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Organizational Culture

Key concepts and terms

- Artefacts
- Management style
- Organizational climate
- Values
- Value set

- Espoused values
- Norms
- Organizational culture
- Values in use

Learning outcomes

On completing this chapter you should be able to define these key concepts. You should also know about:

- The characteristics of organizational culture
- How organizational culture develops
- The components of organizational culture
- Measuring organizational climate
- Supporting and changing cultures

- The significance of organizational culture
- The diversity of organizational culture
- Classifications of organizational culture
- Appropriate cultures

Introduction

The culture of an organization affects the way in which people behave and has to be taken into account as a contingency factor in any programme for developing organizations and HR policies and practices. This is why it is important for HR specialists to understand the concept of organizational culture, how it affects organizations and how it can be managed, as discussed in this chapter.

Organizational culture defined

Organizational or corporate culture is the pattern of values, norms, beliefs, attitudes and assumptions that may not have been articulated but shape the ways in which people in organizations behave and things get done. 'Values' refer to what is believed to be important about how people and organizations behave. 'Norms' are the unwritten rules of behaviour.

The definition emphasizes that organizational culture is concerned with the subjective aspect of what goes on in organizations. It refers to abstractions such as values and norms that pervade the whole or part of a business, which may not be defined, discussed or even noticed. Nevertheless, culture can have a significant influence on people's behaviour. The following are some other definitions of organizational culture:

- The culture of an organization refers to the unique configuration of norms, values, beliefs and ways of behaving that characterize the manner in which groups and individuals combine to get things done. Eldridge and Crombie (1974)

- Culture is a system of informal rules that spells out how people are to behave most of the time. Deal and Kennedy (1982)

- A pattern of basic assumptions – invented, discovered or developed by a given group as it learns to cope with the problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems. Schein (1985)

- Culture is the commonly held beliefs, attitudes and values that exist in an organization. Put more simply, culture is 'the way we do things around here'. Furnham and Gunter (1993)

Characteristics of culture, Furnham and Gunter (1993)

- It is difficult to define (often a pointless exercise).

- It is multi-dimensional, with many different components at different levels.

- It is not particularly dynamic and ever-changing (being relatively stable over short periods of time).

- It takes time to establish and therefore time to change a corporate culture.

Significance of culture, Furnham and Gunter (1993)

Culture represents the 'social glue' and generates a 'we-feeling', thus counteracting processes of differentiations that are an unavoidable part of organizational life. Organizational culture offers a shared system of meanings which is the basis for communications and mutual understanding. If these functions are not fulfilled in a satisfactory way, culture may significantly reduce the efficiency of an organization.

Problems with the concept

But Furnham and Gunter refer to a number of problems with the concept, which include:

- how to categorize culture (what terminology to use);

- when and why corporate culture should be changed and how this takes place;

- what is the healthiest, most optimal or desirable culture.

They also point out that it is dangerous to treat culture as an objective entity 'as if everyone in the world would be able to observe the same phenomenon, whereas this is patently not the case'.

Organizational climate defined

As defined by Ivancevitch *et al* (2008), organizational climate is: 'A set of properties of the work environment, perceived directly or indirectly by the employees, that is assumed to be a major force in influencing employee behaviour.' The term 'organizational climate' is sometimes confused with organizational culture and there has been much debate on what distinguishes them

from one another. In his analysis of this issue, Denison (1996) suggested that 'culture' refers to the deep structure of organizations, which is rooted in the values, beliefs and assumptions held by organizational members. In contrast, 'climate' refers to those aspects of the environment that are consciously perceived by organizational members. Rousseau (1988) stated that climate is a perception and is descriptive. Perceptions are sensations or realizations experienced by an individual. Descriptions are what a person reports of these sensations.

The debate about the meanings of these terms can become academic. It is easiest to regard organizational climate as how people perceive (see and feel about) the culture existing in their organization. As defined by French *et al* (1985) it is 'the relatively persistent set of perceptions held by organization members concerning the characteristics and quality of organizational culture'. They distinguish between the actual situations (ie culture) and the perception of it (climate).

How organizational culture develops

The values and norms that are the basis of culture are formed in four ways; first, by the leaders in the organization, especially those who have shaped it in the past. Schein (1990) indicates that people identify with visionary leaders – how they behave and what they expect. They note what such leaders pay attention to and treat them as role models. Second, as Schein also points out, culture is formed around critical incidents – important events from which lessons are learnt about desirable or undesirable behaviour. Third, as suggested by Furnham and Gunter (1993), culture develops from the need to maintain effective working relationships among organization members, and this establishes values and expectations. Finally, culture is influenced by the organization's environment. The external environment may be relatively dynamic or unchanging.

