chapter 14

Organizational Culture

learning objectives

After reading this chapter, you should be able to:

14-1 Describe the elements of organizational culture and discuss the importance of organizational subcultures.

14-2 List four categories of artifacts through which corporate culture is deciphered.

14-3 Discuss the importance of organizational culture and the conditions in which organizational culture strength improves organizational performance.

14-4 Compare and contrast four strategies for merging organizational cultures.

14-5 Describe five strategies for changing and strengthening an organization's culture, including the application of attraction–selection–attrition theory.

14-6 Describe the organizational socialization process and identify strategies to improve that process.

Tony Hsieh woke up one workday morning with a weird realization: He didn't want to go to work at the Internet advertising start-up company he cofounded. The company had expanded rapidly, and some of the new hires had transformed the friendly, team-focused culture into a less desirable place. Hsieh and his cofounder sold that company to Microsoft, and Hsieh vowed to give organizational culture more attention at the next company he led.

That next start-up company, Zappos, has become the world's largest online shoe retailer and a poster child for the power of a strong organizational culture. "Our belief is that if you get the culture right, most of the other stuff—like great customer service, or building a great long-term brand, or passionate employees and customers—will happen naturally on its own," Hsieh explains.

Recruitment and selection are central to Zappos' cultural strength. "As long as we hire people whose personal values match our corporate values, you don't need to tell them how to behave," says Hsieh. "They can just be themselves." Job applicants quickly learn about the online retailer's core values—such as "Deliver WOW through Service," "Embrace and Drive Change," and "Create Fun and A Little Weirdness"—so they can decide whether the company is right for them.

Meanwhile, the company carefully selects applicants whose personal values are aligned with the company's values. The line manager looks for technical skills and experience, whereas the human resource department "does a separate set of interviews purely for culture fit," says Hsieh. Unusual methods are sometimes applied to estimate an applicant's cultural fit. For example, to determine an applicant's humility (one of Zappos' core values), staff ask the Zappos-hired driver how well he or she was treated by the applicant during the drive to the company's headquarters.

New recruits attend a four-week customer service program that also reinforces the company's values and employees' role as culture carriers. "We talk about it with our new hires, that every single one of us is responsible for our culture," says

Zappos, the world's largest online shoe retailer, relies on recruitment, selection, socialization, and other practices to maintain a strong organizational culture.

Zappos training manager Rachael Brown. Zappos also makes an unusual offer to the new recruits: It will pay $2,000 in addition to their regular pay to anyone who quits before the end of the training program. The incentive is intended to encourage new hires to leave the company if they believe their personal values don't fit Zappos' culture. (Less than 1 percent have accepted the offer.)[1]

Zappos has a strong organizational culture and applies several strategies we will describe in this chapter to maintain and sustain that culture throughout its meteoric growth. **Organizational culture** consists of the values and assumptions shared within an organization.[2] It defines what is important and unimportant in the company and, consequently, directs everyone in the organization toward the "right way" of doing things. You might think of organizational culture as the company's DNA—invisible to the naked eye, yet a powerful template that shapes what happens in the workplace.

This chapter begins by identifying the elements of organizational culture and then describing how culture is deciphered through artifacts. This is followed by a discussion of the relationship between organizational culture and performance, including the effects of cultural strength, fit, and adaptability. We then turn our attention to the challenges of and solutions to merging organizational cultures. The latter part of this chapter examines ways to change and strengthen organizational culture, including a closer look at the related topic of organizational socialization.

Elements of Organizational Culture

LO 14-1

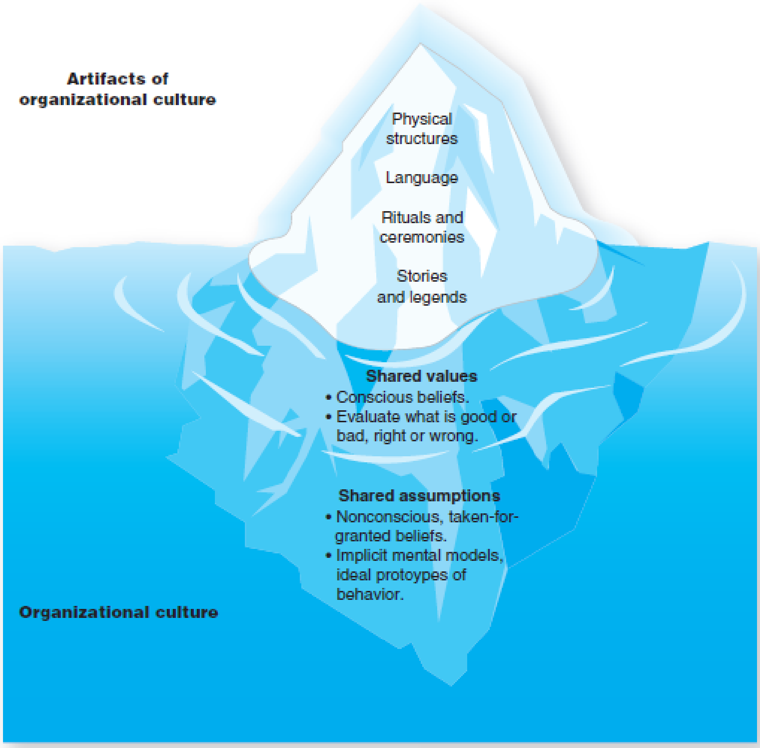
Organizational culture consists of shared values and assumptions. Exhibit 14.1 illustrates how these shared values and assumptions relate to each other and are associated with artifacts, which are discussed later in this chapter. *Values* are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations (see Chapters 1 and 2).[3] They are conscious perceptions about what is good or bad, right or wrong. In the context of organizational culture, values are discussed as *shared values,* which are values that people within the organization or work unit have in common and place near the top of their hierarchy of values.[4] For example, Zappos employees say they embrace "WOW" customer service, having fun, growth and learning, doing more with less, being humble, and a few other shared values.

Organizational culture also consists of *shared assumptions*—a deeper element that some experts believe is the essence of corporate culture. Shared assumptions are nonconscious, taken-for-granted perceptions or ideal prototypes of behavior that are considered the correct way to think and act toward problems and opportunities. Shared assumptions are so deeply ingrained that you probably wouldn't discover them by surveying employees. Only by observing employees, analyzing their decisions, and debriefing them on their actions would these assumptions rise to the surface.

It has become a popular practice for leaders to identify and publicly state their organization's shared values. For instance, Facebook, the social networking company, lists its core values as focus on impact, move fast, be bold, be open, and build social value. "There is a really great culture of empowerment here," says a Facebook employee in Austin. "We want people to take risks and be bold and really strive to make a huge impact, because that is what the company is trying to do."[5] New Zealand's TrustPower has six core "PRIIDE" values: passion, respect, integrity, innovation, delivery, and empowerment. "We're non-hierarchical, have a very flat structure and live on very few sites so we see and talk to each other a lot," says Vince Hawksworth, CEO of the mostly hydro and wind power generation company. "People feel they can make a difference at TrustPower. We are not over-resourced and sometimes we think we're leaner than is good for us but it means everyone gets to have a go."[6]

organizational culture
The values and assumptions shared within an organization.

EXHIBIT 14.1 Organizational Culture Assumptions, Values, and Artifacts



ESPOUSED VS. ENACTED VALUES

Do these values really represent the cultural content of Facebook and TrustPower? Probably in the case of these two organizations, because their cultures are well known in their respective countries and are deeply entrenched through various artifacts. However, the values statements of many organizations do not necessarily reflect the values that are widely shared and practiced in the organization. This distinction occurs because corporate leaders typically describe *espoused values*—the values that they want others to believe guide the organization's decisions and actions.[7] Espoused values are usually socially desirable, so they present a positive public image. Even if top management acts consistently with the espoused values, lower-level employees might not do so. Employees bring diverse personal values to the organization, some of which might conflict with the organization's espoused values.

