

# Chapter 14

## Organizational Culture

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### Defining Organizational Culture

Organizational culture is the unwritten feeling part of the organization, and some researchers believe that it is so intangible and pervasive that even the members of the organization cannot be expected to describe it accurately. Nevertheless, an understanding of organizational culture is essential to building effective organizations. Like the powerful undercurrents of ocean tides and rivers that move mighty ships, or the hidden icebergs that can destroy these ships, an organization's culture effects the entire organization.

Culture is the set of key values, beliefs, and understandings shared by members of an organization. Culture defines the basic organizational values and communicates to new members the correct ways to think and act and the ways things ought to be done. Culture enhances the stability of the organization and helps members interpret organizational activities and events. The focus of culture is to provide members with a sense of identity and to generate within them a commitment to the beliefs and values of the organization. In this chapter we define culture and explain how it develops, how it is maintained, how it effects organizational events, and how it can be changed.

#### **Organizational Climate**

Each organization has its own unique constellation of characteristics and properties. *Organizational climate* and *organizational culture* are two terms that have been used to describe organizations and their subunits. Although these two terms are used interchangeably and refer to similar phenomena, a subtle distinction is often made regarding their permanence: *culture* generally refers to organizational characteristics that are relatively enduring and resistant to change, whereas *climate* is used to describe characteristics that are temporary and capable of being changed. The weather has been used as a popular analogy to explain the differences between culture and climate. Like daily weather patterns, organizational climate can fluctuate from time to time because of organizational changes. Culture, however, is like the seasons of the year, which change slowly over time. The seasons are associated with stable and enduring weather characteristics that transcend daily variations.

**Defining Organizational Climate.** During the 1960s, organizational research identified climate as a significant independent and moderating variable that influenced job attitudes and behavior.<sup>1</sup> *Climate* refers to the set of characteristics or attributes that distinguish one organization from other organizations.<sup>2</sup> This definition is similar to the concept of personality, and, indeed, organizational climate is often referred to as the personality of the organization. Just as *personality* refers to the stable characteristics of individuals, climate refers to the stable characteristics and properties of organizations.

Organizational climate influences behavior – employees are more satisfied and perform better in some organizational climates than in others. A study of disadvantaged workers entering a job training program after a lengthy period of unemployment found that their success was influenced by the supportiveness of the climate. Those who said they had a supportive climate were more competent and productive than those who perceived the climate as less supportive.<sup>3</sup> Another climate study found that the productivity of middle managers was greater in an innovative climate, provided that the climate of innovation was consistent with the amount of autonomy they have and the relative number of formal rules.<sup>4</sup> The importance of having a climate that matches your personality has also been confirmed. The satisfaction and productivity of a group of executives was highest for those who perceived their organizational climate as similar to their own personalities. However, the satisfaction and performance levels were lower among executives who described their personalities as different from the organizational climate.<sup>5</sup>

It appears that the relationship between climate and behavior is a reciprocal interaction. Many individual and organizational factors influence climate, but climate also influences these factors. For example, creative people have an impact on an organization's climate, and climate can foster or discourage creativity.

**Determinants of Organizational Climate.** Many variables influence an organization's climate, including both internal and external factors.

1. *Leadership style.* Leaders who have confidence in their subordinates and want them to be involved in organizational decisions create a much different climate from that produced by managers who insist on making all important decisions and maintaining tight control.
2. *Economic conditions.* When the economy is growing and the organization is prosperous, managers tend to be more adventuresome and willing to take greater risks. In periods of economic decline, however, budgets are very tight and managers are forced to make more conservative decisions. New programs are not proposed and creative ideas are overlooked during economic decline.
3. *Organizational structure.* Several characteristics of the organizational structure tend to have a pervasive influence on the organizational climate. For example, an organization with fixed

reporting relationships and rigid rules and procedures tends to create a bureaucratic organizational climate that is perceived as cold and impersonal, but possibly very efficient.

4 *Characteristics of the members.* The climate is influenced by the personalities of members; happy people create a pleasant environment. The climate is much more friendly in organizations whose members participate in social activities off the job.

5 *Unionization.* The presence or absence of a labor union has a pervasive influence on the organization. The relationships between management and labor tend to be more formal and antagonistic when the employees have voted to form a union and negotiated a labor agreement.

6 *Organizational size.* Large organizations tend to be more rigid, bureaucratic, and structured than smaller organizations. It is much easier to establish a climate of creativity, innovation, and cohesiveness in a small company than in a large organization. Most innovations and creative discoveries have emerged from small organizations.

