

CHAPTER SIXTEEN

Organizational Culture

Learning Objectives

After reading this chapter, you should be able to:

- Describe the elements of organizational culture.
- Discuss the importance of organizational subcultures.
- List four categories of artifacts through which corporate culture is communicated.
- Identify three functions of organizational culture.
- Discuss the conditions under which cultural strength improves corporate performance.
- Discuss the effect of organizational culture on business ethics.
- Compare and contrast four strategies for merging organizational cultures.
- Identify five strategies to strengthen an organization's culture.

To an outsider, PeopleSoft is one of the loopyest places on the planet. The Pleasanton, California, business management software company has nerf ball shootouts and minigolf tournaments in the hallways. Dress-down day is every day of the week. A white collar is usually a T-shirt. The bagels and gourmet coffee are free.

Having fun is so ingrained that many employees—called PeoplePeople—say it’s the best place to have a bad day.

PeopleSoft also values egalitarianism—treating everyone with respect and minimal status differences. Executives don’t have secretaries, special perks, or grandiose offices. “Don’t kiss up and slap down,” PeopleSoft co-founder Dave Duffield reminds everyone. In other words, give the bagel delivery guy the same respect as the company president.

PeopleSoft is also extreme on technology and flexible customer service. Job applicants use an automated voice response system to accept their job offer. On the first day of work, newcomers are outfitted with a notebook computer and a backpack. They also receive tools for posting personal web pages on the company intranet. “There’s an unstated expectation that this is how things are done at the company,” says Steve Zarate, PeopleSoft’s chief information officer.

This corporate culture has contributed to PeopleSoft’s success. The company has grown faster than SAP and Oracle and is now the second largest provider of business management software (after SAP). “Our true competence is our culture,” explains Dave Duffield. “That’s what attracts people and keep them here. It also helps sell customers. Customers want to work with companies that are competent, trustworthy, and fun.”¹



Nerf ball shootouts and minigolf tournaments in the hallways reveal some of PeopleSoft’s corporate culture.

[K. Miller. Used with permission.]

organizational culture copy to come



peopleSoft has a distinctive organizational culture. Moreover, it is a culture that seems to work well for the computer software firm's competitiveness. **Organizational culture** is the basic pattern of shared assumptions, values, and beliefs considered to be the correct way of thinking about and acting on problems and opportunities facing the organization. It defines what is important and unimportant in the company. You might think of it as the organization's DNA—invisible to the naked eye, yet a powerful template that shapes what happens in the workplace.²

This chapter begins by examining the elements of organizational culture and how culture is deciphered through artifacts. This is followed by a discussion of the relationship between organizational culture and corporate performance, including the effects of cultural strength, fit, and adaptability. Then we turn to the issue of mergers and corporate culture. The last section of this chapter looks at specific strategies for maintaining a strong organizational culture.

Elements of Organizational Culture

mental models copy to come

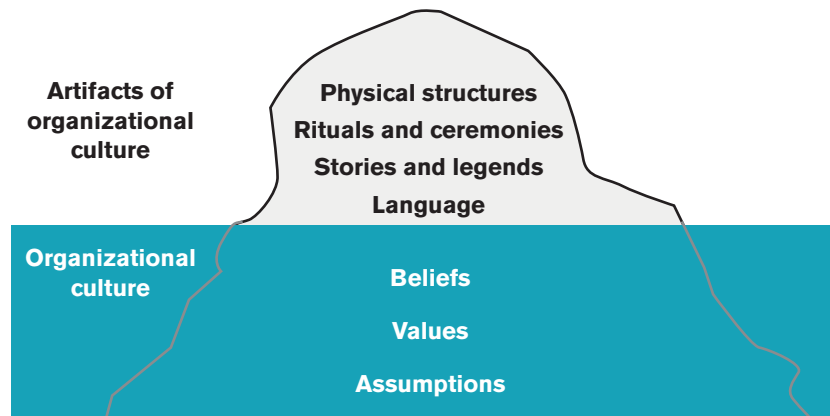
As we see in Exhibit 16.1, the assumptions, values, and beliefs that represent organizational behavior operate beneath the surface of organizational behavior. They are not directly observed, yet their effects are everywhere. Assumptions represent the deepest part of organizational culture because they are unconscious and taken for granted. Assumptions are the shared **mental models** that we discussed in Chapter 6—the broad worldviews or theories-in-use that people rely on to guide their perceptions and behaviors.

Consider two organizations with different “absence cultures.”³ Absence cultures exist where employees have a shared understanding about taking time away from regularly scheduled work. In one company, employees assume that sick leave is their right to use, whether or not they are sick. At another company, sick leave is reserved for real illnesses; people would not imagine taking paid time off unless they were truly sick. In both firms, assumption about taking sick leave are ingrained, taken for granted.

values copy to come

An organization's cultural beliefs and values are somewhat easier to decipher than assumptions because people are aware of them. *Beliefs* represent the individual's perceptions of reality. **Values** are more stable, long-lasting beliefs about what is important. They help us define what is right or wrong, or good or bad, in the world (see Chapter 7).⁴ In some organizations, playing nerf ball and wearing T-shirts is considered inappropriate and evidence of poor

Exhibit 16.1
Elements of organizational culture



performance. But PeopleSoft's values support the fun side of work and the egalitarianism of casual dress code.

We can't determine an organization's cultural values just by asking employees and other people about them. Values are socially desirable, so what people say they value (called *espoused values*) may differ from what they truly value (*enacted values*).⁵ Espoused values do not represent an organization's culture. Rather, they establish the public image that corporate leaders want to display. Enacted values, on the other hand, are values-in-use. They are the values that guide individual decisions and behavior in the workplace.

Content of Organizational Culture

Organizations differ in their cultural content; that is, the relative ordering of beliefs, values, and assumptions. Consider the following companies and their apparent dominant cultures:

- *Nokia Corp.*—Responsive and collegial best describes the corporate culture of Nokia Corp. The Helsinki, Finland, conglomerate is a leader in popular cellular telephones. But don't expect employees to personally take credit for their own successes. Unlike the "me first" cultures found in other high technology firms, Nokia emphasizes understated collegiality. "We don't snap our suspenders," says Nokia CEO Jorma Ollila.⁶

- *Amazon.com*—Frugality is clearly a corporate value at Amazon.com. Beyond the online bookseller's popular web site is a drab 1960s four-story headquarters in downtown Seattle. Everyone's desks are made from doors (total cost: \$130). Monitors are propped up on telephone books to avoid paying for monitor stands. Extra chairs are considered an extravagance. "By watching your overhead you can spend more on business expansion," explains Amazon.com founder and CEO Jeff Bezos.⁷

- *Mattel, Inc.*—Mattel makes Barbie dolls, but its corporate culture is so competitive that some say that it looks more like a war zone for GI Joe. "It has always been a place where people are pitted against each other," says a former Mattel executive. "It's a shark pond. You throw people in and see if they can swim fast enough to stay alive."⁸

Responsive and collegial. Frugal. Competitive. How many corporate cultural values are there? No one knows for certain. There are dozens of individual and cross-cultural values, so there are likely to be just as many organizational values. Some writers and consultants have attempted to classify organizational cultures into a few categories with catchy labels such as "clubs" and "fortresses." Although these typologies might reflect the values of a few organizations, they oversimplify the diversity of cultural values in organizations. Worse, they tend to distort rather than clarify our attempts to diagnose corporate culture.

Organizational Subcultures

When discussing organizational culture, we are actually referring to the *dominant culture*; that is, the themes shared most widely by the organization's members. However, organizations are also comprised of *subcultures* located throughout its various divisions, geographic regions, and occupational groups.¹⁰ Some subcultures enhance the dominant culture by espousing parallel assumptions, values, and beliefs; others are called *countercultures* because they directly oppose the organization's core values.

Subcultures, particularly countercultures, potentially create conflict and dissension among employees, but they also serve two important functions. First, they maintain the organization's standards of performance and ethical behavior. Employees who hold countercultural values are an important source

Hewlett Packard (HP) is a global organization with a corporate culture that is spread to employees around the world. Whether at HP's Far East distribution center in Singapore (*shown at right*) or at research labs in Cupertino, California, employees live by five well-established values known as "The HP Way." These values include trust and respect for individuals, a focus on achievement and contribution, the conduct of business with uncompromising integrity, achievement of common objectives through teamwork, and encouragement of flexibility and innovation.⁹ How might HP and other companies with global operations instill a common culture in several countries? What challenges would they experience?

[Courtesy of Hewlett-Packard]



of surveillance and evaluation of the dominant order.¹¹ They encourage constructive controversy and more creative thinking about how the organization should interact with its environment. Subcultures prevent employees from blindly following one set of values and thereby help the organization to abide by society's ethical values.