Culture is learnt over a period of time. Schein (1984) suggests that there are two ways in which this learning takes place. First, the trauma model, in which members of the organization learn to cope with some threat by the erection of defence mechanisms. Second, the positive reinforcement model, where things that seem to work become embedded and entrenched. Learning takes place as people adapt to and cope with external pressures, and as they develop successful approaches and mechanisms to handle the internal challenges, processes and technologies in their organization.

Where culture has developed over long periods of time and has become firmly embedded it may be difficult to change quickly, if at all, unless a traumatic event occurs.

The diversity of culture

The development process described above may result in a culture that characterizes the whole organization. But there may be different cultures within organizations. For example, the culture of an outward-looking marketing department may be substantially different from that of an internally-focused manufacturing function. There may be some common organizational values or norms, but in some respects these will vary between different work environments.

The components of culture

Organizational culture can be described in terms of values, norms, artefacts and management style.

Values

Values are beliefs in what is best or good for the organization and what should or ought to happen. The 'value set' of an organization may only be recognized at top level, or it may be shared throughout the business, in which case it could be described as 'value-driven'.

The stronger the values the more they will influence behaviour. This does not depend upon their having been articulated. Implicit values that are deeply embedded in the culture of an organization and are reinforced by the behaviour of management can be highly influential, while espoused values that are idealistic and are not reflected in managerial behaviour may have little or no effect. When values are acted on they are called 'values in use'.

Areas in which values may be expressed – explicitly or implicitly

- Care and consideration for people.
- Competence.
- Competitiveness.
- Customer service.
- Innovation.
- Performance.
- Quality.
- Teamwork.

Values are translated into reality through norms and artefacts, as described below. They may also be expressed through the media of language (organizational jargon), rituals, stories and myths.

Norms

Norms are the unwritten rules of behaviour, the 'rules of the game' that provide informal guidelines on how to behave. Norms tell people what they are supposed to be doing, saying, believing, even wearing. They are never expressed in writing – if they were, they would be policies or procedures. They are passed on by word of mouth or behaviour and can be enforced by the reactions of people if they are violated. They can exert very powerful pressure on behaviour because of these reactions – we control others by the way we react to them.

Typical norms

- How managers treat the members of their teams (management style) and how the latter relate to their managers.

- The prevailing work ethic, eg 'work hard, play hard', 'come in early, stay late', 'if you cannot finish your work during business hours you are obviously inefficient', 'look busy at all times', 'look relaxed at all times'.

- Status – how much importance is attached to it; the existence or lack of obvious status symbols.

- Ambition – naked ambition is expected and approved of, or a more subtle approach is the norm.

- Performance – exacting performance standards are general; the highest praise that can be given in the organization is to be referred to as 'very professional'.

- Power – recognized as a way of life; executed by political means, dependent on expertise and ability rather than position; concentrated at the top; shared at different levels in different parts of the organization.

- Politics – rife throughout the organization and treated as normal behaviour; not accepted as overt behaviour.

- Loyalty – expected, a cradle to grave approach to careers; discounted, the emphasis is on results and contribution in the short term.

- Anger – openly expressed; hidden, but expressed through other, possibly political, means.

- Approachability – managers are expected to be approachable and visible; everything happens behind closed doors.

- Formality – a cool, formal approach is the norm; forenames are/are not used at all levels; there are unwritten but clearly understood rules about dress.

Artefacts

Artefacts are the visible and tangible aspects of an organization that people hear, see or feel and which contribute to their understanding of the organization's culture. Artefacts can include such things as the working environment, the tone and language used in e-mails, letters or memoranda, the manner in which people address each other at meetings, in e-mails or over the telephone, the welcome (or lack of welcome) given to visitors and the way in which telephonists deal with outside calls. Artefacts can be very revealing.

Management style

Management style is the approach managers use to deal with people. It is also called 'leadership style', as described in Chapter 21. As defined there, it consists of the following extremes:

- Charismatic/non-charismatic.
- Autocratic/democratic.
- Enabler/controller.
- Transactional/transformational.

Most managers adopt an approach somewhere between the extremes. Some will vary it according to the situation or their feelings at the time; others will stick to the same style whatever happens. A good case can be made for using an appropriate style according to the situation but it is undesirable to be inconsistent in the style used in similar situations. Every manager has his or her own style but this will be influenced by the organizational culture, which may produce a prevailing management style that represents the behavioural norm for managers that is generally expected and adopted.