Organizational culture is not defined by espoused values. Instead, it consists of shared *enacted values*—the values that most leaders and employees truly rely on to guide their decisions and behavior. These "values-in-use" are apparent by watching executives and other employees in action, including their decisions, where they focus their attention and resources, and how they behave toward stakeholders. For example, Global Connections 14.1

global connections 14.1

BP's Espoused vs. Enacted Values

BP, the British energy giant, lists four core values—progressive, responsible, innovative, and performance-driven. The company says that these values "guide us in the conduct of our business." In other words, BP claims these four core values are enacted; they are evident in the company's decisions, allocation of resources, and the daily behavior of its employees.

Most people around the Gulf of Mexico and in Alaska would quickly dismiss those claims. In particular, BP describes its "responsibility" value as being "committed to the safety and development of our people and the communities and societies in which we operate. We aim for no accidents, no harm to people and no damage to the environment." The energy company's track record on safety and environmentalism suggests otherwise.

BP was at the center of the Gulf of Mexico oil spill, now considered the worst environmental disaster in recent history. A few months before the spill occurred, the U.S. government's Occupational Safety and Health Administration (OSHA) penalized BP with the largest fine in OSHA's history for failing to sufficiently improve safety at its Texas City refinery. Four years earlier, 15 employees died in an explosion at that refinery. A U.S. government report on that explosion concluded that BP "did not provide effective safety culture leadership."

BP's "responsibility" value has been around for a few years, yet the company's environmental and safety problems were well known long before the Gulf and Texas disasters. In 2003, the Norwegian government concluded that "a poor HES (Health, Environment, and Safety) culture" contributed to a fatality on a BP oil platform. A few years earlier, a prominent newspaper concluded that a series of spills, accidents, and alleged hush-ups at the Alaskan operations managed by BP "raises serious questions about BP's safety culture." In short, being safety and environmentally "responsible" is an espoused value at BP, but is not likely part of the company's current or recent culture.[8]

BP describes one of its four core values as aiming "for no accidents, no harm to people and no damage to the environment," yet the British energy company's track record indicates that this value is espoused, not enacted.

describes how BP's stated (espoused) value of responsibility seems to be wildly at odds with the decisions, priorities, and behavior (enacted values) of its leaders and many employees.

connect

What corporate culture do you prefer? Visit **connect.mcgrawhill.com** to assess your preference among a small set of cultures, as well as to assist your learning about organizational culture and effectiveness.

CONTENT OF ORGANIZATIONAL CULTURE

Organizations differ in their cultural content, that is, the relative ordering of shared values.[9] Zappos emphasizes customer service and a team-oriented, fun environment; Netflix seems to prioritize individual performance with undertones of internal competitiveness. For instance, the online streaming media provider points out that "We're a team, not a family," that "Netflix leaders hire, develop, and cut smartly," and that "adequate performance gets a generous severance package."[10]

How many corporate cultures are there? Several models and measures classify organizational culture into a handful of easy-to-remember categories. One of these, shown in Exhibit 14.2, identifies seven corporate cultures. Another popular model identifies four organizational cultures organized in a two-by-two table representing internal versus external

EXHIBIT 14.2

Organizational Culture Profile Dimensions and Characteristics

ORGANIZATIONAL CULTURE DIMENSION	CHARACTERISTICS OF THE DIMENSION
Innovation	Experimenting, opportunity seeking, risk taking, few rules, low cautiousness
Stability	Predictability, security, rule-oriented
Respect for people	Fairness, tolerance
Outcome orientation	Action-oriented, high expectations, results-oriented
Attention to detail	Precise, analytic
Team orientation	Collaboration, people-oriented
Aggressiveness	Competitive, low emphasis on social responsibility

Source: Based on information in C. A. O'Reilly III, J. Chatman, and D. F. Caldwell, "People and Organizational Culture: A Profile Comparison Approach to Assessing Person-Organization Fit," *Academy of Management Journal* 34, no. 3 (1991), pp. 487–518.

focus and flexibility versus control. Other models organize cultures around a circle with 8 or 12 categories. These circumplex models suggest that some cultures are opposite to others, such as an avoidance culture versus a self-actualization culture, or a power culture versus a collegial culture.[11]

These organizational culture models and surveys are popular with corporate leaders faced with the messy business of diagnosing their company's culture and identifying what kind of culture they want to develop. Unfortunately, they oversimplify the diversity of cultural values in organizations. The fact is, there are dozens of individual values, and many more combinations of values, so the number of organizational cultures that these models describe likely falls considerably short of the full set. A second concern is that organizational culture includes shared assumptions, not just shared values. Most organizational culture measures ignore assumptions because they represent a more subterranean aspect of culture.

A third concern is that many organizational culture models and measures incorrectly assume that organizations have a fairly clear, unified culture that is easily decipherable.[12] This "integration" perspective, as it is called, further assumes that when an organization's culture changes, it shifts from one unified condition to a new unified condition with only temporary ambiguity or weakness during the transition. These assumptions are probably incorrect or, at best, oversimplified. An organization's culture is usually quite blurry, so much so that it cannot be estimated through employee surveys alone. As we discuss next, organizations consist of diverse subcultures because employees across the organization have different clusters of experiences and backgrounds that have shaped their values and priorities. For example, after BP's Texas refinery explosion a few years ago, an independent panel investigated the energy company's safety culture across the United States. The panel concluded that a few of BP's sites embraced the importance of safety, but most required a much stronger safety culture.[13]

Even these subcultural clusters can be ill-defined because values and assumptions ultimately vary from one employee to the next. As long as employees differ, an organization's culture will have noticeable variability. Thus, many of the popular organizational culture models and measures oversimplify the variety of organizational cultures and falsely presume that organizations can easily be identified within these categories.

ORGANIZATIONAL SUBCULTURES

When discussing organizational culture, we are really referring to the *dominant culture,* that is, the values and assumptions shared most consistently and widely by the organization's members. The dominant culture is usually supported by senior management, but cultures can also persist in spite of senior management's desire for another culture. Furthermore, organizations are composed of *subcultures* located throughout their various divisions, geographic regions, and occupational groups.[14] Some subcultures enhance the dominant culture by espousing parallel assumptions and values. Others differ from but do not conflict with the dominant culture. Still others are called *countercultures* because they embrace values or assumptions that directly oppose the organization's dominant culture. It is also possible that some organizations (including some universities, according to one study) consist of subcultures with no decipherable dominant culture at all.[15]

Subcultures, particularly countercultures, potentially create conflict and dissension among employees, but they also serve two important functions.[16] First, they maintain the organization's standards of performance and ethical behavior. Employees who hold countercultural values are an important source of surveillance and critical review of the dominant order. They encourage constructive conflict and more creative thinking about how the organization should interact with its environment. Subcultures potentially support ethical conduct by preventing employees from blindly following one set of values. Subculture members continually question the "obvious" decisions and actions of the majority, thereby making everyone more mindful of the consequences of their actions.

The second function of subcultures is that they are the spawning grounds for emerging values that keep the firm aligned with the evolving needs and expectations of customers, suppliers, communities, and other stakeholders. Companies eventually need to replace their dominant values with ones that are more appropriate for the changing environment. If subcultures are suppressed, the organization may take longer to discover and adopt values aligned with the emerging environment.

Deciphering Organizational Culture Through Artifacts

LO 14-2

Shared values and assumptions are not easily measured through surveys and might not be accurately reflected in the organization's values statements. Instead, as Exhibit 14.1 illustrated earlier, an organization's culture needs to be deciphered through a detailed investigation of artifacts. **Artifacts** are the observable symbols and signs of an organization's culture, such as the way visitors are greeted, the organization's physical layout, and how employees are rewarded.[17] A few experts suggest that artifacts are the essence of organizational culture, whereas most others (including the authors of this book) view artifacts as symbols or indicators of culture. In other words, culture is cognitive (values and assumptions inside people's heads), whereas artifacts are observable manifestations of that culture. Either way, artifacts are important because they represent and reinforce an organization's culture.

