

Organizational culture is "the set of shared, taken-for-granted implicit assumptions that a group holds and that determines how it perceives, thinks about, and reacts to its various environments."² This definition highlights three important characteristics of organizational culture. First, organizational culture is passed on to new employees through the process of socialization, a topic discussed later in this chapter. Second, organizational culture influences our behavior at work. Finally, organizational culture operates at different levels. Figure 2-1 provides a conceptual framework for reviewing the widespread impact organizational culture has on organizational behavior. It also shows the linkage between this chapter—culture, socialization, and mentoring—and other key topics in this book. Figure 2-1 reveals organizational culture is shaped by four key components: the founders' values, the industry and business environment, the national culture, and the senior leaders' vision and behavior. In turn, organizational culture influences the

To provide a better understanding of how organizational culture is formed and used by employees, this section begins by discussing the layers of organizational culture. It then reviews the four functions of organizational culture, types of organizational culture, outcomes associated with organizational culture, and how cultures are embedded within organizations. Layers of Organizational Culture Figure 2-1 shows the three fundamental layers of organizational culture. Each level varies in terms of outward visibility and resistance to change, and each level influences another level.⁴

Observable Artifacts At the more visible level, culture represents observable artifacts. Artifacts consist of the physical manifestation of an organization's culture. Organizational examples include acronyms, manner of dress, awards, myths and stories told about the organization, published lists of values, observable rituals and ceremonies, special parking spaces, decorations, and so on. This level also includes visible behaviors exhibited by people and groups. At Google, for example, the core design team of 16 employees has daily "stand-up" meetings. "Everyone working on the project gathers standing up, to make sure no one gets too comfortable and no time is wasted during the rapid-fire update."⁵ These stand-up meetings are an artifact of Google's desire to work hard and get things done in a timely manner. Artifacts are easier to change than the less visible aspects of organizational culture.

Espoused Values Values possess five key components. "Values (1) are concepts or beliefs, (2) pertain to desirable end-states or behaviors, (3) transcend situations, (4) guide selection or evaluation of behavior and events, and (5) are ordered by relative importance."⁶ It is important to distinguish between values that are espoused versus those that are enacted. Espoused values represent the explicitly stated values and norms that are preferred by an organization. They are generally established by the founder of a new or small company and by the top management team in a larger organization. Consider, for example, the espoused values of Williams-Sonoma, Inc. (see Skills & Best Practices on page 34). At a growing number of companies, one of the espoused values is sustainability, which involves meeting "humanity's needs without harming future generations." Sustainability also is referred to as "being green," and Pulitzer Prize winner Thomas Friedman believes that "outgreening" other nations can renew America and defeat al-Qaeda.⁷ Others believe that outgreening can produce competitive advantage for organizations.

Give members an organizational identity. Southwest Airlines is known as a fun place to work that values employee satisfaction and customer loyalty over corporate profits. Herb Kelleher, executive chairman, commented on this issue:

Who comes first? The employees, customers, or shareholders? That's never been an issue to me. The employees come first. If they're happy, satisfied, dedicated, and energetic, they'll take real good care of the customers. When the customers are happy, they come back. And that makes the shareholders happy.

The company also has a catastrophe fund based on voluntary contributions for distribution to employees who are experiencing serious personal difficulties. Southwest's people-focused identity is reinforced by the fact that it is an employer of choice. For example, Southwest received 90,043 résumés and hired 831 new employees in 2009. The company also was noted as an employer of choice among college students by Fortune.

2. Facilitate collective commitment. The mission of Southwest Airlines “is dedication to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride, and company spirit.”¹² Southwest's nearly 35,000 employees are committed to this mission. According to the Department of Transportation's Air Travel Consumer Report, Southwest has had the fewest complaints per customer since 1987.

3. Promote social system stability. Social system stability reflects the extent to which the work environment is perceived as positive and reinforcing, and the extent to which conflict and change are effectively managed. Southwest is noted for its philosophy of having fun, having parties, and celebrating. For example, each city in which the firm operates is given a budget for parties. Southwest also uses a variety of performance-based awards and service awards to reinforce employees. The company's positive and enriching environment is supported by the lowest turnover rates in the airline industry and the employment of 1,164 married couples.