The term 'management style' can also refer to the overall approach an organization adopts to the conduct of employee relations. Purcell and Sisson (1983) identified five typical styles: authoritarian, paternalistic, consultative, constitutional and opportunist.

Classifying organizational culture

There have been many attempts to classify or categorize organizational culture as a basis for the analysis of cultures in organizations and for taking action to support or change them. Most of these classifications are expressed in four dimensions and some of the best-known ones are summarized below. Note that following the lead of Harrison (1972), there is much common ground between them.

Organization ideologies, Harrison (1972)

- Power-oriented – competitive, responsive to personality rather than expertise.
- People-oriented – consensual, management control rejected.
- Task-oriented – focus on competency, dynamic.
- Role-oriented – focus on legality, legitimacy and bureaucracy.

Culture typology, based on Harrison, Handy (1981)

1. The power culture is one with a central power source that exercises control. There are few rules or procedures and the atmosphere is competitive, power-oriented and political.

2. The role culture in which work is controlled by procedures and rules and the role, or job description, is more important than the person who fills it. Power is associated with positions not people.

3. The task culture in which the aim is to bring together the right people and let them get on with it. Influence is based more on expert power than in position or personal power. The culture is adaptable and teamwork is important.

4. The person culture in which the individual is the central point. The organization exists only to serve and assist the individuals in it.

Schein (1985)

1. Power culture in which leadership resides in a few and rests on their ability and which tends to be entrepreneurial.

2. Role culture in which power is balanced between the leader and bureaucratic structure. The environment is likely to be stable and roles and rules are clearly defined.

3. Achievement culture in which personal motivation and commitment are stressed and action, excitement and impact are valued.

4. Support culture in which people contribute out of a sense of commitment and solidarity. Relationships are characterized by mutuality and trust.

Williams *et al* (1989)

1. Power orientation in which organizations try to dominate their environment and those exercising power strive to maintain absolute control over subordinates.

2. Role orientation, which emphasizes legality, legitimacy and responsibility. Hierarchy and status are important.

3. Task orientation, which focuses on task accomplishment. Authority is based on appropriate knowledge and competence.

4. People orientation in which the organization exists primarily to serve the needs of its members. Individuals are expected to influence each other through example and helpfulness.

Assessing organizational culture

A number of instruments exist for assessing organizational culture. This is not easy because culture is concerned with both subjective beliefs and unconscious assumptions (which might be difficult to measure), and with observed phenomena such as behavioural norms and artefacts. Two of the better-known instruments are summarized below.

Organizational ideology questionnaire (Harrison, 1972)

This questionnaire deals with the four orientations referred to earlier (power, role, task and self). The questionnaire is completed by ranking statements according to views on what is closest to the organization's actual position. Statements include:

- a good boss is strong, decisive and firm but fair;
- a good subordinate is compliant, hard-working and loyal;
- people who do well in the organization are shrewd and competitive, with a strong need for power;
- the basis of task assignment is the personal needs and judgements of those in authority;

- decisions are made by people with the most knowledge and expertise about the problem.

Organizational culture inventory (Cooke and Lafferty, 1989)

This instrument assesses organizational culture under 12 headings:

1. Humanistic/helpful – organizations managed in a participative and person-centred way.

2. Affiliative – organizations that place a high priority on constructive relationships.

3. Approval – organizations in which conflicts are avoided and interpersonal relationships are pleasant – at least superficially.

4. Conventional – conservative, traditional and bureaucratically controlled organizations.

5. Dependent – hierarchically controlled and non-participative organizations.

6. Avoidance – organizations that fail to reward success but punish mistakes.

7. Oppositional – organizations in which confrontation prevails and negativism is rewarded.

8. Power – organizations structured on the basis of the authority inherent in members' positions.

9. Competitive – a culture in which winning is valued and members are rewarded for out-performing one another.

10. Competence/perfectionist – organizations in which perfectionism, persistence and hard work are valued.

11. Achievement – organizations that do things well and value members who set and accomplish challenging but realistic goals.

12. Self-actualization – organizations that value creativity, quality over quantity, and both task accomplishment and individual growth.

Measuring organizational climate

Organizational climate measures attempts to assess organizations in terms of dimensions that are thought to capture or describe perceptions about the climate, such as the example given below.

Questionnaire on organizational climate, Litwin and Stringer (1968)

1. Structure – feelings about constraints and freedom to act and the degree of formality or informality in the working atmosphere.

