

Chapter 16

Organizational Culture

(Click on the title when connected to the Internet for online video teaching notes)

LEARNING OBJECTIVES (ppt16-1)

After studying this chapter, students should be able to:

1. Define *organizational culture* and describe its common characteristics.
Compare the functional and dysfunctional effects of organizational culture on people and the organization.
2. Identify the factors that create and sustain an organization's culture.
3. Show how culture is transmitted to employees.
4. Demonstrate how an ethical culture can be created.
5. Describe a positive organizational culture.
6. Identify characteristics of a spiritual culture.
7. Show how national culture may affect the way organizational culture is transported.

INSTRUCTOR RESOURCES

Text Exercises

- International OB: Managing Across Organizational Boundaries
- Myth or Science? People Socialize Themselves
- An Ethical Choice: Working in a Spiritual Culture
- Point/CounterPoint: Organizational Cultures Can't Be Changed
- Questions for Review
- Experiential Exercise: Rate Your Classroom Culture
- Ethical Dilemma: Is There Room for Snooping in an Organization's Culture?

Text Cases

- Case Incident 1: Mergers Don't Always Lead to Culture Clashes
- Case Incident 2: Google and P&G Swap Employees

Instructor's Choice

This section presents an exercise that is NOT found in the student's textbook. Instructor's Choice reinforces the text's emphasis through various activities. Some Instructor's Choice activities are centered on debates, group exercises, Internet research, and student experiences. Some can be used in-class in their entirety, while others require some additional work on the student's part. The course instructor may choose to use these at anytime throughout the class—some may be more effective as icebreakers, while some may be used to pull together various concepts covered in the chapter.



WEB EXERCISES

At the end of each chapter of this Instructor's Manual, you will find suggested exercises and ideas for researching the WWW on OB topics. The exercises "Exploring OB Topics on the Web" are set up so that you can simply photocopy the pages, distribute them to your class, and make assignments accordingly. You may want to assign the exercises as an out-of-class activity or as lab activities with your class.

SUMMARY AND IMPLICATIONS FOR MANAGERS

Exhibit 16-6 depicts organizational culture as an intervening variable. Employees form an overall subjective perception of the organization based on factors such as degree of risk tolerance, team emphasis, and support of people. This overall perception becomes, in effect, the organization's culture or personality and affects employee performance and satisfaction, with stronger cultures having greater impact.

Just as people's personalities tend to be stable over time, so too do strong cultures. This makes a strong culture difficult for managers to change if it becomes mismatched to its environment. But as this chapter's Point/Counterpoint demonstrates, changing an organization's culture is a long and difficult process. Thus, at least in the short term, managers should treat their organization's culture as relatively fixed.

One of the most important managerial implications of organizational culture relates to selection decisions. Hiring individuals whose values don't align with those of the organization is likely to yield employees who lack motivation and commitment and are dissatisfied with their jobs and the organization. Not surprisingly, employee "misfits" have considerably higher turnover rates.

An employee's performance also depends to a considerable degree on knowing what to do and not do. Understanding the right way to do a job indicates proper socialization.

As a manager, you can shape the culture of your work environment. All managers can especially do their part to create an ethical culture and to consider spirituality and its role in creating a positive organizational culture. Often you can do as much to shape your organizational culture as the culture of the organization shapes you.

This chapter begins with an introduction to the 5S philosophy as a cultural component. Begun by Japanese companies, the 5S concept defines acceptable structuring, organization, and appearance of work areas.

BRIEF CHAPTER OUTLINE

I. Introduction

- A. A strong organizational culture provides stability to an organization.
- B. For some organizations, it can also be a major barrier to change.
- C. In this chapter, we show that every organization has a culture that, depending on its strength, can have a significant influence on the attitudes and behaviors of organization members.

II. What Is Organizational Culture?

- A. Definition of Organizational Culture (ppt16-2)
 - 1. Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations.
 - 2. Research identifies seven primary characteristics that capture the essence of an organization's culture:
 - a. Innovation and risk taking
 - b. Attention to detail
 - c. Outcome orientation
 - d. People orientation
 - e. Team orientation
 - f. Aggressiveness
 - g. Stability
 - h. Each of the characteristics exists on a continuum from low to high.
 - i. Exhibit 16-1 shows how these characteristics can be mixed.
- B. Culture Is a Descriptive Term
 - 1. Organizational culture is concerned with employees' perception of the characteristics of the culture—not whether they like them.
 - 2. Research has sought to measure how employees see their organization.
 - 3. Organizational culture differs from job satisfaction.
- C. Do Organizations Have Uniform Cultures? (ppt16-3)
 - 1. Most organizations have a dominant culture and numerous sets of subcultures.
 - 2. Dominant culture expresses the core values that are shared by a majority of the organization's members.
 - 3. Subcultures tend to develop in large organizations to reflect common problems, situations, or experiences that members face.
- D. Strong Versus Weak Cultures
 - 1. Strong culture: core values are intensely held and widely shared.
 - 2. The more members who accept core values and the greater their commitment to those values, the stronger the culture is.
 - 3. Result of strong culture should be lower employee turnover.
- E. Culture Versus Formalization
 - 1. A strong culture increases behavioral consistency.
 - 2. High formalization creates predictability, orderliness, and consistency.
 - 3. The stronger an organization's culture, the less management needs to develop formal rules and regulations.

III. What Do Cultures Do? (ppt16-4)

- A. Cultures can be positive or negative for organizations.
 - 1. Culture's Functions
 - a. Boundary-defining role
 - b. Conveys a sense of identity for members
 - c. Facilitates the generation of commitment
 - d. Enhances the stability of the social system

- e. Culture serves as a sense-making and control mechanism; guides and shapes attitudes and behavior of employees.
 - 2. Today's trend toward decentralized organizations makes culture more important than ever, but ironically it also makes establishing a strong culture more difficult.
 - 3. When formal authority and control systems are reduced, culture's *shared meaning* points everyone in the same direction.
 - 4. Employees organized in teams may show greater allegiance to their team and its values than to the values of the organization as a whole.
 - 5. In virtual organizations, the lack of frequent face-to-face contact makes establishing a common set of norms very difficult.
- B. Culture Creates Climate
- 1. Organizational climate refers to the shared perceptions organizational members have about their organization and work environment.
 - 2. The same appears true for organizations.
 - 3. Dozens of dimensions of climate have been studied, including safety, justice, diversity, and customer service, to name a few.
 - 4. A person who encounters a positive climate for performance will think about doing a good job more often and will believe others support his or her success.
 - 5. Someone who encounters a positive climate for diversity will feel more comfortable collaborating with coworkers regardless of their demographic background.
 - 6. Climate also influences the habits people adopt.
- C. Culture as a Liability (ppt16-5)
- 1. Introduction
 - a. Culture enhances organizational commitment and increases the consistency of employee behavior.
 - 2. Institutionalization
 - a. When an organization undergoes institutionalization and becomes *institutionalized*—that is, it is valued for itself and not for the goods or services it produces—it takes on a life of its own, apart from its founders or members.
 - 3. Barriers to Change
 - a. Culture is a liability when the shared values are not in agreement with those that will further the organization's effectiveness.
 - b. Most likely to occur when the environment is dynamic
 - 4. Barriers to Diversity
 - a. Diverse behaviors and strengths are likely to diminish in strong cultures as people attempt to fit in.
 - b. Strong culture can be liabilities when they effectively eliminate the unique strengths that people of different backgrounds bring to the organization.
 - 5. Barriers to Acquisitions and Mergers
 - a. Cultural compatibility has become the primary concern when considering acquisitions and/or mergers.
 - b. Primary cause for failed acquisitions is conflicting organizational culture.