The second function of subcultures is that they are the spawning grounds for emerging values that keep the firm aligned with the needs of customers, suppliers, society, 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

artifacts copy to come

We can't see an organization's cultural assumptions, values, and beliefs directly. Instead, as Exhibit 16.1 illustrated, organizational culture is deciphered indirectly through **artifacts**. Artifacts are the observable symbols and signs of an organization's culture, such as the way visitors are greeted, the physical layout, and how employees are rewarded.¹² "You show your corporate culture in everything—the way the building looks, the way people act, the names of the conference rooms," said Joe Kraus, a cofounder of Excite, an Internet gateway and search engine company in Redwood City, California.¹³

Understanding an organization's culture requires painstaking assessment of many artifacts because they are subtle and often ambiguous.¹⁴ The process is

very much like an anthropological investigation of a newfound society. Some scholars extract organizational values from the narratives of everyday corporate life.¹⁵ Others survey employees, observe workplace behavior, and study written documents. We probably need to do all of these things to accurately assess an organization's culture. We should be cautious about public statements regarding a company's culture because they are often the company's own public relations pronouncements of its espoused values. With this in mind, let's consider four broad categories of artifacts: organizational stories and legends, rituals and ceremonies, language, and physical structures and symbols.

Organizational Stories and Legends

Many years ago, so the story goes, a security guard stopped IBM CEO Thomas Watson, Jr., as he was about to enter an area without his identification badge. Watson explained who he was, but the guard insisted that a badge must be worn in secured areas of the building. Rather than discipline the guard, Watson praised him and used this experience to tell others about performing their job well. Stories and legends like this about past corporate incidents serve as powerful social prescriptions of the way things should (or should not) be done. They provide human realism to individual performance standards and use role models to demonstrate that organizational objectives are attainable.

Not all stories and legends are positive. Contrast the IBM story with the following incident at Revlon Corporation. Charles Revson, CEO of the cosmetics manufacturer, seldom arrived at work much before noon, yet he insisted that everyone else arrive on time and complete a sign-in sheet to prove their promptness. One day, Revson picked up the sign-in sheet, but a new receptionist stopped him under strict orders that the sheet must not be removed. After some argument, Revson asked: "Do you know who I am?" When the receptionist answered that she didn't, Revson responded: "Well, when you pick up your final pay check this afternoon, ask 'em to tell ya.'" The lessons here? IBM's story advises employees to obey rules, whereas the Revlon story says "Obey rulers!"¹⁶

Four Seasons Hotels and Resorts hires, trains, and rewards employees for superior customer service. Yet founder Isadore Sharp will tell you that the company's legendary service is also ingrained in Four Seasons' corporate culture. There is certainly evidence of the customer service value in stories and legends. One story recounts an incident in which rock star Rod Stewart called Four Seasons staff while he was a guest to find someone to play the bagpipes in his suite. The employees were able to find a willing bagpipe player, even though Stewart phoned in the request at midnight!¹⁷ In what ways do these stories and legends support organizational culture?
[Courtesy of Fours Seasons Hotels and Resorts.]



Organizational stories and legends are most effective at communicating cultural values when they describe real people, are assumed to be true, and are known by employees throughout the organization. Organizational culture stories are also prescriptive—they advise people what to do or not to do.¹⁸ Research on organizational stories reveals that they tend to answer one or more of the following questions: How does the boss react to mistakes? What events are so important that people get fired? Who, if anyone, can break the rules? How do people rise to the top of this organization? How much help can employees expect from the organization for transfers and other events? How will the organization deal with crises?¹⁹

Rituals and Ceremonies

Soon after moving from IBM to Digital Equipment Corporation (now part of Compaq Computer Corp.) several years ago, Peter DeLisi noticed that Digital employees seemed to fight a lot with each other. “Shouting matches were a frequent occurrence, and I came to conclude that Digital people didn’t like one another,” recalls the marketing executive.²⁰ Eventually, DeLisi learned that Digital employees didn’t dislike each other, but were engaging in the ritual of “pushing back”—defending ideas until truth ultimately prevailed. These apparent conflicts were rituals that reinforced the computer firm’s value in constructive conflict. **Rituals** are the programmed routines of daily organizational life that dramatize the organization’s culture. Along with shouting matches at Digital, rituals 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.

rituals copy to come

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.²¹ Many firms deliberately use ceremonies to reinforce and communicate the organization’s core values. For instance, all 75 employees at Fitzgerald Communications, Inc., received wallet-sized cards describing the company’s core values: true partnerships, never compromising integrity, and engaging in direct communication. Twice each year, the Cambridge, Massachusetts, public relations firm holds an award ceremony honoring employees who have best exemplified those values.²²

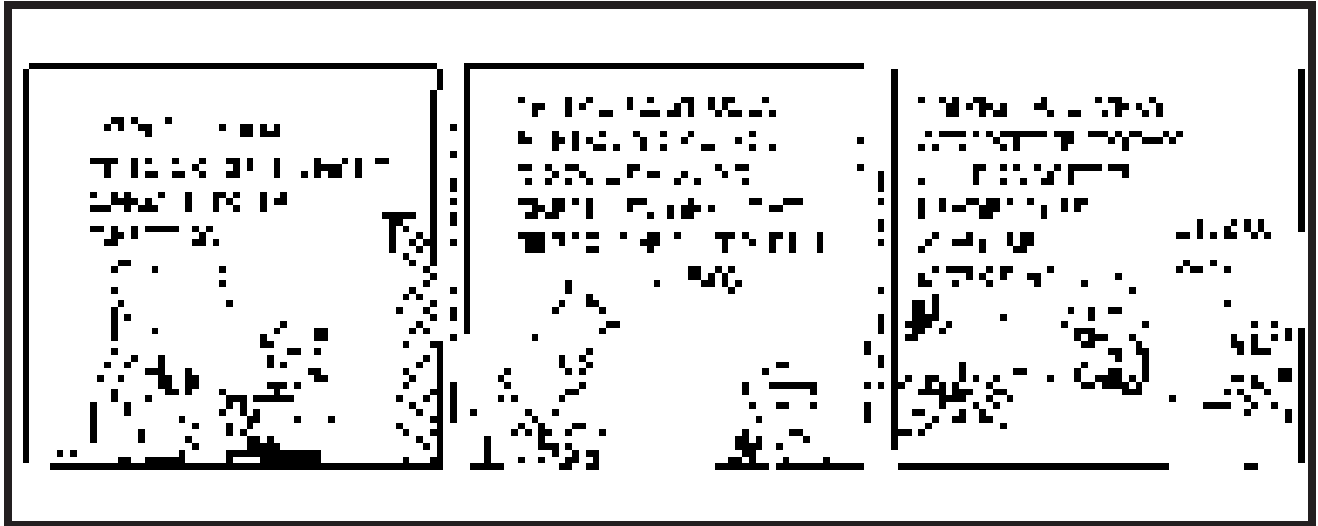
ceremonies copy to come

Organizational Language

The language of the workplace speaks volumes about the company’s culture. For instance, when Monsanto Company CEO Robert Shapiro met with American Home Products CEO John Stafford about a possible merger, Monsanto employees referred to “Bob,” whereas American Home Products executives addressed “Mr. Stafford.”²³ Monsanto’s egalitarian culture and American Home’s hierarchical culture were soon evident to everyone in these meetings.

Language also highlights values held by organizational subcultures. This was recently apparent to consultants working at Whirlpool. They kept hearing employees talk about the home appliance company’s “PowerPoint culture.” This phrase, named after Microsoft’s presentation software, was used by employees as a critique of Whirlpool’s hierarchical culture in which communication is one way (from executives to employees) and employees have limited opportunity to voice opinions or concerns to company executives.²⁴

Corporate culture might also be represented in the phrases, metaphors, and other special vocabularies used by organizational leaders.²⁵ Consider the “grocery store” metaphor that General Electric CEO Jack Welch often uses. He wants everyone to think of GE not as an electrical manufacturing colossus, but



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as a small business where customer service and the constant search for new opportunities keep the “shop” in business.²⁶ Of course, metaphors and catchphrases often reflect the leader’s espoused values, not necessarily values-in-use. Moreover, when leaders spew out jargon that is inconsistent with the dominant culture, employees are more likely to play “buzzword bingo” than to adopt the new value system.²⁷

Physical Structures and Symbols

British Airways (BA) is changing its corporate culture by changing its headquarters building. The old multistory headquarters near London’s Heathrow Airport reinforced hierarchical and bureaucratic values that the airline was trying to cast off. The new headquarters is designed with a central village square and work units spreading out from it. Executives are located with their units, not cloistered on a separate executive floor. In the words of British Airways CEO Bob Ayling, “move the office, change the culture.”