7 *Nature of the work.* The kinds of jobs and the type of industry contribute to creating a unique organizational climate. Farming and food processing in rural communities is performed in a climate dramatically different from banking and financial investment companies in metropolitan areas. Time pressures and deadlines contribute to making the climate in a daily newspaper company much different from the climate of a textbook publisher.

Organizational climate is measured by asking employees to complete an opinion survey and many questionnaires have been developed assessing different aspects of an organization's climate. Some of the most frequently measured dimensions that are used in organizational diagnosis and change interventions include communication, leadership, decision making, problem solving, evaluating and rewarding performance, organizational structure, and organizational control.

## **Organizational Culture**

The people who study culture have tried to make a clear distinction between culture and climate. *Culture* refers to something that is more stable and enduring than climate, and it is more difficult to define and evaluate. While climate can be measured quantitatively by asking employees to complete a climate survey, culture is usually measured qualitatively using the ethnographic research methods from anthropology.<sup>6</sup>

**Levels of Organizational Culture.** Organizational culture is difficult to understand because it includes virtually every aspect of the organization and the most important elements of culture are not visible. Culture can be studied from four different levels of analysis:

1 *Cultural Symbols.* The most superficial and visible level of organizational culture consists of symbols and artifacts, such as words, jargon, gestures, decorations, physical objects, uniforms, and company logos. Many of these symbols are very apparent to anyone who visits an organization and observes its surroundings. The furnishings in the buildings and the appearance of the people are very different at a police station than at a corporate headquarters, a factory, or a university. The uniforms, badges, and other symbols of authority at a police station are intended to convey a much different message than the comfortable chairs and lavish surroundings of a corporate headquarters.

2 *Shared Behaviors.* The next level of culture consists of shared behaviors in the form of group and organizational norms. These norms are not directly visible but can be inferred from the degree of consistency in how group members act. If students raise their hands and wait to be recognized before commenting in class, we can infer that there is a norm of hand raising. If the

majority of team members report to committee meetings five or ten minutes late we can infer that being on time is not important.

- 3 *Cultural Values.* The next level of culture consists of cultural values that represent the collective beliefs, ideals, and feelings of members about what things are good, proper, valuable, rational, and right. Values are not visible, but can be identified by observing how people spend their time, what they focus on, what gets rewarded, what is considered unacceptable, and what happens over time.
- 4 *Shared Assumptions.* The deepest level of culture consists of shared assumptions that provide a foundation for how people think about what happens in organizations. These assumptions represent beliefs about reality and human nature that are taken for granted and embedded in the way we understand and interpret daily life. Consequently, shared assumptions are the most difficult to study.

**Core Shared Assumptions.** Although the shared assumptions in an organization are extremely difficult to identify and describe, these assumptions are the most interesting aspect of culture to study because of their pervasive impact on how people behave and their implications for improving organizational effectiveness. Efforts to understand organizational cultures have identified some of the most significant categories of shared assumptions:<sup>7</sup>

- 1 *The Nature of Relationships.* Are relationships between members of society assumed to be primarily hierarchical, collateral, or individualistic in nature? Is there a caste system and does organizational hierarchy impact relationships?
- 2 *Human Nature.* Are humans considered to be basically good, basically evil, or neither good nor evil?
- 3 *The Nature of Truth.* Is truth revealed by external authority figures, or is the accuracy of information determined by a process of personal investigation and testing?
- 4 *Our Fit with the Environment.* What is our relationship with the environment? Do members believe they have the capacity to master the environment, are they supposed to live in harmony with it, or do they think they are controlled by it?
- 5 *Time Orientation.* Are members of the organization primarily oriented to the past, the present, or the future?
- 6 *Assumptions about Activity.* Assumptions about the nature of human activity can be divided into three approaches: (a) a “doing” orientation where people are basically active and evaluated according to what they produce, (b) a “being” orientation where people are passive and unable to alter existing circumstances, and (c) a “becoming” orientation where people are continually developing and becoming an integrated whole.

## Development of Culture

Since culture refers to shared beliefs and values, it cannot simply be dictated by top management. Indeed, many researchers argue that the pronouncements and speeches of top management do very little to create the fundamental beliefs and values that are both created by and reflected in the ceremonies, stories, symbols, and slogans within the organization.<sup>8</sup> An organization's culture is not created by any single person or event, but by a complex combination of forces that include the visions of the founders, the expectations of leaders, the contributions of organizational members, and the way the organization has historically responded to problems of internal integration and external adaptation.