IV. Creating and Sustaining Culture

- A. Introduction
- 1. Once an organization's culture is established it rarely fades away.
- B. How a Culture Begins (ppt16-6)
- 1. Ultimate source of an organization's culture is its founders.
 - 2. New organizations are typically small; facilitates the founders' imparting of their vision on all organizational members.

3. Culture creation occurs in three ways:
 - a. Founders hire employees who feel the way they do.
 - b. Employees are indoctrinated and socialized into the founders' way of thinking.
 - c. Founders' behavior acts as a role model.
- A. Keeping a Culture Alive
 1. Selection
 2. Top Management
 - a. Socialization (Exhibit 16-2)
 - b. Three-stage process (ppt16-7)
 - i. Pre-arrival
 - ii. Encounter
 - iii. Metamorphosis (Exhibit 16-3) (ppt16-8)
 - B. Summary: How Cultures Form (Exhibit 16-4) (ppt16-9)
 1. Founder's philosophy guides culture.
 2. Hiring is strongly influenced by founder.
 3. Employees are socialized for the culture.
- V. How Employees Learn Culture (ppt16-10)
 - A. Introduction
 1. Culture is transmitted to employees through stories, rituals, material symbols, and language.
 - B. Stories
 1. Narrative of events about the organization's founders, rule breaking, relocation of employees, past mistakes, etc. Serve as anchors for the present and legitimize current practices.
 - C. Rituals
 1. Repetitive sequences of activities that express and reinforce the key values of the organization
 - D. Material Symbols
 1. Layout of corporation headquarters, types of automobile top executives are given, aircraft, size of offices, executive perks, etc.
 - E. Language
 1. Organizations develop unique terms related to its business.
- VI. Creating an Ethical Organizational Culture (ppt16-11)
 - A. Characteristics shaping high ethical standards:
 1. High in risk tolerance
 2. Low to moderate in aggressiveness
 3. Focuses on means as well as outcomes
 4. Managers are supported for taking risks and innovating
 5. Strong culture exerts more influence on employees than a weak one
 - B. How can management create a more ethical culture?
 1. Be a visible role model.
 2. Communicate ethical expectations.
 3. Provide ethical training.
 4. Visibly reward ethical acts and punish unethical ones.
 5. Provide protective mechanisms.
- VII. Creating a Positive Organizational Culture (ppt16-12)
 - A. Introduction
 1. There is a trend today for organizations to attempt to create a positive organizational culture.
 2. A positive organizational culture emphasizes building on employee strengths, rewards more than it punishes, and emphasizes individual vitality growth.

- B. Building on employee strengths
 - 1. Do not ignore problems.
 - 2. Emphasize how workers capitalize on their strengths.
- C. Rewarding more than punishing
 - 1. Praise in addition to extrinsic rewards
 - 2. Catch employees doing something right
- D. Emphasizing vitality and growth
 - 1. Organizational effectiveness plus individual growth
 - 2. Employees are more than tools.
 - 3. Recognize difference between job and career.
- E. Limits of Positive Culture
 - 1. Not a panacea for all companies
 - 2. All cultures don't value being positive

VIII. Spirituality and Organizational Culture (ppt16-13)

- A. What Is Spirituality?
 - 1. Workplace spirituality is not about organized religious practices. It is not about God or theology.
- B. Why Spirituality Now? (Exhibit 16-5) (ppt16-14)
 - 1. Historical models of management and organizational behavior had no room for spirituality. The myth of rationality assumed that the well-run organization eliminated feelings.
- C. Characteristics of a Spiritual Organization (ppt16-15)
 - 1. Spiritual organizations are concerned with helping people develop and reach their full potential.
 - 2. Organizations that are concerned with spirituality are more likely to directly address problems created by work/life conflicts.
 - 3. What differentiates spiritual organizations from their non-spiritual counterparts?
 - a. Strong Sense of Purpose
 - b. Trust and Respect
 - c. Humanistic Work Practices
 - d. Toleration of Employee Expression
- D. Criticisms of Spirituality (ppt16-16)
 - 1. Critics of the spirituality movement in organizations have focused on two issues:
 - a. First is the question of legitimacy. Specifically, do organizations have the right to impose spiritual values on their employees?
 - b. Second is the question of economics. Are spirituality and profits compatible?
 - 2. This criticism is undoubtedly valid when spirituality is defined as bringing religion and God into the workplace.
 - 3. The issue of whether spirituality and profits are compatible objectives is certainly relevant for managers and investors in business.
 - 4. Another study found that organizations that provide their employees with opportunities for spiritual development outperformed those that did not.
 - 5. Other studies also report that spirituality in organizations was positively related to creativity, employee satisfaction, team performance, and organizational commitment.

IX. Global Implications)ppt16-17)

- A. We considered global cultural values (collectivism-individualism, power distance, and so on) in Chapter 5. Here our focus is a bit narrower:
 - 1. How is organizational culture affected by a global context?
 - 2. As the opening vignette suggests, organizational cultures are so powerful

- they often transcend national boundaries.
- 3. But that doesn't mean organizations should, or could, be blissfully ignorant of local culture.
 - B. Organizational cultures often reflect national culture.
 - 1. When an organization opens up operations in another country, it ignores the local culture at its own risk.
 - C. One of the primary things U.S. managers can do is to be culturally sensitive.
 - 1. The United States is a dominant force in business and in culture, and with that influence comes a reputation.
 - 2. "We are broadly seen throughout the world as arrogant people, totally self-absorbed and loud," says one U.S. executive.
 - D. The management of ethical behavior is one area where national culture can rub up against corporate culture.
 - 1. Many strategies for improving ethical behavior are based on the values and beliefs of the host country.
 - 2. This worldview sees bribery, nepotism, and favoring personal contacts as highly unethical.
 - E. U.S. employees are not the only ones who need to be culturally sensitive.
 - 1. Three times a week, employees at the Canadian unit of Japanese video game maker Koei begin the day by standing next to their desks, facing their boss, and saying "Good morning" in unison.
 - 2. Although these practices are consistent with Koei's culture, they do not fit Canadian culture very well.
- X. Summary and Implications for Managers (ppt16-19)
- A. Exhibit 16-6 depicts organizational culture as an intervening variable. (ppt16-18)
 - 1. Employees form an overall subjective perception of the organization based on factors such as degree of risk tolerance, team emphasis, and support of people.
 - 2. This overall perception becomes, in effect, the organization's culture or personality and affects employee performance and satisfaction, with stronger cultures having greater impact.
 - B. Just as people's personalities tend to be stable over time, so too do strong cultures.
 - 1. This makes a strong culture difficult for managers to change if it becomes mismatched to its environment. But as this chapter's Point/Counterpoint demonstrates, changing an organization's culture is a long and difficult process.
 - 2. Thus, at least in the short term, managers should treat their organization's culture as relatively fixed.
 - C. One of the most important managerial implications of organizational culture relates to selection decisions.
 - 1. Hiring individuals whose values don't align with those of the organization is likely to yield employees who lack motivation and commitment and are dissatisfied with their jobs and the organization.
 - 2. Not surprisingly, employee "misfits" have considerably higher turnover rates.
 - D. An employee's performance also depends to a considerable degree on knowing what to do and not do.
 - 1. Understanding the right way to do a job indicates proper socialization.
 - E. As a manager, you can shape the culture of your work environment.
 - 1. All managers can especially do their part to create an ethical culture and to consider spirituality and its role in creating a positive organizational culture.

EXPANDED CHAPTER OUTLINE

I. Introduction

- A. A strong organizational culture provides stability to an organization.
- B. For some organizations, it can also be a major barrier to change.
- C. In this chapter, we show that every organization has a culture that, depending on its strength, can have a significant influence on the attitudes and behaviors of organization members.

