

# Organizational Culture

“Culture eats strategy for lunch”  
—Attributed to Peter Drucker

“Businesses often forget about the culture, and ultimately, they suffer for it because you can't deliver good service from unhappy employees.”  
—Tony Hsieh, Zappos' CEO

## Chapter sections

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



Zappos Company Culture - Las Vegas. Photo credit.

## Learning Objectives:

Upon completion of studying this chapter, *Organizational Culture*, learners should be able to:

- Describe organizational charts, culture profiles, and be able to appraise a company's culture from a related video or article featuring the company
- Discuss a company's rituals, material symbols, stories, and language from videos and articles featuring the company
- Evaluate the case study on Google at the end of the chapter with current information

### 3.1 Organizational culture

**Organizational culture** refers to assumptions, values, principles, traditions, and beliefs that are shared by organizational members influencing how they are to act, and dictating what is appropriate and inappropriate behavior. In most organizations, these shared values and practices have evolved over time and determine, to a large extent, the way “things are done around here.”<sup>1</sup>

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

#### Why does it matter?

Company culture is at the heart of competitive advantage because it points to how uniquely things are done, and how uniquely the integration of resources and capabilities affect the behavior of employees. A culture where passionate performers create an environment with a unique personality and soul is very difficult for competitors to replicate. Examples of companies that embody a strong culture include Southwest Airlines, Google,

Zappos, and Apple. People in these organizations develop a bond, making their work unusually meaningful and rewarding. They orient themselves outward, focusing on customers and competitors rather than on internal politics. The result is that people will make the right decisions and do the right things, even when no one is watching.

In a 2007 survey conducted by the management consulting firm Bain & Company, worldwide business leaders found corporate culture to be as important as corporate strategy for business success.<sup>2</sup> The adage “culture eats strategy for breakfast,” widely attributed to Peter Drucker, further illustrates this truth.

### 3.2 Organizational culture profiles

What dimensions characterize an organization’s culture? Even though culture may not be immediately observable, identifying a set of values that might be used to describe an organization’s culture helps us identify, measure, and manage culture more effectively. For this purpose, several researchers have proposed various culture typologies. One typology that has received a lot of attention is the Organizational Culture Profile (OCP), which was initially developed in 1991 to assess person-organizational fit and recognize the importance of matching individual’s preferences to organizational values.<sup>3,4</sup> The OCP was later validated and updated in 2005 as presented in Figure 3.1.<sup>5</sup>

#### Innovative cultures

According to the OCP framework, companies that have innovative cultures emphasize flexibility, adaptability, and

Figure 3-1 Organizational culture profiles

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

risk-taking. These companies are characterized by an organic structure where experimenting with ideas is encouraged. For

example, Xiaomi, a Chinese electronics company and the world's third-largest smartphone distributor, sold 19 million smartphones in 2013; up more than 150% from 2012.

It is staking out a significant piece of the Chinese and Indian smartphone markets. One model sold out of its initial run of 100,000 units in less than two minutes thanks to its innovative low-cost, feature-rich design and its use of flash sales. At a razor-thin margin, it takes advantage of the potentially longer revenue

stream from paid apps, games, advertising, and other fee-based services earning the company the distinction as one of the Top Ten Most Innovative Companies by *Fast Company* magazine in 2014.<sup>6</sup> The company is young and vibrant and ready to take on the American market. Other companies closer to home with innovative cultures include Nike, Apple, Google, and 3M.