### **Expectations of Founders and Leaders**

Founders have a large influence on the culture of an organization, especially in the beginning. Their expectations, their decisions, how they treat people, how they spend their time, and what they value have a major impact on what employees value and how outsiders perceive the organization. Unless the founder's influence has become institutionalized, however, the impact of a founder diminishes as the organization grows. Later in the life of the organization, its culture will reflect a complex mixture of the assumptions, values, and ideas of the founder or other early top managers and the subsequent experiences of managers and employees. The impact of a founder is recognized by the kinds of questions that are typically included in a culture audit:<sup>9</sup>

- 1 Why was the organization started? What was the founder trying to achieve?
- 2 What problems did the founder encounter in managing the business? How were they solved?
- 3 What are the founder's perspectives, values, and assumptions concerning how the organization should be managed?

Leaders can have a significant impact on creating or changing an organization's culture. Great transformational leaders have the capacity to create a new vision and inspire members to change how they think about the organization.

### **Member Contributions**

The members of an organization bring with them their own personal cultures that come from their families, their communities, their religions, any professional associations to which they belong, and their nationalities. The members of the organization have been raised in a particular society and thus bring the dominant values of the society into the firm. For example, the culture of the United States is much different than the culture in Egypt. In the United States, individuals learn to place a high value on freedom of speech, respect for individual privacy, and acceptance of new technology. Egyptians place a high value on fundamental Islamic teachings and perpetuating traditional practices both at home and at work. Therefore, the culture of a company with mostly Americans would likely be very different than the culture of a company with mostly Egyptians.

### **Historical Accommodations**

Every organization has to confront two major challenges that impact the development of its culture: (a) external adaptation and (b) internal integration.<sup>10</sup> *External adaptation* and survival refer to how the organization secures its place in industry and how it copes with a constantly changing external environment. These issues are important determinants of culture since they frame the shared vision among members about the mission of the organization and the strategies and goals it should use to achieve success. This vision helps the organization adapt to a changing environment, especially during

times of upheaval, because each member can decide what his or her responsibility is without waiting to be told. External adaptation requires the organization to face the following kinds of issues associated with its mission and strategy:

- 1 What major crises has the organization confronted? How did it deal with these crises?
- 2 What major changes have been made in its strategy, structure, technology, size, and leadership? How and why were the changes made? How did these changes affect the organization?
- 3 What are the specific goals and targets the organization is striving to achieve?
- 4 How will the organization pursue its goals and what structure and reward system will it use?
- 5 What criteria will be used to determine how well individuals and teams are accomplishing their goals?

**Internal integration** is concerned with establishing and maintaining effective working relationships among the members of an organization. Internally, organizational culture helps to define the criteria for the allocation of power and status. Every organization establishes a pecking order and rules for how members acquire, maintain, and lose power. These rules help members manage their expectations and feelings of aggression. The criteria for allocating rewards and punishments are also defined by the organizational culture. The legends and myths let members know which behaviors are heroic or sinful – what gets rewarded with status and power and what gets punished through withdrawal of rewards or excommunication. Internal integration is concerned with the following kinds of issues:

- 1 How does the organization reward and control its members?
- 2 Are decisions made participatively or autocratically?
- 3 Are the relationships between employees close and friendly or distant and individualistic?
- 4 What are the organization's socialization practices?
- 5 What does an employee need to know or do to become an accepted member of the organization and to be successful?

An organization's culture emerges when members and leaders share ideas, values, aspirations, and assumptions as they discover ways of coping with issues of external adaptation and internal integration. The creation of a culture appears to be a complex combination of forces that involve members and leaders striving to adjust to internal and external demands.

## **Maintaining Organizational Culture**

Organizational cultures are maintained by a combination of many forces, especially by (a) the selection and retention of employees, (b) the allocation of rewards and status, (c) the reactions of leaders, (d) the rites and ceremonies, (e) the stories and symbols, and (f) the reactions to crises.

## **Employee Selection**

Organizations tend to hire people who match their culture. They want employees who will fit into and adapt to the organization's culture. The recruitment and selection procedures in a company are designed to identify not just the specific skills and talents of job applicants, but also their personalities and interests. The organization then maintains its culture by terminating employees who consistently deviate from accepted norms and practices.

Other human resource practices also help to reinforce the organization's culture. For example, the assumptions, values, and beliefs of a company can be controlled and reinforced by those who establish the criteria for evaluating employees, who decide which managers get promoted, who set the standards that determine how pay increases are granted, and who develop and present the orientation training. These practices become known throughout the organization and serve to maintain or change an existing culture.

