Corporate Culture

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What can you expect

1. What is corporate culture
2. Cultural typology
3. Culture and corporate performance
4. Cultural change

What is corporate culture

Organizational culture can be understood as:

1. set of basic assumptions, beliefs, values, attitudes and norms of behavior
2. which are shared in an organization
3. which show itself in thinking, feeling and behavior of members of organization and in material and non-material artifacts.

Basic assumptions, beliefs

Basic assumptions are our long-learnt, automatic responses and established opinions. We are, ourselves, almost always unaware of the nature of our own basic assumptions, but they are enacted through our behavior - what we say and do. Basic assumptions are usually rooted in our infancy, early family life and social context. More widely, assumptions shaping our behavior relate to cultural context.

Beliefs are the assumptions we make about ourselves, about others in the world and about how we expect things to be. Beliefs are about how we think things really are, what we think is really true and what therefore expect as likely consequences that will follow from our behavior.

Values

Values are about how we have learnt to think things ought to be or people ought to behave, especially in terms of qualities such as honesty, integrity and openness.

Attitudes

Attitudes are the established ways of responding to people and situations that we have learned, based on the beliefs, values and assumptions we hold. Attitude become manifest through our behavior.
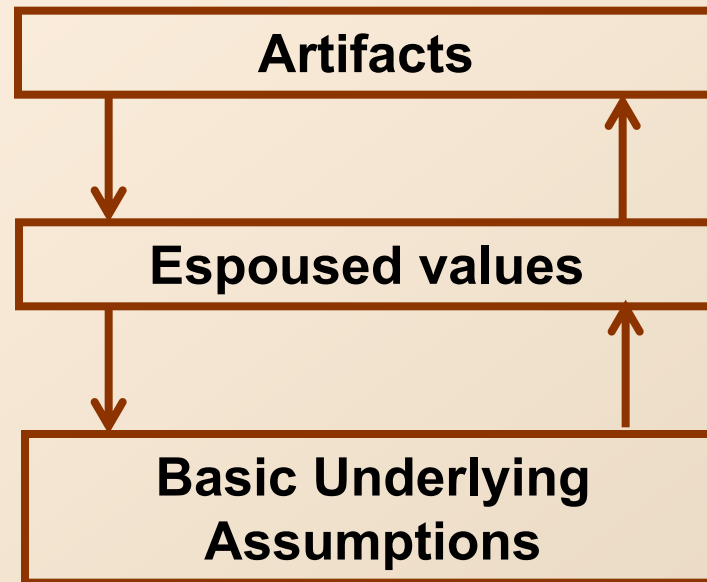
Norms of behavior

Non-written informal rules of behavior in varying situations. Not formal rules officially set by the organization. Failing to abide these rules results in punishment, abiding them results in rewards. Punishment can have a form of unfriendly behavior of others, reward would be friendly and cooperative behavior of others.

Artifacts

1. Architecture
2. Equipment
3. Products
4. Annual reports
5. Advertisement materials

1. Language
2. Stories
3. Heroes
4. Habits
5. Rituals
6. Ceremonies

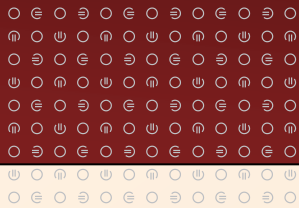# Schein's model of organizational culture

Elements of culture (Lukášová, 2010)

