**CULTURAL CONTEXT of MANAGING HUMAN RESOURES**

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# Definition and Characteristics

When people join an organization, they bring with them the values and beliefs they have been taught. Quite often, however, these values and beliefs are insufficient for helping the individual succeed in the organization. The person needs to learn how the particular enterprise does things. A good example is the U.S. Marine Corps. During boot camp, drill instructors teach recruits the “Marine way.” The training attempts to psychologically strip down the new recruits and then restructure their way of thinking and their values. They are taught to think and act like Marines. Anyone who has been in the Marines or knows someone who has will verify that the Corps generally accomplishes its objective. In a less-dramatic way, today’s organizations do the same thing. For example, UPS is known for having a military like corporate culture. However, as an outside observer who embedded himself (i.e., riding “shotgun” next to drivers and aiding with deliveries during the Christmas rush) noted: “Although the job is highly regimented, it includes enough independence for workers to be energized by the daily challenge of getting all the packages out and importantly, when there were problems, drivers, not technology, were the best at solving them.” The same is true in more complex organizations where a key challenge is to instill and sustain a corporate wide culture that encourages knowledge sharing. As the partner in charge of Ernst & Young’s knowledge-based business solution practice notes, “If you’re going to have a rich knowledge-sharing culture, that can’t just be a veneer on top of the business operation. You have to have people who can make sense out of it and apply it.”

Edgar Schein, who is probably most closely associated with the study of organizational culture, defines it as a pattern of basic assumptions—invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration—that has worked well enough to be considered valuable and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. More recently, Joanne Martin emphasizes the differing perspectives of cultures in organizations. She notes: As individuals come into contact with organizations, they come into contact with dress norms, stories people tell about what goes on, the organization’s formal rules and procedures, its formal codes of behavior, rituals, tasks, pay systems, jargon, and jokes only understood by insiders, and so on. These elements are some of the manifestations of organizational culture. However, she adds that there is another perspective of culture as well: When cultural members interpret the meanings of these manifestations, their perceptions, memories, beliefs, experiences, and values will vary, so interpretations will differ—even of the same phenomenon. The patterns or configurations of these interpretations, and the ways they are enacted, constitute culture.

In other words, organizational culture is quite complex. Although there are a number of problems and disagreements associated with the conceptualization of organizational culture, most definitions, including the preceding, recognize the importance of shared norms and values that guide organizational participants’ behavior. In fact, there is research evidence that not only are these cultural values taught to newcomers, but newcomers seek out and want to learn about their organization’s culture. Organizational culture has a number of important characteristics. Some of the most readily agreed upon are the following:

1. Observed behavioral regularities. When organizational participants interact with one another, they use common language, terminology, and rituals related to deference and demeanor.

2. Norms. Standards of behavior exist, including guidelines on how much work to do, which in many organizations come down to “Do not do too much; do not do too little.”

3. Dominant values. There are major values that the organization advocates and expects the participants to share. Typical examples are high product quality, low absenteeism, and high efficiency.

4. Philosophy. There are policies that set forth the organization’s beliefs about how employees and/or customers are to be treated.

5. Rules. There are strict guidelines related to getting along in the organization. Newcomers must learn those “ropes” in order to be accepted as full-fledged members of the group.

6. Organizational climate. This is an overall “feeling” that is conveyed by the physical layout, the way participants interact, and the way members of the organization conduct themselves with customers or other outsiders.