4. Shape behavior by helping members make sense of their surroundings. This function of culture helps employees understand why the organization does what it does and how it intends to accomplish its long-term goals. Keeping in mind that Southwest's leadership originally viewed ground transportation as their main competitor in 1971, employees come to understand why the airline's primary vision is to be the best primarily short-haul, low-fare, high-frequency, point-to-point carrier in the United States. Employees understand they must achieve exceptional performance, such as turning a plane in 20 minutes, because they must keep costs down in order to compete against Greyhound and the use of automobiles. In turn, the company reinforces the importance of outstanding customer service and high performance expectations by using performance-based awards and profit sharing. Employees own at least 5% of the company stock.

Clan Culture

A clan culture has an internal focus and values flexibility rather than stability and control. It resembles a family-type organization in which effectiveness is achieved by encouraging collaboration between employees. This type of culture is very “employee-focused” and strives to instill cohesion through consensus and job satisfaction and commitment through employee involvement. Clan organizations devote considerable resources to hiring and developing their employees, and they view customers as partners.

Adhocracy Culture

An adhocracy culture has an external focus and values flexibility. This type of culture fosters the creation of innovative products and services by being adaptable, creative, and fast to respond to changes in the marketplace. Adhocracy cultures do not rely on the type of centralized power and authority relationships that are part of market and hierarchical cultures. They empower and encourage employees to take risks, think outside the box, and experiment with new ways of getting things done. This type of culture is well suited for start-up companies, those in

Market Culture

A market culture has a strong external focus and values stability and control. Organizations with this culture are driven by competition and a strong desire to deliver results and accomplish goals. Because this type of culture is focused on the external environment, customers and profits take precedence over employee development and satisfaction. The major goal of managers is to drive toward productivity, profits, and customer satisfaction. Consider Richard Branson's new Virgin America airline. Branson believes that "American carriers are all very much the same, and the people who run them do not think of the customers at all. It's become a bus service." To meet customer needs, Branson's new airline uses Airbus A319 and A320 jets that are roomier, contain in-flight entertainment at every seat, Wi-Fi Internet access, and special lighting that displays 12 shades of pink, purple, and blue.¹⁸ Time will tell whether this market culture will lead to sustainable profits. Employees in market cultures also are expected to react fast, work hard, and deliver quality work on time. Organizations with this culture tend to reward people who deliver results. Byung Mo Ahn, president of Kia Motors, is a good example of a leader who desires to promote a market culture. He fired two senior executives from Kia Motors America in February 2008 because they were not meeting their expected sales goals. Employees from North America note that Mr. Ahn has created a very aggressive and competitive work environment. Some describe the environment as militaristic.¹⁹ Intel is another example of a company with a market culture.

Hierarchy Culture Control is the driving force within a hierarchical culture. The hierarchy culture has an internal focus, which produces a more formalized and structured work environment, and values stability and control over flexibility. This orientation leads to the development of reliable internal processes, extensive measurement, and the implementation of a variety of control mechanisms. Johnson & Johnson (J&J) is a good example of the value of a hierarchical culture. J&J had serious manufacturing problems in 2010 that led to recalls of children's Tylenol and other over-the-counter drugs. "A Food and Drug Administration inspection report, dated April 30, cites

1. Organizational culture is clearly related to measures of organizational effectiveness. This reinforces the conclusion that an organization's culture can be a source of competitive advantage.
2. Employees are more satisfied and committed to organizations with clan cultures. These results suggest that employees prefer to work in organizations that value flexibility over stability and control and those that are more concerned with satisfying employees' needs than customer or shareholder desires.

3. Innovation and quality can be increased by building characteristics associated with clan, adhocracy, and market cultures into the organization.

4. An organization's financial performance (i.e., growth in profit and growth in revenue) is not very strongly related to organizational culture. Managers should not expect to increase financial performance by trying to change their organization's culture.

5. Companies with market cultures tend to have more positive organizational outcomes. Managers are encouraged to consider how they might make their cultures more market-oriented.

1. Formal statements of organizational philosophy, mission, vision, values, and materials used for recruiting, selection, and socialization. Sam Walton, the founder of Walmart, established three basic beliefs or values that represent the core of the organization's culture. They are (1) respect for the individual, (2) service to our customer, and (3) striving for excellence. Further, Nucor Corp. attempts to emphasize the value it places on its people by including every employee's name on the cover of the annual report. This practice also reinforces the family-type culture the company wants to encourage.²⁶ Would you be attracted to work there?

2. The design of physical space, work environments, and buildings. Novartis AG in Basel, Switzerland, designed its offices to foster collaboration. This was done by using "common workspaces, sofas, soft lighting, and cappuccino machines to encourage people to talk, share ideas, and build relationships." They also invested in laptops for employees so that they would not be tied down to cubicles.

