ORGANIZATIONAL CULTURE

Organizational culture consists of those socially acquired rules of conduct that are shared by members of the organization. Some researchers believe that some aspects of an organization's culture are so intangible and pervasive that even the members of the organization cannot be expected to describe them accurately. Nevertheless, an understanding of organizational culture is essential to building effective organizations. Like the powerful undercurrents of ocean tides and rivers that move mighty ships, or the hidden icebergs that can destroy these ships, an organization's culture affects the entire organization. Human resource activities play a central role in creating and maintaining an organization's culture.

Culture defines the basic organizational values and communicates to new members the correct ways to think and act and how things ought to be done. Culture enhances the stability of the organization and helps members interpret organizational activities and events. The focus of culture is to provide members with a sense of identity and to generate within them a commitment to the beliefs and values of the organization.

Climate versus Culture

Each organization has its own unique constellation of characteristics and properties that comprise its culture and climate. Although these terms are used interchangeably and refer to similar phenomena, a subtle distinction is often made regarding their permanence: **culture** generally refers to organizational rules and beliefs that are relatively enduring and resistant to change, whereas **climate** describes characteristics that are temporary and capable of being changed. The weather has been used as a popular analogy to explain these differences. Like daily weather patterns, organizational climate (employee attitudes) can fluctuate from time to time because of organizational changes. Culture, however, is like the seasons of the year; the seasons change slowly over time and are associated with stable and enduring weather characteristics that transcend daily variations. Climate typically refers to people's attitudes and how they feel about the organization. While climate can be measured quantitatively by asking employees to complete a climate survey, culture is usually measured qualitatively using the ethnographic research methods from anthropology. Most of the opinion surveys that are administered by human resource managers would be considered climate surveys.[120]

Levels of Organizational Culture

Organizational culture is difficult to understand because it includes virtually every aspect of the organization and the most important elements of culture are not visible. Culture can be studied from four very different levels of analysis: artifacts, norms, values, and underlying assumptions.

Cultural artifacts are tangible aspects of culture – the behaviors, language, and physical symbols – that we can perceive with our senses and that reflect the rules and core beliefs of the organization's culture. Many of these symbols are readily apparent to anyone who visits an organization and observes its surroundings, such as the furnishings in the buildings and

the dress and grooming standards of the employees. Ceremonies and rituals are also illustrations of cultural artifacts that reflect the rules governing behavior in the organization.

Shared norms are the situation-specific rules that are often not directly visible but can be inferred from the organization's artifacts. Key norms can often be determined by the degree of consistency in how group members act. For example, if the majority of team members report to committee meetings five or ten minutes late, we can infer that being on time is not an important norm. Some norms are explicitly defined in employee manuals along with penalties for violating them.

Cultural values represent the collective beliefs, ideals, and feelings of members about the things that are good, proper, valuable, and right. Unlike the situation-specific nature of norms, values are broader rules that are applied across situations. Values are often identified in statements of corporate values or management philosophy.

Companies have multiple values and four criteria are used to examine their usefulness: values should be viable (feasible in the current business environment), balanced (relative to the importance of each other), aligned (consistent with each other), and authentic (sincerely and genuinely espoused). If a value, such as "respond immediately to every patient request" is not feasible, then it is not viable. If undue emphasis is placed on it while other values are suppressed, it is not balanced. If it is inconsistent with other values, it is not aligned. And, if no one really believes in it, it is not authentic.[121]

When members behave in ways that are inconsistent with the organization's values there is a discrepancy between the "ideal values" and the "real values." This discrepancy may be so great that it causes people to become disillusioned with the organization and has a negative impact on morale. For example, employees experience cynicism and low morale when a company publicly says that it values "serving the customer" but fails to provide employees with the necessary training or resources to serve customers well.

Shared assumptions provide a foundation for how people think about what happens in organizations and represent the deepest level of culture. These assumptions represent beliefs about reality and human nature that are taken for granted and are deeply embedded in the way we understand and interpret daily life. Consequently, shared assumptions are the most difficult to study. Some examples of shared assumptions are whether we think people are basically good or bad, whether we think relationships should be hierarchical or equal, and whether we think we are masters of our environment or we should live in harmony with the environment.

