

# **Organisation Culture**

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# **Organisation Culture**

**Getting it right**

Naomi Stanford

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# Preface

*Culture is a forbidding word. I have to use it, knowing of none better.*

E.M. Forster, “Does culture matter?” in *Two Cheers for Democracy*

*Culture is one of the two or three most complicated words in the English language. This is so partly because of its intricate historical development, in several European languages, but mainly because it has now come to be used for important concepts in several distinct intellectual disciplines and in several distinct and incompatible systems of thought.*

Raymond Williams, *Keywords*

Organisation culture has always intrigued me, and over the years I have learned a certain amount about it through painful lessons and more joyful experiences. At some point in my career I started to get asked to help people “change their organisation’s culture”. This perplexed me, as I think of it as chaotic and multidimensional, and always changing. Thus I’m a long-time sceptic of surveys or audits that purport to measure culture, find shortfalls and fix them, which seemed to be the thing that my clients were expecting.

Later I started to wonder what the question was behind the question: “How do I change the culture?” I thought I would be able to improve my work if I had more detail on the specific aspects of

culture change that my clients were interested in. I also hoped to be able to give leaders more help on the issues by providing accessible information on culture that explained the complexities of it.

Thus I sent an email to everyone in my address book, saying the following:

*I'm in the early stages of writing a book on corporate culture addressed at managers and business people who are struggling to:*

- a) Understand the culture of their organisation*
- b) Get a grip on why it matters*
- c) Get their culture right for their business strategy*
- d) Avoid the common mistakes of "culture change"*
- e) Keep their culture from getting stuck*

*I'm aiming for it to be for those who need common-sense, practical, realistic and pragmatic approaches that will help them understand and work with a slippery concept that in other books is discussed in academic theory and/or in technical/"new age" jargon.*

*If you were going to read this book what three questions would you want it to answer?*

In response to this email I got several hundred questions that I categorised and it is these categories that form the chapters of this book. As I've written the chapters I've kept the questions close by, checking that they are being covered. My hope is that the book meets the purpose that I intend it to – but readers will be the judge of that. Many people contributed to it and where quotes are unattributed it is because the company or individual requested anonymity.

Naomi Stanford  
May 2010

# 1 What is organisation culture?

New to a company or seeking to introduce a new business strategy, or responding to competitive or other contextual forces, many chief executives state their intention of “changing the culture” of their organisation, often because they see the “culture” as limiting what they want to achieve.

Allen Loren, CEO of D&B (formerly Dun & Bradstreet), a company specialising in business information, until his retirement in 2005, was instrumental in creating and launching, in 2000, the company’s “Blueprint for Growth” strategy. Answering the question “What was your vision for change?” in an interview in May 2005, Loren said:<sup>1</sup>

*The primary focus was to repair the brand, change the business model to get funds to pay for the repairs, and create a new culture. Creating a new culture was fundamental to the new strategy. The business model we adopted – we refer to it as a “financially flexible business model” – was predicated on constant re-engineering and then the reinvestment of the freed-up funds. That meant constant change for team members. We knew we needed a culture that would support continual change, but we didn’t have that at all.*

Loren’s statement raises questions that managers in any organisation will want answered, such as: Is it possible to “create a new culture” (or change an existing one)? If it is possible what does it involve? Why was creating a new culture “fundamental to the new strategy”? What precisely gave Loren the information that D&B did not have a culture that “would support continual change”? How



would he know when he had created a new culture? Would he have to create another new culture if he had another new strategy? What is culture anyway?

### Popular roots of organisation culture

The concept of organisation culture dates its popular roots from the 1980s when two books were published, both in 1982, which caught the attention of business managers and consultants. (Academic interest in culture – through theories of social science and anthropology – has a longer history.) The first book was *In Search of Excellence*, by Tom Peters and Robert Waterman, and the second *Corporate Cultures*, by Terrence Deal and Allen Kennedy. New York Times book reviewers were sceptical of both. Christopher Lehmann-Haupt, reviewing *In Search of Excellence* in December 1982, notes:

*It is almost incidental that the authors' eight-fold way, even when elaborated, is of no prescriptive value whatsoever that I can make out. That the list is an absolute orgy of faulty parallelism is slightly more significant, because, as is always the case when apples are crammed into a series with cashew nuts and dromedaries, it is a reflection of the list-maker's hopelessly muddled thinking. The confusion becomes apparent the instant Mr. Peters and Mr. Waterman begin to illustrate their attributes concretely.*

While Robert Krulwich, in July 1982, said of *Corporate Cultures*:

*Nothing in this analysis is either new or startling. These same motivational techniques apply not just to business but to most relationships ... Reduced to boldfaced headings in a manual for managers, however, they are trivialised into ugly little tricks. This book may be of some help to managers who want to be less dependent on computer printouts and systems analysis, but there are some things you can't learn from a manual. One would have no notion, jumping from heading to heading of this book, how Thomas Watson created the powerful, co-ordinated dynamo that is IBM. The elements of his genius may be here, but not the real chemistry.*

Business did not go along with the reviewers. The release of these books heralded a torrent of other organisational culture books, articles and conferences aimed at the market. This resulted in a hefty income stream for consultants confident that they could work organisation miracles by identifying and addressing the cultural issues thought to be either standing in the way of, or absolutely essential for, their client's business success.

Following this awakening of business interest in organisational culture, management theorists began taking an interest in the concepts and over the years have developed a body of theory and research that seeks to explain the role of culture in organisations. Nonetheless, as James Detert, Roger Schroeder and John Mauriel said in an article in *Academy of Management Review*:<sup>2</sup>

*As the culture concept enters its third decade of active life in the field of organisational studies ... we seem only to move farther away from a cumulative body of theory that would benefit theorists and practitioners alike.*

Accepting it is a fragmented and complex field with many competing and contested concepts and theories – it is still useful for a manager to have a perspective on organisation culture: first, because it will help answer questions like those raised earlier by Loren's statement; second, because it will help managers deal more confidently with consultants who are trying to sell them culture-change solutions; third, because it will support a realistic appraisal of what individuals can and cannot do to affect organisational culture. As one manager said:

*Those who sometimes espouse culture change often do not really have a grip on the culture of their own organisation and do not understand why the culture happens to be what it is. If you don't know what you have and do not understand why it got that way, you reduce your chances of changing it positively to a culture that supports the vision and mission.*

## Three perspectives on organisation culture

Joanne Martin, professor of organisational behaviour at Stanford Graduate School of Business, discusses in her work three perspectives on organisational culture making the point that each perspective is incomplete and a view of organisational culture must be drawn from a synthesis of the three perspectives.<sup>3</sup> Briefly, the three perspectives are as follows:

- ▶ **The integration perspective** suggests that an organisation has a single culture that is clearly identifiable and potentially measurable, and that employees are committed to supporting it (or at least go along with it).
- ▶ **The differentiation perspective** sees organisations as complex, many-faceted sets of subcultures, within one overarching culture, interacting to manage their diverse and often competing interests and objectives.
- ▶ **The fragmentation perspective** “emphasises ambiguities of interpretation, irony, paradox and irreconcilable contradictions that cross-cut, undermine, and confuse any organisation-wide or subcultural claims of consensus or clarity”.

## The integration perspective

The way business people talk about organisation culture generally reflects specifically the integration perspective. This is evident when they “label” either the culture they have or the culture they want to have. Thus Apple is described as having “created a culture of secrecy” (*New York Times*) and Walmart “an austere culture built by old man Walton” (*The Economist*). In another example, commenting on the appointment of Markus Dohle as chief executive of Random House (a division of Bertelsmann, a global media company), an observer wondered whether Dohle, “known for his entrepreneurial zeal”, would be able to lead Random House “without harming its creative culture”.<sup>4</sup> It may puzzle some people as to why entrepreneurial spirit should be at odds with creativity, but it is explained by the view of one Random House author:<sup>5</sup>

*On the face of it, it looks like the guy is a complete production bean counter. It doesn't look hopeful that he'll share the romantic idea of literature and publishing.*

The problem with labels is that they are shallow, working only in terms of stereotypes along the lines of “all Frenchmen eat frogs”, and confusing: the painting of a pipe by Magritte labelled “*Ceci n'est pas une pipe*” (this is not a pipe) illustrates this.<sup>6</sup> The confusion lies in labelling something that looks like a pipe as “not a pipe”. It is not of course a pipe but a two-dimensional representation of a pipe. Similarly, a label of culture is not the culture but a severely abbreviated verbal description. Confusion and sometimes conflict arise because too little is done to create a shared meaning around what the label stands for. As an example, “a culture of collaboration” will mean different things to different people unless there are explicit and shared explanations and expectations around the label.