II. What Is Organizational Culture?

A. Definition of Organizational Culture

- 1. Organizational culture refers to a system of shared meaning held by members that distinguishes the organization from other organizations.
- 2. Research identifies seven primary characteristics that capture the essence of an organization's culture:
 - a. Innovation and risk taking
 - i. The degree to which employees are encouraged to do both
 - b. Attention to detail
 - i. Degree to which employees are expected to exhibit precision, analysis, and attention to detail
 - c. Outcome orientation
 - i. Degree to which management focuses on results rather than on processes used to achieve them
 - d. People orientation
 - i. Degree to which management decisions consider the effect of outcomes on people within the organization
 - e. Team orientation
 - i. Degree to which work activities are organized around teams rather than individuals
 - f. Aggressiveness
 - i. Degree to which people are aggressive and competitive
 - g. Stability
 - i. Degree to which activities emphasize maintaining the status quo.
 - h. Each of the characteristics exists on a continuum from low to high.
 - i. Exhibit 16-1 shows how these characteristics can be mixed.

B. Culture Is a Descriptive Term

- 1. Organizational culture is concerned with employees' perception of the characteristics of the culture—not whether they like them.
- 2. Research has sought to measure how employees see their organization:
 - a. Does it encourage teamwork?
 - b. Does it reward innovation?
 - c. Does it stifle initiative?
- 3. Organizational culture differs from job satisfaction:
 - a. Job satisfaction is evaluative.
 - b. Organizational culture is descriptive.

C. Do Organizations Have Uniform Cultures?

- 1. Most organizations have a dominant culture and numerous sets of subcultures.
- 2. Dominant culture expresses the core values that are shared by a majority of the organization's members.
- 3. Subcultures tend to develop in large organizations to reflect common problems, situations, or experiences that members face.

D. Strong Versus Weak Cultures

- 1. Strong culture: core values are intensely held and widely shared.

2. The more members who accept core values and the greater their commitment to those values, the stronger the culture is.
 3. Result of strong culture should be lower employee turnover.
- E. Culture Versus Formalization
1. A strong culture increases behavioral consistency.
 2. High formalization creates predictability, orderliness, and consistency.
 3. Formalization and culture are two different roads to a common destination.
 4. The stronger an organization's culture, the less management needs to develop formal rules and regulations.
 5. Employees internalize guides when they accept the organization's culture.

III. What Do Cultures Do?

- A. Cultures can be positive or negative for organizations.
 1. Culture's Functions
 - a. Boundary-defining role
 - b. Conveys a sense of identity for members
 - c. Facilitates the generation of commitment
 - d. Enhances the stability of the social system
 - e. Culture serves as a sense-making and control mechanism; guides and shapes attitudes and behavior of employees.
 2. Today's trend toward decentralized organizations makes culture more important than ever, but ironically it also makes establishing a strong culture more difficult.
 3. When formal authority and control systems are reduced, culture's *shared meaning* points everyone in the same direction.
 4. Employees organized in teams may show greater allegiance to their team and its values than to the values of the organization as a whole.
 5. In virtual organizations, the lack of frequent face-to-face contact makes establishing a common set of norms very difficult.
 6. Strong leadership that communicates frequently about common goals and priorities is especially important in innovative organizations.
 7. Individual-organization "fit"—that is, whether the applicant's or employee's attitudes and behavior are compatible with the culture—strongly influences who gets a job offer, a favorable performance review, or a promotion.
- B. Culture Creates Climate
 1. Organizational climate refers to the shared perceptions organizational members have about their organization and work environment.
 - a. This aspect of culture is like team spirit at the organizational level.
 - b. When everyone has the same general feelings about what's important or how well things are working, the effect of these attitudes will be more than the sum of the individual parts.
 2. The same appears true for organizations.
 - a. One meta-analysis found that across dozens of different samples, psychological climate was strongly related to individuals' level of job satisfaction, involvement, commitment, and motivation.
 - b. A positive overall workplace climate has been linked to higher customer satisfaction and financial performance.
 3. Dozens of dimensions of climate have been studied, including safety, justice, diversity, and customer service, to name a few.
 4. A person who encounters a positive climate for performance will think about doing a good job more often and will believe others support his or her success.
 5. Someone who encounters a positive climate for diversity will feel more comfortable collaborating with coworkers regardless of their demographic background.

6. Climate also influences the habits people adopt.
 - a. If the climate for safety is positive, everyone wears safety gear and follows safety procedures even if individually they wouldn't normally think very often about being safe.
- C. Culture as a Liability
 1. Introduction
 - a. Culture enhances organizational commitment and increases the consistency of employee behavior.
 2. Institutionalization
 - a. When an organization undergoes institutionalization and becomes *institutionalized*—that is, it is valued for itself and not for the goods or services it produces—it takes on a life of its own, apart from its founders or members.
 - b. It doesn't go out of business even if its original goals are no longer relevant.
 - c. Acceptable modes of behavior become largely self evident to members, and although this isn't entirely negative, it does mean behaviors and habits that should be questioned and analyzed become taken for granted, which can stifle innovation and make maintaining the organization's culture an end in itself.
 3. Barriers to Change
 - a. Culture is a liability when the shared values are not in agreement with those that will further the organization's effectiveness.
 - b. Most likely to occur when the environment is dynamic
 - c. Where there is rapid change, an entrenched culture may no longer be appropriate.
 4. Barriers to Diversity
 - a. Diverse behaviors and strengths are likely to diminish in strong cultures as people attempt to fit in.
 - b. Strong culture can be liabilities when they effectively eliminate the unique strengths that people of different backgrounds bring to the organization.
 - c. Strong cultures can also be liabilities when they support institutional bias or become insensitive to people who are different.
 5. Barriers to Acquisitions and Mergers
 - a. Cultural compatibility has become the primary concern when considering acquisitions and/or mergers.
 - b. Primary cause for failed acquisitions is conflicting organizational culture.

IV. Creating and Sustaining Culture

- A. Introduction
 1. Once an organization's culture is established it rarely fades away.
- B. How a Culture Begins
 1. Ultimate source of an organization's culture is its founders.
 2. Founders have vision of what the organization should be.
 3. Unconstrained by previous ideologies or customs
 4. New organizations are typically small; facilitates the founders' imparting of their vision on all organizational members.
 5. Culture creation occurs in three ways:
 - a. Founders hire employees who feel the way they do.
 - b. Employees are indoctrinated and socialized into the founders' way of thinking.
 - c. Founders' behavior acts as a role model.
- C. Keeping a Culture Alive
 1. Selection

- a. Attempt to ensure a proper match.
- b. Both candidates and organization learn about each other.
- 2. Top Management
 - a. Norms are established through the behavior of executives.
- 3. Socialization (Exhibit 16-2)
 - a. The process of helping new employees adapt to the organization's culture
 - b. Most critical time is at the initial entry point.
 - c. Employees who fail to learn role behaviors are labeled as "nonconformists" or "rebels." May lead to expulsion
 - d. Three-stage process
 - i. Pre-arrival
 - (a) Explicitly recognizes that each individual arrives with a set of values, attitudes, and expectations
 - ii. Encounter
 - (a) Individual confronts the possible dichotomy between expectations and reality
 - iii. Metamorphosis (Exhibit 16-3)
 - (a) Process of working out any problems discovered during the encounter stage
- D. Summary: How Cultures Form (Exhibit 16-4)
 - 1. Founder's philosophy guides culture.
 - 2. Hiring is strongly influenced by founder.
 - 3. Employees are socialized for the culture.

V. How Employees Learn Culture

- A. Introduction
 - 1. Culture is transmitted to employees through stories, rituals, material symbols, and language.
- B. Stories
 - 1. Narrative of events about the organization's founders, rule breaking, relocation of employees, past mistakes, etc. Serve as anchors for the present and legitimize current practices.
- C. Rituals
 - 1. Repetitive sequences of activities that express and reinforce the key values of the organization
- D. Material Symbols
 - 1. Layout of corporation headquarters, types of automobile top executives are given, aircraft, size of offices, executive perks, etc.
- E. Language
 - 1. Organizations develop unique terms related to its business. When jargon has been assimilated, it acts as a common denominator that unites members of a given culture or subculture.