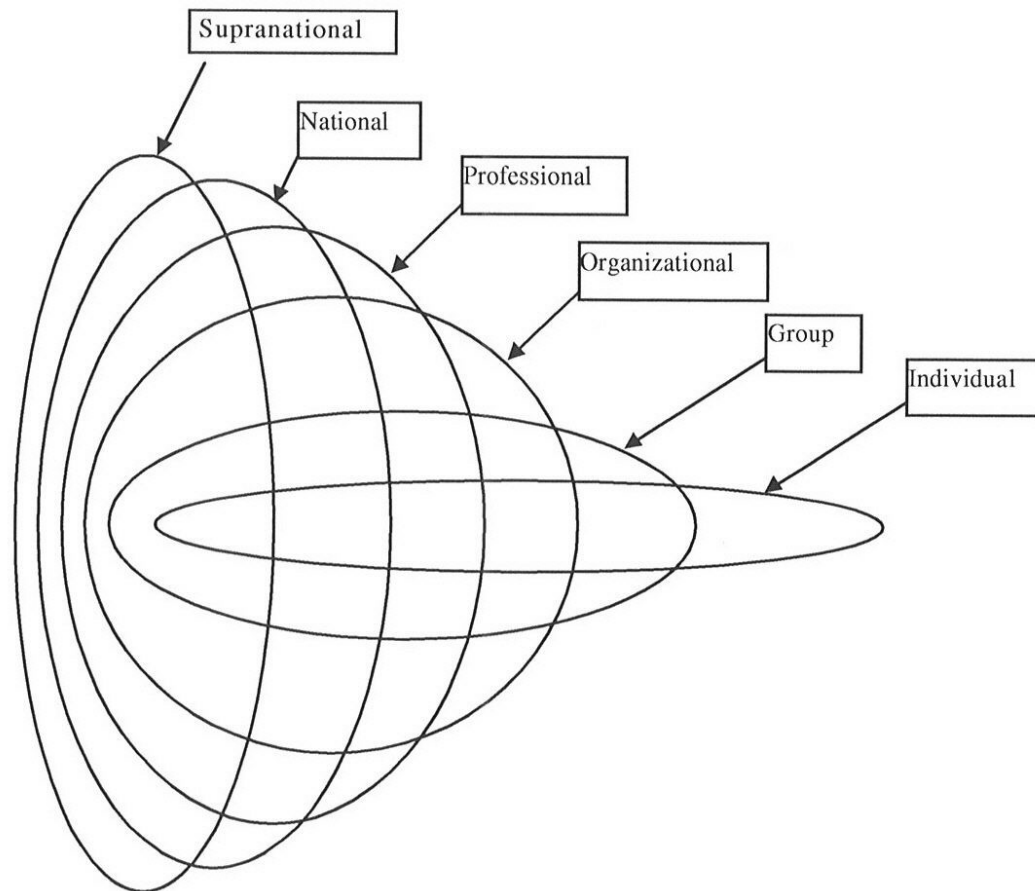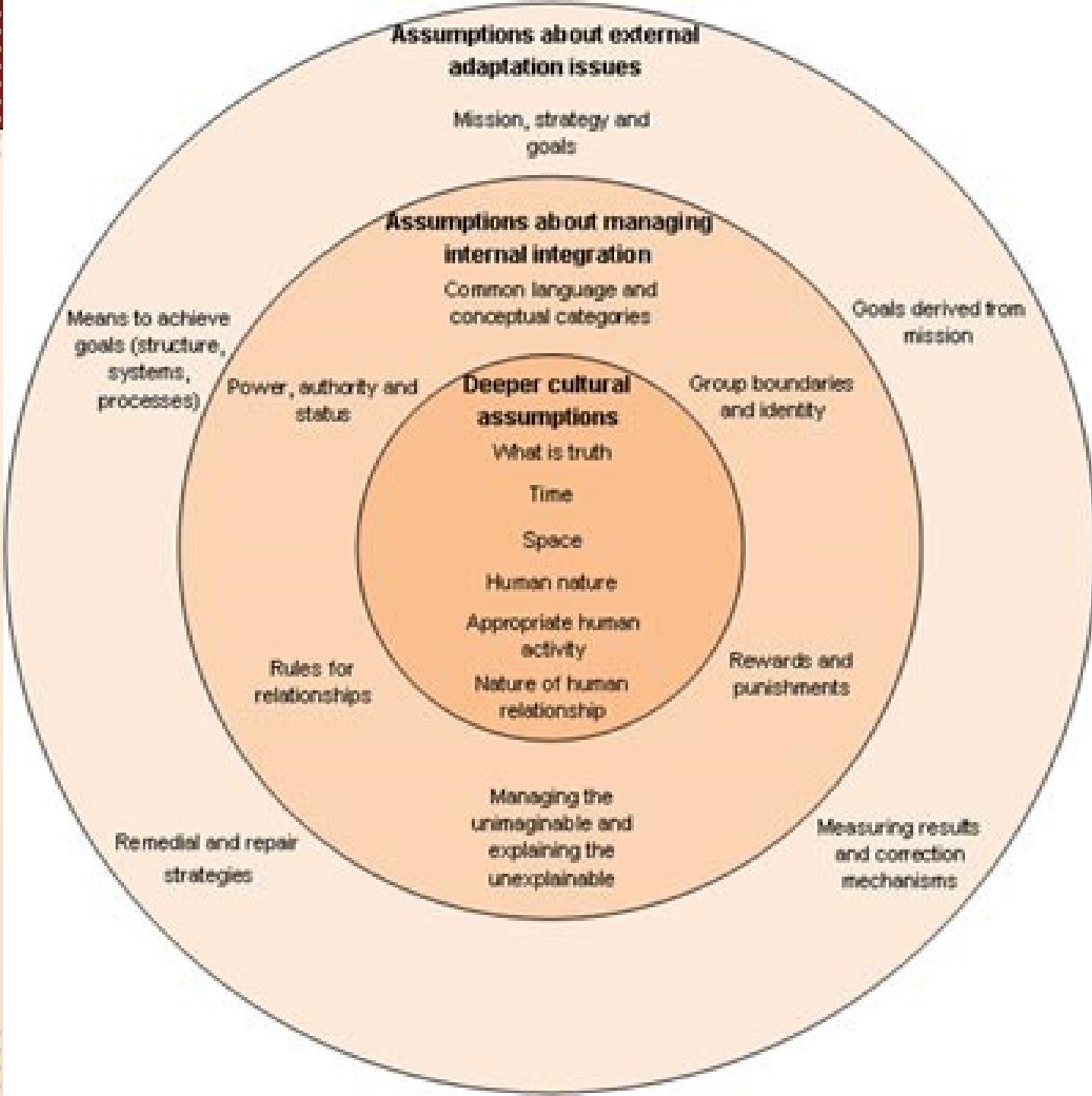| Basic assumptions	Values	Norms of behavior	Artifacts
Customer satisfaction influences the firm's success	Customer satisfaction	Accommodate customers` needs  Quickly respond to customers` demands Actively solve customers` problems Team work in customer benefit	Pleasant meeting rooms Christmas cards for customers Regular meetings with customers