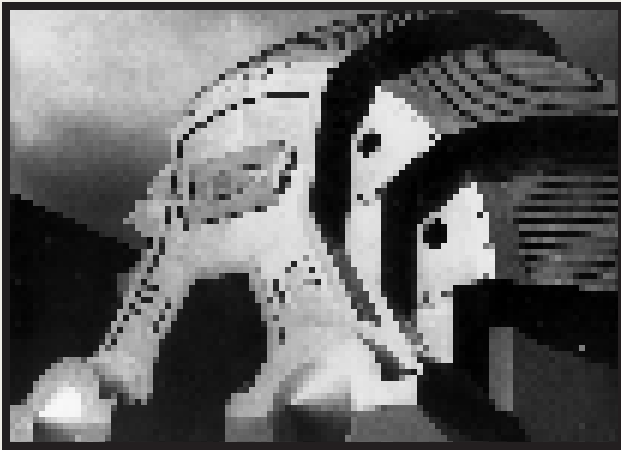
Physical structures and spaces, such as British Airways’ village square headquarters, often symbolize the company’s underlying values and beliefs.²⁸ The size, shape, location, and age of buildings might suggest the organization’s emphasis on teamwork, risk aversion, flexibility, or any other set of values. “We have a firm belief that the physical layout of the building reflects the culture,” says Gary Bromberger, director of worldwide facilities for Bell & Howell’s mail processing division in Durham, North Carolina. Bell & Howell replaced its warren of boxy offices with a more collaborative open space. “It’s a very human building,” says another Bell & Howell executive. “That’s the epitome of who we are.”²⁹

Bell & Howell and British Airways are part of the recent wave in which corporate leaders are redesigning the workplace to fit the culture (or create a new one). How far are companies taking the symbolism? The headquarters of Oakley, Inc., might give you some idea. As we read in this chapter’s *Fast Company* Online feature, the eyewear and footwear manufacturer has built a structure that almost screams out its cultural message.

Even if the building doesn’t make much of a statement, there is a treasure trove of physical artifacts inside. Desks, chairs, cafeteria food, and wall hangings are just a few of the items that might convey cultural meaning.

Amazon.com's frugal culture is apparent from its homemade desks. PeopleSoft's fun and egalitarian culture can be seen from the wall posters showing fun-seeking employees, not executives or products. Husky Injection Molding

FAST COMPANY ■ The Empire Strikes Back Online



Oakley, Inc.'s headquarters symbolizes a corporate culture in which employees believe they are at war with competitors.
[Courtesy of Oakley, Inc.]

Oakley, Inc., the maker of high-end, ultrahip eyewear and footwear, is at war. That's the impression you get when visiting its corporate headquarters in Foothill Ranch, California. In fact, the architecture suggests that Oakley's war is more intergalactic than a local skirmish.

Oakley's combat-ready headquarters symbolizes a corporate culture that attacks such rivals as Nike with gladiator glee. The lobby of the two-year-old, \$40-million building looks like a bomb shelter. Its huge, echoing vault is straight out of *Star Wars*. Sleek pipes, watertight doors, and towering metallic walls studded with oversize bolts suggest a place that is routinely subjected to laser fire and floods. Ejection seats from a B-52 bomber furnish the waiting area. A full-size torpedo lies in a rack behind the receptionist's armored desk.

Oakley's culture is also apparent in its annual report, which reads more like the *Art of War* than a financial report. "We've always had a fortress mentality," says Colin Baden, Oakley's vice president of design. "What we make is gold, and people will do anything to get it, so we protect it."

ONLINE CHECK-UP

1. This *Fast Company Online* feature illustrates how Oakley's building design represents and reinforces the company's fortress mentality. What other activities might occur at Oakley to communicate this corporate culture?
2. Go to Oakley's web site (www.oakley.com). What organizational culture values do you decipher from the web site's design, the annual report's language (available at the web site), the company's products, and other artifacts at this site?

Get the full text of this
Fast Company article at
www.mhhe.com/mcshane1e

Source: Adapted from P. Roberts, "The Empire Strikes Back," *Fast Company*, Issue 22 (February–March 1999), pp. 122–31. ■

Systems, a leading supplier of plastic molding technology, has an extremely health-conscious pay culture. This explains why employees pay for coffee but get herbal tea free in Husky's cafeteria.³⁰ Each of these artifacts potentially conveys meaning about the company's culture.

Organizational Culture and Performance

Nucor Steel is a stunning success story at a time when most other U.S. steel companies have been in rapid decline. The secret, according to Nucor's CEO Ken Iverson, is the steel firm's corporate culture. "Without a doubt, Nucor's culture is its most important source of competitive advantage, and it always will be," explains Iverson.³¹

Does organizational culture affect corporate performance? Ken Iverson thinks so, as do many writers on this subject.³² Generally, they argue that culture serves three important functions. First, corporate culture is a deeply embedded form of social control that influences employee decisions and behavior.³³ Culture is pervasive and operates unconsciously. You might think of it as an automatic pilot, directing employees in ways that are consistent with organizational expectations.

Second, corporate culture is the "social glue" that bonds people together and makes them feel part of the organizational experience.³⁴ Employees are motivated to internalize the organization's dominant culture because it fulfills their need for social identity. This is increasingly important in organizations with global and virtual workforces because culture is one of the few means to tie these people together. For example, NovaCare, Inc., has 17,000 people dispersed in 2,000 client locations across the United States. It depends on its corporate culture to keep these far-flung employees together. "Our culture is the only thing—except for our name—that connects all of these people in all of these units," explains NovaCare CEO John H. Foster.³⁵

Finally, corporate culture assists the sense-making process.³⁶ It helps employees understand organizational events. They can get on with the task at hand rather than spend time trying to figure out what is expected of them. Employees can also communicate more efficiently and reach higher levels of cooperation with each other because they share common mental models of reality.

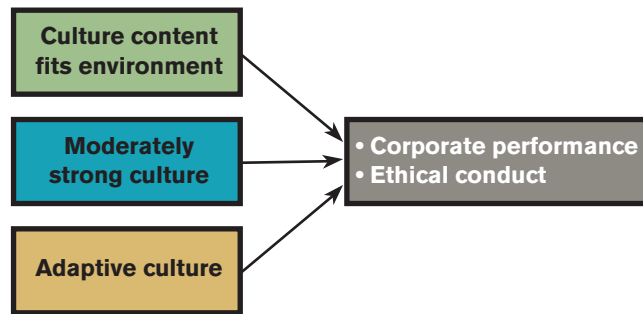
Organizational Culture Strength and Fit

Each of these functions of organizational culture assumes that a strong culture is better than a weak one. A *strong organizational culture* exists when most employees across all subunits hold the dominant values. The values are also institutionalized through well-established artifacts, thereby making it difficult for those values to change. Finally, strong cultures are long lasting. In many cases, they can be traced back to the beliefs and values established by the company's founder.³⁷ In contrast, companies have weak cultures when the dominant values are short lived, poorly communicated, and held mainly by a few people at the top of the organization.

Our discussion so far suggests that companies with strong cultures should have higher performance, but studies have found only a modestly positive relationship.³⁸ One reason for the weak relationship is that a strong culture increases organizational performance only when the cultural content is appropriate for the organization's environment (see Exhibit 16.2). Companies that operate in a highly competitive environment might be better served with a culture that engenders efficiency. Companies in environments that require dedicated employees will be more successful with an employee-oriented culture. When a firm's culture does not fit its environment, on the other hand,

Exhibit 16.2

Organizational culture and performance



employees have difficulty anticipating and responding to the needs of customers or other dominant stakeholders.

A second concern is that a company's culture might be so strong that employees focus blindly on the mental model shaped by that culture. For example, when an organization's culture emphasizes customer service intensely, employees tend to see problems as customer service problems, even though some are really problems about efficiency or technology. Thus, strong cultures might cause decision makers to overlook or incorrectly define subtle misalignments between the organization's activities and the changing environment.³⁹

Finally, very strong cultures tend to suppress dissenting subcultural values. In the long term, this prevents organizations from nurturing new cultural values that should become dominant values as the environment changes. For this reason, corporate leaders need to recognize that healthy organizations have subcultures with dissenting values that may produce dominant values in the future.

Adaptive Cultures

So far, we have explained that strong cultures are more effective when the cultural values are aligned with the organization's environment. We have also indicated that no corporate culture should be so strong that it blinds employees to alternative viewpoints or completely suppresses dissenting subcultures. Along with these points, we should add that organizations are more likely to succeed when they have an adaptive culture.⁴⁰ An **adaptive culture** focuses employees on the changing needs of customers and other stakeholders, and supports initiative and leadership to keep pace with these changes.