## **Reward and Status Allocation**

An organization's reward system can either maintain or change its culture. The rewards and punishments attached to various behaviors convey to employees the priorities and values of both individual managers and the organization. A dramatic change in an organization's reward system can make a significant change in its culture almost overnight. For example, the creation and implementation of a profit sharing plan almost immediately changed the culture of a company in the agricultural industry from one of distrust and disregard for employees to a culture of caring and fairness. Rather than having all year-end bonuses distributed by managers to the assistant managers based on personal relationships, a fixed percent of the profit was distributed to all employees according to a formula that combined base pay and years of service. The plan was greeted with suspicion when it was first announced. But after the first profit share was distributed a new culture emerged that had a dramatic impact on the degree of cooperation, interpersonal relationships, patterns of communication, involvement in decision making, styles of leadership, distribution of power, and feelings of respect for all members.

## **Leader Reactions**

Although it is rather subtle, what managers pay attention to is one of the more powerful methods of maintaining organizational culture. Administrators perform a variety of symbolic activities that influence the power relationships in organizations. The following is a list of symbolic actions that explain what leaders can do to increase their personal power and exert greater influence in an organization.

1. *Spend time on activities that are important.* The amount of time an administrator spends on an activity communicates a message regarding the importance of that goal or function.
2. *Change or enhance the setting.* A new setting conveys the feeling that something new is happening. An enhanced setting with more elaborate furnishings generally means that the activity is more consequential and important. Changing the meeting from the lunchroom to the boardroom communicates a message of significance to the attendees.
3. *Review and interpret history.* Events have meaning only through our interpretations of them. The most important interpretations are those derived from an historical analysis demonstrating a consistent line of meaning and direction. If current events appear to be consistent with historic

trends, it is easier to obtain a consensus on a chosen course of action. For example, wage cuts and extra hours are more acceptable if it can be shown that the employees have always responded with loyalty and sacrifice during hard times.

4. *Establish a dominant value expressed in a simple phrase.* A simple phrase, one that reflects a dominant value and is easily remembered, can influence the behaviors of organizational members by creating a consensus about appropriate behavior. For example, a simple slogan such as “Pride in performance brings excellence in service” can mobilize support for greater organizational commitment and dedication to work.

## Rites and Ceremonies

Ceremonies are planned events that have special significance for the members and are conducted for their benefit. Ceremonies serve the same purpose for organizations that ordinations and initiations do for religious groups and social clubs. Ceremonies are special occasions when managers can reinforce specific values and beliefs. These occasions provide an opportunity to recognize heroes and induct them into the organizational hall of fame. For example, McDonald’s Corporation conducts a nationwide contest to determine the best hamburger-cooking team in the country. Competition occurs among local teams and gradually progresses until the best teams from the company compete at the national level. The teams are judged on subtle details that determine whether the hamburger is cooked to perfection. This ceremony communicates to all McDonald’s employees the value of hamburger quality. It also requires store managers to become very familiar with the 700-page policy and procedures book.

Rites and ceremonies provide opportunities to reward and recognize employees whose behavior is congruent with the values of the company. Six kinds of rites in organizations have been identified:<sup>11</sup>

- 1 *Rites of passage* show that an individual’s status has changed, such as promotion or retirement.
- 2 *Rites of enhancement* reinforce the achievement of individuals, such as recognition awards.
- 3 *Rites of renewal* emphasize change in the organization and commitment to learning and growth, such as opening a new store or launching a new product.
- 4 *Rites of integration* unite diverse groups or teams within the organization and renew commitment to the larger organization, such as annual picnics and company newsletters.
- 5 *Rites of conflict reduction* focus on dealing with conflicts or disagreements that arise naturally in organizations, such as grievance hearings and union contract negotiations.
- 6 *Rites of degradation* are used by organizations to publicly punish or demean persons who fail to adhere to the accepted values and norms of behavior, such as a demotion or dissemination of a public apology.

## Stories and Symbols

Organizational stories have a profound impact on culture regardless of whether they are true or false. Most stories are narratives based on true events that are shared among employees and told to new members to inform them about the organization. Some stories are considered legends because the events



are historic, but may have been embellished with fictional details. Other stories may be myths, not supported by facts, but directionally consistent with the values and beliefs of the organization. Stories are important because they preserve the primary values of the organization and provide a shared understanding among all employees.