VI. Creating an Ethical Organizational Culture

- A. Characteristics shaping high ethical standards:
 - 1. High in risk tolerance
 - 2. Low to moderate in aggressiveness
 - 3. Focuses on means as well as outcomes
 - 4. Managers are supported for taking risks and innovating
 - 5. Strong culture exerts more influence on employees than a weak one
- B. How can management create a more ethical culture?
 - 1. Be a visible role model.
 - a. Employees look to top management behavior as a benchmark.
 - 2. Communicate ethical expectations.
 - a. Code of ethics can minimize ethical ambiguities.

3. Provide ethical training.
 - a. Training sessions that reinforce standards of conduct and clarify permissible practices
4. Visibly reward ethical acts and punish unethical ones.
 - a. Performance appraisal of managers should include analysis of behavior against code of ethics.
5. Provide protective mechanisms.
 - a. Creation of ethical counselors, ombudsmen, or ethical officers.

VII. Creating a Positive Organizational Culture

- A. Introduction
 1. There is a trend today for organizations to attempt to create a positive organizational culture.
 2. A positive organizational culture emphasizes building on employee strengths, rewards more than it punishes, and emphasizes individual vitality growth.
- B. Building on employee strengths
 1. Do not ignore problems
 2. Emphasize how workers capitalize on their strengths
- C. Rewarding more than punishing
 1. Praise in addition to extrinsic rewards
 2. Catch employees doing something right
- D. Emphasizing vitality and growth
 1. Organizational effectiveness plus individual growth
 2. Employees are more than tools
 3. Recognize difference between job and career
- E. Limits of Positive Culture
 1. Not a panacea for all companies
 2. All cultures don't value being positive.
 3. There may be benefits to establishing a positive culture, but an organization also needs to be careful to be objective and not pursue it past the point of effectiveness.

VIII. Spirituality and Organizational Culture

- A. What Is Spirituality?
 1. Workplace spirituality is not about organized religious practices. It is not about God or theology.
 2. Workplace spirituality recognizes that people have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community.
- B. Why Spirituality Now? (Exhibit 16-5)
 1. Historical models of management and organizational behavior had no room for spirituality. The myth of rationality assumed that the well-run organization eliminated feelings.
 2. An awareness of spirituality can help you to better understand employee behavior.
- C. Characteristics of a Spiritual Organization
 1. Spiritual organizations are concerned with helping people develop and reach their full potential.
 2. Organizations that are concerned with spirituality are more likely to directly address problems created by work/life conflicts.
 3. What differentiates spiritual organizations from their non-spiritual counterparts?
 - a. Strong Sense of Purpose
 - i. Spiritual organizations build their cultures around a meaningful purpose. For example, Ben & Jerry's has closely intermeshed socially

- responsible behavior into its producing and selling of ice cream.
- b. Trust and Respect
 - i. Spiritual organizations are characterized by mutual trust, honesty, and openness.
 - ii. Managers aren't afraid to admit mistakes.
 - iii. They tend to be extremely up front with their employees, customers, and suppliers.
 - c. Humanistic Work Practices
 - i. Managers in spiritually-based organizations are comfortable delegating authority to individual employees and teams.
 - ii. They trust their employees to make thoughtful and conscientious decisions.
 - d. Toleration of Employee Expression
 - i. They allow people to be themselves—to express their moods and feelings without guilt or fear of reprimand.
- D. Criticisms of Spirituality
- 1. Critics of the spirituality movement in organizations have focused on two issues:
 - a. First is the question of legitimacy. Specifically, do organizations have the right to impose spiritual values on their employees?
 - b. Second is the question of economics. Are spirituality and profits compatible?
 - 2. This criticism is undoubtedly valid when spirituality is defined as bringing religion and God into the workplace.
 - a. However, the goal is limited to helping employees find meaning in their work lives and to use the workplace as a source of community.
 - 3. The issue of whether spirituality and profits are compatible objectives is certainly relevant for managers and investors in business.
 - a. A recent research study by a major consulting firm found that companies that introduced spiritually-based techniques improved productivity and significantly reduced turnover.
 - 4. Another study found that organizations that provide their employees with opportunities for spiritual development outperformed those that did not.
 - 5. Other studies also report that spirituality in organizations was positively related to creativity, employee satisfaction, team performance, and organizational commitment.

IX. Global Implications

- A. We considered global cultural values (collectivism-individualism, power distance, and so on) in Chapter 5. Here our focus is a bit narrower:
 - 1. How is organizational culture affected by a global context?
 - 2. As the opening vignette suggests, organizational cultures are so powerful they often transcend national boundaries.
 - 3. But that doesn't mean organizations should, or could, be blissfully ignorant of local culture.
- B. Organizational cultures often reflect national culture.
 - 1. The culture at AirAsia, a Malaysian-based airline, emphasizes informal dress so as not to create status differences.
 - a. The carrier has lots of parties, participative management, and no private offices, reflecting Malaysia's relatively collectivistic culture.
 - 2. However, the culture of US Airways does not reflect the same degree of informality.
 - a. If US Airways were to set up operations in Malaysia or merge with AirAsia, it would need to take these cultural differences into account.
 - 3. So when an organization opens up operations in another country, it ignores

- the local culture at its own risk.
- C. One of the primary things U.S. managers can do is to be culturally sensitive.
1. The United States is a dominant force in business and in culture, and with that influence comes a reputation.
 2. "We are broadly seen throughout the world as arrogant people, totally self-absorbed and loud," says one U.S. executive.
 3. Companies such as American Airlines, Lowe's, Novell, ExxonMobil, and Microsoft have implemented training programs to sensitize their managers to cultural differences.
 4. Some ways in which U.S. managers can be culturally sensitive include talking in a low tone of voice, speaking slowly, listening more, and avoiding discussions of religion and politics.
- D. The management of ethical behavior is one area where national culture can rub up against corporate culture.
1. Many strategies for improving ethical behavior are based on the values and beliefs of the host country.
 2. U.S. managers endorse the supremacy of anonymous market forces and implicitly or explicitly view profit maximization as a moral obligation for business organizations.
 3. This worldview sees bribery, nepotism, and favoring personal contacts as highly unethical.
 4. Any action that deviates from profit maximization may indicate that inappropriate or corrupt behavior may be occurring. In contrast, managers in developing economies are more likely to see ethical decisions as embedded in a social environment.
 5. That means doing special favors for family and friends is not only appropriate but may even be an ethical responsibility.
 6. Managers in many nations also view capitalism skeptically and believe the interests of workers should be put on a par with the interests of shareholders.
- E. U.S. employees are not the only ones who need to be culturally sensitive.
1. Three times a week, employees at the Canadian unit of Japanese video game maker Koei begin the day by standing next to their desks, facing their boss, and saying "Good morning" in unison.
 2. Employees then deliver short speeches on topics that range from corporate principles to 3D game engines.
 3. Koei also has employees punch a time clock and asks women to serve tea to top executive guests.
 4. Although these practices are consistent with Koei's culture, they do not fit Canadian culture very well.
 5. "It's kind of like school," says one Canadian employee.
- X. Summary and Implications for Managers
- A. Exhibit 16-6 depicts organizational culture as an intervening variable.
1. Employees form an overall subjective perception of the organization based on factors such as degree of risk tolerance, team emphasis, and support of people.
 2. This overall perception becomes, in effect, the organization's culture or personality and affects employee performance and satisfaction, with stronger cultures having greater impact.
- B. Just as people's personalities tend to be stable over time, so too do strong cultures.
1. This makes a strong culture difficult for managers to change if it becomes mismatched to its environment. But as this chapter's Point/Counterpoint demonstrates, changing an organization's culture is a long and difficult

- process.
- 2. Thus, at least in the short term, managers should treat their organization's culture as relatively fixed.
 - C. One of the most important managerial implications of organizational culture relates to selection decisions.
 - 1. Hiring individuals whose values don't align with those of the organization is likely to yield employees who lack motivation and commitment and are dissatisfied with their jobs and the organization.
 - 2. Not surprisingly, employee "misfits" have considerably higher turnover rates.
 - D. An employee's performance also depends to a considerable degree on knowing what to do and not do.
 - 1. Understanding the right way to do a job indicates proper socialization.
 - E. As a manager, you can shape the culture of your work environment.
 - 1. All managers can especially do their part to create an ethical culture and to consider spirituality and its role in creating a positive organizational culture. Often you can do as much to shape your organizational culture as the culture of the organization shapes you.