Lehman Brothers is a good example of the limitations of addressing the culture at the level of a label. When he took over as chief executive in 1994, Richard Fuld determined to establish “a culture built on teamwork”, as in his view:<sup>7</sup>

*(This) leads to the best business decisions for the firm as a whole, and paying employees in stock helped reinforce that culture. I wanted them all to think and act and behave like owners.*

The premise implied is that the employees will understand and respond to the label in the same way. Some fundamental flaws in this approach are:

- ▶ assuming that his (Fuld's) notion of “teamwork” is the same as each employee's;
- ▶ presuming employees have a common view of what thinking, acting and behaving as an owner is (and want to be an owner);
- ▶ acting as if people are motivated by the same rewards, in this case stock;
- ▶ believing that “teamwork” leads to the best business decisions.

Fuld's main action to develop a “culture of teamwork” was to link compensation to the overall performance of the firm through equity

awards (Fuld himself being awarded colossal sums – somewhere between \$350m and \$485m between 2000 and 2008). This type of one-track action to culture change may show some results in the short term but is highly unlikely to be effective in the longer term. Indeed, when Lehman Brothers filed for bankruptcy during the financial sector collapse of 2008 it became clear that the “culture of teamwork” was one based on greed, lack of oversight and accountability, and blame – not the characteristics commonly associated either with teamwork or with well-run, owner-managed businesses.<sup>8</sup>

Lehman Brothers could have taken an approach that recognised that:

- ▶ teamwork is a system of operation that has mutually interrelated parts including tasks, personalities, timescales, goals, values and incentives;
- ▶ each of these interrelated parts has an impact on the others;
- ▶ none can be manipulated independently from the others if the goal is to establish and reinforce a well-articulated and shared view of teamwork;
- ▶ leaders must support the principles and role-model the behaviours of the teamwork they expect in others.

This would have been a more subtle, nuanced, multifaceted, systems approach to establish “a culture of teamwork” and might have led to a different outcome for Lehman Brothers. Of course it may not have, and that is one of the fascinations of examining organisational culture, because despite theories, perspectives, definitions, labels and inventories that claim to measure it, culture is largely an unknown quantity. Donald Rumsfeld, former US defence secretary, could have been talking about organisational culture, instead of Iraq, when he commented:<sup>9</sup>

*As we know, there are known knowns. There are things we know we know. We also know there are known unknowns. That is to say we know there are some things we do not know. But there are also unknown unknowns, the ones we don't know we don't know.*

Grappling with the issues put down to the culture of his organisation, one executive commented:

*There's the question of what it (culture) is. I suppose every company has a corporate culture of a sort, and certainly every executive I've met claims to be promoting one ("we have a culture of accountability", etc). But such widespread usage makes the word "culture" feel flabby to me. It would be wonderful if it could be described more crisply or provocatively so I could know what it is and then do something about it.*

## The differentiation perspective

That manager's frustration in trying to understand organisation culture is not helped by the academic approach to organisation culture. The competing theories and contested research result from the many different definitions of culture that theorists use. Below are five typical definitions of culture that reflect the more nuanced perspective of differentiation:

- ▶ The collective programming of the mind which distinguishes the members of one category of people from another.<sup>10</sup>
- ▶ The pattern of values, norms, beliefs, attitudes and assumptions that may not have been articulated but shape the ways in which people behave and things get done. Values refer to what is believed to be important about how people and the organisations behave. Norms are the unwritten rules of behaviour.<sup>11</sup>
- ▶ A pattern of shared basic assumptions that the group learned as it solved its 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 those problems.<sup>12</sup>
- ▶ An active living phenomenon through which people jointly create and recreate the worlds in which they live.<sup>13</sup>
- ▶ A system of shared values, defining what is important, and norms, defining appropriate attitudes and behaviours, that guide members' attitudes and behaviours.<sup>14</sup>

Beyond these five definitions is the popular one of uncertain origin defining culture as "the way we do things round here".