An excellent illustration of the effects of organizational culture is the “H-P way” at Hewlett-Packard Corporation. The H-P way consists of a constellation of attitudes and values, among which is an insistence on product quality, the recognition of achievement, and respect for individual employees. New employees are viewed with suspicion until they have demonstrated that they understand and follow the H-P way. Questions about sloppy work or careless performance are resolved immediately because sloppy work is inconsistent with the H-P way. A classic story that serves to symbolize and preserve the H-P way at Hewlett-Packard involves one of the founders, David Packard. One evening as Packard was wandering around the Palo Alto lab after work hours he discovered a prototype constructed of inferior materials. Packard destroyed the model and left a note saying, “That’s not the H-P way. Dave.”

A symbol is something that represents something else. In one sense, ceremonies, rites, and stories are symbols because they represent the deeper values of the organization. Physical symbols in organizations are often used to represent and support organizational culture because they focus attention on a specific item and because they are so powerful. The value of physical symbols is that they communicate important cultural values. If the physical symbols are consistent with the ceremonies and stories, they are a powerful facilitator of culture.

Many organizations give ten- and twenty-year service pins as a form of recognition to employees who stay with the organization. Although these service pins are attractive pieces of jewelry, their significance to the employees far exceeds their economic value. Part of their value comes from the elaborate awards banquets at which they are presented. Such elaborate ceremonies and rites often contribute to the significance of physical symbols.

Almost every organization develops its own jargon and abbreviations, and these communication devices contribute to a unique organizational culture. Some companies use a specific slogan, metaphor, or saying to convey special meaning to employees. Metaphors are often rich with meaning and convey an entire sermon in only a short sentence. Slogans can be readily picked up and repeated by employees as well as customers of the company. “IBM means service,” Hallmark’s “When you care enough to send the very best,” and “Everybody at Northrup is in marketing” are examples of slogans that symbolize what the company stands for to both employees and the external public.

### **Reactions to Problems**

The way managers and employees respond to a crisis reveals much about an organization’s culture. When problems arise and employees do not have standard operating procedures telling them what to do or an opportunity to consult upper management to seek direction, they are forced to rely on their understanding of the organization’s culture to do what they think is best. Such was the case with the employees of Johnson & Johnson when cyanide was found in some Tylenol capsules. Without waiting for direction from upper management or an order from the FDA, these employees acted quickly to remove all potentially harmful bottles from the shelves and to preserve customer confidence. Their actions were dictated by the company’s credo and a culture that left no uncertainty about how they should act.

The way managers and employees respond to a crisis also has the potential to create or change an organization's culture. The way in which a crisis is handled can either reinforce the existing culture or generate new values and norms that change the culture in some way. For example, a company facing a dramatic reduction in demand for its products might react by laying off or firing employees. This reaction would communicate an important message that people are not very highly valued regardless of how reasonable the terminations were or how well they were explained. Or the company might reduce employee hours or pay and ask employees to sacrifice temporarily while the company experienced an economic correction. Such a situation occurred at Lincoln Electric during the recessions of the 1980s when employees in the arc welding and electric motor departments were reduced to 30 hours per week due to declining demand. Terminations were avoided and year-end bonuses were paid. However, some employees were reassigned and the overall workforce was reduced through normal retirement and restricted hiring or attrition.

## **Effects of Organizational Culture**

### **Worker Attitudes and Behavior**

A classic illustration of the effects of organizational culture on worker attitudes and behavior is the culture of “family, fun, and LUV” at Southwest Airlines. The walls of the corporate headquarters are covered with pictures of people at parties. These people are the Southwest family and they have frequent employee parties. Although Southwest employees believe work is important and they must perform their jobs with excellence, they also believe that work can be fun. Humor is used throughout the company to help anxious travelers remain calm and to make work fun for the Southwest family. When you fly on Southwest Airlines, you may hear the traditional instructions to passengers sung to the tune of “Under the Boardwalk” or “I Heard it Through the Grapevine.” An in-flight contest may be held to see which passenger has the biggest holes in his socks or bald spot on his head. When leaving the gate area, pilots have been heard to ask passengers next to the aisles to hold in their elbows so they can see to back up. When approaching the gate, the pilots have said over the intercom “Whoa big fella, whoa!”

Southwest's culture is reinforced by its CEO, Herb Kelleher, who has been seen at parties dressed as a chicken or Elvis. He frequently hugs and kisses his employees and his commitment to affection is demonstrated by Southwest's ticker symbol of LUV on Wall Street. His commitment to efficiency is manifested by his willingness to help load luggage and serve peanuts and drinks to passengers. Herb also arm-wrestled a potential litigant to forestall a possible lawsuit.