Artifacts provide valuable evidence about a company's culture.[18] An organization's ambiguous (fragmented) culture is best understood by observing workplace behavior, listening to everyday conversations among staff and with customers, studying written documents and e-mails, viewing physical structures and settings, and interviewing staff about corporate stories. In other words, to truly understand an organization's culture, we need to sample information from a variety of organizational artifacts.

artifacts
The observable symbols and signs of an organization's culture.

The Mayo Clinic conducted such an assessment a few years ago. An anthropologist was hired to decipher the medical organization's culture at its headquarters in Minnesota and to identify ways of transferring that culture to its two newer sites in Florida and Arizona. For

Goldman Sachs employees apparently describe large investment transactions as "elephant trades," and the investment firm encourages its salespeople to go "elephant hunting" (seeking out these large trades from clients). The phrase is a cultural artifact, likely indicating the values of profitability and individual performance rather than customer service or value. Former Goldman Sachs' manager Greg Smith reported that employees (particularly those in London) also routinely described their clients as muppets. "My muppet client didn't put me in comp on the trade we just printed," said one salesperson, meaning that the client was an idiot because he didn't compare prices, so the salesperson overcharged him. The "muppet" label seems to reveal a culture with a derogatory view of clients. "Being a muppet meant being an idiot, a fool, manipulated by someone else," Smith explains.[25]

six weeks, the anthropologist shadowed employees, posed as a patient in waiting rooms, did countless interviews, and accompanied physicians on patient visits. The final report outlined Mayo's dominant culture and how its satellite operations varied from that culture.[19] Over the next few pages, we review four broad categories of artifacts: organizational stories and legends, language, rituals and ceremonies, and physical structures and symbols.

ORGANIZATIONAL STORIES AND LEGENDS

David Ogilvy is a legend in the advertising industry, but equally significant are the stories about him that have continued to reinforce the values that he instilled. One story recounts how Ogilvy's board of directors arrived at a meeting to discover a Russian matryoshka doll at each of their seats. The directors opened each doll, one nested inside the other, until they discovered this message inside the tiniest doll: "If you hire people who are smaller than you are, we shall become a company of dwarfs. If you hire people who are bigger than you are, we shall become a company of giants." The Russian dolls became part of Ogilvy's culture, which demands hiring talent, not subservience.[20]

Stories such as Ogilvy's Russian dolls permeate strong organizational cultures. Some tales recount heroic deeds, whereas others ridicule past events that deviate from the firm's core values. Organizational stories and legends serve as powerful social prescriptions of the way things should (or should not) be done. They add human realism to corporate expectations, individual performance standards, and the criteria for getting fired. Stories also produce emotions in listeners, and these emotions tend to improve listeners' memory of the lesson within the story.[21] Stories have the greatest effect on communicating corporate culture when they describe real people, are assumed to be true, and are known by employees throughout the organization. Stories are also prescriptive—they advise people what to do or not to do.[22]

ORGANIZATIONAL LANGUAGE

The language of the workplace speaks volumes about the company's culture. How employees talk to each other, describe customers, express anger, and greet stakeholders are all verbal symbols of cultural values. The language of culture is apparent at The Container Store, where employees compliment each other about "being Gumby," meaning that they are being as flexible as the once-popular green toy to help a customer or another employee.[23] Language also highlights values held by organizational subcultures. Consultants working at Whirlpool kept hearing employees talk about the appliance company's "PowerPoint culture." This phrase, which names Microsoft's presentation software, implied that Whirlpool has a hierarchical culture in which communication is one-way (from executives to employees).[24]

RITUALS AND CEREMONIES

rituals
The programmed routines of daily organizational life that dramatize the organization's culture.

Rituals are the programmed routines of daily organizational life that dramatize an organization's culture.[26] They include how visitors are greeted, how often senior executives visit subordinates, how people communicate with each other, how much time employees take for lunch, and so on. These rituals are repetitive, predictable, events that have symbolic meaning of underlying cultural values and assumptions. For instance, BMW's fast-paced culture is quite literally apparent in the way employees walk around the German automaker's offices. "When you move through the corridors and hallways of other companies' buildings, people kind of crawl, they walk slowly," observes a BMW executive. "But BMW people tend to move faster."[27] **Ceremonies** are more formal artifacts than rituals. Ceremonies are planned activities conducted specifically for the benefit of an audience. This would include publicly rewarding (or punishing) employees or celebrating the launch of a new product or newly won contract.

PHYSICAL STRUCTURES AND SYMBOLS

Winston Churchill once said: "We shape our buildings; thereafter, they shape us."[28] The former British Prime Minister was reminding us that buildings both reflect and influence an organization's culture. The size, shape, location, and age of buildings might suggest a company's emphasis on teamwork, environmental friendliness, hierarchy, or any other set of values.[29] Consider Mars Inc., one of the world's largest food manufacturers (Uncle Ben's rice, M&M's candy, Pedigree pet food, etc.). The privately held company's low profile (some say secretive) culture is evident from its nondescript head offices in most countries. Mars' head offices in the United Kingdom and Canada are buried in manufacturing plants, with only small signs indicating the company name and even less indication that the corporate chiefs are located there. Its global head office in Virginia could easily be mistaken for an upscale brick warehouse. There is no corporate identification at all, just a "private property" sign. Mars' head office is so low profile that locals call it the Kremlin, and the chairman of Nestlé once thought he arrived at the wrong address when visiting his major competitor.[30]

Even if the building doesn't make much of a statement, there is a treasure trove of physical artifacts inside. Desks, chairs, office space, and wall hangings (or lack of them) are just a few of the items that might convey cultural meaning.[31] Consider the physical artifacts that you might notice when visiting the headquarters of Mother. Housed in a converted warehouse in an artsy district of London, the United Kingdom's largest independent creative agency has open space meeting areas, separated only by dividers made of hanging strips of opaque plastic. The top floor of Mother's offices is one room dominated by a massive, rectangular concrete table, around which dozens of staff work. Each of these physical artifacts alone might not say much, but put enough of them together, and you can see how they symbolize Mother's edgy creative culture with a strong team orientation.[32]

Is Organizational Culture Important?

LO 14-3

Does organizational culture improve organizational effectiveness? Ginni Rometty thinks so. "Culture is your company's number one asset," states the CEO of IBM. Quicken Loans CEO Bill Emerson agrees. "The No. 1 thing is culture," he said recently, to explain why the Detroit-based finance company grew 133 percent the previous year. "It allows us to move very quickly and react very quickly in making business decisions."[33] Many writers of popular press management books also assert that the most successful companies have strong cultures. In fact, one popular management book, *Built to Last,* suggests that successful companies are "cult-like" (though not actually cults, the authors are careful to point out).[34]

So, are companies more effective when they have a strong culture? Possibly, but research evidence indicates that it depends on a few conditions.[35] Before discussing these contingencies, let's examine the meaning of a "strong" organizational culture and its potential benefits. The strength of an organization's culture refers to how widely and deeply employees hold the company's dominant values and assumptions. In a strong organizational culture, most employees across all subunits understand and embrace the dominant values. These values and assumptions are also institutionalized through well-established artifacts, which further entrench the culture. In addition, strong cultures tend to be long-lasting; some

ceremonies
Planned displays of organizational culture, conducted specifically for the benefit of an audience.

can be traced back to the values and assumptions established by the company's founder. In contrast, companies have weak cultures when the dominant values are held mainly by a few people at the top of the organization, are barely discernible from artifacts, and are in flux.