### **Competitiveness cultures**

Highly competitive cultures both value aggressiveness in the marketplace and outperforming competitors. Consider Nike's

mission statement, which at one point read: “[t]o experience the emotion of competition, winning and crushing competitors.”<sup>7</sup>

However, when companies over emphasize competition, they often fall short in social responsibility. For example, Zynga, the creator of Farmville, is often identified as having an aggressive culture and treating talent as a commodity. Zynga's management is cited as data-obsessed, focusing heavily on data metrics to carefully track the progress of all company employees. Employees are constantly measured and game designers are pushed to meet aggressive deadlines. As a result, some staff feel that the work environment is crushing—rewards for achieving goals can be lavish, but those who do not perform can perish. There is fear, however, that potential talent will decide to avoid Zynga due to its reputation, which could hurt the company over time as it attempts to grow beyond its roughly 3,000 employees.<sup>8</sup>

### **Performance-oriented cultures**

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

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

Amazon is often depicted as having a work culture where staffers are under constant pressure to deliver strong results on a wide variety of detailed metrics the company monitors in real time. Top management believe that things do not improve unless they are measured. Therefore, everything that can be measured is measured, including the actual performance of people. And it is not just web design or product features (such as what gets abandoned in peoples' shopping carts and what videos people stream), but human resources (continual performance improvement algorithm), finance, and operations processes.<sup>10</sup>

Competition to do well is fierce, sometimes brutal, and that inevitably creates winners and losers. The hiring approach brings in a wealth of intelligent, young, hard workers with the understanding that only a minority of new-hires get to stick around and become successful.

In a study of more than 200 well-established management practices applied to workers employed over a ten-year period by 160 companies, researchers found the following to be true:<sup>11</sup>

- More successful companies promoted an environment that champions high-level performance and ethical behavior.
- More successful companies encouraged outstanding individual and team contributions with nearly 90% of these companies' rewards tied to performance metrics as opposed to seniority or loyalty.
- Organizations with performance-oriented culture based on outcome outperform companies without said cultures.

The biggest risk for performance-oriented companies is when performance pressures lead to a culture wherein unethical behavior becomes commonplace, short-term goals are rewarded,

and individuals see their peers as rivals resulting in a toxic workplace.

### **Stable cultures**

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

It is very likely that when people go to the department of motor vehicles to get a driver's licenses, they are dealing with a stable culture, as are most public sector institutions. In the private sector, according to John Kotter and James Heskett, Sears is an example of a company out of touch with reality where the behavior of executives is based on the assumption that the world is a relatively stable and predictable place.<sup>12</sup> Sears, the great business innovator of the late 19th century, fell victim to its own culture-environment mismatch to the point that it is selling off its assets and closing hundreds of stores.

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

### **Emphasis on rewards cultures**

This organizational culture values fairness, professional growth, and supportiveness. Within these organizations, there is a greater emphasis on treating people with respect and dignity, which in turn energizes employees by making them feel appreciated for the work they do. One of the biggest benefits of rewards-based management is that the focus on employee relationships makes employees feel that they make a difference in the company. Additionally, more effective efforts come from motivated workers who feel like they are involved in a company's success.

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

Why else would someone work at Starbucks? One reason is that employees can become partners of the company. This enables the company's team members to grow both personally and professionally. Another reason is the chance to connect to something bigger—employees do not just sell food and drinks, but also sell a brand that promotes positive change through community service. The company also features a diverse and inclusive workplace, bringing together employees and suppliers with a variety of perspectives, which demonstrates the willingness for everyone at Starbucks to be a part of the company's success.<sup>16</sup>

It is important to observe that the rewards being discussed in this culture are those that motivate employees to bring out the best in themselves. Motivators, like giving employees more job autonomy, a chance for an education, and an opportunity to grow, benefit the company more than a culture that would pit one employee against another, or discourage creativity, and subsequently lead to unethical behavior. These types of rewards work in opposition to culture.

In late 2016, Wells Fargo was slapped with a \$185 million fine for illegally opening more than 2,000,000 accounts without the consent of their customers. Why did the company allow it? Because doing so was rewarded, and not doing so was punished. Bank tellers and personal bankers were under intense and unrealistic sales pressure to meet an extrinsic reward system. Instead of using pay-for-performance, they should have encouraged “whole person” performance.