International OB

Managing Across Organizational Boundaries

Another manifestation of culture is as a feature of a nation or group of nations. An obvious question for multinational corporations then is whether it is better to establish a single strong organizational culture across different nations or to adopt different cultural practices in each country. Research suggests the best management practice is to develop a strong unifying mission, while allowing teams to accomplish their work in ways that suit each nation's culture.

In a study of 230 organizations in different industries from regions including North America, Asia, Europe, the Middle East, and Africa, having a strong and positive organizational culture was associated with increased organizational effectiveness. Across countries, practices such as empowerment, team orientation, establishing a clear strategic direction, and providing a recognized vision were related to greater success in all countries. However, the practices were not equally important. Empowerment appeared more important in individualistic than in collectivistic countries.

Another study of 115 teams in five different multinational corporations found that when companies emphasized a unified global integration of business operations, teams shared less information. The reason might be that home office culture was dictating policies, leading teams to be less proactive about making changes. On the other hand, encouraging local teams to find their own solutions for their own cultural context resulted in greater learning and performance.

Overall, these studies show a productive organizational culture is associated with increased sales growth, profitability, employee satisfaction, and overall organizational performance. Part of this effective management strategy means empowering managers to take local context into account.

Sources: Based on D. R. Denison, S. Haaland, and P. Goelzer, "Corporate Culture and Organizational Effectiveness: Is Asia Different from the Rest of the World?" *Organizational Dynamics*, February 2004, pp. 98–109; and M. Zellmer-Bruhn and C. Gibson, "Multinational Organizational Context: Implications for Team Learning and Performance," *Academy of Management Journal* 49, no. 3 (2006), pp. 501–518.

Class Exercise

1. Ask students to read the white paper at
<http://www.expresspharmaonline.com/pharmabiocareerguide2009/pharmabioCareerguide02.shtml>
2. Divide the class into groups of three to five.
3. Assign half the groups the position to standardize operations in international context and the other half to localize operations.
4. Have each team prepare support for its position.
5. Have the teams present their positions and support.
6. Take a class vote on which position is perceived to be the most advantageous.

Myth or Science?

People Socialize Themselves

This statement is true to a significant degree. Although we generally think of socialization as the process by which a person is shaped by his or her environment—and indeed that influence is the major focus of socialization research—more evidence is accumulating that many people socialize themselves or at least substantially mold their socialization experiences.

People with a proactive personality are much better at learning the ropes than newcomers. As we noted in Chapter 5, they identify opportunities, show initiative by asking questions and seeking help, and take action—and they learn more because they seek out more information and feedback.

Proactive personality types are also better at networking and achieve a closer fit with the culture of their organization—they build their own “social capital.” More effectively socialized into the organization, they like their jobs more, perform them better, and show less propensity to quit. Proactive people, it seems, do a lot to socialize themselves into the culture of an organization.

This doesn’t mean socialization doesn’t matter, but only that people are not passive actors in the process. How well someone is socialized into a new culture may depend more on his or her personality than anything else.

Class Exercise

1. Have students research Fortune Magazine’s “100 Best Companies to Work For in 2009.” Students can access this information by going to:
http://money.cnn.com/magazines/fortune/bestcompanies/2009/full_list/
2. Have students identify the key factors associated with these companies.
3. Have students attempt to identify the core values that are common to each of these companies.
4. Students may want to compare the 2009 list with that of 2000 (or a time of your choosing). What are the differences and/or similarities?
5. Discuss these companies’ core values in the context of organizational culture.

An Ethical Choice

Working in a Spiritual Culture

The vast majority of U.S. adults describe themselves as religious—in a 2008 poll 78 percent describe themselves as Christian, and 92 percent describe themselves as spiritual. It is not surprising, therefore, that spirituality often blends into organizational cultures. As we have noted in describing a spiritual culture, it usually accommodates most beliefs. However, some organizational leaders go further. Coca-Cola Bottling Consolidated, the second largest Coca-Cola bottler with 5,800 employees in 11 states, has a company mission and values statement that places faith front and center. The statement begins with “Our Values Honor God.” Austaco Ltd., a Texas-based company with 1,800 employees, calls itself “a Christian company—Christ- or God-centered.”

As important as spirituality is to most in the United States, a rising number (though still a small minority) describe themselves as atheists or agnostics, and that is much more the case for Europeans. It’s obvious, too, that while most U.S. adults are Christians, millions have other religious beliefs. What happens if you find yourself working in a company whose prevailing religious culture is at odds with your own? According to Victoria Leyva, then a human resources manager at the University of Chicago Hospital, Joan Shaw, the human resources director, became verbally aggressive when she learned about Leyva’s religious views. “I remember being very sad,” Leyva said. In Britain, Caroline Petrie, a nurse, was suspended for offering to pray for a patient; Naphtali Chondol, a social worker, was fired for giving a Bible to a client; and Nadia Eweida, a British Airways ticket agent, was prohibited from wearing a cross at work. Here is some advice if you must navigate an uncomfortable situation due to a mismatch between the culture and your beliefs:

1. Resist creating oppression in your own mind where it doesn’t exist. Just because your religious views are at odds with the culture doesn’t mean your career is necessarily doomed there. We do business with people of different faiths all the time. Working with a company with a different idea of spirituality works for many.
2. Religious discrimination claims to the Equal Employment Opportunity Commission (EEOC) have grown by 54 percent since 2002. If you think you have been treated negatively because of your religious beliefs, look into the matter further. Also recognize that the EEOC finds in most cases that the person bringing the charge has no standing or merit for his or her claim. To see whether your claim might be meritorious, go to eeoc.gov/policy/docs/qanda_religion.html.
3. Talk with your supervisor or the human resources manager because they are often in the best position to stop religious harassment or accommodate your views.

Sources: Based on C. S. Stewart, “Office Politics and God,” *Salon* (June 24, 2009), dir .salon.com; R. J. Grossman, “Religion at Work,” *HR Magazine* (December 2008), pp. 27–33; M. Rice-Oxley, “Some British Christians Feel Oppressed in the Public Square,” *Christian Science Monitor* (February 26, 2009), www.csmonitor.com.

Class Exercise

1. Ask students to read the articles at
<http://www.northernway.org/workplace.html>.
2. When they have reviewed the concepts, ask them to prepare a short presentation evaluating the role of spiritual organizational cultures in today's environment of increasing influence of spiritually neutral government and non-profit organizations.
3. One focus could be the effects of overly interpreting separation of religion and state as a foundation of business operations.

Point/CounterPoint

Organizational Cultures Can't Be Changed

Point

An organization's culture is made up of relatively stable characteristics. It develops over many years and is rooted in deeply held values to which employees are strongly committed. In addition, a number of forces continually operate to maintain a given culture. These include written statements about the organization's mission and philosophy, the design of physical spaces and buildings, the dominant leadership style, hiring criteria, past promotion practices, entrenched rituals, popular stories about key people and events, the organization's historic performance evaluation criteria, and the organization's formal structure.