Each of these characteristics has controversies surrounding it and varying degrees of research support. For example, there is controversy in the academic literature over the similarities and differences between organizational culture and organizational climate. However, there is empirical support for s ome of the characteristics, such as the important role that physical layout plays in organizational culture. Here is a real-world illustration: Nike Inc. serves as an excellent example of a company that successfully revealed its corporate culture through corporate design. Set on 7 sprawling acres amid the pine groves of Beaverton, Oregon, the Nike World campus exudes the energy, youth and vitality that have become synonymous with Nike’s products. The campus is almost a monument to Nike’s corporate values: the production of quality goods and, of course, fitness. Included in the seven building campus is an athletic club with a track, weight rooms, aerobic studios, tennis, racquetball and squash courts, and a basketball court. The six characteristics of culture are not intended to be all-inclusive. For example, a study examined why companies were rated as most and least admired. Statistical analysis was conducted that compared the findings from a subjective opinion survey of reputation with what one might expect perceptions to be if they are based solely on financial performance. The financial measures that correlated most closely with the opinion of a firm’s “reputation” over a decade ago were, in order, 10-year annual return to shareholders, profits as a percent of assets, total profits, and stock market value. As the head of Coca-Cola, one of the most admired companies for many years, declared at that time: “I get paid to make the owners of Coca-Cola Co. increasingly wealthy with each passing day. Everything else is just fluff.” Obviously, bottom-line financial performance remains important, but a more recent analysis of Fortune’s admired companies found the most highly correlated attribute of those that scored in the top three of their industry was the “attraction and retention of top talent,” and a major way these top firms do this is to take their culture and values seriously. For example, currently admired firms such as the software firm SAS, Southwest Airlines, and Google attract and retain their best people because they give a lot of attention and care to their legendary cultures and values. As a recent analysis of how Toyota’s culture led it to become the top automaker concluded, the curiosity and spirit of Toyota people, as much as anything, has determined its success. In his final days, the former CEO of KPMG recognized the importance of a compassionate culture and urged his staff to “get the most out of each moment and day—for the firm’s benefit and the individual’s.” These cultures and values also drive business results and make them successful.

# Uniformity of Culture

A common misconception is that an organization has a uniform culture. However, at least as anthropology uses the concept, it is probably more accurate to treat organizations “as if ” they had a uniform culture. “All organizations ‘have’ culture in the sense that they are embedded in specific societal cultures and are part of them.” According to this view, an organizational culture is a common perception held by the organization’s members. Everyone in the organization would have to share this perception. However, all may not do so to the same degree. As a result, there can be a dominant culture as well as subcultures throughout a typical organization. A dominant culture is a set of core values shared by a majority of the organization’s members. For example, most employees at Southwest Airlines seem to subscribe to such values as hard work, company loyalty, and the need for customer service. Southwest employees take to heart cultural values such as: irreverence is okay; it’s okay to be yourself; have fun at work; take the competition seriously, but not yourself; and do whatever it takes for the customer. Table below summarizes the Fundamentals that are the core of the Southwest cultural values that are taught to the 25,000 associates who go through its corporate University for People every year. Those who work for Disney are: in the show, not on the job; wearing costumes, not uniforms; on stage or backstage, not at positions or workstations; cast members, not employees. When Disney cast members are presented with the riddle: “Ford makes cars, Sony makes TVs, Microsoft makes software, what does Disney make?”—all respond, “Disney makes people happy!” These values create a dominant culture in these organizations that helps guide the day-to-day behavior of employees. There is also evidence that these dominant cultures can have a positive impact on desirable outcomes such as successfully conducting mergers and acquisitions (e.g., when Dow Agro Sciences purchased Cargil Hybris Seeds), supporting product-innovation processes, and helping firms cope with rapid economic and technological change. Important, but often overlooked, are the subcultures in an organization. A subculture is a set of values shared by a minority, usually a small minority, of the organization’s members. Subcultures typically are a result of problems or experiences that are shared by members of a department or unit. For example, even though GE has one of the most dominant overall corporate cultures of being boundaryless between the highly diversified divisions (e.g., ranging from power generation to media, plastics, financial services, aircraft engines, locomotives, medical equipment, and lighting and appliances), each also has a distinctive subculture. GE Capital has a distinctive culture compared to the high-tech manufacturing cultures of aircraft engines and gas turbines.