Elements of culture (Lukášová, 2010)

Basic assumptions	Values	Norms of behavior	Artifacts
Customer satisfaction is possible to reach through quality	High-quality products or services	Assess quality from the customer` viewpoint Accept responsibility for customer satisfaction Care about customer needs Monitor customer satisfaction Continuously improve processes Keep eye on details and perfection	Regular information about customer satisfaction measurement Regular information about problems with reaching customer satisfaction Stories about distinct achievements with customer satisfaction

Levels of Culture

Figure 1. Interrelated levels of culture (Adapted from Karahanna, Evaristo & Srite, 1998)

Organisational Culture by E. Schein

Assumptions about external adaptation issues

Mission, strategy and goals

Assumptions about managing internal integration

Common language and conceptual categories

Goals derived from mission

Means to achieve goals (structure, systems, processes)

Power, authority and status

Deeper cultural assumptions

What is truth

Time

Space

Human nature

Appropriate human activity

Nature of human relationship

Group boundaries and identity

Rules for relationships

Rewards and punishments

Managing the unimaginable and explaining the unexplainable

Remedial and repair strategies

Measuring results and correction mechanisms

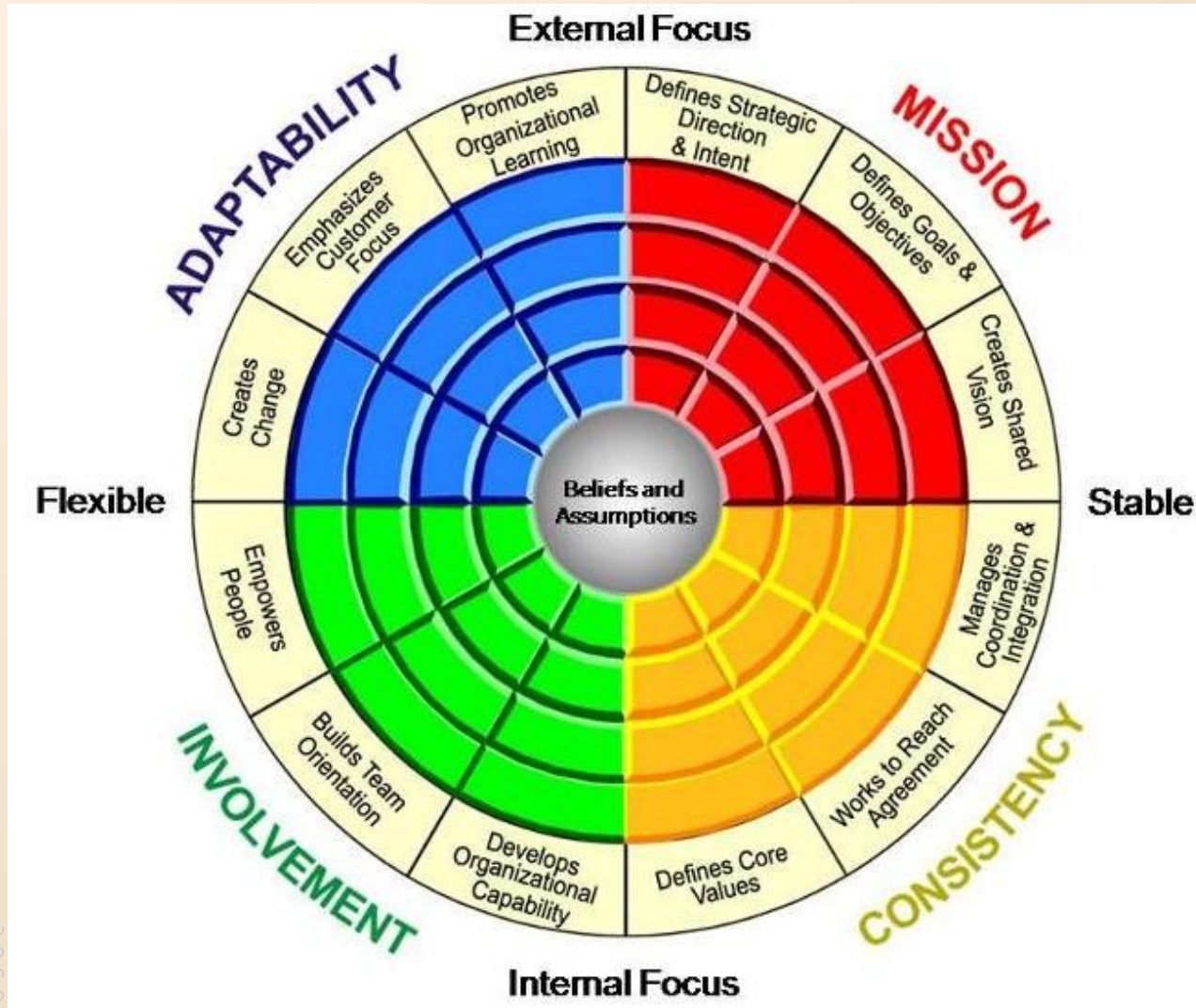# Other approaches to organizational culture