3. Slogans, language, acronyms, and sayings. For example, Robert Mittelstaedt, dean of the W P Carey School of Business at Arizona State University, promotes his vision of having one of the best business schools in the world through the slogan "Top-of-mind business school." Employees are encouraged to engage in activities that promote the quality and reputation of the school's academic programs.

4. Deliberate role modeling, training programs, teaching, and coaching by managers and supervisors. Fluor Corp., one of the leading design, engineering, and contracting firms in the world, desires an ethical culture that fights corruption within the construction industry. The company, which derives more than half of its \$17 billion in revenues overseas, puts all its employees through online anticorruption training sessions and teaches specialized workers, such as field operators, in person. Executives promote an open-door policy and a hot-line for reporting crimes—as well as tough penalties for violators, who receive zero tolerance for infractions.

5. Explicit rewards, status symbols (e.g., titles), and promotion criteria. At Triage Consulting Group, employees at the same level of their career earn the same pay, but employees are eligible for merit bonuses, reinforcing the culture of achievement. The merit bonuses are partly based on coworkers' votes for who contributed most to the company's success, and the employees who received the most votes are recognized each year at the company's "State of Triage" meeting.

6. Stories, legends, and myths about key people and events. Baptist Health Care (BHC) uses a combination of storytelling and recognition to embed clan- and market-based cultures that focus on employees and patients. "We've been able to do

more and different things because of our culture, which starts with the executives who carry it to the front-line and staff," says BHC Director of People Development Scott Ginnette. "For example, throughout the year we celebrate Champions, people who have done extraordinary things in service, by sharing their stories with all employees. Every facility has its own Champions, and at the end of the year, a committee decides which Champions will be named Legends, a higher honor. The Legends are taken by limo to an offsite dinner with board members where stories are shared and the Legends are recognized.

7. The organizational activities, processes, or outcomes that leaders pay attention to, measure, and control. When Ron Sargent took over as chief executive of Staples, he wanted to increase the focus on customer service. He started by investigating what values the office supply retailer's employees already held, and they told him they cared about helping others. Sargent used that value as the basis for developing their skill in serving customers. Staples began teaching employees more about the products they sell and now offers bonuses for team performance. Sargent also pays frequent visits to stores so he can talk directly to employees about what customers like and dislike.

8. Leader reactions to critical incidents and organizational crises. BP's new CEO after the Gulf oil spill of 2010, Bob Dudley, responded quickly to criticism that the company valued profit and efficiency more than safety. He sent a memo to all employees indicating that "safety would be the sole criterion for rewarding employee performance in its operating business for the fourth quarter."³² These types of rewards will need to be offered long term if the company truly wants to change employees' basic underlying assumptions.

9. The workflow and organizational structure. Hierarchical structures are more likely to embed an orientation toward control and authority than a flatter organization. One way that Staples enables its employees to focus on the company's commitment to customer service is by giving employees wide latitude in decision making.

10. Organizational systems and procedures. Companies are increasingly using electronic networks to enhance collaboration among employees in order to achieve innovation, quality, and efficiency. For example, Serena Software, Inc., a California-based company with 800 employees located in 29 offices across 14 countries, encouraged its employees to sign up for Facebook for free, and to use the network as a vehicle for getting to know each other. In contrast to using a public site for networking, Dow Chemical launched its own internal social network in order to create relationships between current, past, and temporary employees.

11. Organizational goals and the associated criteria used for recruitment, selection, development, promotion, layoffs, and retirement of people. Zappos, which was ranked as the 15th best place to work by Fortune in 2009, spends a great deal of time trying to hire people who will fit into their clan-based culture (see the Skills & Best Practices feature on page 45). How would you like to work at Zappos?

Managing in a global economy is as much about patterns of thinking and behavior as it is about trade agreements, goods and services, and currency exchange rates. Extended periods in a single dominant culture ingrain assumptions about how things

are and should be. Today's managers, whether they work at home for a foreign-owned company or simply work with people from diverse cultural backgrounds, need to develop a global mind-set. A team of international business professors describe the competencies needed to develop a global mind-set as follows:

1. Intellectual capital-Knowledge of international business and ability to learn, characterized by global business savvy, cognitive complexity (ability to analyze and connect multiple elements), and cosmopolitan outlook
2. Psychological capital-Openness to other cultures and willingness to change, characterized by passion for diversity, thirst for adventure, and self-assurance
3. Social capital-Ability to form connections and bring people together, characterized by intercultural empathy, interpersonal impact, and diplomacy?