**Southwest Airlines’ Core Cultural Values**

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| Hire for attitudes, Train for skill. | The company deliberately looks for applicants with a positive attitude who will promote fun in the workplace and have the desire to “color outside the lines.” |
| Do it Better, Faster, Cheaper. | Cost control is a personal responsibility for employees at Southwest and is incorporated into all training programs. |
| Deliver positively outrageous customer service (POS) to both internal and external customers! | The Southwest philosophy? Put your employees first and they will take care of the customers. |
| Walk a mile in someone else’s shoes. | For example, a pilot works with ramp agents for a full day; a reservationist works in the University for People; a customer service agent helps the skycaps. And President Herb Kelleher frequently passes out peanuts and serves drinks on flights. He even helps the baggage handlers load and unload on holidays. |
| Take accountability and ownership. | A great value is placed on taking initiative, thinking for yourself, even if that means going against something in the policy manual. For instance, employees have been known to take stranded passengers back to their own homes in emergencies. |
| Celebrate and let your hair down. | Chili cook-offs, lavish Halloween productions, and Christmas parties in July are all tools for motivating people. When people have fun on the job, their and performance improve. |
| Celebrate your mistakes as well as your triumphs. | Turning failures into personal growth is part of celebrating mistakes, a philosophy that encourages trying new ideas without the fear of repercussions. |
| Keep the corporate culture alive and well. | Members of the culture committee visit regularly at stations all across the country, infusing the corporate culture, reiterating the company’s history, and motivating employees to maintain the spirit that made the airline great. |

Subcultures can weaken and undermine an organization if they are in conflict with the dominant culture and/or the overall objectives. Successful firms, however, find that this is not always the case. Most subcultures are formed to help the members of a particular group deal with the specific day-to-day problems with which they are confronted. The members may also support many, if not all, of the core values of the dominant culture. In the case of GE, the success of the company is their “social architecture,” which pulls the subcultures all together. As former president Jack Welch stated, “GE is greater than the sum of its parts because of the intellectual capacity that is generated in the businesses and the sharing that goes on of that learning and the rapid action on that learning.”

# Creating and Maintaining A Culture

Some organizational cultures may be the direct, or at least indirect, result of actions taken by the founders. However, this is not always the case. Sometimes founders create weak cultures, and if the organization is to survive, a new top manager must be installed who will sow the seeds for the necessary strong culture. Thomas Watson, Sr. of IBM is a good example. When he took over the CTR Corporation, it was a small firm manufacturing computing, tabulating, and recording equipment. Through his dominant personality and the changes he made at the firm, Watson created a culture that propelled IBM to be one of the biggest and best companies in the world. However, IBM’s problems in the early 1990s when the computer market shifted from mainframes to PCs also were largely attributed to its outdated culture. After Watson and his son, the leaders of IBM made some minor changes and modifications that had little impact and eventually left the company in bad shape. However, in recent years, IBM, under the leadership of Louis Gerstner, launched into a bold new strategy that changed IBM from top to bottom. Mr. Gerstner became convinced that “all the cost-cutting in the world will be unable to save IBM unless it upends the way it does business.” This cultural change at IBM led to an outstanding turnaround that included getting out of the sale of computers. IBM is an example of an organization wherein a culture must be changed because the environment changes and the previous core cultural values are not in step with those needed for survival. The following sections take a close look at how organizational cultures get started, maintained, and changed.

# How Organizational Cultures Start

Although organizational cultures can develop in a number of different ways, the process usually involves some version of the following steps:

1. A single person (founder) has an idea for a new enterprise.

2. The founder brings in one or more other key people and creates a core group that shares a common vision with the founder. That is, all in this core group believe that the idea is a good one, is workable, is worth running some risks for, and is worth the investment of time, money, and energy that will be required.

3. The founding core group begins to act in concert to create an organization by raising funds, obtaining patents, incorporating, locating space, building, and so on.

4. At this point, others are brought into the organization, and a common history begins to be built.

Most of today’s successful corporate giants in all industries basically followed these steps. Two well-known representative examples are McDonald’s and Wal-Mart.