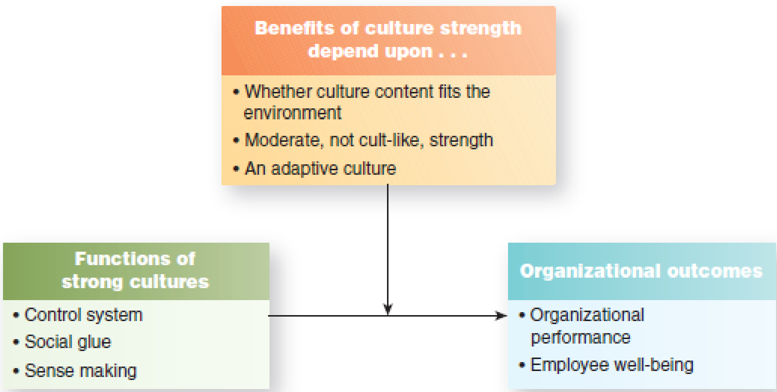
Earlier in this chapter, we said that companies with stronger cultures are *potentially* more effective, and this potential occurs through the three important functions listed in Exhibit 14.3 and described below:

1. *Control system.* Organizational culture is a deeply embedded form of social control that influences employee decisions and behavior.[37] Culture is pervasive and operates nonconsciously. Think of it as an automatic pilot, nonconsciously directing employees so their behavior is consistent with organizational expectations. For this reason, some writers describe organizational culture as a compass that points everyone in the same direction.
2. *Social glue.* Organizational culture is the social glue that bonds people together and makes them feel part of the organizational experience.[38] Employees are motivated to internalize the organization's dominant culture because it fulfills their need for social identity. This social glue attracts new staff and retains top performers. It also becomes the common thread that holds employees together in global organizations. "The values of the company are really the bedrock—the glue which holds the firm together," says Nandan Nilekani, the head of the government of India's technology committee and former CEO of Infosys.[39]
3. *Sense making.* Organizational culture helps employees make sense of what goes on and why things happen in the company.[40] Corporate culture also makes it easier for them to understand what is expected of them. For instance, research has found that sales employees in companies with stronger organizational cultures have clearer role perceptions and less role-related stress.[41]

CONTINGENCIES OF ORGANIZATIONAL CULTURE AND EFFECTIVENESS

Studies have found only a moderately positive relationship between culture strength and organizational effectiveness. Why is there such a weak link? The answer is that strong cultures improve organizational effectiveness only in specific conditions (see Exhibit 14.3).

EXHIBIT 14.3 **Potential Benefits and Contingencies of Culture Strength**



Wesfarmers Ltd., Australia's largest conglomerate and one of the country's most respected businesses, acquired Coles a few years ago and has since transformed the suffering food retailer into a thriving competitor. Along with injecting new investment, ideas, and leadership, Wesfarmers injected its own culture to make Coles more successful. "One of the very significant things that Wesfarmers brings (to Coles) is a very strong performance culture," says Wesfarmers CEO Richard Goyder. Stuart Machin, one of three executives responsible for transforming Coles, agrees. "We realized one of the most important parts of the transformation plan was our people and culture," he explains.[36]

Three important contingencies are whether the culture (1) is aligned with the environment, (2) is moderately strong, not cult-like, and (3) incorporates an adaptive culture.

Culture Content Is Aligned with the External Environment The benefits of a strong culture depend on whether the content of that culture—its dominant values and assumptions—is aligned with the external environment. Companies require an employee-centric culture in environments where business success depends mainly on employee talent, whereas an efficiency-focused culture may be more critical for companies in environments with strong competition and standardized products. If the dominant values are congruent with the environment, then employees are more likely to engage in behaviors that improve the organization's interaction with that environment. But when the dominant values are misaligned with the environment, a strong culture encourages behaviors that can undermine the organization's connection with its stakeholders.

For example, a page or two ago we noted that Coles became a successful competitor in the Australian retail food industry after it was acquired by Wesfarmers, which injected a strong culture around performance and customer service. Wesfarmers is a highly successful Australian conglomerate, but it doesn't nurture the same culture in all of its businesses (food, hardware, fashion retailer, office supplies, insurance, fertilizers, mining, and so on). Instead, Wesfarmers ensures each company maintains a strong culture around the values that matter most for that industry and its stakeholders. "It would be a huge mistake if we tried to impose one culture over all these businesses," Goyder explains. "Bunnings and Coles have to be customer-centric, whereas our coal business has to be absolutely focused on safety."[42]

Culture Strength Is Not the Level of a Cult A second contingency is the degree of culture strength. Various experts suggest that companies with very strong cultures (i.e., corporate "cults") may be less effective than companies with moderately strong cultures.[43] One reason corporate cults may undermine organizational effectiveness is that they lock people into mental models, which can blind them to new opportunities and unique problems. The effect of these very strong cultures is that people overlook or incorrectly define subtle misalignments between the organization's activities and the changing environment.

The other reason very strong cultures may be dysfunctional is that they suppress dissenting subcultures. The challenge for organizational leaders is to maintain not only a strong culture but one that allows subcultural diversity. Subcultures encourage constructive conflict, which improves creative thinking and offers some level of ethical vigilance over the dominant culture. In the long run, a subculture's nascent values could become important dominant values as the environment changes. Corporate cults suppress subcultures, thereby undermining these benefits.

adaptive culture
An organizational culture in which employees are receptive to change, including the ongoing alignment of the organization to its environment and continuous improvement of internal processes.

Culture Includes an Adaptive Culture A third factor determining whether cultural strength improves organizational effectiveness is whether the culture content includes an **adaptive culture.**[44] Zappos, which we described at the beginning of this chapter, seems to have an adaptive culture because its culture emphasizes embracing change, creativity, open-mindedness, growth, and learning. Organizational leaders across many industries increasingly view an adaptive culture as an important ingredient for the organization's long-term success. "At the end of the day, you have to create a culture that not only accepts change but seeks out how to change," emphasizes General Motors CEO Dan Akerson. "It's critically important that we inculcate that into our culture."[45]

debating point
IS CORPORATE CULTURE AN OVERUSED PHRASE?

Corporate culture is probably one of the most frequently uttered phrases in organizations these days. That's quite an accomplishment for two words that were rarely paired together prior to 1982.[47] Executives say they have crafted the company's culture to attract top talent and better serve clients. Job applicants have made organizational culture one of the top factors in their decision whether to join the company. Journalists routinely blame corporate culture for business failures, deviant activities, and quirky employee conduct.

This chapter offers plenty of ammunition to defend the argument that organizational culture explains employee decisions and behavior. A strong culture is a control system that directs employee decisions and behavior. It is, after all, the "way we do things around here." The underlying assumptions of a company's culture further guide employee behavior without conscious awareness. A strong culture also serves as the company's "social glue," which strengthens cohesion among employees. In other words, employees in strong cultures have similar beliefs and values, which in turn increase their motivation to follow the corporate herd.

Organizational culture can be a useful concept to explain workplace activities, but some OB experts argue that the phrase is overused. To begin with, corporate culture is usually presented as a singular thing within the company: one brand, one CEO, one culture. This presumption of a homogeneous culture—in which every employee understands and embraces the same few dominant values—just doesn't exist. Every organization has a fragmented culture to varying degrees. Furthermore, many employees engage in façades of conformity. They pretend to live the company's values but don't actually do so because they don't believe in them.[48] Fragmentation and façades suggest that culture is not a singular force field that manipulates people like mindless robots. Instead, employees ultimately make decisions based on a variety of influences, only one of which is the organization's shared (or espoused) values and assumptions.

Another argument that indicates corporate culture is overused to explain the workplace is that values don't drive behavior as often as many people believe. Instead, employees turn to their values to guide behavior only when they are reminded of their values or when the situation produces fairly obvious conflicting or questionable decisions.[49] Most of the time, front-line staff perform their jobs without much thought to their values. Their decisions are usually technical rather than values-based matters. As such, corporate culture has a fairly peripheral role in the workplace.

A third problem is that organizational culture is a blunt instrument for explaining workplace behavior and for recommending how to change those behaviors. "Fix the culture" is almost meaningless because the problems prompting this advice could be due to any number of artifacts. Furthermore, some problems attributed to a poor corporate culture may be due to more mundane and precise dysfunctions—unintended consequences of poorly designed rewards, ineffective leadership, misaligned corporate strategy, biased information systems, and a host of other conditions. Rather than blame the company's culture, we should pay more attention to specific systems, structures, behaviors, and attitudes that explain what went wrong.