2. Responsibility – the feeling of being trusted to carry out important work.

3. Risk – the sense of riskiness and challenge in the job and in the organization; the relative emphasis on taking calculated risks or playing it safe.

4. Warmth – the existence of friendly and informal social groups.

5. Support – the perceived helpfulness of managers and co-workers; the emphasis (or lack of emphasis) on mutual support.

6. Standards – the perceived importance of implicit and explicit goals and performance standards; the emphasis on doing a good job; the challenge represented in personal and team goals.

7. Conflict – the feeling that managers and other workers want to hear different opinions; the emphasis on getting problems out into the open rather than smoothing them over or ignoring them.

8. Identity – the feeling that you belong to a company; that you are a valuable member of a working team.

Perceptions about climate can be measured by questionnaires such as that developed by Koys and DeCotiis (1991), which cover eight categories:

Typical dimensions of organizational climate questionnaires (Koys and DeCotiis, 1991)

1. Autonomy – the perception of self-determination with respect to work procedures, goals and priorities.

2. Cohesion – the perception of togetherness or sharing within the organization setting, including the willingness of members to provide material risk.

3. Trust – the perception of freedom to communicate openly with members at higher organizational levels about sensitive or personal issues with the expectation that the integrity of such communication will not be violated.

4. Resource – the perception of time demands with respect to task competition and performance standards.

5. Support – the perception of the degree to which superiors tolerate members' behaviour, including willingness to let members learn from their mistakes without fear of reprisal.

6. Recognition – the perception that members' contributions to the organization are acknowledged.

7. Fairness – the perception that organizational policies are non-arbitrary or capricious.

8. Innovation – the perception that change and creativity are encouraged, including risk taking in new areas where the member has little or no prior experience.

Appropriate cultures

It is not possible to say that one culture is better than another, only that a culture is to a greater or lesser extent appropriate in the sense of being relevant to the needs and circumstances of the organization and helping rather than hindering its performance. However, embedded cultures exert considerable influence on organizational behaviour and therefore performance. If there is an appropriate and effective culture it would therefore be desirable to take steps to support or reinforce it. If the culture is inappropriate, attempts should be made to determine what needs to be changed and to develop and implement plans for change.

Furnham and Gunter (1993) considered that a culture will be more effective if 'it is consistent in its components and shared amongst organizational members, and it makes the organization unique, thus differentiating it from other organizations'.

Supporting and changing cultures

While it may not be possible to define an ideal structure or to prescribe how it can be developed, it can at least be stated with confidence that embedded cultures exert considerable influence on organizational behaviour and therefore performance. If there is an appropriate and effective culture it would be desirable to take steps to support or reinforce it. If the culture is inappropriate attempts should be made to determine what needs to be changed and to develop and implement plans for change.

Culture analysis

In either case, the first step is to analyse the existing culture. This can be done through questionnaires, surveys and discussions in focus groups or workshops. It is often helpful to involve people in analysing the outcome of surveys, getting them to produce a diagnosis of the cultural issues facing the organization and to participate in the development and implementation of plans and programmes to deal with any issues. This could form part of an organizational development programme, as described in Chapter 24. Groups can analyse the culture through the use of measurement instruments. Extra dimensions can be established by the use of group exercises such as 'rules of the club' (participants brainstorm the 'rules' or norms that govern behaviour) or 'shield' (participants design a shield, often quartered, which illustrates major cultural features of the organization). Joint exercises like this can lead to discussions on appropriate values that are much more likely to be 'owned' by people if they have helped to create them rather than having them imposed from above.

While involvement is highly desirable, there will be situations when management has to carry out the analysis and determine the actions required without the initial participation of employees. But the latter should be kept informed and brought into discussion on developments as soon as possible.

Culture support and reinforcement

Culture support and reinforcement programmes aim to preserve and underpin what is good and functional about the present culture. Schein (1985) has suggested that the most powerful primary mechanisms for culture embedding and reinforcement are:

- what leaders pay attention to, measure and control;
- leaders' reactions to critical incidents and crises;
- deliberate role modelling, teaching and coaching by leaders;
- criteria for allocation of rewards and status;
- criteria for recruitment, selection, promotion and commitment.

Culture can also be underpinned by reaffirming and operationalizing existing values through actions designed, for example, to implement total quality and customer care programmes, to provide financial and non-financial rewards for expected behaviour, to improve productivity, to promote and reward good teamwork or to develop a learning organization (see Chapter 40). Additionally, the value set of the organization can be used as headings for reviewing individual and team performance – emphasizing that people are expected to uphold the values, and induction programmes and further training can cover core values and how people are expected to achieve them.

