerance within society for these assumptions may begin to change (unnoticed by the organisation precisely because of the taboo element), and eventually lead to such severe problems for the organisations that survival can be threatened. Possible examples would be cigarette manufacturers, or companies with a history of atmospheric or environmental pollution.

Rites of Passage

Rites of passage are a particular type of ceremony and include initiation rites, promotion, dismissal, and retirement:

Initiation rites involve a formal initiation into some verbally embraced culture and later a further initiation in an informal way into the real culture. This contrast in initiation is highly significant in understanding the organisation.

Retirement rites, while seeming to be about individuals, are usually the occasions for stories, speeches and anecdotes which reinforce particular cultural values.

Dismissal rites are often used to suggest that the organisation is now cleansed of some deviant behaviour or poor performance by the firing of a single individual, even though many others typically could have been held responsible. Dismissal rites are also used to show that firing is not arbitrary or unfair, but a systematic and judicial process has been conducted.

Structure, Control Systems and Formality of Relationships

Organisations with many levels and well-documented procedures for decision making are unlikely to reflect a culture which puts a premium on risk taking, as opposed to getting it right at all costs. The compensation system in organisations can also provide an obvious clue about values. Salary scales in which employees progress in orderly increments over a long period are likely to reflect values of loyalty rather than values of achievement. Review of strategic decisions over a period of time can also provide pointers to the nature of the culture, since it can indicate trends and directions the company is taking and trends in the options which are being discarded. In fact, it has been suggested that a good way to understand the deepest assumptions of a culture is to review the strategic decision-making process, paying particular attention to the courses of action that had been rejected in that process.

Cultural Change

The responsibility for strategy formulation, for identifying the need for cultural change and for pursuing this change lies with top management and the chief executive. There are a number of underlying issues that top management must recognise if they are to come to terms with culture and cultural change:

- (1) They must recognise that in most organisations top management has come to the fore on the basis of wisdom, solutions and performance that may now be in need of change. The questioning of a culture, however, may well threaten careers, statuses, power structures and self images. Often cultural change occurs when a chief executive is appointed and/or significant changes are made in the top management team. In many cases cultural change has arisen due to forces outside the organisation, e.g. customers, banks, government or loss of market share.
- (2) Managers should be aware that culture is formed not only by the organisation's contact with the environment, but also through members' contact with each other. Members of organisations must learn not only how to beat the competition, and how to handle outside forces. They must also learn how to deal with each other and their

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needs for power. They must learn to handle and control fear, anxiety and aggression towards each other. Equally, they must learn how to release their capacities for creativity, co-operation, hope and fun. Our fears lead to constriction of our thought and excess caution in our actions, leading to inderdepartmental protectiveness and organisational tentativeness that can lead to the decline and fall of many organisations.

(3) Culture is perpetuated by random reinforcement. The assumptions, values and beliefs that make up culture are based on past experience — successes and failures. Past successes lead to an assumption that similar measures will result in organisational success in the present and future. After a few successes with the use of such measures, their relevance ceases to be challenged and examined and they become givens or assumptions about the nature of reality. Actions arising from such assumptions are randomly rewarded and so become difficult to dislodge. Past failures induce avoidance learning whereby the individual, or by analogy, the organisation, is rewarded by a reduction of anxiety whenever the past threatening, dangerous behaviour or situation is avoided. In the meantime, however, circumstances in the present or future may have changed radically so that behaviour previously punished may now be rewarded.

(4) Apart from planned cultural change, some incidental opportunities for change can arise that should not be overlooked. These include the appointment of a new chief executive, the introduction of new technology or the restructuring of the management team. These changes often do not work as planned because the existing culture is challenged and the changes are consequently resisted because the cultural issues have been overlooked.

Can Companies Hope to Change their Cultures and Control the Change Process?

Once a culture develops, it persists over time. It is maintained by the watchfulness of people for whom culture is real. Attempts to set new cultural elements in place need an even greater awareness on the part of managers who aim to change culture.