What does an adaptive culture look like? Employees who embrace an adaptive culture view the organization's survival and success in terms of ongoing adaptation to the external environment, which itself is continuously changing. They assume that their future depends on monitoring the external environment and serving stakeholders with the resources available. Thus, employees in adaptive cultures see things from an open-systems perspective and take responsibility for the organization's performance and alignment with the external environment (see Chapter 1).

In an adaptive culture, receptivity to change extends to internal processes and roles. Employees believe that satisfying stakeholder needs requires continuous improvement of internal work processes. They also recognize the importance of maintaining flexibility in their own work roles. The phrase "That's not my job" is found only in nonadaptive cultures. Finally, an adaptive culture has a strong *learning orientation,* because being receptive to change necessarily means that the company also supports action-oriented discovery. With a learning orientation, employees welcome new learning opportunities, actively experiment with new ideas and practices, view reasonable mistakes as a natural part of the learning process, and continuously question past practices (see Chapter 7).[46]

Barclays' chair, CEO, and other executives departed when the bank was found guilty of rigging interest rates (known as the Libor scandal). Antony Jenkins, the British bank's incoming CEO, acted quickly to instill a new culture with higher ethical standards. In an e-mail to all 140,000 Barclays staff, Jenkins (shown here) introduced the new values (respect, integrity, service, excellence, stewardship) and warned against the bank's tendency "to pursue short-term profits at the expense of the values and reputation of the organization." He also gave blunt advice to those who don't uphold Barclay's ethical culture. "There might be some who don't feel they can fully buy in to an approach which so squarely links performance to the upholding of our values," Jenkins wrote. "My message to those people is simple: Barclays is not the place for you. The rules have changed. You won't feel comfortable at Barclays and, to be frank, we won't feel comfortable with you as colleagues."[51]

ORGANIZATIONAL CULTURE AND BUSINESS ETHICS

An organization's culture influences the ethical conduct of its employees. This makes sense because good behavior is driven by ethical values, and ethical values become embedded in an organization's dominant culture. The opposite is equally true. Consider the recent unraveling of News Corporation, the media giant that owns the *New York Post*, *The Wall Street Journal*, Fox Broadcasting, 20th Century Fox, and numerous other media around the world. Critics claim that for many years some of News Corp.'s news tabloids have had a culture that rewards aggressive, partisan, and sensationalistic tactics. This culture may have uncovered news, but it allegedly also pushed some segments of the company over the ethical line, including illegally hacking into the phones of celebrities, victims, and politicians.

Although News Corp.'s leaders claimed the problem was limited to a few deviant employees, a British parliamentary committee (among others) concluded that the wrongdoing was caused by a wayward culture that "permeated from the top throughout the organization." As one journalist summed up the situation: "Phone hacking is done by employees within the corporate culture of 'whatever it takes.'"[50] The point here is that culture and ethics go hand-in-hand. To create a more ethical organization, leaders need to work on the enacted culture that steers employee behavior.

Merging Organizational Cultures

LO 14-4

4C Corporate Culture Clash and Chemistry is a company with an unusual name and mandate. The Dutch consulting firm helps clients determine whether their culture is aligned ("chemistry") or incompatible with ("clash") a potential acquisition or merger partner. The firm also compares the company's culture with its strategy. There should be plenty of demand for 4C's expertise. One study estimated that only half of the corporate acquisitions add value, whereas two other studies report that only 30 percent of these acquisitions produce financial gains.[52] Meanwhile, mergers have a substantial disruptive effect on the organizations involved, often leading to neglected strategy, employee stress, and customer complaints.

Mergers and acquisitions fail partly because corporate leaders are so focused on the financial or marketing logistics of the merging organizations that they neglect to conduct due-diligence audits on their respective corporate cultures.[53] Some forms of integration may allow successful mergers between companies with different cultures. However, research concludes that mergers typically suffer when organizations with significantly divergent corporate cultures merge into a single entity with a unified strong culture.[54]

For example, Bank of America (BofA) hastily acquired Merrill Lynch during the great financial crisis. Whereas BofA's "Main Street" culture is about serving middle America with broad-based accessible services, Merrill Lynch had a much more exclusive culture, catering to wealthy clients. Consistent with these divergent client orientations, BofA's culture embraces cost efficiencies and penny pinching, whereas Merrill Lynch had more of an "entitlement" culture that encouraged big spending and bigger bonuses. To illustrate, in spite of the company's staggering losses during the previous year, Merrill Lynch's CEO spent more than $1 million renovating his office, hired an executive with a $25 million signing bonus, and handed out billions in bonuses. BofA's culture is also more cautious and bureaucratic, requiring more signatures and higher level authority, whereas Merrill Lynch's "thundering herd" culture was more aggressive, entrepreneurial and, some say, more likely to venture into ethically questionable territory.[55]

BICULTURAL AUDIT

Organizational leaders can minimize these cultural collisions and fulfill their duty of due diligence by conducting a bicultural audit.[56] A **bicultural audit** diagnoses cultural relations between the companies and determines the extent to which cultural clashes will likely occur. The bicultural audit process begins by identifying cultural differences between the merging companies. Next, the bicultural audit data are analyzed to determine which differences between the two firms will result in conflict and which cultural values provide common ground on which to build a cultural foundation in the merged organization. The final stage involves identifying strategies and preparing action plans to bridge the two organizations' cultures.

SABMiller plc and Molson Coors Brewing Company relied on a bicultural audit prior to forming their joint venture, MillerCoors. The due diligence analysis revealed that the two companies had different working styles but similar employee goals. The bicultural audit also helped SABMiller and Molson Coors executives discover cultural differences and thereby anticipate potential culture clashes in the joint venture.[57]

bicultural audit
A process of diagnosing cultural relations between companies and determining the extent to which cultural clashes will likely occur.

STRATEGIES FOR MERGING DIFFERENT ORGANIZATIONAL CULTURES

In some cases, the bicultural audit results in a decision to end merger talks because the two cultures are too different to merge effectively. However, even with substantially different cultures, two companies may form a workable union if they apply the appropriate merger strategy. The four main strategies for merging different corporate cultures are assimilation, deculturation, integration, and separation (see Exhibit 14.4).[58]

EXHIBIT 14.4 Strategies for Merging Different Organizational Cultures

MERGER STRATEGY	DESCRIPTION	WORKS BEST WHEN:
Assimilation	Acquired company embraces acquiring firm's culture.	Acquired firm has a weak culture.
Deculturation	Acquiring firm imposes its culture on unwilling acquired firm.	Rarely works—may be necessary only when acquired firm's culture doesn't work but employees don't realize it.
Integration	Merging companies combine the two or more cultures into a new composite culture.	Existing cultures can be improved.
Separation	Merging companies remain distinct entities with minimal exchange of culture or organizational practices.	Firms operate successfully in different businesses requiring different cultures.

Sources: Based on ideas in A. R. Malekzedeh and A. Nahavandi, "Making Mergers Work by Managing Cultures," *Journal of Business Strategy,* 11 (May–June 1990), pp. 55–57; K. W. Smith, "A Brand-New Culture for the Merged Firm," *Mergers and Acquisitions,* 35 (June 2000), pp. 45–50.

Assimilation Assimilation occurs when employees at the acquired company willingly embrace the cultural values of the acquiring organization. Typically, this strategy works best when the acquired company has a weak, dysfunctional culture and the acquiring company's culture is strong and aligned with the external environment. The cultural assimilation strategy seldom produces cultural clashes, because the acquiring firm's culture is highly respected, and the acquired firm's culture is either weak or relatively similar to the other culture.

Deculturation Assimilation is rare. Employees usually resist organizational change, particularly when they are asked to throw away personal and cultural values. Under these conditions, some acquiring companies apply a *deculturation* strategy by imposing their culture and business practices on the acquired organization. The acquiring firm strips away artifacts and reward systems that support the old culture. People who cannot adopt the acquiring company's culture often lose their jobs. Deculturation may be necessary when the acquired firm's culture doesn't work, even when employees in the acquired company aren't convinced of this. However, this strategy is difficult to apply effectively, because the acquired firm's employees resist the cultural intrusions from the buying firm, thereby delaying or undermining the merger process.