An adaptive culture is focused outwardly rather than inwardly. This means that senior executives are more interested in the satisfaction of customers and others than in their own well-being. The underlying mental model is that the organization will survive and succeed through continuous change. Organizations with adaptive cultures are readily identifiable by their uncanny ability to shift directions with the market. Nokia has moved from toilet paper and rubber boots to cellular telephones. Hewlett-Packard has shifted from engineering instruments to computer systems and peripherals. Monsanto has transformed from synthetic fibers and carpets to life sciences. Each of these firms has maintained an adaptive culture in which employees believe that change is a necessary and inevitable part of organizational life.

Organizational Culture and Business Ethics

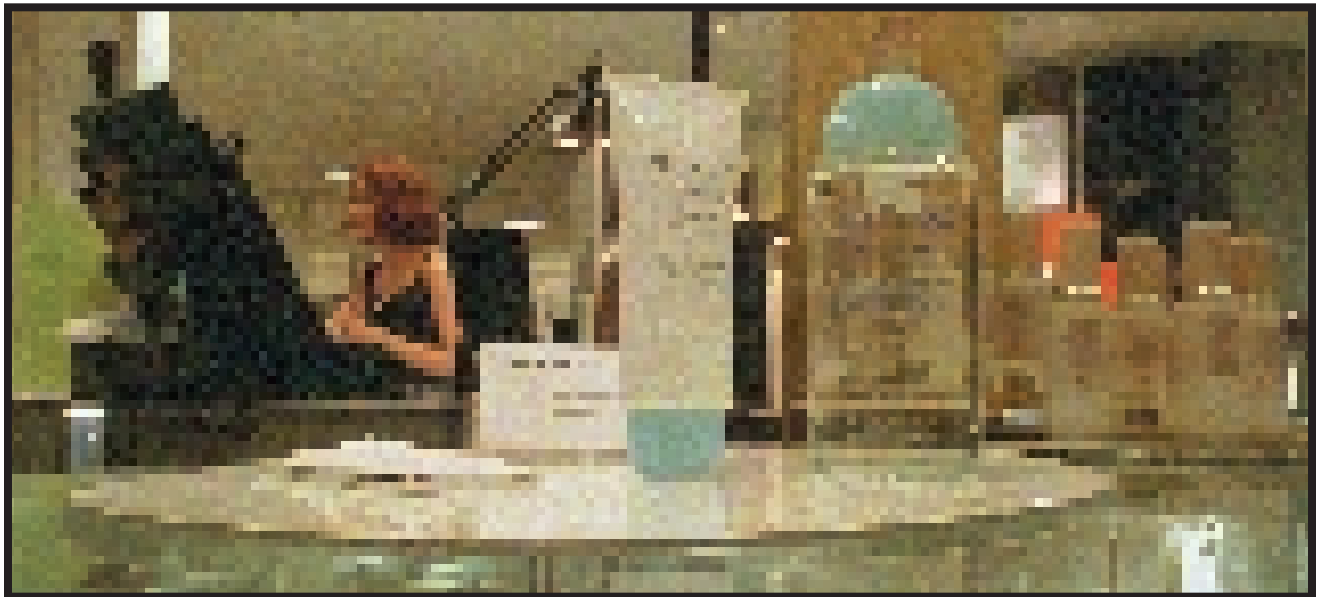
Along with other forms of performance, an organization's culture can potentially influence ethical conduct.⁴¹ Kickbacks and other forms of corruption in the International Olympic Committee (IOC) have been attributed to its organizational culture. "This culture was made possible by the closed nature of the

adaptive culture copy to come

IOC and by the absence of ethical and transparent financial controls of its operation,” concluded a U.S. Senate committee. “We do not excuse or condone those from Salt Lake City who did the giving. What they did was wrong. But . . . they did not invent this culture; they joined one that was already flourishing.”⁴²

Fortunately leaders can develop—with considerable effort and persistence—a culture that supports ethical conduct. Lockheed Martin provides a good example of this. The aerospace giant was created in the mid-1990s from the merger of 16 companies. Some of these firms had previously been accused of unethical conduct in government procurement contracts. When these diverse cultures were integrated, senior executives wanted to be sure that the emerging culture emphasized ethical conduct. To accomplish this, they adopted six core values that represented both the company’s culture and its ethical standards: honesty, integrity, respect, trust, responsibility and citizenship.⁴³

Although organizational culture can support ethical values, it can also become the source of ethical problems. As we mentioned earlier, corporate culture is a form of control because it guides employee decisions and behavior. All organizations require some control to ensure that employee actions are aligned with organizational objectives. However, a few organizations imprint their cultural values so strongly on employees that they risk becoming corporate cults that rob a person’s individualism. These strong cultures may discourage dissent and, consequently, undermine constructive controversy. Thus, an organization’s culture should be consistent with society’s



For more than 100 years, Shiseido’s corporate culture has valued beauty and knowledge. “For us, beauty is art and knowledge is science,” explains Akira Gemma, president of Japan’s largest cosmetics company. “It is who we are. It is our corporate culture.” But after complaints in the mid-1990s about its sales methods, Shiseido is also trying to make business ethics part of its corporate culture. A new set of corporate values called “The Shiseido Code” was developed and several hundred employees have become its standard-bearers in Shiseido’s 250 Japanese offices. When the ethics code was distributed, the company designated two months as “a period of reflection” during which employees were asked to reflect on all their past activities in the light of business ethics. Shiseido hopes that these practices, along with training and communication, will embed the ethics code in the company’s culture.⁴⁴ What factors suggest that Shiseido might eventually be successful at creating a more ethical culture?

[John Thoeming]

ethical values and the culture should not be so strong that it undermines individual freedom.

Merging Organizational Cultures

Before SmithKline merged with the British-based Beecham Group a few years ago, the Philadelphia-based drug manufacturer wanted to find out whether the corporate cultures of the two firms were sufficiently similar to make the merger succeed. A consulting firm interviewed hundreds of managers from both organizations to determine the extent to which they had compatible values and were motivated to make the merger work. During the merger, over 2,000 people from both firms were divided into more than 200 teams to figure out how to integrate their respective structures, systems, and cultures. “From the very beginning, they were learning how to work together,” said Joanne Lawrence, who headed the culture change initiative.⁴⁵

The SmithKline Beecham merger is considered a stellar example of how to decide on and implement a merger or acquisition from a corporate cultural perspective. Unfortunately, it is also the exception. Companies typically look at financial or marketing issues when deciding to merge with or acquire another firm, but few of them conduct due-diligence audits on their respective corporate cultures. Yet, attempting to merge two organizations with distinct values and beliefs could result in a cultural collision that threatens the success of an otherwise strategically compatible merger.⁴⁶ One survey reported that over two-thirds of executives in major U.S. companies identified integrating organizational cultures as the top challenge in a merger.⁴⁷

The corporate world is littered with mergers that failed because of clashing organizational cultures. WordPerfect held over half of the word processing market when Novell, Inc. purchased it. But Novell’s culture undermined WordPerfect’s strengths in customer service and quick decision making. Two years later, Novell sold WordPerfect at a \$1 billion loss, both suffering from the cultural conflicts of their short-lived liaison.⁴⁸

The recent merger of NationsBank and BankAmerica is also showing signs that their cultures are different. NationsBank has an aggressive culture—the company awards a crystal hand grenade for those with peak performance and decisive action. In comparison, BankAmerica’s more bureaucratic culture values discussion and contemplation before making choices. As you might expect, NationsBank people are impatient with the amount of time that their BankAmerica counterparts spend in meetings. “They have procedures to discuss procedures,” grumbles one NationsBank executive.⁴⁹ As we read in Connections 16.1, similar corporate culture clashes may have occurred when British Petroleum merged with Amoco.