For five reasons these definitions, although they allow for a differentiation perspective, are as unhelpful as labels in getting to a crisp and provocative understanding of organisation culture:

- ▶ There is little agreement at a practical level of what culture “is”. In the same way that “beauty is in the eye of the beholder”, so it could be said that “culture is in the mind of the experienter”. (Additionally there is a philosophical difference between researchers who take the view that organisations “have” a culture and researchers who take the view that culture is what the organisation “is”.)
- ▶ Where there is agreement about the constituents of culture they are stated as “patterns” of values, norms, beliefs, attitudes, behaviours and suchlike that can be shared. This may be useful as a generalisation but is less so when it comes to taking actions at a local or individual level. If the various ingredients of a pie (the culture) are a proxy for value, norms, beliefs, and so on, when the pie is assembled, cooked, cut and shared out each person will experience it differently and have their own response to it. Similarly with culture – the “ingredients” of culture are meaningless before combination, and when combined are experienced differently by each individual.
- ▶ There is confusion as to whether culture is static – and therefore easily teachable to, say, newcomers to an organisation – or dynamic and inherently less predictable and teachable.
- ▶ It is not clear whether culture is influenced by people or whether culture influences people. Is it “done to” people or “done by” people? Or, more likely, is it a continuous interplay of people and circumstance?
- ▶ The definitions are inwardly focused. They do not allow for the external framework in which the organisation is situated, which, simply put, is evident at three levels:
  - the organisational regulatory and tax compliance requirements;
  - external relationships with governments and communities;
  - the legal frameworks and mutual expectations surrounding the rights and responsibilities of workers and employers, for example whether employees are barred from joining a union.

Thus the disparity in definitions demonstrates the difficulty in giving leaders the kind of “right” answers they are looking for when they ask questions about their organisation’s culture. Taking the threads inherent in the various definitions, it is evident that culture is about pervasive, implicit, subtle, complex and dynamic ways of community being that might be generalisable across an organisation but are experienced individually and subjectively. However, this notion is too vague and slippery to be useful to someone who wants to create or change or protect an organisation’s culture.

## **An analogy for organisational culture**

One way of getting to an understanding of organisation culture is to consider it as analogous to something else – climate and weather is a good analogy. Following the Köppen climate classification system the world is divided into six major climate zones. For example, one of these is “tropical humid”. This is analogous to the integration level of an organisation – an organisation might be described as having “a culture of collaboration”.

Each climate zone has a number of subclimate zones: those for “tropical humid” include “tropical savanna”, and “subtropical steppe”. These are analogous to the differentiation perspective where business units and departments have variations of the culture within the overarching culture.

Within each subzone are the daily weather patterns. These are analogous to the fragmentation perspective, discussed in the following section, and help explain how the day-to-day culture of the organisation plays out. The point to note is that climate and weather are inseparable from each other (reflecting Martin’s view that organisational culture is a synthesis of three perspectives).

The US National Aeronautics and Space Administration (NASA) explains the difference between weather and climate as follows:<sup>15</sup>

*Weather is what conditions of the atmosphere are over a short period of time, and climate is how the atmosphere “behaves” over relatively long periods of time.*



Weather is basically the way the atmosphere is behaving, mainly with respect to its effects upon life and human activities. The difference between weather and climate is that weather consists of the short-term (minutes to months) changes in the atmosphere. Most people think of weather in terms of temperature, humidity, precipitation, cloudiness, brightness, visibility, wind, and atmospheric pressure. In most places, weather can change from minute-to-minute, hour-to-hour, day-to-day, and season-to-season.

Climate, however, is the average of weather over time and space. An easy way to remember the difference is that climate is what you expect, like a very hot summer, and weather is what you get, like a hot day with pop-up thunderstorms.

When we talk about climate change, we talk about changes in long-term averages of daily weather.

Table 1.1 applies the weather/climate analogy to an organisation’s culture and suggests why it is a helpful one.