Integration A third strategy is to combine the two or more cultures into a new composite culture that preserves the best features of the previous cultures. Integration is slow and potentially risky because there are many forces preserving the existing cultures. Still, this strategy should be considered when the companies have relatively weak cultures or when their cultures include several overlapping values. Integration also works best when people realize that their company's existing culture is ineffective, which motivates them to adopt a new set of dominant values.

Separation A separation strategy occurs when the merging companies agree to remain distinct entities with minimal exchanges of culture or organizational practices. This strategy is most appropriate when the two merging companies are in unrelated industries or operate in different countries, because the most appropriate cultural values tend to differ by industry and national culture. This strategy is also relevant advice for the corporate cultures of diversified conglomerates. A cultural separation approach is rare, however. Executives

Southwest Airlines has maintained a strong customer-focused and fun-loving culture as it grew to become America's largest airline for domestic travel. But most of that growth occurred organically, whereas cultural assimilation practices were needed to assimilate employees at recently acquired AirTran Airways into the "Southwest Way." AirTran Airways executive vice president and chief commercial officer Bob Jordan believes the success and popularity of Southwest's culture has assisted this assimilation process. "It's helpful that Southwest has a great cultural reputation," says Jordan.[55]

in acquiring firms usually have difficulty keeping their hands off the acquired firm. According to one estimate, only 15 percent of mergers leave the acquired company as a stand-alone unit.[59]

Changing and Strengthening Organizational Culture

LO 14-5

Is it possible to change an organization's culture? Yes, but doing so isn't easy, the change rarely occurs quickly, and often the culture ends up changing (or replacing) corporate leaders. A few experts argue that an organization's culture "cannot be managed," so attempting to change the company's values and assumptions is a waste of time.[60] This may be an extreme view, but organizational culture experts generally agree that changing an organization's culture is a monumental challenge. At the same time, the external environment changes over time, so organizations need to shift their culture to maintain alignment with the emerging environment.

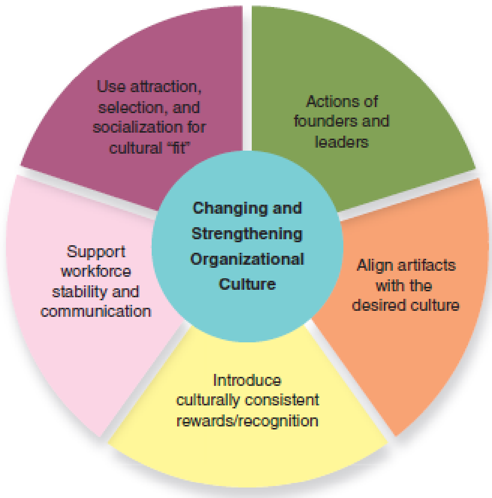
Over the next few pages, we will highlight five strategies that have had some success at altering corporate cultures. These strategies, illustrated in Exhibit 14.5, are not exhaustive, but each seems to work well under the right circumstances.

ACTIONS OF FOUNDERS AND LEADERS

An organization's culture begins with its founders and leaders.[61] You can see how leadership has influenced the organizational culture of Zappos, which we described at the beginning of this chapter. Tony Hsieh (originally an investor, and later CEO) paid close attention to the company's values, which reflected his and the company's founders values. The importance of leaders on culture was explained in the discussion of transformational leadership as well as authentic leadership in Chapter 12. In each of those models, leaders base their words and actions on personal values, and those values potentially become a reflection of the organization's values. However, arguably the most influential leader in an

EXHIBIT 14.5

Strategies for Changing and Strengthening Organizational Culture



organization's culture is the company founder. Founders form their organization's culture during its early stages and introduce ways to make that culture "stick."[62] They are often visionaries who provide a powerful role model for others to follow. The company's culture sometimes reflects the founder's personality, and this cultural imprint can remain with the organization for decades. The founder's activities are later retold as organizational stories to further reinforce the culture.

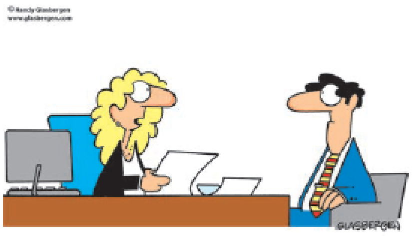
However, as Tony Hsieh discovered at an earlier company he cofounded, an organization's culture can drift away from the founder's values, so leaders must continuously monitor and reinforce the desired values. This advice was recently echoed by Bill Emerson, CEO of Quicken Loans. "If you don't spend time to create a culture in your organization, one will create itself," warns Emerson. "And the one that creates itself is probably not going to be good."[63]

ALIGN ARTIFACTS WITH THE DESIRED CULTURE

Artifacts represent more than just the visible indicators of a company's culture. They are also mechanisms that keep the culture in place or shift the culture to a new set of values and assumptions. As we discuss in the next chapter on organizational change, systems and structures are powerful mechanisms to support the desired state of affairs. These systems and structures are artifacts, such as the workplace layout, reporting structure, office rituals, type of information distributed, and language that is reinforced or discouraged. Corporate cultures are also altered and strengthened through the artifacts of stories and behaviors. According to Max De Pree, former CEO of furniture manufacturer Herman Miller Inc., every organization needs "tribal storytellers" to keep the organization's history and culture alive.[64] Leaders play a role by creating memorable events that symbolize the cultural values they want to develop or maintain.

INTRODUCE CULTURALLY CONSISTENT REWARDS AND RECOGNITION

Reward systems and informal recognition practices are artifacts, but they deserve separate discussion because of their powerful effect on strengthening or reshaping an organization's culture.[65] For example, to change Home Depot's freewheeling culture, Robert Nardelli introduced precise measures of corporate performance and drilled managers with weekly performance objectives related to those metrics. A two-hour weekly conference call became a ritual in which Home Depot's top executives were held accountable for the previous week's goals. These actions reinforced a more disciplined (and centralized) performance-oriented culture.[66]



"You seem intelligent, capable, level-headed and mature. That's a shame because I was really hoping you'd fit in here."

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SUPPORT WORKFORCE STABILITY AND COMMUNICATION

An organization's culture is embedded in the minds of its employees. Organizational stories are rarely written down; rituals and ceremonies do not usually exist in procedure manuals; organizational metaphors are not found in corporate directories. Thus, a strong culture depends on a stable workforce. Workforce stability is also important because it takes time for employees to fully understand the organization's culture and how to enact it in their daily work lives. The organization's culture can literally disintegrate during periods of high turnover and precipitous downsizing, because the corporate memory leaves with these employees. Along with workforce stability, a strong organizational culture depends on a workplace where employees regularly communicate with each other. This ongoing communication enables employees to develop a shared language, stories, and other artifacts.

Workforce stability and communication are key reasons Zappos has a strong culture. The online shoe and apparel company maintains a low rate of employee turnover due to an award-winning supportive work environment. Department managers regularly engage in team-building activities. The company holds frequent meetings and events with all staff (sometimes even shutting down the call center), so employees can talk with each other and experience their shared values. Zappos even designed its new head office (a former Las Vegas city hall) so employees necessarily intermingle with coworkers from other departments.

attraction-selection-attrition (ASA) theory
A theory which states that organizations have a natural tendency to attract, select, and retain people with values and personality characteristics that are consistent with the organization's character, resulting in a more homogeneous organization and a stronger culture.

USE ATTRACTION, SELECTION, AND SOCIALIZATION FOR CULTURAL "FIT"

The opening case study to this chapter emphasized that the most important strategy to maintain a strong corporate culture at Zappos is attracting and selecting applicants whose values fit the company's culture, and to provide further cultural socialization to the new hires. This process, along with weeding out people who don't fit the culture, is explained by **attraction-selection-attrition (ASA) theory.**[67] ASA theory states that organizations have a

natural tendency to attract, select, and retain people with values and personality characteristics that are consistent with the organization's character, resulting in a more homogeneous organization and a stronger culture.