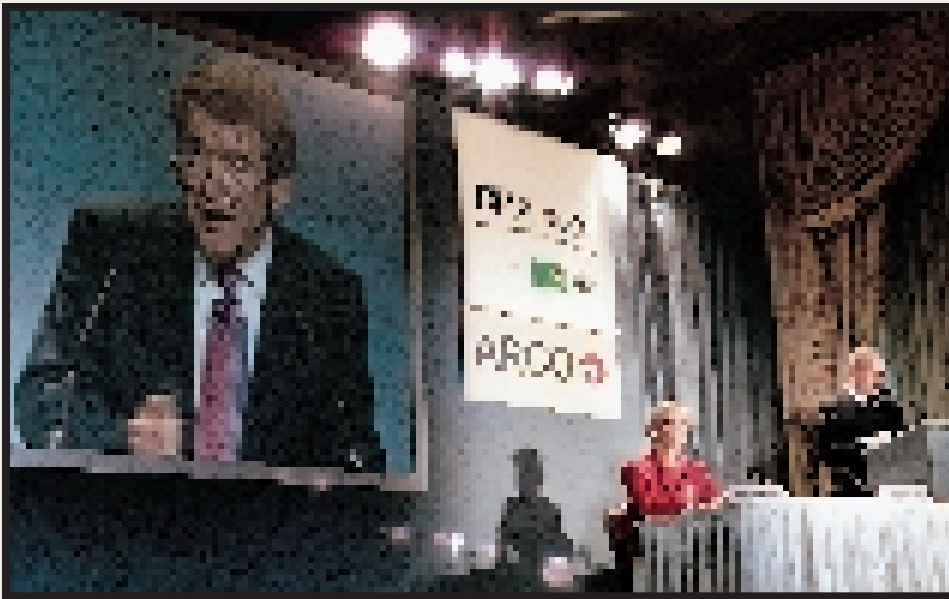
Organizational leaders can minimize these cultural collisions and fulfill their duty of due diligence by conducting a bicultural audit. A **bicultural audit** diagnoses cultural relations between the companies and determines the extent to which cultural clashes will likely occur.⁵⁰ The process begins with interviews, questionnaires, focus groups, and observation of cultural artifacts to identify cultural differences between the merging companies. This includes carefully examining the artifacts of each organization—the office layout, how they bill customers, how decisions are made, how information is shared, and so on. Next, the 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 of the bicultural audit involves identifying strategies and preparing action plans to bridge the two organizations’ cultures.

bicultural audit copy to
come

Strategies to Merge 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. For instance, in spite of its earlier merger success with Beecham, SmithKline later walked

Connections 16.1 ■ BP and Amoco Mergers Creates Risk of Culture Clash



BP's merger with Amoco resulted in a few culture clashes. Now Sir John Browne (shown on screen) is hoping that the acquisition of ARCO will not add further disruption. [P. Morgan. Used with permission of Reuters.]

Amoco and British Petroleum (BP) executives were all smiles when they announced that merging the two oil firms wouldn't result in clashing corporate cultures. "This is not going to be a difficult merger to put together in cultural terms," predicted a BP executive at the time.

But many industry experts disagreed. "The people who succeed [at BP] are people who take the initiative," said an industry consultant. In contrast, Amoco's culture rewarded those who are cau-

tious and contemplative. "They have had a tendency to try to avoid making the huge mistakes," said another oil industry expert, "and in that sense are a bit more conservative and traditional in defining what the solutions are."

BP and Amoco called the merger "an alliance of equals," but BP's executives took most of the top positions and the new company has mostly adopted BP's culture. This deculturation of Amoco might not be so bad. Consultants believe that BP's cultural values are more compatible with the current environment. Says one consultant, "[BP] is arguably the role model for the industry in terms of creating a culture that is intensely focused on generating returns for the shareholder and demanding the level of performance from their people to achieve that."

Still, BP's aggressive style worries many people at Atlantic Richfield (ARCO), the Los Angeles-based oil company that BP acquired soon after the Amoco deal. Arco was known for its community-minded culture, donating millions of dollars to local charities each year. It's uncertain whether that culture will remain intact for much longer. "We don't know what the new corporate culture will be or if things will change," says the head of the United Way in Los Angeles.

Sources: G. J. Wilcox, "L.A. to Lose More Than Arco's Logo," *Daily News of Los Angeles*, April 1, 1999, p. N1; R. Gough and C. Cole, "BP, Amoco Merger Creates World's Third Largest Oil Company," *Octane Week*, August 17, 1998; J. King, "BP, Amoco Merger Marries IT Opposites," *Computerworld*, August 17, 1998, pp. 1, 76; R. Gribbon, "BP's Bumpy Path to World's Biggest Deal," *Daily Telegraph* (London), August 15, 1998, p. 27; S. L. Gaines, "Culture of Amoco, Industry May Be Forever Changed," *Chicago Tribune*, August 13, 1998, p. N1. ■

away from merger talks with Glaxo Wellcome PLC because of “insurmountable differences” over management philosophy and corporate culture.⁵¹ 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 16.3).⁵²

Assimilation Assimilation occurs when employees at the acquired company willingly embrace the cultural values of the acquiring organization. This tends to occur when the acquired company has a weak culture that is dysfunctional, whereas the acquiring company’s culture is strong and focused on clearly defined values. Sun Microsystems has acquired many smaller organizations using this strategy. It refuses to digest larger firms because it is much more difficult to apply Sun’s aggressive culture.⁵³ Culture clash is rare with assimilation because the acquired firm’s culture is weak and employees are looking for better cultural alternatives.

Deculturation Assimilation is rare. Employees usually resist organizational change, particularly when they include throwing 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 are often terminated. This recently occurred when Taylor Corp., a Minnesota-based conglomerate, acquired Current Inc., a midsized greeting card catalog retailer in Colorado Springs. For years, Current employees enjoyed a familylike culture with generous benefits and close relations with the company founders. “It was a very positive and personable type of culture,” recalls a former Current executive. But soon after Taylor took over, Current employees had to reapply for their own jobs and pass a drug test. Some cherished employee benefits were also taken away.⁵⁴

Deculturation may be necessary when the acquired firm’s culture doesn’t work but employees aren’t convinced of this. However, this strategy rarely

Exhibit 16.3

Strategies for merging different organizational culture

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	Combining 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.

Source: Based on ideas in A. R. Malekzadeh and A. Nahavandi, “Making Mergers Work by Managing Cultures,” *Journal of Business Strategy*, May–June 1990, pp. 55–57.

works because it increases the risk of socioemotional conflict (see Chapter 13). Employees from the acquired firm resist the cultural intrusions from the buying firm, thereby delaying or undermining the merger process. This happened when AT&T acquired NCR Corp. After a nasty takeover battle, AT&T antagonized NCR employees by changing NCR's name to AT&T Global Information Solutions, installing AT&T executives to run the acquired firm, and generally trying to make NCR's culture become more like AT&T's. The merger strategy failed. AT&T eventually divested NCR (which returned to its original name) after piling up nearly \$4 billion in losses at the cash register and computer systems company based in Dayton, Ohio.⁵⁵

Integration A third strategy is to integrate the corporate cultures of both organizations. This involves combining two or more cultures into a new composite culture that preserves the best features of the previous cultures. Raytheon is applying an integration strategy as the defense and aerospace conglomerate develops a new culture for the half-dozen companies that recently merged or were acquired.⁵⁶ Integration is most effective when the companies have relatively weak cultures or when their cultures include several overlapping values. Integration also works best when people realize that their existing cultures are ineffective and are therefore motivated to adopt a new set of dominant values. However, integration is slow and potentially risky, because there are many forces preserving the existing cultures.

Separation A separation strategy occurs where the merging companies agree to remain distinct entities with minimal exchange of culture or organizational practices. Insignia Financial Group, a South Carolina real estate firm, has applied a separation strategy to its more than 30 acquisitions over the past decade. "When we buy the companies, we leave the infrastructure in place," says Henry Horowitz, Insignia's executive managing director. "We're buying a successful company. Why would we want to disrupt something that works? And the morale becomes terrible if you start decimating."⁵⁷

Separation is most appropriate when the two merging companies are in unrelated industries because the most appropriate cultural values tend to differ by industry. Unfortunately, few acquired firms remain independent for long because executives in the acquiring firm want to control corporate decisions. Therefore, it's not surprising that only 15 percent of acquisitions leave the purchased organization as a stand-alone unit.⁵⁸

Changing and Strengthening Organizational Culture

Whether merging two cultures or reshaping the firm's existing values, corporate leaders need to understand how to change and strengthen the organization's dominant culture. Indeed, some organizational scholars conclude that the only way to ensure any lasting change is to realign cultural values with those changes. In other words, changes "stick" when they become "the way we do things around here."⁵⁹

Changing organizational culture requires the change management toolkit that we learned about in Chapter 15. Corporate leaders need to make employees aware of the urgency for change. Then they need to "unfreeze" the existing culture by removing artifacts that represent that culture and "refreeze" the new culture by introducing artifacts that communicate and reinforce the new values.

Executives at Hitachi are changing their bureaucratic and inflexible corporate culture by altering artifacts that communicate and reinforce those values. The Japanese electronics manufacturer has abolished daily morning exercises because executives believe that this reinforced a group mentality at

the expense of individual initiative. To encourage a more open and communicative culture, Hitachi's employees are encouraged to dress in polo shirts and other casual wear rather than in formal business attire. The company is also breaking the long tradition of calling each other by title. Instead, employees are now asked to call each other by name. "Even when employees talk to the chairman or the president, they should use their names," says a representative from the office of Hitachi's president.⁶⁰

Strengthening Organizational Culture

Artifacts communicate and reinforce the new corporate culture, but we also need to consider ways to further strengthen that culture. Five approaches commonly cited in the literature are the actions of founders and leaders, introducing culturally consistent rewards, maintaining a stable workforce, managing the cultural network, and selecting and socializing new employees (see Exhibit 16.4).