### **Supportive cultures**

Companies with this culture are team-oriented, and emphasize cooperation among employees. All employees work together to achieve three goals: (1) safety, (2) timely performance, and (3) creating satisfied customers. For example, Southwest Airlines cross-trains its employees so that they are capable of helping one another when needed across various departments.<sup>17</sup> It is stipulated in the job description that employees do not work in isolation and each employee is expected to do whatever is necessary to make a flight successful, even if that requires pilots to help to load luggage. Supervisors work alongside employees, maintaining managerial responsibility but also performing the same tasks as the frontline workers.

Turning an airplane around is a complex task that requires the combined efforts of 12 distinct functions, like flight attendants, mechanics, pilots, gate agents, ticketing agents, ramp agents, baggage transfer agents, aircraft cleaners, caterers, etc. With most airlines, these functional departments are inharmonious. At Southwest, things happen differently. Everyone knows what is happening when, and everyone gets the same flow of up-to-date and accurate information. By doing so, Southwest employees can respond to changing circumstances quickly because everyone is abreast of the situation, allowing employees to be able to make better decisions, and judgment calls.<sup>18</sup>

### **Socially responsible cultures**

Socially responsible organizations have a reputation for being fair with their employees and being green with the environment. In addition, they adhere to a list of clear values that act as their guiding philosophy. We will study examples of such organizations in Chapter 4, but for now, good examples are Starbucks, Google, Microsoft, Disney, BMW, Sony, Intel, and Apple.

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

### **3.3. Strong vs. weak cultures**

The degree to which agreement and commitment is shared among people in an organization determines the strength of a business culture. A culture in which most employees in the organization work in unison with an unusual level of motivation, commitment, and loyalty is said to be a strong culture.<sup>19</sup> In those companies, there is a strong connection between shared values and behavior. For example, cultural values emphasizing customer service will lead to higher quality customer service if there is widespread agreement among employees on the importance of customer service-related values.

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

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

impossible performance targets. Members then begin to act unethically to meet quotas and unrealistic goals.

The 2016 situation at Wells Fargo is an example of a culture that turned dysfunctional and abusive. For years, due to an extreme command and control leadership style, hundreds of managers pushed employees to behave unethically by opening millions of fraudulent bank accounts in order for employees to increase their sales, commissions, and bonuses.

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

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

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

Figure 3.1 Rituals, taken in part from Guenzi, Paolo. "How Rituals Deliver Performance." Harvard Business Review, February 25, 2013. Web.

COMPANY	RITUALS
Mary Kay Cosmetics	Pink Cadillac Trophy awarded to top performers for the last 40 years at an annual ceremony. An unmistakable symbol of the founder and self-made business woman. These ceremonies are conducted in large auditoriums where participants wear elaborate evening gowns and sing company songs that create emotional excitement. During this ritual, employees feel a connection to the company culture and its values such as self-determination, willpower, and enthusiasm.
Wal-Mart	Wal-Mart's Saturday morning meetings have been a long-term fixture for the company. Once a month at 7:30 on a Saturday morning, the US retail giant's top executives gather in an auditorium at its Bentonville headquarters. People bring their kids, and there's a company cheer and awards for associates, as well as a more serious rundown of sales figures. The iconic meetings have been fundamental to the image that the company wants to project - family friendly, with executives that are intensely loyal to the company and the customer. The company's founder, Sam Walton, started the meetings in the 1960s because he thought it unfair for his employees to have to work Saturdays if he wasn't working, too.
Premier League Chelsea	Chelsea welcomes newcomers through an 'initiation ritual'. During the training camp at the beginning of the season, the new players have to get up on a table, in front of all their teammates, and sing a song that represented their country. It is a way to get players who came from different cultures to come together. After getting over the natural initial sense of embarrassment, players feel accepted, and truly become part of the group.
Grundfos	One of the world's leading pump manufacturers headquartered in Bjerringbro, Denmark encourage team-building by periodically convening "Grundfos Olympics" in which 1,000 employees from 55 countries participate in sports events including an Olympics-like opening ceremony, a "Parade of Nations" in which local residents participate, and a Grand Finale Party. The company also arranges for foreign colleagues to be housed in the homes of their Danish counterparts during the five-day event, which has proven to be an incredibly effective way to build strong interpersonal bonds and transmit key corporate values.
New Zealand National Rugby Union Team	Before their matches, the team performs Haka, a Maori war cry or posture dance. It expresses the team's pride in their heritage and teammates. Neuroscientific research shows that rituals like the Haka trigger feelings of connectivity, timelessness, and meaning which stimulate mental flow states. These, in turn, reduce anxiety and increase energy and focus.