Selection and promotion policies are particularly important devices that work against cultural change. Employees choose an organization in part because they perceive their values to be a good fit with it. They become comfortable with that fit and will strongly resist efforts to disturb the equilibrium. Top executives also select senior managers who will sustain the current culture. Organizations such as Ford, VW, and the U.S. Postal Service, all of which historically attracted people looking for stable and highly structured environments, can attest to the difficulty of trying to reshape the culture. Even attempts to change by going outside the organization to hire a new chief executive are unlikely to be effective. The culture is more likely to change the executive than the other way around.

We're not saying culture can never be changed. Usually when an organization confronts a crisis that threatens its survival, members do respond to efforts to change the culture. However, anything less than that is unlikely to be effective.

CounterPoint

Changing an organization's culture is extremely difficult, but it can be done. The evidence suggests that cultural change is most likely to take place when most or all of the following conditions exist:

- **A dramatic crisis.** This is a shock that undermines the status quo and calls into question the relevance of the current culture. Examples are a surprising financial setback, the loss of a major customer, and a dramatic technological breakthrough by a competitor.
- **Turnover in leadership.** New top leadership, which can provide an alternative set of key values, may be perceived as more capable of responding to the crisis (as when Mark Hurd replaced Carly Fiorina at HP).
- **Young and small organizations.** The younger the organization, the less entrenched its culture will be. It's also easier for management to communicate new values when the organization is small.
- **Weak culture.** The more widely held a culture is and the higher the agreement among members on its values, the more difficult it will be to change. Weak cultures are more amenable to change than strong ones.

If all or most of these conditions exist, the following management actions may lead to change: initiating new stories and rituals, selecting and promoting employees who espouse the new values, changing the reward system to support the new values, and undermining current subcultures through transfers, job rotation, and terminations.

Under the best conditions, these actions won't result in an immediate or dramatic shift in the culture. In the final analysis, cultural change is a lengthy process—measured in years rather than in months. But it can happen, as the success of new leadership in turning around the cultures at companies such as IBM, 3M, and GE attests.

Class Exercise

1. As a class, discuss and decide what the culture is of your college or university. Students may have a very different perspective than you do as faculty, so choose which "organization" you are assessing—the one visible to students or to faculty.
2. Once the culture is identified, discuss with students what would be involved in changing the culture of your college or university. Explain to students, for the sake of the exercise, that they should consider that the culture is in need of change in order to deal with the new dynamics facing institutions of higher education. You should choose a contrasting culture to the one identified in the students' earlier discussion.
3. This discussion should consider:
 - a. The current culture and target culture
 - b. What change techniques could be used
 - c. What elements of culture maintenance need to be addressed in the change effort
 - d. Who would resist this change and why
4. The discussion should help students realize the effort involved in changing organization culture and help them decide which side of this debate they most identify with.

Questions for Review

1. What is institutionalization and how does it affect organizational culture?

Answer: Institutionalization was a forerunner of culture, traced back more than 50 years ago. It is described as the time when an organization takes on a life of its own, apart from any of its members, becomes valued for itself, and acquires immortality. Institutionalization operates to produce common understandings among members of what is appropriate and meaningful behavior. This is essentially what organizational culture does.

2. What is organizational culture and what are its common characteristics?

Answer: Organizational Culture is a common perception held by the organization's members; a system of shared meaning. Seven primary characteristics:

- a. Innovation and risk taking
- b. Attention to detail
- c. Outcome orientation
- d. People orientation
- e. Team orientation
- f. Aggressiveness
- g. Stability

3. What are the functional and dysfunctional effects of organizational culture?

Answer: Culture defines the boundary between one organization and others

- a. Conveys a sense of identity for its members
- b. Facilitates the generation of commitment to something larger than self-interest
- c. Enhances the stability of the social system
- d. Serves as a sense-making and control mechanism for fitting employees in the organization

The liability or dysfunctional effects of organizational culture are that they can be:

- a. Barrier to change - Occurs when culture's values are not aligned with the values necessary for rapid change
- b. Barrier to diversity - Strong cultures put considerable pressure on employees to conform, which may lead to institutionalized bias.
- c. Barrier to acquisitions and mergers - Incompatible cultures can destroy an otherwise successful merger.

4. What factors create and sustain an organization's culture?

Answer: Cultures begin with the thoughts and values of the founders. The founders hire and keep only the employees who think and feel the same way they do. The founders indoctrinate and socialize these employees to their way of thinking and feeling. Finally the founders' own behavior acts as a role model that encourages employees to identify with them and thereby internalize their beliefs, values, and assumptions.

Factors that sustain an organizational culture or keep it alive are:

- a. Selection - Concerned with how well the candidates will fit into the organization and provides information to candidates about the organization.
 - b. Top Management - Senior executives help establish behavioral norms that are adopted by the organization.
 - c. Socialization - The process that helps new employees adapt to the organization's culture.
5. How is culture transmitted to employees?
- Answer:** Employees learn the culture through the socialization process. The culture is transmitted in a number of forms.
- a. Stories - Anchor the present into the past and provide explanations and legitimacy for current practices
 - b. Rituals - Repetitive sequences of activities that express and reinforce the key values of the organization
 - c. Material Symbols - Acceptable attire, office size, opulence of the office furnishings, and executive perks that convey to employees who is important in the organization
 - d. Language - Jargon and special ways of expressing oneself to indicate membership in the organization
6. How can an ethical culture be created?
- Answer:** An organizational culture most likely to shape high ethical standards is one that is high in risk tolerance, low to moderate in aggressiveness, and focuses on means as well as outcomes. If the culture is strong and supports high ethical standards, it should have a very powerful and positive influence on employee behavior. An organization can create an ethical culture by doing the following:
- a. Be a visible role model. Employees will look to top-management behavior as a benchmark for defining appropriate behavior.
 - b. Communicate ethical expectations. Ethical ambiguities can be minimized by creating and disseminating an organizational code of ethics.
 - c. Provide ethical training. Use training sessions to reinforce the organization's standards of conduct, to clarify what practices are and are not permissible, and to address possible ethical dilemmas.
 - d. Visibly reward ethical acts and punish unethical ones. Performance appraisals of managers should include a point-by-point evaluation of how his or her decisions measured against the organization's code of ethics.
 - e. Provide protective mechanisms. The organization needs to provide formal mechanisms so that employees can discuss ethical dilemmas and report unethical behavior without fear of reprimand. This might include creation of ethical counselors, ombudsmen, or ethical officers.
7. What is a positive organizational culture?
- Answer:** A positive organizational culture is one that:
- a. Builds on employee strengths - Focus is on discovering, sharing, and building on the strengths of individual employees
 - b. Rewards more than it punishes - Articulating praise and "catching employees doing something right"
 - c. Emphasizes individual vitality and growth - Helping employees learn and grow in their jobs and careers
8. What are the characteristics of a spiritual culture?

Answer: A spiritual culture is one that recognizes that people have an inner life that nourishes and is nourished by meaningful work that takes place in the context of the community. The four characteristics of a spiritual culture are:

- a. Strong sense of purpose – people want to be inspired by a purpose
 - b. Trust and respect – mutual trust, honesty, and openness
 - c. Humanistic work practices – employee empowerment, job security
 - d. Toleration of employee expression – don't stifle emotions
9. How does national culture affect how organizational culture is transported to a different country?

Answer: National cultures differ and organizational cultures often reflect national cultures. Organization cultures, while strong, can't ignore local culture. Managers can help to be more culturally sensitive by: speaking slowly and in a low tone, listening more, avoiding discussions of religion or politics. All global firms (not just U.S. firms) need to be more culturally sensitive.