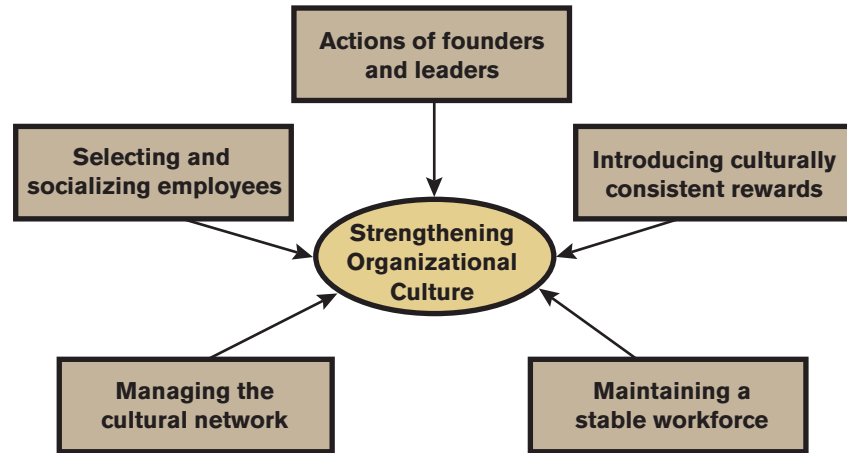


Wayne Leonard is turning Entergy around by unraveling its button-down conservative culture that paid little attention to service. Since his arrival as CEO, Leonard has held several meetings with the New Orleans-based power company's 13,000 employees, warning them about the urgent need to change the culture. "This was a company that saw itself as being better than the people it served," Leonard warned New Orleans area workers in one meeting. Leonard encourages a more open dialogue culture by personally answering employee e-mail and wearing casual sweaters and the occasional black T-shirt. "There is a psychology to dressing," Leonard explains. "Dressing one way for work and another way for play makes you think that work isn't meant to be fun and enjoyable." Changing a company's culture is a slow process, but observers say that the new culture is already taking shape.⁶¹ What other changes could Leonard make to encourage a more customer focused, open dialogue culture?

[Ellis Lucia/The Times Picayune]

Exhibit 16.4

Strategies for strengthening organizational culture



Actions of founders and leaders Founders establish an organization's culture.⁶² In the opening story to this chapter, we saw the powerful influence of PeopleSoft, Inc., cofounder Dave Duffield. "The culture of any start-up is driven by the founder," says a PeopleSoft executive. "We are what Dave Duffield is."⁶³ Founders develop the systems and structures that support their personal values. Founders are often visionaries whose energetic style provides a powerful role model for others to follow. The founder's cultural imprint often remains with the organization for decades. Wal-Mart, the discount retailer, has a deeply embedded customer satisfaction value long after its founder Sam Walton passed away.

In spite of the founder's effect, subsequent leaders can break the organization away from the founder's values if they apply the transformational leadership concepts described in Chapter 14. Transformational leaders strengthen organizational culture by communicating and enacting their vision of the future.⁶⁴ Cultural values are particularly reinforced when leaders behave in ways that are consistent with the vision ("walking the talk"). James Preston did this when he became CEO of Avon. He dismantled the boys' club culture by promoting women into more senior positions and removing macho rituals (such as the annual hunting trip) that previously existed. Today, 44 percent of Avon's senior vice presidents are women.⁶⁵

Introducing culturally consistent rewards Reward systems strengthen corporate culture when they are consistent with cultural values.⁶⁶ Aggressive cultures might offer more performance-based individual incentives, whereas paternalistic cultures would more likely offer employee assistance programs, medical insurance, and other benefits that support employee well-being. Home Depot relies on rewards to strengthen its corporate culture. Employees at the Atlanta-based home improvement retail chain receive stock incentives which the company hopes will support a value system of customer service and entrepreneurship. "We've always wanted this to be part of our culture," explains Home Depot CEO and cofounder Arthur Blank, "that associates feel that they own the stores, that they own the merchandise, that they have total responsibility for the customers in their aisles, and that they create the value."⁶⁷

Maintaining a stable workforce An organization's culture is embedded in the minds of its employees. Organizational stories are rarely written down; rituals and celebrations do not usually exist in procedure manuals; organizational metaphors are not found in corporate directories. Thus, organizations

depend on a stable workforce to communicate and reinforce the dominant beliefs and values. The organization's culture can literally disintegrate during periods of high turnover and precipitous downsizing because the corporate memory leaves with these employees. Corporate culture also weakens during periods of rapid expansion or mergers because it takes time for incoming employees to learn about and accept the dominant corporate values and assumptions.⁶⁸ For this reason, some organizations keep their culture intact by moderating employment growth and correcting turnover problems.

Managing the cultural network Organization culture is learned, so an effective network of cultural transmission is necessary to strengthen the company's underlying assumptions, values, and beliefs. According to Max De Pree, CEO of furniture manufacturer Herman Miller Inc., every organization needs "tribal storytellers" to keep the organization's history and culture alive.⁶⁹ The cultural network exists through the organizational grapevine. It is also supported through frequent opportunities for interaction so that employees can share stories and reenact rituals. Senior executives must tap into the cultural network, sharing their own stories and creating new ceremonies and other opportunities to demonstrate shared meaning. Company magazines and other media can also strengthen organizational culture by communicating cultural values and beliefs more efficiently.

Selecting and socializing employees When Terri Wolfe interviews applicants for employment at Patagonia, she is looking for more than their ability to fill the vacant positions. The human resources director of the Ventura, California, outdoor clothing company also wants to see whether their values are compatible with the company's values. "I screen for corporate culture fit," Wolfe explains.⁷⁰ Patagonia and a flock of other organizations strengthen their corporate cultures by hiring people with beliefs, values, and assumptions similar to those cultures. They realize that a good fit of personal and organizational values makes it easier for employees to adopt the corporate culture. A good person-organization fit also improves job satisfaction and organizational loyalty because new hires with values compatible to the corporate culture adjust more quickly to the organization.⁷¹

Job applicants are also paying more attention to corporate culture during the hiring process. According to one recent survey, job applicants ask corporate culture questions more than any other topic, aside from pay and benefits.⁷² They realize that as employees, they must feel comfortable with the company's values, not just the job duties and hours of work.

Kathy Wheeler learned this important point the hard way. A few years ago, the Hewlett-Packard engineer accepted a career opportunity at Apple Computer. Apple's headquarters are only two miles away from HP, but its corporate culture is on another planet. HP's culture emphasizes collaboration, consensus, and advanced engineering technology, whereas Apple's culture applauds marketers rather than engineers, and slick user interfaces rather than advanced technology. Fourteen months later, Wheeler was back at HP. "I admire Apple to a large extent," says Wheeler. "But I wouldn't work there again because of the cultural issues."⁷³ The point here is that you need to look at corporate culture artifacts when deciding whether to join a particular organization. By diagnosing the company's dominant culture, you are more likely to determine whether its values are compatible with your own.

Along with selecting people with compatible values, companies maintain strong cultures through the effective socialization of new employees. **Organizational socialization** refers to the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles

in the organization.⁷⁴ By communicating the company's dominant values, job candidates and new hires are more likely to internalize these values quickly and deeply.

We will learn more about the organizational socialization process in the next chapter (Chapter 17) on employment relations and career dynamics. At this point, you should know that socialization partially includes the process of learning about the company's culture and adopting its set of values. This process begins long before the first day of work. People learn about the organization's culture through recruiting literature, advertising, and news media reports about the company. During the recruitment process, some companies provide information about "the way things are done around here." Even if this information is not forthcoming, applicants might learn from employees, customers, and others who regularly interact with the organization.

By the first day of work, newcomers have a fairly clear (although not necessarily accurate) perception about the company's culture. These perceptions are tested against everyday experiences. To some extent, newcomers align their values with the organizations to minimize conflict. Like Kathy Wheeler, however, some employees eventually leave the organization when they realize how much their personal values differ from the organization's culture.⁷⁵

Throughout this chapter, we have learned that organizational culture is pervasive and powerful. For corporate leaders, it is either a force for change or an insurmountable barrier to it. For employees, it is either the glue that bonds people together or drives them away from the organization. So many artifacts communicate and reinforce the existing culture that it requires a monumental effort to replace the current values. Transformational leadership and effective management of change can assist in this process, but it is a challenge that no leader should take lightly.

Chapter Summary

Organizational culture is the basic pattern of shared assumptions, values, and beliefs that govern behavior within a particular organization. Assumptions are the shared mental models or theories-in-use that people rely on to guide their perceptions and behaviors. *Beliefs* represent the individual's perceptions of reality. *Values* are more stable, long-lasting beliefs about what is important. They help us define what is right or wrong, or good or bad, in the world. Culture content refers to the relative ordering of beliefs, values, and assumptions.