**McDonald’s**: Ray Kroc worked for many years as a salesperson for a food supplier (Lily Tulip Cup). He learned how retail food operations were conducted. He also had an entrepreneurial streak and began a sideline business with a partner. They sold multi mixers, machines that were capable of mixing up to six frozen shakes at a time. One day Kroc received a large order for multi mixers from the McDonald brothers. The order intrigued Kroc, and he decided to look in on the operation the next time he was in their area. When he did, Kroc became convinced that the McDonald’s fast-food concept would sweep the nation. He bought the rights to franchise McDonald’s units and eventually bought out the brothers. At the same time, he built the franchise on four basic concepts: quality, cleanliness, service, and price. In order to ensure that each unit offers the customer the best product at the best price, franchisees are required to attend McDonald University, where they are taught how to manage their business. Here they learn the McDonald cultural values and the proper way to run the franchise. This training ensures that franchisees all over the world are operating their units in the same way. Kroc died many years ago, but the culture he left behind is still very much alive in McDonald’s franchises across the globe. In fact, new employees receive videotaped messages from the late Mr. Kroc. Some of the more interesting of his pronouncements that reflect and carry on his values are his thoughts on cleanliness: “If you’ve got time to lean, you’ve got time to clean.” About the competition he says: “If they are drowning to death, I would put a hose in their mouth.” And on expanding he declares: “When you’re green, you grow; when you’re ripe, you rot.” So, even though he has not been involved in the business for many years his legacy lives on. Even his office at corporate headquarters is preserved as a museum, his reading glasses untouched in their leather case on the desk.

**Wal-Mart:** Sam Walton, founder of Wal-Mart Stores, Inc., opened his first Wal-Mart store in 1962. Focusing on the sale of discounted name-brand merchandise in small town markets, he began to set up more and more stores in the Sun Belt. At the same time, he began developing effective inventory control systems and marketing techniques. Today, Wal-Mart has not only become the largest retailer but also one of the biggest firms in the world. Although Sam died many years ago, his legacy and cultural values continue. For example, Walton himself stressed, and the current management staff continues to emphasize, the importance of encouraging associates to develop new ideas that will increase their store’s efficiency. If a policy does not seem to be working, the company quickly changes it. Executives continually encourage associates to challenge the current system and look for ways to improve it. Those who do these things are rewarded; those who do not perform up to expectations are encouraged to do better. Today, Walton’s founding values continue to permeate the organization. To make sure the cultural values get out to all associates, the company has a communication network worthy of the Pentagon. It includes everything from a satellite system to a private air force of numerous planes. Everyone is taught this culture and is expected to operate according to the core cultural values of hard work, efficiency, and customer service.

Although the preceding stories of cultural development are well known, in recent years these and other well-known companies founded by charismatic leaders have had varied success. The same is true of the dot-com firms. Some, like Jeff Bezos’s founding and cultural development of Amazon.com, are in some ways similar to and in some ways different from the stories of Ray Kroc at McDonald’s or Sam Walton at Wal-Mart. They are similar in that both started from scratch with very innovative, “out of the box” ideas to build an empire and change the way business is done. They are different in terms of speed and style. Other corporate culture stories today are not necessarily about the founders, but about those who took their company to the next level. For example, John Chambers, the CEO of Cisco, is largely credited for taking this well-known high-tech firm from a market capitalization of $9 billion when he took over in 1995 to being the highest-valued corporation in the world five years later and then repositioning the firm when the economy began to slump. The culture of Cisco is largely attributed to his old-school values such as trust, hard work, and customer focus, but as the subsequent economic downturn and the rapid decline in the stock values of Cisco brought out, being at the right place at the right time in terms of the technology environment also had had a lot to do with Cisco’s initial success. After the bubble had burst for Cisco and the other high-tech and especially dot-com firms, those who had the strong, but flexible, cultures were the ones that survived the extreme roller-coaster ride of the economy in recent years. Chambers indicated such desirable organizational cultural values when he declared, “I have no love of technology for technology’s sake. Only solutions for customers.”