Experiential Exercise

Rate Your Classroom Culture

Listed here are 14 statements. Using the 5-item scale (from Strongly Agree to Strongly Disagree), respond to each statement by circling the number that best represents your opinion.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. I feel comfortable challenging statements made by my instructor.	1	2	3	4	5
2. My instructor heavily penalizes assignments that are not turned in on time.	1	2	3	4	5
3. My instructor believes that "It's final results that count."	1	2	3	4	5
4. My instructor is sensitive to my personal needs and problems.	1	2	3	4	5
5. A large portion of my grade depends on how well I work with others in the class.	1	2	3	4	5
6. I often feel nervous and tense when I come to class.	1	2	3	4	5
7. My instructor seems to prefer stability over change.	1	2	3	4	5
8. My instructor encourages me to develop new and different ideas.					
9. My instructor has little tolerance for sloppy thinking.	1	2	3	4	5
10. My instructor is more concerned with how I came to a conclusion than with the conclusion itself.	1	2	3	4	5
11. My instructor treats all students alike.	1	2	3	4	5
12. My instructor frowns on class members helping each other with assignments.	1	2	3	4	5
13. Aggressive and competitive people have a distinct advantage in this class.	1	2	3	4	5
14. My instructor encourages me to see the world differently.	1	2	3	4	5

Calculate your total score by adding up the numbers you circled. Your score will fall between 14 and 70.

A high score (49 or above) describes an open, risk-taking, supportive, humanistic,

team-oriented, easygoing, growth-oriented culture. A low score (35 or below) describes a closed, structured, task-oriented, individualistic, tense, and stability-oriented culture. Note that differences count, so a score of 60 is a more open culture than one that scores 50. Also, realize that one culture isn't preferable over another. The "right" culture depends on you and your preferences for a learning environment.

Form teams of five to seven members each. Compare your scores. How closely do they align? Discuss and resolve any discrepancies. Based on your team's analysis, what type of student do you think would perform best in this class?

Ethical Dilemma

Is There Room for Snooping in an Organization's Culture?

Many companies spy on their employees—sometimes with and sometimes without their knowledge or consent. Organizations differ in their culture of surveillance.

Some differences are due to the type of business. A U.S. Department of Defense contractor has more reason—perhaps even an obligation—to spy on its employees than does an orange juice producer.

However, surveillance in most industries is on the upswing. There are several reasons, including the huge growth of two sectors with theft and security problems—services and information technology, respectively—and the increased availability of surveillance technology.

Consider the following surveillance actions, and decide for each whether it would never be ethical (mark N), would sometimes be ethical (mark S), or would always be ethical (mark A). For those you mark S, indicate on what factors your judgment would depend.

1. Sifting through an employee's trash for evidence of wrongdoing
2. Periodically reading e-mail messages for disclosure of confidential information or inappropriate use
3. Conducting video surveillance of work space
4. Monitoring Web sites visited by employees and determining the appropriateness and work relatedness of those visited
5. Taping phone conversations
6. Posing as a job candidate, an investor, a customer, or a colleague (when the real purpose is to solicit information)

Would you be less likely to work for an employer that engaged in some of these methods? Why or why not? Do you think use of surveillance says something about an organization's culture?

Class Exercise

Each of the 6 will vary by student but once the answer is given, the student should support his/her answer.

1. Would you be less likely to work for an employer that engaged in some of these methods? Why or why not?
Answer. This is not an environment where most employees would thrive. This behavior seems to be a regression in organizational culture. These tactics are in direct contrast to a positive organizational culture that embraces people, focuses on trust, and rewards employees.
2. Do you think use of surveillance says something about an organization's culture?
Answer: Yes, in some cases this is more of a culture of fear, distrust, and Theory X mentality. The managerial behavior of the future should be to try and "catch employees doing something right" not wait for them to make a mistake.

Case Incident 1

Mergers Don't Always Lead to Culture Clash

A lot of mergers lead to culture clashes and, ultimately, failure. So in 2005 when banking giant Bank of America (BOA) announced its \$35 billion acquisition of credit card giant MBNA, many thought that in a few years this merger would join the heap of those done in by cultural differences.

MBNA's culture was characterized by a free-wheeling, entrepreneurial spirit that was also quite secretive. MBNA employees also were accustomed to the high life. Their corporate headquarters in Wilmington, Delaware, could be described as lavish, and employees throughout the company enjoyed high salaries and generous perks—from the private golf course at its headquarters to its fleet of corporate jets and private yachts.

Bank of America, in contrast, grew by thrift. It was a low-cost, no-nonsense operation. Unlike MBNA, it believed that size and smarts were more important than speed. It was an acquisition machine that some likened to *Star Trek*'s relentless Borg collective.

In short, the cultures in the two companies were very, very different.

Although these cultural differences seemed a recipe for disaster, it appears, judging from the reactions of BOA and MBNA employees, that the merger has worked. How can this be?

BOA had the foresight to know which MBNA practices to attempt to change and which to keep in place. Especially critical was BOA's appreciation and respect for MBNA's culture. "On Day 1, I was directed that this was not like the ones you are used to," said Clifford Skelton, who had helped manage BOA's acquisition of FleetBoston Financial before moving on to MBNA.

To try to manage the cultural transition, executives of both companies began by comparing thousands of practices covering everything from hiring to call-center operations. In many cases, BOA chose to keep MBNA's cultural practices in place.

In other cases, BOA did impose its will on MBNA. For example, because MBNA's pay rates were well above market, many MBNA managers were forced to swallow a steep pay cut. Some MBNA employees left, but most remained. In other cases, the cultures co-adapted. For example, MBNA's dress code was much more formal than BOA's business-casual approach. In the end, a hybrid code was adopted, where business suits were expected in the credit card division's corporate offices and in front of clients, but business causal was the norm otherwise.

While most believe the merger has been successful, there are tensions. Some BOA managers see MBNA managers as arrogant and autocratic. Some MBNA managers see their BOA counterparts as bureaucratic.

What about those famous MBNA perks? As you might have guessed, most have disappeared. All but one of the corporate jets is gone. The golf course was donated to

the state of Delaware. Gone, too, are most of the works of art that hung in MBNA's corporate offices.

Of course, BOA made another, more recent and much larger acquisition: Merrill Lynch. Whether the BOA-Merrill merger proves a success is still too early to tell.

Questions

1. In what ways were the cultures of Bank of America and MBNA incompatible?

Answer: Dress code, freewheeling vs. conservative, lavish versus frugal. Large bank on the west coast versus an east coast bank makes a difference in the way business is conducted too.

2. Why do you think their cultures appeared to mesh rather than clash?

Answer: The cultural difference seemed to be evaluated before the deal was consummated. Often, the culture is not considered and these mergers are usually disastrous. In addition, when the companies have complementary services the mergers are more effective. There were also some compromises made when the new combined culture was being formed.

3. Do you think culture is important to the success of a merger/acquisition? Why or why not?

Answer: Culture is critical to the success or failure of a merger. Careful deliberation and communication of the organization's culture will preclude many problems later.

4. How much of the smooth transition, if any, do you think comes from both companies glossing over real differences in an effort to make the merger work?

Answer: There has to be some negotiation and give and take in a merger so both sides can work efficiently as a new team. Both companies have to keep the overarching goals of the newly formed organization in place for the merger to happen quickly and efficiently.

Sources: Based on E. Dash, "A Clash of Cultures, Averted," *New York Times* (February 20, 2007), pp. B1, B3; L. Moyer, "Bank of America Lewis Must Wait on His Fate," *Forbes* (April 29, 2009), www.forbes.com.

Case Incident 2

Google and P&G Swap Employees

The cultures of Google and Procter & Gamble (P&G) could not be more different. P&G is notoriously controlled, disciplined, scalable, and rigid—so much so that employees call themselves “Proctoids.” Google is just as famous for its laid-back, unstandardized, free-flowing culture.