Organizations have subcultures as well as the dominant culture. Some subcultures enhance the dominant culture, whereas countercultures have values that oppose the organization's core values. Subcultures maintain the organization's standards of performance and ethical behavior. They are also the source of emerging values that replace aging core values.

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 sym-

bols. Understanding an organization's culture requires painstaking assessment of many artifacts because they are subtle and often ambiguous.

Organizational culture has three main functions: (1) It is a deeply embedded form of social control; (2) it is also the "social glue" that bonds people together and makes them feel part of the organizational experience; and (3) corporate culture helps 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 that may form emerging values for the future. Organizations should have adaptive cultures so that employees focus on the need for change and support initiatives and leadership that keeps pace with these changes.

Organizational culture relates to business ethics in two ways. First, corporate cultures can support ethical values of society, thereby reinforcing ethical conduct.

Second, some cultures are so strong that they rob a person's individualism and discourage constructive controversy.

Mergers should include 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.

Organizational culture is very difficult to change. However, this may be possible by creating an urgency for

change and replacing artifacts that support the old culture with artifacts aligned more with the desired future culture. Organizational culture may be strengthened through the actions of founders and leaders, the introduction of culturally consistent rewards, maintenance of a stable workforce, management of the cultural network, and selection and socialization of employees.

Key Terms

Adaptive culture, p. 000

Artifacts, p. 000

Bicultural audit, p. 000

Ceremonies, p. 000

Mental models, p. 000

Organizational culture, p. 000

Organizational socialization, p. 000

Rituals, p. 000

Values, p. 000

Discussion Questions

1. Superb Consultants Inc. have submitted a proposal to analyze the cultural values of your organization. The proposal states that Superb has developed a revolutionary new survey to tap the company's true culture. The survey takes just 10 minutes to complete and accurate results can be based on a small sample of employees. Discuss the merits and limitations of this proposal.
2. Some people suggest that the most effective organizations have the strongest cultures. What do we mean by the "strength" of organizational culture? What possible problems are there with a strong organizational culture?
3. Identify four types of artifacts used to communicate organizational culture. Why are artifacts used for this purpose?
4. Acme Corp. is planning to acquire Beta Corp., which operates in a different industry. Acme's culture is entrepreneurial and fast paced, whereas Beta employees value slow, deliberate decision making by consensus. Which merger strategy would you recommend to minimize culture shock when Acme acquires Beta? Explain your answer.
5. Under what conditions is assimilation likely to occur when two companies merge? Your answer should clearly describe the assimilation strategy.
6. Explain how transformational leadership strengthens corporate culture.

CASE STUDY

Hillton's transformation

Twenty years ago, Hillton was a small city (about 70,000 residents) that served as an outer suburb to a large Midwest metropolitan area. The city government treated employees like family and gave them a great deal of

autonomy in their work. Everyone in the municipal organization, including the two labor unions representing employees, agreed implicitly that the leaders and supervisors of the organization should rise through the ranks

based on their experience. Few people were ever hired from the outside into middle or senior positions. The rule of employment at Hillton was to learn the job skills, maintain a reasonably good work record, and wait your turn for promotion.

Hillton has grown rapidly since the mid-1960s. As the population grew, so did the municipality's workforce to keep pace with the increasing demand for municipal services. This meant that employees were promoted fairly quickly and were almost assured guaranteed employment. Until recently, Hillton had never laid off any employee. The organization's culture could be described as one of entitlement and comfort. Neither the elected city councilors nor city manager bothered the departmental managers about their work. There were few cost controls because the rapid growth placed more emphasis on keeping up with the population expansion. The public gradually became somewhat more critical of the city's poor service, including road construction at inconvenient times and the apparent lack of respect some employees showed taxpayers.

During the expansion years, Hillton put most of its money into "outside" (also called "hard") municipal services. These included road building, utility construction and maintenance, fire and police protection, recreational facilities, and land use control. This emphasis occurred because an expanding population demanded more of these services and most of Hillton's senior officials came from the outside services group. For example, Hillton's city manager was formerly a road development engineer. The "inside" workers (e.g., taxation, community services) tended to have less seniority and their departments were given less priority.

As commuter and road systems developed, Hillton attracted more upwardly mobile professionals into the community. Some infrastructure demands continued, but the new suburban dwellers wanted more of the "soft" services, such as libraries, social activities, and community services. They also began complaining about the way the municipality was being run. The population had more than tripled between the 1960s and 1990s, and it was increasingly apparent that the organization needed more corporate planning, information systems, organization development, and cost-control systems. In various ways, residents voiced their concerns that the municipality was not providing the quality of management that they expected from a city of its size.

In 1996 a new mayor and council replaced most of the previous incumbents, mainly on the election platform of improving the municipality's management structure. The new council gave the city manager, along with two other senior managers, an early retirement buyout package. Rather than promoting from the lower ranks, the council decided to fill all three positions with qualified candidates from large municipal corporations in the

region. The following year several long-term managers left Hillton and at least half of those positions were filled by people from outside the organization.

In less than two years Hillton had eight senior or departmental managers hired from other municipalities who played a key role in changing the organization's value system. These eight managers became known (often with negative connotations) as the "professionals." They worked closely with each other to change the way middle- and lower-level managers had operated for many years. They brought in a new computer system and emphasized cost controls where managers previously had complete autonomy. Promotions were increasingly based on merit rather than seniority.

These managers frequently announced in meetings and newsletters that municipal employees must provide superlative customer service, and that Hillton will become one of the most customer-friendly places for citizens and those who do business with the municipality. To this end, these managers were quick to support the public's increasing demand for more "soft" services, including expanded library services and recreational activities. And when population growth flattened out in the late 1990s, the city manager and other professionals gained council support to lay off a number of outside workers due to lack of demand for hard services.

One of the most significant changes was that the "outside" departments no longer held dominant positions in city management. Most of the "professional" managers had worked exclusively in administrative and related inside jobs. Two had master of business administration degrees. This led to some tension between the professional managers and the older outside managers.

Even before the layoffs, managers of outside departments resisted the changes more than others. These managers complained that their employees with the highest seniority were turned down for promotions. They argued for an increased budget and warned that infrastructure deterioration would cause liability problems. Informally, the outside managers were supported by the labor union representing outside workers. The union leaders tried to bargain for more job guarantees whereas the union representing inside workers focused more on improving wages and benefits. Leaders of the outside union made several statements in the local media that the city had "lost its heart" and that the public would suffer from the actions of the new professionals.

Discussion Questions

1. Contrast Hillton's earlier corporate culture with the emerging set of cultural values.
2. Considering the difficulty in changing organizational culture, why does Hillton's management seem to be successful at this transformation?

3. Identify two other strategies that the city might consider to reinforce the new set of corporate values.

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CASE STUDY

MetLife's cultural transformation

BusinessWeek

At Metropolitan Life Insurance Co. (MetLife), tradition still plays a weighty role. Just visit its ornate boardroom in New York City. The room lies deep within the fortresslike building that MetLife built a century ago. It boasts 27-foot ceilings painted with 18-karat gold, a massive mahogany fireplace, and solemn portraits of past chief executives with patrician names like Haley Fiske. Now, MetLife directors are calling upon the new CEO, Robert H. Benmosche, to turn this sleepy organization into a nimble, performance-oriented public company. He must get 41,000 employees to shake the "Mother Met" mentality and teach 10,100 agents how to sell more than whole life insurance, which is declining in popularity.

This *Business Week* case study describes MetLife's current corporate culture as well as the culture that MetLife's directors think the company needs to compete in the next millennium. Read through this *Business Week* article at www.mhhe.com/mcshane1e and prepare for the discussion questions below.

Discussion Questions

1. Describe MetLife's current corporate culture. What factors contributed to these cultural values?
2. Use the force field model of organizational change described in this chapter and in Chapter 15 to explain how Robert Benmosche should change MetLife's corporate culture.
3. This article describes some of the actions that Robert Benmosche is taking to change MetLife's culture. How do his actions fit into the transformational leadership model discussed in Chapter 14?

Source: L. N. Spiro, "Metlife's Fighter Pilot," *Business Week*, December 14, 1998, pp. 000-00. ■

VIDEO CASE

Organizational culture



It's early morning in San Rafael, California and software executive Steve Wong is off for work. So is his dog, Grimmey. Why does he do it? Wong says, "When it gets a little stressful, I can take her for a long walk, and if it gets really stressful I take her for a longer walk."