teams. Smoking and alcohol were banned in its facilities and hardly anyone stayed late. At Chrysler, top executives had broader responsibilities, bigger salaries, larger staffs, and were the only ones allowed to fly first-class.

The different ways of thinking and behaving in these two companies introduced a number of unanticipated problems during the integration process. Within two years of the merger, practically all top Chrysler leaders had quit or had been fired, thus losing management's expertise in mass car manufacturing,

one of the major reasons the companies merged in the first place. Finally, in 2001, the company underwent a \$3.9 billion in restructuring costs, which could have been avoided if both companies had given more thoughts to properly integrating two different organizational cultures.<sup>20</sup>

### 3.4 How organizational culture is learned

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

#### Rituals

Rituals are routine traditions and activities that bring together various aspects of an organizational culture in a single event.<sup>21</sup> They create camaraderie and a sense of belonging among employees, while also serving to teach employees corporate values in order to create identification with the organization.



Photo credit: Lynn University

All organizations have rituals—from the mundane (coffee breaks, tea time) to major, less frequent events like annual meetings and retirement parties.<sup>22</sup> At colleges across the country, students participate in

orientation week activities or freshmen convocations. They attend annual, recurring events and, hopefully, will be at center stage of a ritual one May when they attend graduation ceremonies.

#### Material symbols

A company's building, the office floor plan, the art that hangs on the walls, and its physical workspaces communicate important messages about its culture. Just like the architectural remains of past civilizations, office buildings can be regarded as symbols of what the culture stands for. Imagine people in the 22<sup>nd</sup> century with no knowledge of Apple, and how they would perceive the company's culture when they saw its spaceship-like new campus? Assumptions would range from the company being avant-garde, sleek, ahead of its time, and innovative, and that is exactly the culture the company wants to portray.

A building's interior, layout, and architecture tell something about the social structure and social relationships of its inhabitants as well. In a highly centralized and hierarchical structure you would likely see large corner offices followed by smaller offices and cubicles. In younger, innovative, and organic organizations, office design reflects how digital work actually happens. Therefore, workspaces are highly networked, shared, and multipurpose. The general conditions of a company's entrance and reception area, from the standpoint of a visitor, client, or job candidate, represent the first impression, provide clues about the company, and if not paid attention to, may lead to misinterpretations and unwanted notions of what the company is not.

Internal workplace design can also be used to convey a message to its own users as they act as a mnemonic or prompter for desired behavior and working processes. If, for example, the

company wants to encourage collaboration and innovation, then more open spaces sprinkled with temporary private rooms and small conference rooms should be considered.

When visitors walk into Nike World Headquarters in Beaverton, Oregon, they witness first-hand some of the unique characteristics of its culture. From the beginning, the buildings were named for sports figures who had played key roles in Nike's success. Nike co-founder Phil Knight wanted the headquarters to look and feel more like a college campus than a corporate setting, with tree-shaded pathways between buildings, research labs, sports facilities and fitness centers, common areas for eating and socializing, and plenty of space for play. All of the buildings have a museum-quality on their entry levels, with pieces of athlete memorabilia as well as theaters and general meeting rooms for thousands of people. Today, the campus has 22 buildings and about 44,000 are employed by Nike worldwide. Likewise, the company's European headquarters in the Netherlands weave green spaces, sustainable materials, and sporty elements into its own unique identity.<sup>23</sup>

Physical layout is also important when the company changes its culture to reflect new growth plans. When Microsoft opened its corporate campus in Washington in the late 1980s, employees believed that software projects were better done behind doors, and the office design reflected. But the company is very different today as it no longer just a software company but one that has acquired a diverse range of products and services.

