

Corporate Cultures

by Sophia



WHAT'S COVERED

In this lesson, you will learn to identify the purpose of corporate culture. You will explore the fit between internal organizational cultures and the external environment. You will learn how the Competing Values Framework model (CVF) is used to study how an organization and its culture fit with the environment. Finally, you will consider some organizational issues that must be addressed when two large firms merge or grow rapidly like Amazon. Specifically, this lesson will cover:

1. [The Purpose of Corporate Culture](#)
2. [Competing Values Framework Model](#)

1. The Purpose of Corporate Culture

Corporate culture is considered one of the most important **internal dimensions of an organization's** effectiveness criteria. Peter Drucker, an influential management guru, once stated, "Culture eats strategy for breakfast" (Hyken, 2015). He meant that corporate culture is more influential than strategy in terms of motivating employees' beliefs, behaviors, relationships, and ways they work since culture is based on values.

Strategy and other internal dimensions of an organization are also very important, but organizational culture serves two crucial purposes: first, culture helps an organization adapt to and integrate with its external environment by adopting the right values to respond to external threats and opportunities; and secondly, culture creates internal unity by bringing members together so they work more cohesively to achieve common goals (Schein, 2010 & Weiss, 2014). Culture is both the personality and glue that binds an organization.



KEY CONCEPT

It is also important to note that organizational cultures are generally framed and influenced by the top-level leader or founder. This individual's vision, values, and mission set the "tone at the top," which influences both the ethics and legal foundations, modeling how other officers and employees work and behave.



TERMS TO KNOW

Internal Dimensions of Organizations

How an organization's culture affects and influences its strategy.

Corporate Culture

Defines how motivating employees' beliefs, behaviors, relationships, and ways they work creates a culture that is based on the values the organization believes in.

2. Competing Values Framework Model

A framework used to study how an organization and its culture fit with the environment is offered in the Competing Values Framework. The **Competing Values Framework (CVF)** is one of the most cited and tested models for diagnosing an organization's cultural effectiveness and determining fit with its environment. The CVF, shown in the diagram below, has been tested for over 30 years; the effectiveness criteria offered in the framework were discovered to have made a difference in identifying organizational cultures that fit with particular characteristics of external environments.



One axis in the framework, representing external focus versus internal focus, indicates whether or not the organization's culture is externally or internally oriented. The other axis, reflecting flexibility versus stability and control, determines whether a culture functions better in a stable, controlled environment or a flexible, fast-paced environment. Combining the axes offers four cultural types:

- **Adhocracy Culture:** Dynamic, entrepreneurial, and can be described as an external focus with a flexibility orientation. The adhocracy culture profile of an organization emphasizes creating, innovating, visioning the future, managing change, risk-taking, rule-breaking, experimentation, entrepreneurship, and uncertainty. This profile culture is often found in such fast-paced industries as filming, consulting, space flight, and software development. Facebook and Google's cultures also match these characteristics (Yu & Wu, 2009). It should be noted, however, that larger organizations may have different cultures for different groupings of professionals, even though the larger culture is still dominant.
- **Clan Culture:** People-oriented, friendly, and can be described as an internal focus with a flexibility orientation. The clan culture type focuses on relationships, team building, commitment, empowering human development, engagement, mentoring, and coaching. Organizations that focus on human development, human resources, team building, and mentoring would fit this profile. This type of culture fits Tom's of Maine, which has strived to form respectful relationships with employees, customers, suppliers, and the physical environment.
- **Hierarchy Culture:** Process-oriented, structured, and can be described as an internal focus with a stability/control orientation. The hierarchy culture emphasizes efficiency, process and cost control, organizational improvement, technical expertise, precision, problem solving, elimination of errors, management and operational analysis, and careful decision-making. This profile would suit a company that is bureaucratic and structured, such as the U.S. Postal Service, the military, and other similar types of government agencies.
- **Market Culture:** Results-oriented, competitive, and can be described as an external focus with a stability/control orientation. The market culture focuses on delivering value, competing, delivering shareholder value, goal achievement, driving and delivering results, speedy decisions, hard driving through barriers, directive, commanding, and getting things done. This profile suits a marketing-and-sales-oriented company that works on planning and forecasting but also getting products and services to market and sold. Oracle under the dominating, hard-charging executive chairman Larry Ellison characterized this cultural fit.

IN CONTEXT

Amazon is an illustration of a company that can have a mix of cultures and still be effective. For example, Amazon has a high-performance Adhocracy Culture with regard to its external expansion and Bezos's leadership style; at the same time, Amazon resembles a Hierarchy Culture internally with regard to its tight control over employees at lower levels.

The company propelled its domain from an "online bookstore" "to selling everything online to being the pioneer in adopting cloud computing with AWS . . . to adopting the latest robotics in its warehouses to improve productivity . . . to thinking and testing disruptive technologies like drones and so on" (Nocera, 2015).

Amazon has also been criticized as a toxic cut-throat work environment. Jeff Bezos is known for being overly demanding and setting high standards for Amazon employees, as well as for himself. Amazon warehouse employees have complained that "Work came first, life came second, and trying to find the balance came last." This criticism peaked with an alleged suicide attempt in 2017 of a disgruntled

employee who requested a transfer to a different department within the company but was placed on an employee improvement plan instead—“a step that could result in his termination from Amazon if his performance didn’t improve” (Farber, 2016). Amazon has changed many of its working rules and regulations for warehouse employees since this incident.



REFLECT

What is the relationship between internal culture and external environment?



TERMS TO KNOW

Competing Values Framework

Developed by Kim Cameron and Robert Quinn this model is used for diagnosing an organization’s cultural effectiveness and examining its fit with its environment.

Adhocracy Culture

Creates an environment of innovating, visioning the future, accepting of managing change, and risk taking, rule-breaking, experimentation, entrepreneurship, and uncertainty.

Clan Culture

Focuses on relationships, team building, commitment, empowering human development, engagement, mentoring, and coaching.

Hierarchy Culture

Emphasizes efficiency, process and cost control, organizational improvement, technical expertise, precision, problem solving, elimination of errors, logical, cautious and conservative, management and operational analysis, and careful decision-making.

Market Culture

Focuses on delivering value, competing, delivering shareholder value, goal achievement, driving and delivering results, speedy decisions, hard driving through barriers, directive, commanding, competing and getting things done.



SUMMARY

In this lesson, you learned to identify **the purpose of corporate culture**, which is to help an organization adapt to and integrate with its external environment by adopting the right values to respond to external threats and opportunities, and to create internal unity by bringing members together so they work more cohesively to achieve common goals. You also learned that the **Competing Values Framework model (CVF)** is used to study how an organization and its internal culture fit with the external environment. Four cultural types are identified by which quadrant they fall within when measured against two axes—one representing external focus versus internal focus, and one reflecting flexibility versus stability and control: adhocracy culture, clan culture, hierarchy culture, and market culture. As you learned in the In Context example, a company like Amazon can have a mix of cultures and be effective.

Best of luck in your learning!

Source: Access for free at <https://openstax.org/books/principles-management/pages/1-introduction>

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