Kotter, Heskett (1992):
    1. patterns (style) of behavior
    2. values

Hofstede (1991):
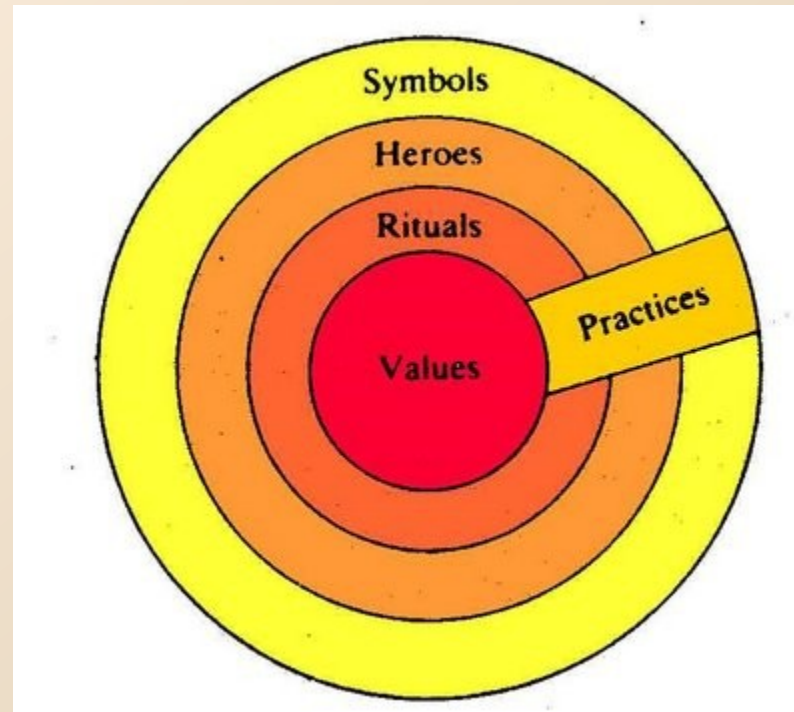
# Denison's model of corporate culture

Other approaches to organizational culture

<u>Hall (1995)</u>:
1. Level A: **A**rtifacts and etiquette
2. Level B: **B**ehaviors and actions
3. Level C: **C**ore morals, beliefs, values

<u>Denison (1982, 1990)</u>:
1. values and beliefs (preconditions)
2. patterns of behavior, reflecting and strenghtening the values
3. sets of conditions (artifacts and the environment in which members of organization work)
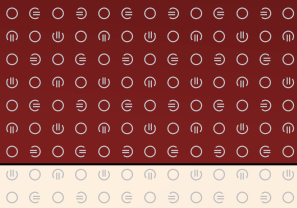
Content and Strength of the Organizational Culture

Content:

What particular basic assumptions, beliefs, values, attitudes and norms of behavior are shared.

Strength:

To what extent are these elements of culture shared.

Subcultures:

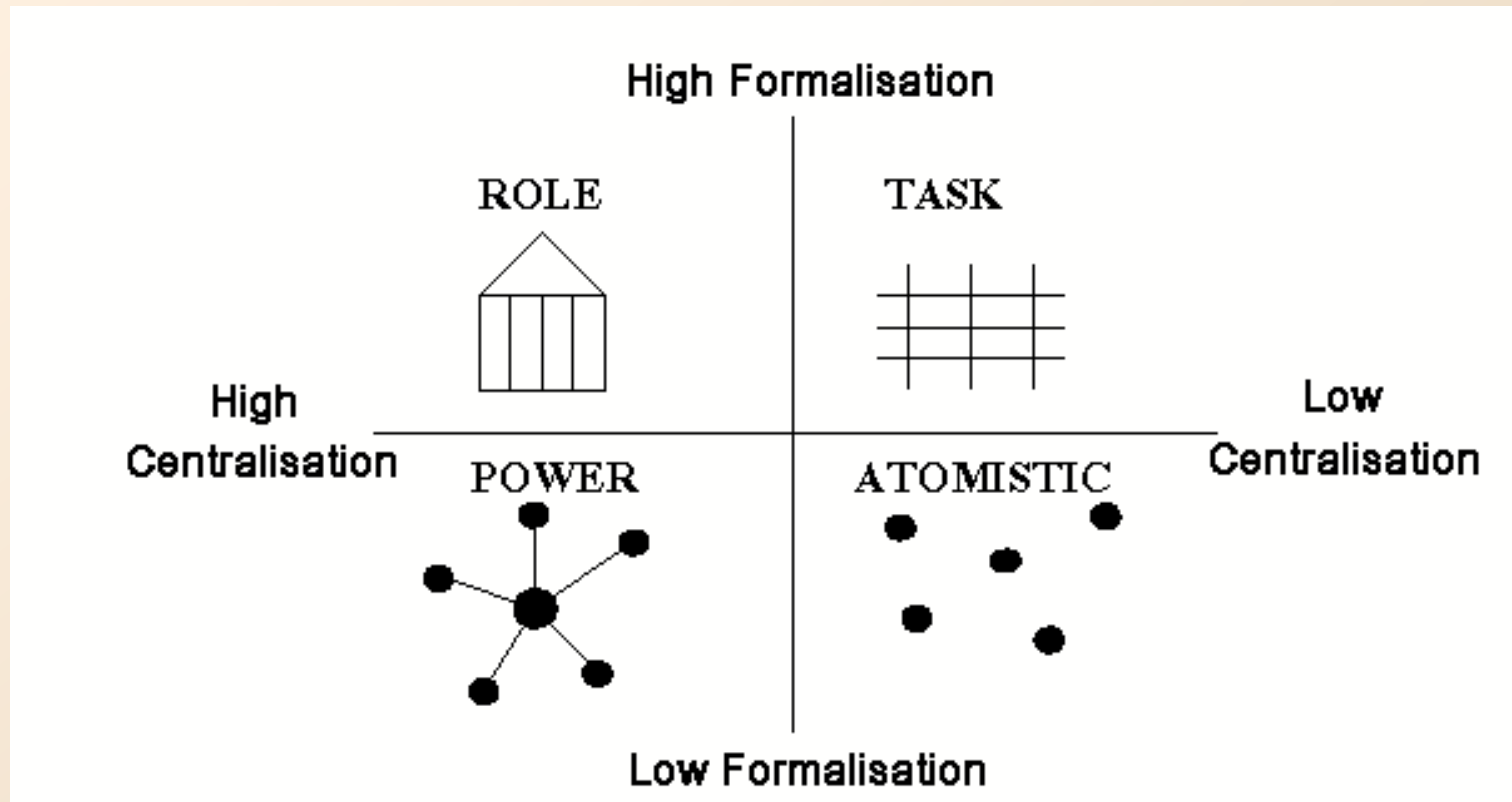Distinct different cultures in one organization.

Sources of Organizational Culture

Influence of:

1. the environment: national culture, type of market, culture of profession, customer demands and bargaining power, type of industry,
2. the founder, dominant leader, owner or manager,
3. size and maturity of the organization,
4. technologies used.

Harrison, 1972 and Handy, 1976

One of the first typologies, still very known.