Southwest's corporate culture is highly visible and it translates into unsurpassed customer service and efficiency. Through effective teamwork, Southwest succeeds in turning around most of its 2300 daily flights within twenty minutes at the gate. It has also created an extremely desirable place to work – Southwest has been ranked number one on the list of America's 100 Best Companies to work for.<sup>12</sup>

### **Culture and Ethical Behavior**

Every organization faces the challenge of creating ethical norms that are understood and accepted. Employee theft, cheating, and embezzlement are common temptations in every company that seem to grow unchecked unless the organization has a vigorous program to counter them and tries to create a culture of honesty.

A culture that endorses ethical behavior has a profound influence on the honesty of employees and the profitability of the company. A moral culture exists when the group norms and social expectations in a company endorse the importance of honesty. In organizations where such a culture exists, employees feel a personal responsibility to behave honestly and they expect others to do likewise. Saying things that are knowingly untrue, taking things that belong to others, giving false impressions, withholding relevant information, and mistreating others are widely recognized as unacceptable behaviors. When there is a culture of honesty, the suggestion to hide a defective part in the middle of a batch would be perceived as a joke – everyone knows such an act would be unacceptable and no one would seriously consider doing it. In a culture of dishonesty, however, the same suggestion would be perceived as an expedient way to dispose of a defective part.

Whether a company's culture endorses honesty or dishonesty has a significant impact on the attitudes and behaviors of its members. A survey of 22 retail stores demonstrated that the norms regarding honesty within each store were positively related to the personal honesty of employees and negatively related to inventory shrinkage rates.<sup>13</sup>

A culture of honesty depends on establishing general standards of acceptable behavior and a clear perception that everyone accepts them. The following strategies have been suggested for creating a culture that endorses ethical behavior:

1. As a rule, visible moral acts speak louder than company communications. When executives are forced to make tough moral choices and they decide to act ethically in spite of the consequences, these decisions communicate a powerful message throughout the company about the importance of ethical behavior. For example, one CEO described how his company refused to pay an illegal bribe and walked away from a lucrative foreign contract even though the state departments of both countries were encouraging them to negotiate the deal and one government agency even offered to pay the bribe for them.<sup>14</sup> This moral decision became widely known throughout the company and served as a pattern for negotiating other contracts. This company found that its reputation for being open and honest contributed to its financial success; but, executives must be willing to make moral decisions that are right even if they do not seem expedient.
2. What employees do off the job influences how they are perceived at work. The degree to which employees are perceived as having firm commitments to honor and fidelity in their personal lives is seen as an indication of the integrity that can be expected from them at work. The culture of honesty is enhanced when a significant number of employees, and especially top managers, are perceived as individuals who are devoutly religious or committed to a similar high moral code.
3. Develop and publish a code of ethics. Some companies have effectively solicited extensive input from employees as they developed their codes of ethics. Having employees participate in the development appears to increase their commitment to it and compliance afterwards. To ensure that the employees know the code and agree to abide by it, some organizations require employees to sign a statement saying they understand the code, they agree to abide by it, and any deviations in their past have been discussed with management. Although a written code standing alone does not appear to have much impact on creating a culture of honesty, its impact is considerable when it is endorsed by management decisions and practices.
4. Company communications can contribute to a culture of ethical behavior by discussing the importance of integrity. The most frequently used information is statistical data showing how

current levels of theft are threatening the economic health of the company. Other helpful information includes reports of ethical conduct and statements endorsing integrity. The media may include company newsletters, posters on walls, bulletin boards, TV monitors, comments added to payroll check stubs, public address announcements, and even paid advertisements in the public media.

- 5 Encourage employees who observe unethical behaviors to report them and protect them from retribution. People who report corporate misdeeds are called whistle blowers and the most difficult problem they face is being fired or mistreated for blowing the whistle. Employees should be encouraged to report unethical behaviors internally first and only seek outside help when internal efforts have been unsuccessful. To encourage whistle blowing within the federal government, Congress passed the Whistle Blowers Protection Act to protect them from being fired and to provide a financial reward.

### **International Cultural Differences**

Cross-cultural comparisons among different nationalities and how these differences effect business operations have been studied by Hofstede in an attitude survey of IBM employees from 50 countries.<sup>15</sup> He identified four cultural values that he used to explain differing reactions to problems in organizational life: power distance, uncertainty avoidance, individualism versus collectivism, and masculinity versus femininity. He found that these work-related values are related to societal norms embedded within countries that influence the functioning of families, education systems, and business organizations.