Culture change

In theory, culture change programmes start with an analysis of the existing culture. The desired culture is then defined, which leads to the identification of a 'culture gap' that needs to be filled. This analysis can identify behavioural expectations so that development and reward processes can be used to define and reinforce them. In real life, it is not quite as simple as that. Culture is by definition deeply embedded and changing it can be a long and difficult haul.

A comprehensive change programme may be a fundamental part of an organizational transformation programme, as described in Chapter 25. But culture change programmes can focus on particular aspects of the culture, for example, performance, commitment, quality, customer service, teamwork and organizational learning. In each case the underpinning values would need to be defined. It would probably be necessary to prioritize by deciding which areas need the most urgent attention. There is a limit to how much can be done at once, except in crisis conditions.

Levers for change

Having identified what needs to be done and the priorities, the next step is to consider what levers for change exist and how they can be used. The levers could include, as appropriate:

- Performance – performance-related or contribution-related pay schemes; performance management processes; gainsharing; leadership training, skills development.

- Commitment – communication, participation and involvement programmes; developing a climate of cooperation and trust; clarifying the psychological contract.

- Quality – total quality programmes.

- Customer service – customer care programmes.

- Teamwork – teambuilding; team performance management; team rewards.

- Organizational learning – taking steps to enhance intellectual capital and the organization's resource-based capability by developing a learning organization.

- Values – gaining understanding, acceptance and commitment through involvement in defining values, performance management processes and employee development interventions.

Change management

The effectiveness of culture change programmes largely depends on the quality of change management processes. These are described in Chapter 25.

Organizational culture – key learning points

The characteristics of organizational culture (Furnham and Gunter, 1993)

- It is difficult to define (often a pointless exercise).

- It is multi-dimensional, with many different components at different levels.

- It is not particularly dynamic and ever-changing (being relatively stable over short periods of time).

- It takes time to establish and therefore time to change a corporate culture.

The significance of organizational culture (Furnham and Gunter, 1993)

Culture represents the 'social glue' and generates a 'we-feeling', thus counteracting processes of differentiations that are an unavoidable part of organizational life. Organizational culture offers a shared system of meanings that is the basis for communication and mutual understanding. If these functions are not fulfilled in a satisfactory way, culture may significantly reduce the efficiency of an organization.

How organizational culture develops

- Over a period of time.

- Through visionary leaders.

- Around critical incidents.

- From the need to maintain effective working relationships among organization members.

- By the influence of the organization's environment.

The diversity of organizational culture

There may be different cultures within organizations, although there could be some common organizational values or norms, but in some respects even these will vary between different work environments.

The components of organizational culture

Organizational culture can be described in terms of values, norms, artefacts and management/leadership style.

Classifications of organizational culture

There have been many attempts to classify or categorize organizational culture as a basis for the analysis of cultures in organizations and for taking action to support or change them. Most of these classifications are expressed in four dimensions and, following the lead of Harrison (1972), there is much common ground between them. His classification was:

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Measuring organizational climate

Organizational climate measures attempts to assess organizations in terms of

Organizational culture – key learning points (continued)

dimensions that are thought to capture or describe perceptions about the climate.

Appropriate cultures

It cannot be said that one culture is better than another, only that a culture is to a greater or lesser extent appropriate in the sense of being relevant to the needs and circumstances of the organization and helping rather than hindering its performance.

Supporting and changing cultures

- It may not be possible to define an ideal culture or to prescribe how it can be developed.

- But it is certain that embedded cultures exert considerable influence on organizational behaviour and therefore performance.

- If there is an appropriate and effective culture, it would be desirable to take steps to support or reinforce it.

- If the culture is inappropriate, attempts should be made to determine what needs to be changed and to develop and implement plans for change.

Questions

1. Charles Handy (1981) made the following remarks on culture: 'In organizations there are deep-set beliefs about the way work should be organized, people rewarded, people controlled. What are the degrees of formalization required? How much planning and how far ahead? What combination of obedience and initiative is looked for in subordinates? Do work hours matter, or dress, or personal eccentricities? What about expense accounts, and secretaries, stock options and incentives? Do committees control or individuals? Are there rules and procedures or only results?' Can you explain the culture of your own organization in these terms, or any other?

2. What are core values, espoused values and values in use?

3. Can culture be managed? If so, how?

4. You have been asked to facilitate a group of employee representatives in a discussion on what should be the core values of your company. How would you set about doing it?

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