Trompenaars, 1993

Egalitarian

Fulfillment-oriented culture
INCLUBATOR

Project-oriented culture
GUIDED MISSILE

Person — Task

FAMILY

Power-oriented culture

EIFFEL TOWER

Role-oriented culture

Hierarchical
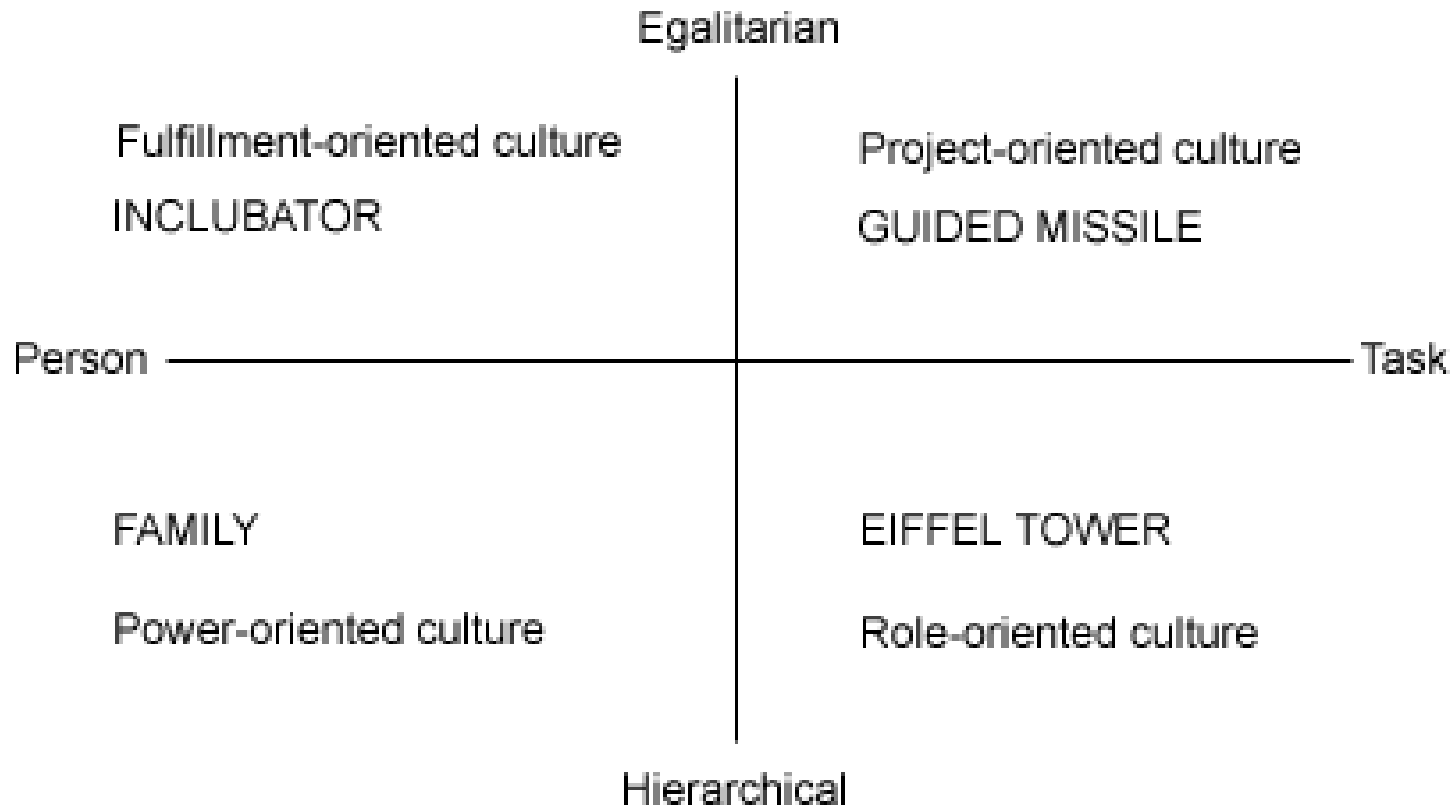
Deal and Kennedy, 1982

		Risk	
		Low	High
Feedback and reward	Rapid	**Work-hard, play-hard culture**	**Tough-guy macho culture**
	Slow	**Process culture**	**Bet-the-company culture**

Deal and Kennedy, 1982

Work-hard, play-hard culture

This has rapid feedback/reward and low risk, leading to:

Stress coming from quantity of work rather than uncertainty.

High-speed action leading to high-speed recreation.

Eg. Restaurants, software companies.

Process culture

This has slow feedback/reward and low risk, leading to:

Low stress, plodding work, comfort and security. Stress may come from internal politics and stupidity of the system.

Development of bureaucracies and other ways of maintaining the status quo.

Focus on security of the past and of the future.

Eg. banks, insurance companies.

Tough-guy macho culture

This has rapid feedback/reward and high risk, leading to:

Stress coming from high risk and potential loss/gain of reward.

Focus on the present rather than the longer-term future.