Societal culture involves shared values, norms, identities, and interpretations that result from common experiences of members of collectives that are transmitted over time.

Ethnocentrism: Removing a Cultural Roadblock in the Global Economy

Ethnocentrism-the belief that one's native country, culture, language, and modes of behavior are superior to all others-has its roots in the dawn of civilization. First identified as a behavioral science concept in 1906 involving the tendency of groups to reject outsiders,¹² the term ethnocentrism today generally has a more encompassing (national or societal) meaning. Worldwide evidence of ethnocentrism is plentiful. Militant ethnocentrism led to deadly "ethnic cleansing" in Bosnia, Kosovo, and Kenya and genocide in Rwanda, Burundi, and Sudan.

TABLE 3-1 Countries Ranking Highest and Lowest on the GLOBE Cultural Dimensions

Dimension	Highest	Lowest
Power distance	Morocco, Argentina, Thailand, Spain, Russia	Denmark, Netherlands, South Africa-Black sample, Israel, Costa Rica
Uncertainty avoidance	Switzerland, Sweden, Germany-former West, Denmark, Austria	Russia, Hungary, Bolivia, Greece, Venezuela,
Institutional collectivism	Sweden, South Korea, Japan, Singapore, Denmark	Greece, Hungary, Germany-former East, Argentina, Italy
In-group collectivism	Iran, India, Morocco, China, Egypt	Denmark, Sweden, New Zealand, Netherlands, Finland
Gender egalitarianism	Hungary, Poland, Slovenia, Denmark, Sweden	South Korea, Egypt, Morocco, India, Sweden, China
Assertiveness	Germany-former East, Austria, Greece, United States, Spain	Sweden, New Zealand, Switzerland, Japan, Kuwait
Future orientation	Singapore, Switzerland, Netherlands, Canada-English speaking,	Russia, Argentina, Poland, Italy, Kuwait

	Denmark	
Performance Orientation	Singapore, Hong Kong, New Zealand, Taiwan, US	Russia, Argentina, Greece, Venezuela, Italy
Humane orientation	Philippines, Ireland, Malaysia, Egypt, Indonesia	Germany-former West, Spain, France, Singapore, Brazil,

SOURCE: Adapted from M Javidan and R J House, "Cultural Acumen for the Global Manager: Lessons from Project GLOBE," *Organizational Dynamics*, Spring 2001, pp 289-305.

Individualism versus Collectivism: A Closer Look

Have you ever been torn between what you personally wanted and what the group, organization, or society expected of you? If so, you have firsthand experience with a fundamental and important cultural distinction in both the GLOBE and Hofstede studies: individualism versus collectivism. Awareness of this distinction, as we will soon see, can spell the difference between success and failure in cross-cultural business dealings.

Individualistic cultures, characterized as "I" and "me" cultures, give priority to individual freedom and choice. Senior citizens in individualistic US culture are more likely to see themselves as responsible for their own well-being, in contrast to Europeans, who more often expect help at this stage of their lives.²⁷ Collectivist cultures, oppositely called "we" and "us" cultures, rank shared goals higher than individual desires and goals. People in collectivist cultures are expected to subordinate their own wishes and goals to those of the relevant social unit. A worldwide survey of 30,000 managers by Trompenaars and Hampden-Turner, who prefer the term communitarianism to collectivism, found the highest degree of individualism in Israel, Romania, Nigeria, Canada, and the United States. Countries ranking lowest in individualism—thus qualifying as collectivist cultures—were Egypt, Nepal, Mexico, India, and Japan. Brazil, China, and France also ended up toward the collectivist end of the scale.

High-Context and Low-Context Cultures

People from high-context cultures—including China, Korea, Japan, Vietnam, Mexico, and Arab cultures—rely heavily on situational cues for meaning when perceiving and communicating with others.³¹ Nonverbal cues such as one's official position, status, or family connections convey messages more powerfully than do spoken words. Thus, we come to better understand the ritual of exchanging and reading business cards in China. Chinese culture is relatively high context compared to the U.S. culture. A business card, listing employer and official position, conveys vital silent messages about one's status to members of China's homogeneous society. Also, people from high-context cultures who are not especially talkative during a first encounter with a stranger are not necessarily being unfriendly; they are simply taking time to collect "contextual" information.