- 1 Power distance refers to the acceptability of power differentials within a society. In every society there are those who are powerful and those who are powerless, such as rich versus poor or leaders versus followers. But societies differ with respect to whether this power difference is considered acceptable or unacceptable. In low power distance countries, the distance is considered undesirable and illegitimate, such as in the Scandinavian and European countries. Inequality exists, but it is perceived as something that should be minimized. In high power distance countries, such as the Philippines, Mexico, India, and Singapore, power differences are perceived as neither legitimate nor illegitimate. In these countries powerful individuals are entitled to privileges, inequality is a fact of life, and the way to gain power is to overthrow those who have it
- 2 Uncertainty avoidance refers to the degree of tolerance people have for ambiguity and whether they feel threatened by uncertain situations. People use various coping styles dictated by their culture to respond to the uncertainties of life. On a societal level this coping may be accomplished through the use of technology, laws, and religion. Countries and cultures strong on uncertainty avoidance, such as Greece, Japan, and Peru, attempt to structure risky situations in order to avoid risk and promote security. Other cultures see risk as unavoidable and they have a greater tolerance for ambiguity, such as Singapore, Denmark, and Sweden.
- 3 Individualism versus collectivism refers to the relationship between the individual and the larger society. People in individualistic cultures, such as the United States and Canada, prefer to act as individuals; they believe in self reliance and they do not build strong ties to other people. People in collectivistic cultures, such as Asian and South American countries, assume they are automatically members of a cohesive in-group to which they have belonged since birth. Loyalty to that group is not to be questioned. Someone outside the in-group will remain outside unless included by unusual circumstances. Individualistic countries have a tradition of more

individualistic thinking and action, power is more evenly distributed, and there is greater occupational and economic mobility. Collectivistic societies tend to focus more on strong ties among individuals within their own in-group, and to differentiate between themselves and out-group members.

- 4 Masculinity versus femininity addresses how a society perceives role differences between men and women and how these differences should impact their roles and activities. Low masculinity countries, such as the Scandinavian countries, minimize this distinction and there is a blurring and overlap of social roles; high masculinity countries, such as Japan, Austria, and Italy, assume that social gender roles are clearly distinct and there should be specific occupations based on whether one is male or female. In high masculinity societies, “tough” values such as assertiveness, performance, success, and competition prevail over more “tender” values such as empathy, supportiveness, and maintaining relationships.

## Changing Organizational Culture

Most cultural interventions are actually attempts to clarify the culture of the organization. These interventions are typically conducted with top-level managers in the organization in a series of group discussions that focus on such questions as “What is our unique mission?” “What do we want to be known for?” “What are the ten commandments of this organization?”<sup>16</sup>

Changing an organization’s culture is considerably more dramatic and difficult than modifying other parts of a system. Acquiring new artifacts and symbols may not be too difficult; and it may even be possible to change some group norms and patterns of behavior. But at the deepest level, a culture change requires alteration of the basic assumptions of the organization in its essential character. The following steps have been suggested for changing an organization’s culture.<sup>17</sup>

- 1 *Conduct a Culture Audit.* The first step in the change process involves diagnosing the culture and subcultures within the organization. What are the assumptions, values, behaviors, and artifacts currently in the organization and are there discrepancies between espoused beliefs and actual behavior? The goal of the diagnosis is to develop an accurate “map” of the culture and generally requires extensive interviewing instead of written surveys.
- 2 *Assess the Need for Change.* Cultural change is needed if the current culture is not solving problems of integration or adaptation, or if it is producing negative consequences for individuals in the organization. As organizations grow and evolve, their cultures may become incompatible with the changing circumstances. Values and beliefs that may have been appropriate for a smaller company may be very dysfunctional in a larger company.
- 3 *Unfreeze the Current Culture.* Change efforts are much more successful when there is a perceived need for change that compels people to be open to influence and willing to consider something new. Thus, an organization’s culture will be more receptive to change if the current assumptions, values, and beliefs have been called into question thereby producing a high degree of tension. Most instances of significant cultural change are not planned but accompany sudden and cataclysmic events, such as the death or retirement of the founder, a decision to merge or sell the business, dramatic changes in growth or profitability, major technological changes, or fundamental changes in the strategy or structure. These events tend to “unfreeze” or destabilize

the entire cultural system and prepare it to consider a major restructuring of the assumptions, values, and beliefs.