So what would cause these two large, successful examples of strong—yet dissimilar—corporate culture decide to socialize one another’s employees? One reason clearly is marketing: P&G sees more of its future marketing efforts occurring online, and Google, of course, is an ideal fit for that strategy. Google, for its part, sees P&G as the ultimate “heavy hitter” buyer for its ad space (P&G is the biggest advertiser in the world).

However, it also seems clear this is about more than marketing. After all, P&G and Google do business with plenty of organizations with which they don’t swap employees. Both companies believe that by exposing key managers to a culture that emphasizes innovation, but in a wholly different way, they can push their own innovation even further.

Sometimes we learn the most from the ways in which we are different, and that’s certainly the case here. In one of the early employee swaps, Denise Chudy, a Google sales team leader, stunned P&G managers with recent data indicating online search for the word *coupons* was up 50 percent in the past year. P&G staffers see themselves as members of one of the world’s most innovative and data driven organizations, famous for tracking consumer preferences, product use, and buying behavior. They are not easily stunned. To enter Google’s own universe was a humbling, and challenging, learning experience.

Google’s swapped employees are learning something, too. When poring over decades of marketing materials on P&G’s Tide detergent and the firm’s allegiance to bright orange packaging, Google employee Jen Bradburn wrote, “It’s a help to know not to mess with the orange too much.”

Differences, of course, are still apparent. When one P&G manager showed Google employees a 1954 ad for Tide, he proudly noted, “That’s when you reached 70 percent to 80 percent of your audience with television.” The Google team laughed in astonishment.

Questions

1. Do you think the employee swap between Google and P&G is a good idea for all companies? Why or why not? Why do so few companies do this?

Answer: It may not be an appropriate effort for all companies, but companies that would benefit from broader market perspectives could find the exchange very beneficial. In all likelihood, more companies do not do this because of pervasive feelings of paranoia among managers. In addition, current economic conditions likely make executives reluctant to take a chance on moving essential

employees around during so much uncertainty.

2. One of the reasons P&G and Google agreed to the swap was to transmit the best aspects of the other company's culture to their own. Drawing from this chapter, describe how culture might be transmitted in such swaps.

Answer: Upon returning from the exchange, the company and participating employees should develop a program to educate the remaining employees about the positive cultural aspects the company wishes to incorporate into its culture. Such programs include the development of:

- a. Stories
 - i. Narrative of events about the organization's founders, rule breaking, relocation of employees, past mistakes, etc. Serve as anchors for the present and legitimize current practices.
 - b. Rituals
 - i. Repetitive sequences of activities that express and reinforce the key values of the organization
 - c. Material Symbols
 - i. Layout of corporation headquarters, types of automobile top executives are given, aircraft, size of offices, executive perks, etc.
 - d. Language
 - i. Organizations develop unique terms related to its business. When jargon has been assimilated, it acts as a common denominator that unites members of a given culture or subculture.
3. Which culture—Google's or P&G's—do you think would fit you best? Why?
Answer: The students' answers to this question will vary widely depending on the individual's characteristics.
 4. Would you enjoy an employee swap with a company with a very different culture? Why or why not?
Answer: Again an answer that will depend on students' attitudes and opinions. But a good discussion should occur as students open up to their personal preferences.

Sources: Based on E. Byron, "A New Odd Couple: Google, P&G Swap Workers to Spur Innovation," *Wall Street Journal* (November 19, 2008), pp. A1, A18; A. G. Lafley, "P&G's Innovation Culture," *strategy_business* (August 28, 2008), pp. 1–7; and "P&G, Google Swap Workers for Research," Silicon Valley/San Jose Business Journal (November 20, 2008), www.bizjournals.com/sanjose,

Instructor's Choice

Applying the Concepts

In the land of tech gadgets it is literally a “here today, gone tomorrow” philosophy that drives the market space. Such was almost the case for TiVo. TiVo allows a viewer to capture a digital recording and replay it at a later time. It was a great invention for a while. However, technology seemed to pass TiVo while it was on slow play. Today, TiVo seems old hat with more modern advances brought about by Apple Computers (iPod) and others. To its credit the management at TiVo has not given up. Instead TiVo guru Arthur van Hoff developed Dr. Strangeberry software that allows the TiVo user to grade digital content from the Internet and transfer it to a TV or an array of other devices. Today, TiVo devices can only do their recording and time-shifting on programs piped in from standard cable or satellite feeds. Dr. Strangeberry will change all this and in the process will give TiVo time to get its digital act together.

- Using a search engine of your own choosing, visit the TiVo Web site at www.tivo.com. Based on what you find at the Web site, what can you tell about new developments at TiVo? What can you learn about Dr. Strangeberry?
- Based on what you found on the TiVo Web site or through some other investigation, what does TiVo need to do organizationally to keep its company from reaching obsolescence?
- If you were the CEO of TiVo, what cultural changes would you attempt to encourage? Explain and comment on why you would make the changes.

Instructor Discussion

Many of the students will know about TiVo but most will not own one. Therein lies some of TiVo’s problem. For additional information on TiVo and its challenges, read “Saving TiVo” by Kim Girard in *Business2.0*, September 2004, pp. 92–100. Students will discover that TiVo needs to do a refit on their organizational structure and culture. The company had a great idea, pursued the idea, and in the process stopped innovating. Soon other companies past them by. Without the advent of the Dr. Strangeberry software, most experts believe TiVo would already be gone. If many in the class have not heard of TiVo, it might be easiest to explain via brochures that can be obtained in any electronics retailer such as Circuit City or Best Buy. Have students discuss alternative cultures that might spur innovation and adaptation at TiVo.



EXPLORING OB TOPICS ON THE WORLD WIDE WEB

Search Engines are our navigational tool to explore the WWW. Some commonly used search engines are:

www.goto.com
www.lycos.com

www.google.com
www.hotbot.com

www.excite.com
www.bing.com

1. What do you think it would be like working for the “Happiest Place on Earth?” Of course, it is Disney Land! Disney is huge—so much more than theme parks. Go to: <http://disney.go.com/disneycareers/index.html> to get a flavor of what their corporate culture might be like. Click on the links found at the bottom of the page. One even references culture—but it is not necessarily referring to corporate culture. Be prepared to talk about what you learned about the Disney corporation in class.
2. How does a change agent go about changing the corporate culture? The task, no doubt, is never easy, but the following Web site offers a process to follow at: <http://www.lynco.com/culchange.html>. Read through the article and try to think of a time when an organization you were involved with underwent change. Take the steps outlined in the article and apply them to your experience. Write a brief commentary on how each step would apply to your situation. Bring it to class and be prepared to discuss your case.
3. How does one differentiate between a strong and a weak culture? The Denison Organizational Culture Survey can be found at:
<http://www.denisonconsulting.com/dc/Default.aspx?tabid=40>. It is an internal tool used by organizations. The page provides information about the survey and a model of strong vs. weak organizational cultures. Write a paragraph or two on how you think this information might be helpful to organizations.
4. Career Bliss. Really? Go to:
<http://www.spiritualityofwork.com/organization.html> to learn more about Spirituality at Work. While there take the “10 Steps to Career Bliss” survey and see what results you obtain. Also on the page is a list of benefits to employers who incorporate spirituality principles into the corporate culture. Write a short paper on the concept of Spirituality at Work. What do you think managers have to gain? Employees? Is there a downside? Use ideas from the Web site as a start for organizing your paper. Bring it to class for further discussion.
5. Becoming a more customer-responsive organization can be a difficult culture change. Learn how CRHC did it at:
http://www.cio.com/article/30287/Project_Management_Helps_IT_Group_Grow_More_User_Friendly. The organization featured in this article demonstrates how difficult the process can be, but also how rewarding the changes eventually can be. Look at the model of key variables to creating a more customer responsive corporate culture found in the text. In the article, find examples of those variables as CRHC underwent the change process and list. Bring it to class for further discussion.