The deeper levels of culture are usually inaccessible. However, the real culture can be revealed with the help of an outsider or facilitator. This real culture is sustained by a process of reward and punishment. Figure 1 shows clashes between strategy and culture, or rather, between strategic aspiration and cultural constraints. In the two-by-two matrix, we can examine any particular espoused strategic development, e.g. that branch bank managers in a banking group become more active in obtaining new accounts. One arm of the matrix deals with behaviour, functional, or dysfunctional to this development and the other deals with whether or not the behaviour is rewarded or punished.

Figure 1.

	Behaviour functional to development	Behaviour dysfunctional to development
Reward	Promotion for new business	Promotion on seniority — little account of performance
Punishment	Peer pressure on keen performers	Diminution of status/salary for not getting new business

(1) Behaviour functionally related to the example of strategic development given and rewarded would be greater account taken of new business development in promotion decisions.

(2) Behaviour dysfunctional to the strategy being rewarded would be promotion on the basis of seniority, taking no account of new business development.

(3) Behaviour functional to the strategy being punished could be peer-group pressure on an individual who is seen as overly keen to get new business.

(4) Behaviour dysfunctional to the strategy being punished would be where a person who did not bring in new business was transferred to other work with a diminution of status, grade or salary.

This interlinking of reward and punishment with functional and dysfunctional behaviour is useful in working with clients and in bringing cultural constraints and cultural advantages into focus.

One of the most useful contributions the facilitator can make is to help surface some of the deeper assumptions made by organisations and the consequences to which they give rise. Deeper layers of culture are responsible for managers' tendencies to see the world, people, actions and events in a particular way. They frequently come to believe that their perceptions and actions are based on incontrovertible "truths". Bringing these truths and their impact into awareness is part of the facilitator's role. These truths can be termed basic assumptions and include:

(1) Are human beings considered good or bad or neither, needing to be controlled or left free to do their work? Assumptions in this area have immense consequences, for instance, for personnel policies, auditing and internal

control practices, supervisory practices and for the ways in which competitors, consumers or other stakeholders are seen.

(2) A very basic assumption relates to who or what gives sanction to truth. Is it the chief executive, the expert, the person in the organisation closest to the action? What happens when there is uncertainty — how is it handled? Is it resolved by the most powerful person, irrespective of his/her expertise or the information available to them. Further consequences in relation to this assumption are issues about the place given to logic and facts in decision making and how much account is taken of non-cognitive aspects in decision making.

(3) Assumptions about the nature of relationships. For instance, should relationships be hierarchical or team-oriented? Depending on which assumption is accepted, the structure of the organisation and physical layout follow.

(4) Assumptions about what the environment is like. Is it seen as an unpredictable landscape subject to eruptions or as a tough place in which one can build with patience and good judgement, forming coalitions and networks? How fatalistic are people in relation to the capacity of the organisation to master the environment?

People in organisations usually begin by looking at the more visible manifestations of culture, e.g. the deference in which the boss is held, politeness or the absence of politeness in disagreement. People find it more difficult to get in touch with these more basic types of assumption.

The facilitator may discover assumptions about relationships such as people at higher levels being seen as wiser than those at lower levels. Such insights are likely to emerge from contact with a company in a variety of circumstances, e.g. meetings with groups, discussions

with individuals, familiarity with the physical aspects of the organisation or statements of mission. The assumptions just mentioned, of course, can have many consequences and are likely to lead to conformity being rewarded and ideas coming from lower levels being ignored.

On the other hand, the culture may be too intolerant of controls and thus create threats to the organisation. I recently had an experience with a very successful company which had, over the years, put a lot of effort in to organisational development and into stimulating creativity and innovativeness in people. It had consciously followed the policy that people could organise themselves and had a lot of experience in setting up and using task and project groups and other *ad hoc* arrangements. One outcome was that an assumption had grown that controls were bad. Recently, in more competitive times, better controls were needed on performance, goal setting and goal review, but were being resisted because of the established values.

Pessimistic views about the impossibility of changing cultures have not been embraced. It appears that the manager can manage cultural change by becoming more aware of the elements of culture — particularly its deeper assumptions — and of the forces that sustain those assumptions.

References

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Application Questions

- (1) Are you aware of a corporate culture in your organisation? What effects does it have and how is it manifested?
- (2) Is the culture shared by all members of the organisation, or does each department have its own particular shared culture?
- (3) Does the culture contribute to the success of the organisation?
- (4) Is there a need for change in the corporate culture of your organisation?