Human resource policies are a reflection of these shared assumptions. For example, when HR managers assume that the employees are lazy and can't be trusted to do their work, they rely on a variety of control mechanisms, such as time sheets, spot checks, and harsh punishment for mistakes. These artifacts reflect norms and values of distrust and high control on the part of the HR manager. The culture of a firm would be quite different, however, if it were based on the assumption that all employees could be trusted to work hard and make significant contributions to the organization. Uncovering these tacit assumptions is an important part of cultural analysis.

Development of Culture

Since culture involves a complex configuration of shared artifacts, norms, values, and assumptions, it cannot simply be dictated by top management. Indeed, many researchers argue that the pronouncements and speeches of top management have a very small impact on the real things that reflect an organization's culture – its ceremonies, stories, symbols, and slogans.[122] An organization's culture is not created by any single person or event, but by a complex combination of forces that include the visions of the founders, the expectations of leaders, the contributions of organizational members, and the way the organization has historically responded to problems of internal integration and external adaptation.

Expectations of Founders and Leaders
Founders have a large influence on the culture of an organization, especially in the beginning. Their expectations, their decisions, how they treat people, how they spend their time, and what they value have a major impact on what employees value and how outsiders perceive the organization. Unless the founder's influence becomes institutionalized, however, the impact of a founder diminishes as the organization grows.

Later in the life of the organization, its culture will reflect a complex mixture of the assumptions and values of the founder as well as other early leaders. Current leaders can also have a significant impact on creating or changing an organization's culture, especially by the example they set. Because leaders are so visible, their actions and comments are observed by people both in and out of the organization. The leadership style of a CEO is often imitated by other managers and supervisors throughout an organization. Great transformational leaders have the capacity to create a new vision and inspire members to change how they think about the organization.[123]

Member Contributions
The members of an organization bring with them their own personal cultures which come from their families, their communities, their religions, any professional associations to which they belong, and their nationalities. Since the actions of members impact an organization's culture, it is constantly changing in small ways as people come and go. Some individuals are cantankerous, unhappy souls who find endless opportunities to complain. These people create an unpleasant work environment that is very destructive and difficult to change as long as they are there. Other individuals are unselfish and altruistic and find genuine satisfaction in performing random acts of kindness. These people create a happy and satisfying work environment that is contagious and spreads to other coworkers.

Historical Accommodations
Every organization has to confront two major challenges that impact the development of its culture: (a) external adaptation and (b) internal integration.[124] **External adaptation** refers to the way an organization survives by coping with a constantly changing external environment. Some of the most important issues that demonstrate external adaptation are: What major crises has the organization confronted and how did it deal with them? How has the organization changed its strategy, structure, technology, or leadership to accommodate external changes? How did these changes affect the organization?

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

Maintaining Organizational Culture

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

Employee Selection and Discipline

Organizations tend to hire people who match their culture; they want employees who will fit in and adapt to the organization's culture. Recruitment and selection procedures are designed to identify not just the specific skills and talents of job applicants, but also their personalities and interests. The organization then maintains its culture by disciplining or even terminating employees who consistently deviate from accepted norms and practices. Thus, discipline procedures also become an important instrument for maintaining cultural values.

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

Reward and Status Allocation

An organization's reward system can either maintain or change its culture. The rewards and punishments attached to various behaviors convey to employees the priorities and values of both individual managers and the organization. A dramatic change in an organization's reward system can make a significant change in its culture almost overnight.

Leader Reactions

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

1. *Spend time on activities that are important*. The amount of time an administrator spends on an activity communicates a message regarding the importance of that goal or function.
2. *Change or enhance the setting*. A new setting conveys the feeling that something new is happening. An enhanced setting with more elaborate furnishings generally means that the activity is more consequential and important.
3. *Review and interpret history*. Events have meaning only through our interpretations of them. The most important interpretations are those derived from a historical analysis that demonstrates a consistent line of meaning and direction. If current events appear to be consistent with historic trends, it is easier to obtain a consensus on a chosen course of action. For example, wage cuts and extra hours are more acceptable if it can be shown that the employees have always responded with loyalty and sacrifice during hard times.
4. *Establish a dominant value expressed in a simple phrase*. A simple phrase, one that reflects a dominant value and is easily remembered, can influence the behavior of organizational members by creating a consensus about appropriate behavior. For example, a simple slogan such as "Pride in performance brings excellence in service" can mobilize support for greater organizational commitment and dedication to work.

