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2.5 Organisational (corporate) culture (HL)

Cultural clashes

Businesses experience changes over time due to internal and external influences. With time, employees come and go, businesses grow or shrink, leadership styles adapt, and ownership and the form of companies also change. Change can bring about clashes in culture. A cultural clash within a business occurs when more than one culture competes for dominance, and conflict results.

Cultural clashes can have significant impacts on a business and its employees. Culture clashes are likely to be a hygiene factor that can cause employee dissatisfaction, low motivation and higher labour turnover. Confusion over expectations and relationships can make it more difficult for teams of people to work together and can lead to lower productivity and higher costs for the business.
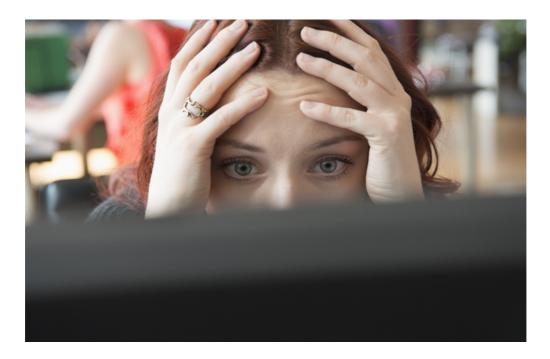

Figure 1. Culture clashes can leave employees feeling confused and fearful.

Credit: Jose Luis Pelaez Inc, Getty Images

Concept

Change and **Creativity**

Change refers to an act or process through which something becomes different. Businesses operate in a dynamic world with constant change. Both internal factors like human resource management, and external factors like economic and environmental conditions, can cause change in a business. When change occurs and cultural clashes emerge, businesses need to find ways to re-establish a shared 'way of doing things' so that employees and other stakeholders can thrive in and with the organisation.

Culture clashes can also affect creativity. Working in a multicultural environment has the potential to bring positive benefits of multiple new perspectives and practices to the workplace. However, research shows (https://hbswk.hbs.edu/item/cultural-disharmony-undermines-workplace-creativity) that cultural disharmony can actually impede creativity. Businesses can reduce such disharmony by raising cultural awareness among employees about their biases and assumptions in order to encourage more informed interactions with others.

Circumstances that can lead to cultural clashes

Internal and external growth

Growth (Subtopic 1.5 (/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-big-picture-id-36532)) of a business brings change: new products, new markets, new stakeholders and new processes. All of these changes to the elements of the business can bring changes to culture as well, causing potential cultural clashes.

Internal growth, during which a business expands its output, sales or staff with its own resources, is less likely to cause more cultural clashes than external growth, where another business is involved. But even internal growth may require entering new markets where the existing culture is no longer appropriate. Likewise, as a business gets larger, relationships and expectations of employees may change. The workaholic culture of a startup may need to give way to a culture that values greater work–life balance of the employees as the business matures. This transition can cause conflict if not managed appropriately.

External growth almost always involves cultural tensions. Organisational culture is so unique to every business that it is very unlikely that any two businesses have the same culture. So when a business is involved in a takeover, acquisition or merger, there can be culture clashes between the two organisations. Culture clash is one of the leading reasons why external growth strategies can fail.

One high profile example of where culture clash appears to have hindered the integration of two companies is the acquisition of Whole Foods by Amazon (https://hbswk.hbs.edu/item/amazon-vs-whole-foods-when-cultures-collide). Whole Foods is an expensive bricks-and-mortar grocery store focused on organic food. Amazon is a large online retailer. Amazon is defined by a top-down, strict and rules-oriented organisational culture. This culture is perhaps suited to the needs of the Amazon because it is technology-driven, is operating with slim profit margins and needs to be highly efficient. However, the Whole Foods grocery store chain was known for being more employee-centric, with decentralised decision-making, autonomy and empowerment for its employees. While the merger might have made sense in terms of Amazon's product portfolio, the culture clash between the two organisations meant that the integration did not go smoothly.

It is very important that organisations that are considering external growth critically assess and understand culture differences and actively work to resolve them. According to the consultancy Deloitte, it is very important to develop a narrative around the business integration (https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-cons-safeguarding-m-and-a-deal-value-managing-culture-clash.pdf) that taps into employees' sense of purpose, rather than focusing on technical benefits of external growth such as economies of scale. When employees feel connected to a greater vision and mission, then culture clashes may be easier to resolve.
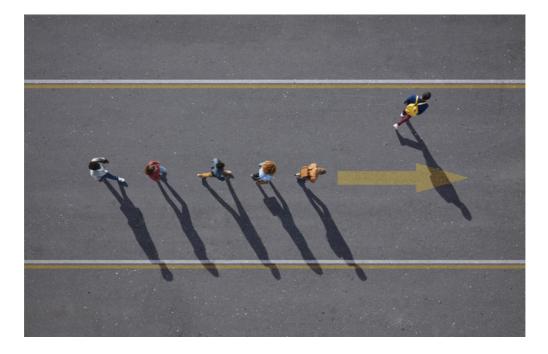

Figure 2. Employees may find it difficult to assimilate the new vision and mission of the business if it has undergone external growth.

Credit: Klaus Vedfelt, Getty Images

Change in leadership

When a business has a new leader, there can be a change in leadership style. And if the change in style is significant, employees may find it particularly difficult to cope with the changed expectations in relationships, chain of command and decision-making. This can be particularly true if the team is used to a democratic leadership style and has to adapt to an autocratic leadership style. The loss of autonomy and voice can be very demotivating.

Multinational expansion

In Subtopic 1.6 (/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-big-picture-id-36543) you learned about multinational companies. There are many benefits in terms of sales revenue, diversification and economies of scale for a business to expand internationally. However, expanding operations to other countries carries a particular risk of culture clash because of differences in language, working habits and hours, relationships between employees, and even ethical norms.

In the Middle East, for example, verbal commitments are often valued more than contracts. As religion plays a critical role in shaping the culture, society and the economy, most of the employees are expected to take time off during the daily prayers. Employees are not expected to eat and drink during the holy month of Ramadan.

All traditional businesses in Spain make allowance for a siesta time. Most businesses remain closed between 2:00 p.m. and 4:30 p.m. to accommodate this practice. Moreover, when a national holiday falls on a Tuesday or a Thursday, it is common in the government offices to take the Monday or Friday off and have a long weekend.

Employees in Japan, on the other hand, are expected to minimise the number of holidays they take, and are known for putting in long working hours. Most companies in Japan are known for being detail-oriented and are very particular about quality.

Aside from the more obvious and visible cultural differences mentioned here, there are also more invisible elements of culture that may have an even more profound importance to businesses that operate across borders. These are explored in Hofstede's cultural dimensions tool in Section 2.5.5 (/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/tool-hofstedes-cultural-dimensions-hl-id-39406).

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Figure 3. Multinational companies may be especially prone to cultural clashes.

Credit: lupengyu, Getty Images

International Mindedness

Organisational culture has many elements. Some of those elements are defined by internal factors, such as the organisational structure of the business and recruitment practices. However, other elements of organisational culture are influenced by external factors.

National culture has a major impact on the organisational culture of a business. This is because every organisation exists inside a larger cultural context of the country where it resides. This larger cultural context will impact the expectations and relationships of the people who work inside the organisation.