- *Attraction.* Job applicants engage in self-selection by avoiding employment in companies whose values seem incompatible with their own values.[68] They look for subtle artifacts during interviews and through public information that communicate the company's culture. Some organizations encourage this self-selection by actively describing their cultures. At Reckitt Benckiser, for instance, applicants can complete an online simulation that estimates their fit with the British household products company's hard-driving culture. Participants indicate how they would respond to a series of business scenarios. The exercise then calculates their cultural fit score and asks them to decide whether to continue pursuing employment with the company.[69]
- *Selection.* How well the person "fits" in with the company's culture is often a factor in deciding which job applicants to hire. Companies with strong cultures often put applicants through several interviews and other selection tests, in part to better gauge the applicant's values and their congruence with the company's values.[70] At Strangeloop Networks, for example, job applicants are assessed by several employees, not just by the founders. "It is a good feeling to be involved in the hiring process," says a software developer at the company in Vancouver, Canada. "I think I feel about the culture the same way the CEO of the company does. It will grow the same way everyone here feels and wants it to."[71]
- *Attrition.* People are motivated to seek environments that are sufficiently congruent with their personal values and to leave environments that are a poor fit. This occurs because person–organization values congruence supports their social identity and minimizes internal role conflict. Even if employees aren't forced out, many quit when values incongruence is sufficiently high.[72]

connect

Visit **connect.mcgrawhill.com** for activities and test questions to help you learn about organizational socialization.

Organizational Socialization

LO 14-5

organizational socialization
The process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization.

Along with their use of attraction, selection, and attrition, organizations rely on organizational socialization to maintain a strong corporate culture. **Organizational socialization** is the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization.[74] This process can potentially change employee values to become more aligned with the company's culture. However, changing an employee's personal values is much more difficult than is often assumed, because values are fairly stable past an individual's young adulthood. More likely, effective socialization gives newcomers clearer understanding about the company's values and how they translate into specific on-the-job behaviors.[75]

Along with supporting the organization's culture, socialization helps newcomers adjust to coworkers, work procedures, and other corporate realities. Research indicates that when employees are effectively socialized into the organization, they tend to perform better, have higher job satisfaction, and remain longer with the organization.[76]

ORGANIZATIONAL SOCIALIZATION AS A LEARNING AND ADJUSTMENT PROCESS

Organizational socialization is a process of both learning and adjustment. It is a learning process because newcomers try to make sense of the company's physical workplace, social dynamics, and strategic and cultural environment. They learn about the organization's performance expectations, power dynamics, corporate culture, company history, and jargon. They also need to form successful and satisfying relationships with other people from whom they can learn the ropes.[77] Thus, effective socialization enables new employees to form a cognitive map of the physical, social, and strategic and cultural dynamics of the organization without experiencing information overload.

Organizational socialization is also an adjustment process because individuals need to adapt to their new work environment. They develop new work roles that reconfigure their social identity, adopt new team norms, and practice new behaviors.[78] The adjustment process is fairly rapid for many people, usually occurring within a few months. However, newcomers with diverse work experience seem to adjust better than those with limited previous experience, possibly because they have a larger toolkit of knowledge and skills to make the adjustment possible.[79]

ORGANIZATIONAL SOCIALIZATION AND PSYCHOLOGICAL CONTRACTS

For 14 years, John Kolliopoulos was a loyal employee at a major department store chain. The information technology (IT) expert was proud to be employed there, and he worked hard to perform his job. Then, one day, he and other IT department employees learned that management had outsourced the entire IT department. "All those feelings of loyalty went away when we were shown the door," recalls Kolliopoulos, who now works for an IT company. "Now I no longer have any sense of faith or trust in any employer."[80]

John Kolliopoulos and his coworkers experienced the shock of having their psychological contract violated. The **psychological contract** refers to the individual's beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party (the employer, in most work situations). The psychological contract is a perception formed during recruitment and throughout the organizational socialization process about what the employee is entitled to receive and is obliged to offer the employer in return.[81]

Job applicants form perceptions of what the company will offer them by way of career and learning opportunities, job resources, pay and benefits, quality of management, job security, and so forth. They also form perceptions about what the company expects from them, such as hours of work, continuous skill development, and demonstrated loyalty. For example, John Kolliopoulos believed that his psychological contract included long-term employment in return for hard work and loyalty to his employer. The psychological contract continues to develop and evolve after job applicants become employees, but they are also continuously testing the employer's fulfillment of that exchange relationship.

psychological contract
The individual's beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party (typically an employer).

Types of Psychological Contracts Some psychological contracts are more transactional, whereas others are more relational.[82] Transactional contracts are primarily short-term economic exchanges. Responsibilities are well defined around a fairly narrow set of obligations that do not change over the life of the contract. People hired in temporary positions and as consultants tend to have transactional contracts. To some extent, new employees also form transactional contracts until they develop a sense of continuity with the organization.

Relational contracts, on the other hand, are rather like marriages; they are long-term attachments that encompass a broad array of subjective mutual obligations. Employees with a relational psychological contract are more willing to contribute their time and effort without expecting the organization to pay back this debt in the short term. Relational contracts are also dynamic, meaning that the parties tolerate and expect that mutual obligations are not necessarily balanced in the short-run. Not surprisingly, organizational citizenship behaviors are more likely to prevail under relational than transactional contracts. Permanent employees are more likely to believe they have a relational contract.

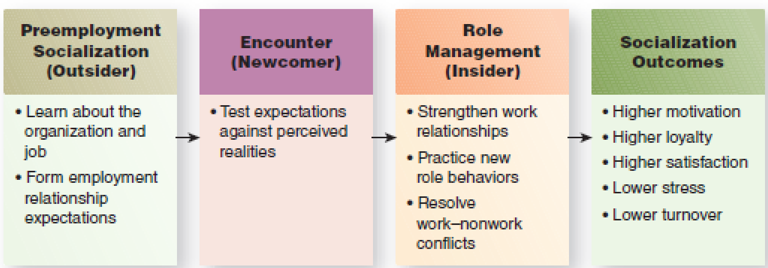
STAGES OF ORGANIZATIONAL SOCIALIZATION

Organizational socialization is a continuous process, beginning long before the first day of employment and continuing throughout one's career within the company. However, it is most intense when people move across organizational boundaries, such as when they first join a company or get transferred to an international assignment. Each of these transitions is a process that can be divided into three stages. Our focus here is on the socialization of new employees, so the three stages are called pre-employment socialization, encounter, and role management (see Exhibit 14.6). These stages parallel the individual's transition from outsider to newcomer and then to insider.[83]

Stage 1: Pre-Employment Socialization Think back to the months and weeks before you began working in a new job (or attending a new school). You actively searched for information about the company, formed expectations about working there, and felt some anticipation about fitting into that environment. The pre-employment socialization stage encompasses all the learning and adjustment that occurs before the first day of work. In fact, a large part of the socialization adjustment process occurs during this stage.[84]

The main problem with pre-employment socialization is that outsiders rely on indirect information about what it is like to work in the organization. This information is often distorted by inherent conflicts during the mating dance between employer and applicant.[85] One conflict occurs between the employer's need to attract qualified applicants and the applicant's need for complete information to make accurate employment decisions. Many firms use a "flypaper" approach, describing only positive aspects of the job and company, which causes applicants to accept job offers from incomplete or false expectations. Another conflict that prevents the accurate exchange of information occurs when applicants avoid asking important questions about the company because they want to convey a favorable image to their prospective employer. For instance, applicants usually don't like to ask about starting salaries and promotion opportunities because it

EXHIBIT 14.6 Stages of Organizational Socialization



makes them seem greedy or aggressive. Yet unless the employer provides this information, applicants might fill in the missing details with false assumptions that produce an inaccurate psychological contract.