Table 1.1 Weather/climate analogy

Analogy	Applying the analogy	Why this helps
Climate (average of weather over time, space, and climate zone). The most commonly used climate zone classification describes six zones each with subzones. Factors determining assigning a region to a specific zone include biome distribution, latitude, humidity, elevation, distance from the sea and direction of the prevailing winds. <sup>a</sup>	<p>Organisational climate (the label of the culture). Patterns over time of cultural similarity across business units and geography are often reflected in visual representations, shared IT systems, a single mission or vision statement, etc.</p> <p>This element reflects the integration perspective.</p>	<p>It paints the picture of macro-level consistency across an organisation. So, for example, a visitor going to an HSBC bank in any country will recognise common HSBC characteristics both visually and through apparently seamless IT systems. (The bank’s strapline is “the world’s local bank”.)</p>

<i>Analogy</i>	<i>Applying the analogy</i>	<i>Why this helps</i>
Subclimate varies, within recognisable boundaries by terrain, geographic location, etc, within the climate zone.	<p>Culture evident in terms of values, norms, beliefs, attitudes, assumptions, facilities, etc, at a business unit or department level, often dependent on the unit's leadership and the stamp they put on their part of the organisation which leads business units to have a different "feel" one from the other.</p> <p>This element reflects the differentiation perspective.</p>	<p>It makes it clear that culture is more than the sum of its parts. It cannot be reduced to discrete elements for manipulation (in the same way that rain cannot be separated from other weather elements). Klaus Kleinfeld, former chief executive of Siemens, tried to manipulate only one element when he embarked on changing the firm's culture to one "of delivery". He set aggressive internal earnings targets. In doing so he incurred the wrath of employees, became the subject of a bribery probe, unbalanced the organisation and was dismissed.</p>

<i>Analogy</i>	<i>Applying the analogy</i>	<i>Why this helps</i>
Weather (short-term, minutes to months) determined by interactions of temperature, humidity, precipitation, cloudiness, brightness, visibility, wind, and atmospheric pressure.	<p>Organisational culture (short-term, minutes to months) varies as the immediate context changes – people join and leave, crises hit, demands change, people's emotions switch – resulting in the culture feeling chaotic and unpredictable within certain bounds.<sup>b</sup></p> <p>Also related to the external context in which the organisation is situated (including regulatory, relationship, and worker/employer expectations), which leads multinationals to have a different “feel” in different countries of operation.</p> <p>This element reflects the fragmentation perspective.</p>	<p>It suggests that culture could and should reflect local conditions. Starbucks' ability to maintain a presence in China is due, in part, to its willingness to try different types of ownership structure, and with these some differences in the “Starbucks experience” depending on geographic location.<sup>c</sup></p>

<i>Analogy</i>	<i>Applying the analogy</i>	<i>Why this helps</i>
Climate change does occur but over time (NASA measures over 30 years). It happens as a result of natural activity such as a volcanic eruption, or human activity such as through the build-up of greenhouse gases.	Organisational climate change does occur but over time. It happens as a natural result of environmental and context changes such as technology advances and social changes or as a result of a specific set of planned activities/interventions such as long-term efforts to achieve a specific business strategy in a particular way.	It reinforces the fact that although the culture (here meaning short-term, minutes to months) changes or might be changeable, to see or introduce sustained change in the organisational climate (here meaning across a whole organisation in the long term) takes time and – where more than the “normal” rate of change is desired – effort on multiple fronts. In answer to the question “Does a radical change agent lie behind the cultural conservatism?”, Alan Lafley, chief executive of Procter & Gamble, paused at the “radical” label because, at least until the Gillette deal, the transformation had been the cumulative effect of a series of small, interlocking changes. No single dramatic event during the previous five years defined the period, just as no evocative vision statement served as its road map. “I guess I’m a serial change agent,” Lafley says. <sup>d</sup>

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a For more about weather and climate see the Köppen climate classification system, which is the most widely used for classifying the world’s climates.

b For a readable book see Gleick, J., *Chaos: Making a New Science*, Penguin, 2000.

c [http://seattlepi.nwsourc.com/business/228728\\_sbuxchina16.html](http://seattlepi.nwsourc.com/business/228728_sbuxchina16.html)

d “Leading change: An interview with the CEO of P&G”, *McKinsey Quarterly*, August 2nd 2005.