Rites and Ceremonies
Rites and ceremonies provide opportunities to reward and recognize employees whose behavior is congruent with the values of the company and they are conducted for their benefit. They are also special occasions when managers can reinforce specific values and beliefs. These occasions provide an opportunity to recognize heroes and induct them into the organization's hall of fame.

Stories and Symbols
Organizational stories have a profound impact on culture regardless of whether they are true or false. Most stories are narratives based on true events that are shared among employees and told to new members to inform them about the organization. Some stories are considered legends because the events are historic, but may have been embellished with fictional details. Other stories may be **organizational myths**: not supported by facts, but directionally consistent with the values and beliefs of the organization. Stories are important because they preserve the primary values of the organization and promote a shared understanding among all employees.

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

Reactions to Problems
The way managers and employees respond to a crisis reveals much about an organization's culture. When problems arise and employees do not have standard operating procedures

telling them what to do or an opportunity to consult upper management to seek direction, they are forced to rely on their understanding of the organization's culture to do what they think is best.

The way managers and employees respond to a crisis also has the potential to create or change an organization's culture. The way in which a crisis is handled can either reinforce the existing culture or generate new values and norms that change the culture in some way. For example, a company facing a dramatic reduction in demand for its products might react by laying off or firing employees. This reaction would communicate an important message that people are not very highly valued, regardless of how reasonable the terminations were or how well they were explained. Or the company might reduce employee hours or pay and ask employees to sacrifice temporarily while the company experienced an economic correction.

Changing Organizational Culture

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

Changing an organization's culture is considerably more dramatic and difficult than modifying other parts of a system. Acquiring new artifacts and symbols may not be too difficult; it may even be possible to change some group norms and patterns of behavior. But at the deepest level, a culture change requires alteration of the basic assumptions of the organization in its essential character. The following steps have been suggested for changing an organization's culture.[125]

1. *Conduct a culture audit*. The first step involves diagnosing the culture and subcultures within the organization. What are the current values and behaviors and are there discrepancies between espoused beliefs and actual behavior? The goal of the diagnosis is to develop an accurate "map" of the culture, which generally requires extensive interviewing rather than written surveys.

2. *Assess the need for change*. Change is needed if the current culture is not solving problems of integration or adaptation, or if it is harming people in the organization. As organizations grow and evolve, their cultures may become incompatible with the changing circumstances. Values and beliefs that may have been appropriate for a smaller company may be dysfunctional in a larger company.

3. *Unfreeze the current culture*. Change efforts are much more successful when there is a perceived need for change that compels people to consider something new. Most instances of significant cultural change are not planned; they accompany sudden and cataclysmic events, such as the death or retirement of the founder, a decision to merge or sell the business, dramatic changes in growth or profitability, major technological changes, or fundamental changes in the strategy or structure. These events tend to "unfreeze" or destabilize the entire cultural system and prepare it to consider a major restructuring of the assumptions, values, and beliefs.

4. *Elicit support from the cultural elite.* Top management and other opinion leaders compose the "cultural elite" in an organization; they are the ones who interpret events for members and establish the rules of conduct.

5. *Implement an intervention strategy.* Possible interventions include team-building meetings, revising the training and development activities, installing new reward systems, changing the organizational structure, rewriting the mission statement, creating new group norms, developing a new language and metaphors, and negotiating new roles. The replacement of key individuals who hold the "old" beliefs may also be necessary.

6. *Monitor and evaluate.* Cultural change is incremental and rarely occurs quickly. A system for monitoring and evaluating the transition to a new set of values and beliefs can provide an ongoing process of transitional change.

Test Your Knowledge

1. Can you explain the difference between organizational climate and culture?

2. Can you list and explain the four levels of organizational culture?

3. Can you describe how an organizational culture develops?

4. Can you list the forces that contribute to maintaining an organization's culture?

5. Can you describe the steps for changing an organization's culture?