Many of the 100 buildings on their campus, originally designed for a less flexible, office-centric work environment, are being remodeled with shared workspaces, dedicated collaboration spaces with giant display screens, and interactive, curved white boards with lounges on every floor. Shared areas

also feature climbing walls, game tables, or slides to get creative juices flowing. Different kinds of space for different types of activities is the basic tenet. Game developers may want a single shared space, for example, while Windows programmers may need more private space.<sup>24</sup>

Another type of material symbol is a company's dress code. Some conservative or older firms expect their employees to wear professional attire and suits, which is often the case in many legal and financial organizations. Other younger and/or less formal organizations encourage their employees to dress casually. Such is the case of Silicon Valley-type organizations, start-ups, or those on the artistic side of business. In fact, one of the ten things that Google offers, as discussed in Chapter 2, is the idea that employees can achieve great things without wearing a suit.

### **Stories & language**

Another way in which organizations communicate their culture to new employees are through the skillful use of stories. Telling and listening to stories are ancient means of passing on wisdom and culture. A story can highlight a critical event an organization has faced, and the organization's response to it or a heroic effort of a single employee illustrates the company's values. Simple stories can be an effective source of inspiration and a way to communicate complex knowledge about values, norms, and solutions to difficult problems. They serve as a teaching moment and can influence employees decisions and behavior. The stories usually inspire, energize, and engage employees' emotions while generating identification with the company or the heroes of the tale.<sup>25</sup>

Steve Jobs was fond of talking about how a calligraphy class at Reed College in Oregon from a Trappist monk influenced



Photo credits: Lynn University



his sense of spirituality and esthetic that most computer aficionados at the time lacked. At Stanford's 2005 graduation, Jobs commencement stated that "Reed College at that time offered perhaps the best calligraphy instruction in the country....Throughout the campus every poster, every label on every drawer, was beautifully hand calligraphed...I learned about serif and sans serif typefaces, about varying the amount of space between different letter combinations, about what makes great typography great. It was beautiful, historical, artistically subtle in a way that science can't capture."<sup>26</sup>

Lynn University also has its own storytelling tradition celebrated with a canoe race, a picnic, and a festival during the annual **Founders Day**. This tradition provides an opportunity to reflect on and commemorate the campus's

evolution from Marymount College to the College of Boca Raton to today's Lynn University. Former President Donald Ross retells the early days when he and his wife came from Wilmington College in Delaware to visit the library of the struggling two-year, Catholic women's college. He remembers driving up and seeing students with cups in hand seeking donations to save their

college. Dr. Ross and his wife never left, and in 1974 the institution was renamed the College of Boca Raton.<sup>27</sup>

Language, in the form of jargon, acronyms, and buzzwords, is another way to identify an organization's culture and sets its employees apart from outsiders. As a student, you are by now familiar with BUS 270, or know what DSS, DSL, DBR, and DJC stand for, and even you use your own jargon when texting such as OMG, 2moro, BRB, BTW, ILY, or LMAO.

### Organizational Culture at Google



Google is one of the best-known and most admired companies around the world, having been named one of the best places to work

several times. It is one of the most innovative companies, as well, and one of the top valuable brands. What began in 1998 as a project by two Stanford University students—Larry Page and Sergey Brin—has become the most frequently used search engine on the Internet with 3.5 billion searches per day in 2014. It is also the home of other innovative applications such as Google Glass, Google Earth, Google Maps, and Picasa. Google has grown from ten employees working in a garage in Palo