- 4 *Elicit Support from the Cultural Elite.* Top management and other opinion leaders compose the “cultural elite” in an organization and they are the ones who interpret events for members and establish the rules of conduct. Because successful change may be impossible without their assistance, a strategy for locating them and enlisting their support is essential. Another option is to hire a completely new leadership team.
- 5 *Implement an Intervention Strategy.* A variety of interventions are possible for changing the organization’s culture, such as team-building meetings, revising the training and development activities, installing new reward systems, changing the organizational structure, rewriting the mission statement, and negotiating new roles. The replacement of key individuals who hold the “old” beliefs may also be necessary.
- 6 *Monitor and Evaluate.* Culture change is characterized by incremental changes over time and rarely occurs quickly. Thus a system for monitoring and evaluating the transition to a new set of values and beliefs can provide an ongoing process of transitional change.

Leadership succession has a major impact on an organization’s culture. A new leader with different assumptions and values has great potential for altering the prevailing pattern of culture. Business history is replete with stories of cultures formed by remarkable organizational founders such as Henry Ford, John D. Rockefeller, Thomas Watson, Andrew Carnegie, Hewlett and Packard, James Cash Penney, and Willard Marriott. In his early examination of bureaucracies, Max Weber discussed the challenges of organizational change and suggested that a charismatic leader whom others perceived as having extraordinary powers, would be able to change the culture of an organization. From a position of power that is derived from respect and admiration, a new leader can articulate new patterns and values that are voluntarily accepted by members throughout the organization.

Cultural interventions that focus on changing shared values need to explain the need for the change, identify the new value, and generate enthusiasm for its acceptance. For example, one organization sought to create a culture that was centered around the concept of a commitment to excellence. This intervention involved a series of meetings attended by all employees in which the top administrators presented talks on the theme “What it means to me to have a commitment to excellence.” People in the organization were asked to identify everyday common practices that did not reflect a commitment to excellence. Department supervisors and division heads were asked to analyze careless and sloppy practices that failed to conform to the commitment to excellence and eliminate them.

An important element in creating a new culture is creating cultural artifacts that support the new culture, such as the language, the metaphors, the stories, the labels, and other supporting systems. For example, British Rail conducted a three-year development project designed to change its bureaucratic culture and relied greatly on being able to eliminate dysfunctional modes of thinking by labeling them (“isms”).<sup>18</sup> Similarly, General Mills used a label, Company of Champions, to describe the new culture it wanted to create and used three words to define a “company of champions”: innovation, speed, and commitment. To implement and reinforce its new culture, General Mills made corresponding changes in its reward systems, its recognition program, and its education and training programs.<sup>19</sup> The words used by General Electric to support its new culture were *simplicity*, *self-confidence*, and *speed*.<sup>20</sup>

Metaphors can play an important role in cultural change. Acquiring new ways of thinking requires a departure from an *old world* view to a new set of ideas, values, and beliefs that are reflected in a new language. Metaphors can refocus familiar images in a new light and provide a shared vision that guides future actions and gives its members meaning and purpose. Metaphors from war, religion, and sports are common in business (and some of these metaphors have been criticized because they are associated with a predominantly male language that women feel uncomfortable using).<sup>21</sup> An important part of Jack Welch's success in changing the culture of General Electric to a leaner and more adaptable company was his frequent criticism of bureaucratic inefficiencies. Like fat on a bloated bureaucracy, these inefficiencies had to be eliminated in Work-Out sessions. A six-inch stack of manuals was replaced with a one-page statement. This metaphor of a physical exercise program helped overcome resistance to removing layers of management and departmental boundaries. The metaphor also made employees think the company would ultimately be in better shape, which ultimately provided an acceptable foundation for building trust and cooperation. Metaphors are an essential medium through which reality is constructed, and they help to encourage and control change.<sup>22</sup>

## Discussion Questions

- 1 Identify an organization and use examples from it to explain the differences between organizational climate and organizational culture.
- 2 Select an organization and use it to explain the different levels of culture: cultural artifacts, shared behaviors, cultural values, and shared assumptions. How can you know what the shared assumptions of an organization are?
- 3 Explain the concepts of external adaptation and internal integration and describe how these concepts contribute to our understanding of an organization's culture. Provide illustrations of these concepts.
- 4 Identify a group, preferably one that you lead, and explain what you could do as the leader of that group to preserve or alter the group's culture.

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