Welcome to Autodesk, a San Rafael software company where doggie treats are as common as CD ROM's, and where it's not unusual to see highly paid executives sharing halls with a dog on deadline. Roughly a hundred pets are here every day. For some owners, like Steve Wong, it's workplace therapy, for others a chance to work long hours guilt free. One employee said, "You probably

don't cut off as early because you want to run home and let the dog out, feed the dog, that kind of thing. You don't do that because you've got it here with you."

It's a perk that has attracted new employees and makes leaving a difficult decision. One employee remarked, "What would it be like working somewhere where you do not have that?" Another said, "I would not like it."

There are rules—no barking, no fleas, no meetings. And there's the three strikes and you're out rule. If a dog is caught relieving itself inside the building three times, then doggy has to stay home. But dogs usually behave, gathering around the water cooler, or visiting offices that

are known for their treats. It also seems that pets are bringing people closer together. One woman employee noted, “I probably wouldn’t have half of the visitors that I have if I didn’t have the dog.” And while dogs seems to dominate this company’s image, even having conference rooms named after them. In the dog eat dog world of computer software there is one place where not every bark has a bite.

Discussion Questions

1. What corporate cultural values are expressed at AutoDesk?

The cultural values expressed at AutoDesk are those of collegiality, informality, and a focus on doing whatever it takes to increase personal productivity. AutoDesk has dropped traditional corporate appearances in favor of a more relaxed, informal culture that wants people to be comfortable—and thus more productive.

2. Do you think the dogs in the AutoDesk workplace are cultural artifacts? Explain.

A cultural artifact is defined as the observable symbols and signs of an organization’s culture. Certainly, visitors to AutoDesk will notice the presence of personal pets. The presence of these pets is a strong symbol to visitors that the company values its employees and wants them to feel at home while they are at work.

3. What role does AutoDesk’s policy about allowing dogs in the workplace play in maintaining a stable work force?

Several of the employees interviewed at AutoDesk said that the dog policy is one of the primary reasons they chose to work at the firm. In the competitive world of high technology talent, the ability to retain key people through perks such as that used by AutoDesk is vitally important. ■

TEAM EXERCISE 1

Assessing organizational culture: A metaphor exercise

Purpose

Both parts of this exercise are designed to help you understand, assess, and interpret organizational culture using metaphors.

Part A: Assessing Your College’s Culture

Instructions

A metaphor is a figure of speech that contains an implied comparison between a word or phrase that is ordinarily used for one thing but can be applied to another. Metaphors also carry a great deal of hidden meaning—they say a lot about what we think and feel about that object. Therefore, this activity asks you to use several metaphors to define the organizational culture of your college. (Alternatively, the instructor might ask students to assess another organization that most students know about.)

Step 1. The class will be divided into teams of four to six members.

Step 2. Each team will reach consensus on which words or phrases should be inserted in the blanks of the statements presented below. This information should be recorded on a flip chart or overhead acetate for class presentation. The instructor will provide 15 to 20 minutes for teams to determine which words best describe the culture of the college.

If our college were an animal, it would be a _____ because _____.

If our college were a food, it would be _____ because _____.

If our college were a place, it would be _____ because _____.

If our college were a season, it would be _____ because _____.

If our college were a television show or movie, it would be _____ because _____.

Step 3. The class will listen to each team present the metaphors that it believes symbolizes the culture. For example, a team that picks winter for a season might

mean they are feeling cold or distant about the college and its people.

Step 4. The class will discuss the discussion questions stated below.

Discussion Questions for Part A

1. How easy was it for your group to reach consensus regarding these metaphors? What does that imply about the culture of your college?
2. How do you see these metaphors in action? In other words, what are some critical college behaviors or other artifacts that reveal the presence of your culture?
3. Think of another organization to which you belong (e.g., workplace, religious congregation). What are its dominant cultural values, how do you see them in action, and how do they affect the effectiveness of that organization?

Part B: Analyzing and Interpreting Cultural Metaphors

Purpose

Previously, you completed a metaphor exercise to describe the corporate culture of your college. That ex-

ercise gave you a taste of how to administer such a diagnostic tool and draw inferences from the results generated. This activity builds on that experience and is designed to help refine your ability to analyze such data and make suggestions for improvement.

Instructions

Five work teams (four to seven members; mixed gender in all groups) of an organization located in Cincinnati completed the metaphor exercise similar to the exercise in Part A. Their responses are shown in the table below. Working in teams, analyze the information in this table and answer these questions:

Discussion Questions for Part B

1. In your opinion, what are the dominant cultural values in this organization? Explain your answer.
2. What are the positive aspects of this type of culture?
3. What are the negative aspect of this type of culture?
4. In your opinion, what is this organization's main business? Explain your answer.
5. These groups all reported to one manager. What advice would you give to him or her about this unit?

Metaphor results of five teams in a Cincinnati organization					
Team	Animal	Food	Place	TV show	Season
1	Rabbit	Big Mac	Casino	<i>48 Hours</i> (movie)	Spring
2	Horse	Taco	Racetrack	<i>Miami Vice</i>	Spring
3	Elephant	Ribs	Circus	<i>Roseanne</i>	Summer
4	Eagle	Big Mac	Las Vegas	CNN	Spring
5	Panther	Chinese	New York	<i>LA Law</i>	Racing

Source: Adapted from D. L. Luechauer and G. M. Shulman, "Using a Metaphor Exercise to Explore the Principles of Organizational Culture," *Journal of Management Education* 22

(December 1998), pp. 736–44. Used with permission of the authors. ■

SELF-ASSESSMENT EXERCISE

Corporate culture preference scale

Purpose

This self-assessment is designed to help you to identify a corporate culture that fits most closely with your personal values and assumptions.

Instructions

Read each pair of the statements in the Corporate Culture Preference Scale and circle the statement that best

describes the organization in which you would prefer to work. Then use the scoring key to calculate your results for each subscale. This exercise is completed alone so students assess themselves honestly without concern for social comparison. However, the class discussion will focus on the importance of matching job applicants to the organization's dominant values.

Corporate culture preference scale	
<i>I would prefer to work in an organization:</i>	
1a. Where employees work well together in teams.	OR 1b. That produces highly respected products or services.
2a. Where top management maintains a sense of order in the workplace.	OR 2b. Where the organization listens to customers and responds quickly to their needs.
3a. Where employees are treated fairly.	OR 3b. Where employees continuously search for ways to work more efficiently.
4a. Where employees adapt quickly to new work requirements.	OR 4b. Where corporate leaders work hard to keep employees happy.
5a. Where senior executives receive special benefits not available to other employees.	OR 5b. Where employees are proud when the organization achieves its performance goals.
6a. Where employees who perform the best get paid the most.	OR 6b. Where senior executives are respected.
7a. Where everyone gets their jobs done like clockwork.	OR 7b. That is on top of new innovations in the industry.
8a. Where employees receive assistance to overcome any personal problems.	OR 8b. Where employees abide by company rules.
9a. That is always experimenting with new ideas in the marketplace.	OR 9b. That expects everyone to put in 110 percent for peak performance.
10a. That quickly benefits from market opportunities.	OR 10b. Where employees are always kept informed of what's happening in the organization.
11a. That can respond quickly to competitive threats.	OR 11b. Where most decisions are made by the top executives.
12a. Where management keeps everything under control.	OR 12b. Where employees care for each other.

Scoring Key

In this scoring key, write in a "1" if you circled the item (indicated by number in the key) and "0" if you did not. Then add up the scores for each subscale. The maximum

score for each subscale is 6 and the minimum is 0. The higher the score, the more you are likely to feel comfortable in that type of culture.

Control culture	_____	+	_____	+	_____	+	_____	+	_____	+	_____	=	_____
	(2a)		(5a)		(6b)		(8b)		(11b)		(12a)		
Performance culture	_____	+	_____	+	_____	+	_____	+	_____	+	_____	=	_____
	(1b)		(3b)		(5b)		(6a)		(7a)		(9b)		
Relationship culture	_____	+	_____	+	_____	+	_____	+	_____	+	_____	=	_____
	(1a)		(3a)		(4b)		(8a)		(10b)		(12b)		
Responsive culture	_____	+	_____	+	_____	+	_____	+	_____	+	_____	=	_____
	(2b)		(4a)		(7b)		(9a)		(10a)		(11a)		

Explanation of Subscales

These subscales may be found in many organizations, but they represent only four of the many possible organizational culture values. Also, keep in mind that none of these subscales is inherently good or bad. Each is effective in different situations.

Control culture. This culture values the role of senior executives to lead the organization. Its goal is to keep everyone aligned and under control.

Performance culture. This culture values individual and organizational performance and strives for effectiveness and efficiency.

Relationship culture. This culture values nurturing and well-being. It considers open communication, fairness, teamwork, and sharing a vital part of organizational life.

Responsive culture. This culture values its ability to keep in tune with the external environment, including being competitive and realizing new opportunities.

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