Eg. police, surgeons, sports.
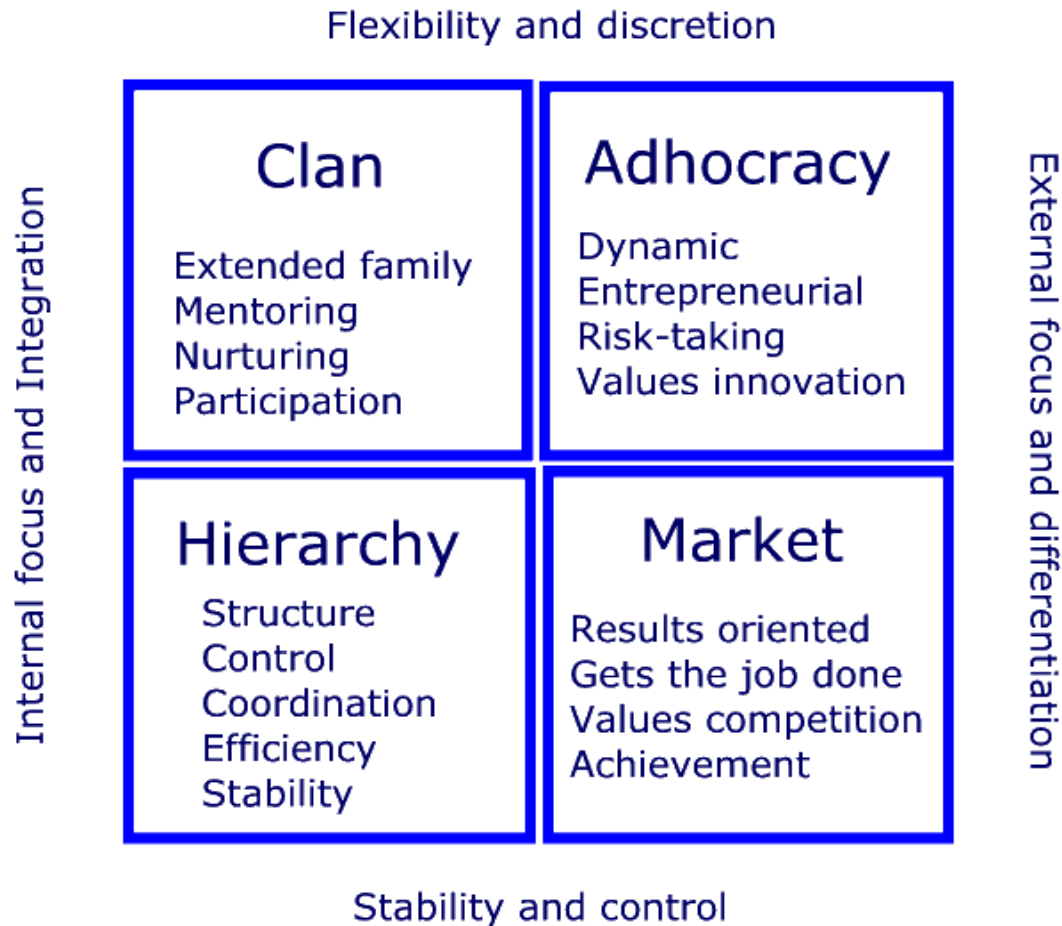
Bet-the-company culture

This has slow feedback/reward and high risk, leading to:

Stress coming from high risk and delay before knowing if actions have paid off.

The long view is taken, but then much work is put into making sure things happen as planned.

Eg. aircraft manufacturers, oil companies.

Quinn et al, 1999

Flexibility and discretion

Internal focus and Integration

External focus and differentiation

Clan

Extended family
Mentoring
Nurturing
Participation

Adhocracy

Dynamic
Entrepreneurial
Risk-taking
Values innovation

Hierarchy

Structure
Control
Coordination
Efficiency
Stability

Market

Results oriented
Gets the job done
Values competition
Achievement

Stability and control

Corporate Culture and Corporate Performance

Most authors tried to verify the influence on corporate performance of:

1. strong cultures
2. participative/involved cultures
3. contextual and strategically suitable cultures
4. adaptive/flexible cultures

Strong Corporate Culture (Denison, 1990)

Strong corporate culture has these positive consequences:

1. creates harmony in perception of reality and thinking of workers,
2. guides their behavior,
3. means sharing of values and goals.

The minuses:

1. binds organization to past experience,
2. stops thinking in alternatives,
3. is resistant to changes.

Content of Corporate Culture – participative and involved culture (Denison, 1990, 2001)

The sign of participative and involved cultures are:
1. active, initiative, involved behavior,
2. autonomous decision making and problem solving,
3. loyalty.

To create such culture, this contributes:
1. continuous knowledge and skill development,
2. empowering,
3. cooperative and team environment,
4. customer orientation, which is manifested each day,
5. creating and communicating misions and visions.

Contextual and Strategic Adequacy (Scholz, 1987, Cameron and Quinn, 1999)

Contextual adequacy – the content of the culture is aligned with the environment`s needs.

Strategic adequacy – the content of the culture is aligned to the strategy.

Strategy vs. culture – if in confict, then:
1. ignore the culture,
2. bypass the culture,
3. change strategy,
4. change culture.
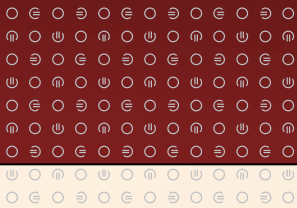
Adaptibility and Flexibility (Denison, 1990, Kotter and heskett, 1992)

Main characteristics of adaptive culture:

1. ability to perceive signals from external environment, interpret them and react to them = **ability to learn**,
2. ability to understand the needs of internal and external customers, react to them and foresee them = **customer focus**,
3. ability to change processes and behavior in order to adjust = **readiness for change**.