Two other types of conflict tend to distort pre-employment information for employers. Applicants engage in impression management when seeking employment, and this tends to motivate them to hide negative information, act out of character, and occasionally embellish information about their past accomplishments. At the same time, employers are sometimes reluctant to ask certain questions or use potentially valuable selection devices because they might scare off applicants. Unfortunately, exaggerated résumés from applicants and reluctance to ask for more delicate information causes employers to form a less accurate opinion of the job candidate's potential as an employee.

Stage 2: Encounter The first day on the job typically marks the beginning of the encounter stage of organizational socialization. This is the stage in which newcomers test how well their pre-employment expectations fit reality. Many companies fail the test, resulting in **reality shock** —the stress that results when employees perceive discrepancies between their pre-employment expectations and on-the-job reality.[86] Reality shock doesn't necessarily occur on the first day; it might develop over several weeks or even months as newcomers form a better understanding of their new work environment.

Reality shock is common in many organizations.[87] Unmet expectations sometimes occur because the employer is unable to live up to its promises, such as failing to provide challenging projects or the resources to get the work done. Reality shock also occurs because new hires develop distorted work expectations through the information exchange conflicts described above. Whatever the cause, reality shock impedes the socialization process because the newcomer's energy is directed toward managing the stress rather than learning and accepting organizational knowledge and roles.[88]

Stage 3: Role Management Role management, the third stage of organizational socialization, really begins during pre-employment socialization, but it is most active as employees make the transition from newcomers to insiders. They strengthen relationships with coworkers and supervisors, practice new role behaviors, and adopt attitudes and values consistent with their new positions and the organization. Role management also involves resolving the conflicts between work and nonwork activities, including resolving discrepancies between their personal values and those emphasized by the organizational culture.

IMPROVING THE SOCIALIZATION PROCESS

One potentially effective way to improve the socialization process is through a **realistic job preview (RJP)**—a balance of positive and negative information about the job and work context.[89] Unfortunately, as mentioned earlier, many companies overpromise. They often exaggerate positive features of the job and neglect to mention the undesirable elements in the hope that the best applicants will get "stuck" on the organization.

In contrast, an RJP helps job applicants decide for themselves whether their skills, needs, and values are compatible with the job and organization. Although RJPs scare away some applicants, they also tend to reduce turnover and increase job performance.[90] This occurs because RJPs help applicants develop more accurate pre-employment expectations, which minimize reality shock. The RJPs represent a type of vaccination, by preparing employees for

reality shock
The stress that results when employees perceive discrepancies between their pre-employment expectations and on-the-job reality.

realistic job preview (RJP)
A method of improving organizational socialization in which job applicants are given a balance of positive and negative information about the job and work context.

Facebook has expanded worldwide as its popularity has increased. To maintain its unique culture, the social media company dispatches a "landing team" of current employees to each new site. The main objective of the landing teams is "a transfer of knowledge and of culture to make sure we're spreading our own unique Facebook culture in different offices around the world," says a landing team member who opened the office in Hyderabad, India. The landing team carefully selects applicants for their compatibility with that culture and coaches newcomers on the Facebook way of life.[92]

the more challenging and troublesome aspects of work life. There is also some evidence that RJPs increase organizational commitment. A possible explanation is that companies providing candid information are easier to trust. They also show respect for the psychological contract and concern for employee welfare.[91]

Socialization Agents Ask new employees what most helped them adjust to their jobs, and chances are they will mention helpful coworkers, bosses, or maybe even friends who work elsewhere in the organization. The fact is, socialization occurs mainly through these socialization agents.[93] Supervisors tend to provide technical information, performance feedback, and information about job duties. They also improve the socialization process by giving newcomers reasonably challenging first assignments, buffering them from excessive demands, helping them form social ties with coworkers, and generating positive emotions around their new work experience.[94]

Coworkers are important socialization agents because they are easily accessible, can answer questions when problems arise, and serve as role models for appropriate behavior. New employees tend to receive this information and support when coworkers welcome them into the work team. Coworkers also aid the socialization process by being flexible and tolerant in their interactions with new hires.

Several organizations rely on a "buddy system," whereby newcomers are assigned to coworkers as sources of information and social support. Meridian Technology Centre in Stillwater, Oklahoma, has a buddy system in the socialization of new staff members. Buddies introduce new hires to other employees, give them campus tours, and generally familiarize them with the physical layout of the workplace. They have lunch with employees on their first day and meet weekly with them for their first two months. Cxtec, the networking and voice technology company in Syracuse, New York, helps new staff meet other employees through food. On the first Friday of each month, new staff members take charge of the doughnut cart, introducing themselves as they distribute the morning snack to the company's 350 employees.[95] Collectively, these practices help newcomers form social networks, which are powerful means of gaining information and influence in the organization.

chapter summary

14-1 Describe the elements of organizational culture and discuss the importance of organizational subcultures.

Organizational culture consists of the values and assumptions shared within an organization. Shared assumptions are nonconscious, taken-for-granted perceptions or beliefs that have worked so well in the past that they are considered the correct way to think and act toward problems and opportunities. Values are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations.

Organizations differ in their cultural content, that is, the relative ordering of values. There are several classifications of organizational culture, but they tend to oversimplify the wide variety of cultures and completely ignore the underlying assumptions of culture. Organizations have subcultures as well as the dominant culture. Subcultures maintain the organization's standards of performance and ethical behavior. They are also the source of emerging values that replace misaligned core values.

14-2 List four categories of artifacts through which corporate culture is deciphered.

Artifacts are the observable symbols and signs of an organization's culture. Four broad categories of artifacts include organizational stories and legends, rituals and ceremonies, language, and physical structures and symbols. Understanding an organization's culture requires the assessment of many artifacts, because they are subtle and often ambiguous.

14-3 Discuss the importance of organizational culture and the conditions under which organizational culture strength improves organizational performance.

Organizational culture has three main functions: a form of social control, the "social glue" that bonds people together, and a way to help employees make sense of the workplace. Companies with strong cultures generally perform better than those with weak cultures, but only when the cultural content is appropriate for the organization's environment. Also, the culture should not be so strong that it drives out dissenting values, which may form emerging values for the future. Organizations should have adaptive cultures so that employees support ongoing change in the organization and their own roles.

14-4 Compare and contrast five strategies for merging organizational cultures.

Organizational culture clashes are common in mergers and acquisitions. This problem can be minimized by performing a bicultural audit to diagnose the compatibility of the organizational cultures. The four main strategies for merging different corporate cultures are integration, deculturation, assimilation, and separation.

14-5 Describe five strategies for changing and strengthening an organization's culture, including the application of attraction-selection-attrition theory.

An organization's culture begins with its founders and leaders, because they use personal values to transform the organization. The founder's activities are later retold as organizational stories. Companies also introduce artifacts as mechanisms to maintain or change the culture. A related strategy is to introduce rewards and recognition practices that are consistent with the desired cultural values. A fourth method to change and strengthen an organization's culture is to support workforce stability and communication. Stability is necessary because culture exists in employees. Communication activities improve sharing of the culture. Finally, companies strengthen and change their culture by attracting and selecting applicants with personal values that fit the company's culture, by encouraging those with misaligned values to leave the company, and by engaging in organizational socialization—the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization.

14-6 Describe the organizational socialization process and identify strategies to improve that process.

Organizational socialization is the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization. It is a process of both learning and adjustment. During this process, job applicants and newcomers develop and test their psychological contract—personal beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party (the employer).

Employees typically pass through three socialization stages: pre-employment, encounter, and role management. To manage the socialization process, organizations should introduce realistic job previews (RJPs) and recognize the value of socialization agents in the process. These RJPs give job applicants a realistic balance of positive and negative information about the job and work context. Socialization agents provide information and social support during the socialization process.

key terms

adaptive culture, p. 406
artifacts, p. 402
attraction-selection-attrition (ASA) theory, p. 413
bicultural audit, p. 409
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