

What is the nature and substance of organizational culture and why does it matter?

Organization culture has been defined very differently in the literature. Brown (1994, p. 6–7) lists eleven different definitions. They agree that organizational culture has something to do with the people in the organization, their relations with each other and their thoughts. Some academics stress the uniqueness of each organization's culture. Schein describes it as “a pattern of basic assumptions” while Lorsch writes that it is “the shared beliefs top managers in a company have about how they should manage”. The most accepted definition seems to be “commonly held and relatively stable beliefs, attitudes and values” and this definition will serve our purposes.

Schein (1984) has graded the things that make up culture from the invisible and preconscious to the more visible. The organizational culture has its roots in basic assumptions about the world, which is manifested in beliefs, values and attitudes. The most superficial level of culture is the level we can observe. Here we find for example company stories, heroes and ceremonies (“artefacts”). Many companies see their founders as heroes, e.g. Bill Gates at Microsoft and Steve Jobs at Apple. Other examples of artefacts could be company songs, buildings and brands.

The organizational culture is part of a larger, national culture. The realization that organizations do not exist in a vacuum has implications for how they should be managed. Geert Hofstede, cited in Hatch (1997), studied IBM and concluded that the cultures in its international subsidiaries differed substantially between countries on dimensions he named masculinity, uncertainty avoidance, power distance and individualism. Multinational corporations wishing to exploit worldwide synergies should have this in mind.

While the organization is a member of the national culture, it does itself often consist of many subcultures. Handy (1999) writes that cultures differ between e.g. the accounting, research and development and marketing departments. He lists four states departments can be in: steady state, innovation, crisis and policy. He suggests that “organizations should differentiate their cultures and structures according to the dominant kind of activity in that department” (p. 202). Steady state departments, which normally make up a majority of the organization,

Perhaps these departments can be seen to be subcultures of two cultures – the company and the profession. The marketing department, for example, is influenced by the company culture and by the national marketing culture through conferences, professional periodicals and exchange of staff. The department's own, distinct culture is a hybrid of the two cultures it is a member of.

Karen Legge discusses (Sissen 1995, p. 402–403) the implications of the success of Japanese companies in the 1980s for the study of organizational culture. Western firms tried to imitate what they perceived to be the strengths of Japanese culture – flexibility, focus on quality and care for the employees. Legge cites studies, though, that questioned how successful these imitations were and if they were really based on accurate perceptions of Japanese culture. This illustrates the complexity of the area and how easy it is to oversimplify and generalize.

Diamond (1998) writes that the optimal number of people in a group is a few hundred. If the organization is this size, everybody knows everybody. Diamond claims that tribes were about

this size before the arrival of civilization. It is much more difficult to run organizations bigger than a few hundred people and it requires new methods of conflict resolution etc. It may therefore be argued that organizations bigger than this inevitably will develop subcultures.

Handy (1999) emphasizes that structure and culture must not conflict with each other. Managers must make sure that the structure they choose for the organization is compatible with the organizational culture. This can be done either by changing the corporate structure or by nurturing a culture that fits the desired structure.

One way culture could be nurtured is hiring people who seem to conform to the desired values, beliefs and attitudes. (Hatch 1997) Organizations often produce documents that formulate the visions and values that the management wants the organization to incorporate in its informal culture. Employees can be informed of these corporate policies on courses. Conformity to the desired corporate culture may also be a condition for promotion, creating strong incentives for individuals to contribute to the culture the management strives for.

This is how Hatch (1997) formulates what the symbolic-interpretive school of organizational theory thinks of changing organizational culture: "Do not think of trying to manage culture. Other people's meanings and interpretations are highly unmanageable." (p. 234)

Handy (1999, p. 192) lists history and ownership as one of the factors that influence organizational culture. An example of this is the former Swedish telephone monopoly Telia. The chairman of the board told a Swedish newspaper that Telia's "organizational climate" is that of a national monopoly and needs to be changed now that the company operates on a competitive market and is about to be fully privatized. (Ahlbom 2007) The Swedish Shareholders' Association writes that being slow and cautious may be a part of Telia's culture. (Rolander 2007)

Another example tells of how a culture may develop around what the employees perceive to be the organization's goal. There was public outrage in Sweden in 2005 when it was reported that officials at the Migration Board celebrated the expulsion of a refugee family with children. The director-general of the Migration Board told Swedish media that "what happened goes completely against [our] values". Clearly, there was a discrepancy between what the management wanted the culture of the Board to be and what the organizational culture actually was like. This is quite natural since you would not expect somebody very positive towards refugees and immigration to want to work at the Migration Board. One of the four pillars of Swedish migration policy is to "maintain regulated immigration" (Ministry of Justice 2008), and it is clear that without this goal there would be little need for migration-related government agencies. It is plausible that Migration Board employees see this goal as the most important and think that it is their job to maintain it.

These two examples point to the need to change organizational culture. If attitudes not accepted in society have formed in the organization as in the Swedish Migration Board or if the culture lacks flexibility and consumer orientation as in Telia, the management clearly has to take action.

The importance of good corporate culture can be seen at Google. The company is famous for its youthful and informal culture. "You can be serious without a suit", as it is phrased in their corporate philosophy. (Google 2008) Its choice of location – the liberal San Francisco Bay Area – can be assumed to have greatly influenced its organizational culture. It is likely that it

would have been harder to obtain a similar culture had the company been based in Texas. The company actively nurtures this culture by e.g. having shared offices. And it clearly yields results – Google is valued at 5 million dollars per employee. (Bloomberg 2008)

Microsoft, on the other hand, is often seen as an inflexible monopoly not able to deliver the number of innovations its research and development expenditure would imply. It is hard to imagine a version of MSN Search in the fictional Star Trek language Klingon.

Organizational culture is wide and not easily definable. Since it is made up of the actions, feelings and opinions of humans, it is difficult for the management to control. Control is also made complicated by the fact that organizations are part of a national culture and at the same time themselves have subcultures. Despite this, managers try to influence their organization's culture since it has proved to have an impact on performance and is getting increasingly important in an economy based on technology, information and knowledge.

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