Quinn, Rohrbagh, 1983
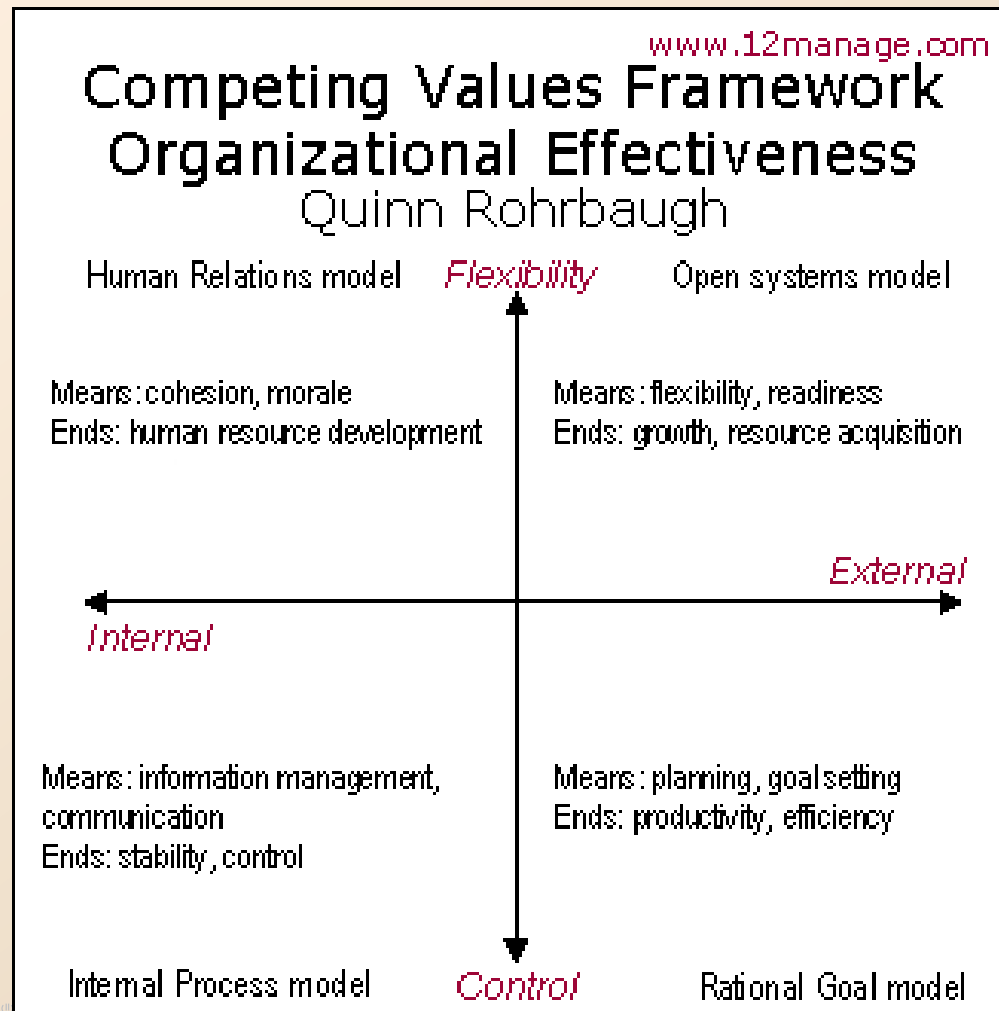
How to change culture?

- Change the artifacts (easiest, but not sufficient)
- Change the values: use symbols, slogans, emotions, motivation system
- Change the norms: use motivation system

For all goes: walk the talk.

Also, choose new employees to fit the desired culture (person-organization fit), do the same with promotions.

Provide education and training.

Mergers - How can be culture important

Daimler-Benz – German, strong in Europe

Chrysler – most profitable american carmaker

In 1998 merger DaimlerChrysler announced as „merger of equals"

In 2001 Chrysler 3 bilion $ loss, loss of 9 % of market share

Cause: gradual replacement of Chrysler`s culture by Daimler`s culture

Mergers - How can be culture important

- One year after the merger only 1/3 of Chrysler`s original managers still in place.

- Board of directors shrank to 13 members – 8 Germans and 5 Americans.

- 2 years after the merger no top manager from original Chrysler, CEO of Chrysler division was a German.

Mergers - How can be culture important

Daimler:

- formal and strict hierarchy
- top management had more function staff and higher spending
- suit compulsory, used titles
- smoking, wine and beer allowed
- common overtimes

Chrysler:

- project structure, middle management took decision from its own initiative
- management had greater responsibility and salaries
- casual dressing, non formal communication
- smoking and alcohol forbidden
- overtimes rarely

Results: key employees quit from managerial posts, R&D and others; lower employees satisfaction of the remaining employees, therefore lower productivity.

How do you pronounce Daimler Chrysler? Daimler – Chrysler is silent.

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Thanks for your attention