During the peak of the dot-com boom, Charles Schwab & Co. then-CEO David Pottruck was convinced that as investors grew wealthier they would migrate from the San Francisco—based discount broker to full-service firms that offered more personalized service. So Schwab paid top dollar to acquire U.S. Trust, a high-brow New York—based private bank that served only clients with at least $10 million to invest. Schwab customers who became wealthy would be shunted over to U.S. Trust for more personalized service.

The strategy backfired—partly because Schwab’s customers still wanted cheap trades as they grew wealthier, and partly because Schwab ignored the acquisition’s cultural dynamics. Schwab’s employees valued rapid change, cost-cutting frugality, process efficiency, and egalitarianism. In contrast, U.S. Trust was an exclusive club that was slow to adopt technology and preferred to admit new clients through referrals from existing clients. Clients were pampered by “wealth advisers” who earned huge bonuses and worked in an environment that reeked of luxury.

While negotiating the takeover, U.S. Trust executives expressed concern about these cultural differences, so Schwab agreed to leave the firm as a separate entity. This separation strategy didn’t last long. Schwab cut U.S. Trust employees’ lucrative bonuses and tied their annual rewards to Schwab’s financial performance. U.S. Trust executives were pushed to cut costs and set more aggressive goals. Schwab even tried to acculturate several hundred U.S. Trust employees with a board game that used a giant mat showing hills, streams, and a mountain with founder Charles Schwab’s face carved into the side. U.S. Trust staff complained that the game was demeaning, particularly wearing smocks as they played the role of investors.

In meetings immediately following the acquisition, U.S. Trust executives winced when Schwab frequently used the term customers. They reminded Schwab’s staff that U.S. Trust has clients, which implies much more of a long-term relationship. U.S. Trust advisers also resisted Schwab’s referrals of newly minted millionaires in blue jeans. “We were flabbergasted,” said one Schwab board member of the cultural clash. “Some of the U.S. Trust officers simply refused to accept our referrals.”

When the depth of cultural intransigence became apparent, Pottruck replaced U.S. Trust’s CEO with Schwab executive Alan Weber. Weber later insisted that “there is no culture clash” because Schwab “never tried to change the nature of the organization.” Meanwhile, sources say that more than 300 U.S. Trust wealth advisers have defected to competitors since the acquisition, taking many valued clients with them. Pottruck lost his job as Schwab CEO, in part because the U.S. Trust acquisition stumbled. The acquisition is now worth less than half of its purchase price.

“Here are two first-class companies, but structural and cultural problems keep the combination from the kind of success they expected,” explains a financial adviser in Florida.¹
16 Organizational Culture

LEARNING OBJECTIVES

After reading this chapter you should be able to

1. Describe the elements of organizational culture.
2. Discuss the importance of organizational subcultures.
3. List four categories of artifacts through which corporate culture is deciphered.
4. Identify three functions of organizational culture.
5. Discuss the conditions under which cultural strength improves corporate performance.
6. Compare and contrast four strategies for merging organizational cultures.
7. Identify four strategies to strengthen an organization’s culture.
8. Describe the stages of organizational socialization.
9. Explain how realistic job previews assist the socialization process.
Schwab’s acquisition of U.S. Trust is a classic tale of the perils of ignoring organizational culture. **Organizational culture** consists of the values and assumptions shared within an organization.² It defines what is important and unimportant in the company and consequently directs everyone in the organization toward the “right way” of doing things. You might think of it as the organization’s DNA—invisible to the naked eye, yet a powerful template that shapes what happens in the workplace.³

This chapter begins by examining the elements of organizational culture and how culture is deciphered through artifacts. This is followed by a discussion of the relationship between organizational culture and corporate performance, including the effects of cultural strength, fit, and adaptability. Then we turn to the issue of mergers and corporate culture, followed by specific strategies for maintaining a strong organizational culture. The last section of this chapter zooms in on employee socialization, which is identified as one of the more important ways to strengthen organizational culture.

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**After reading the next two sections you should be able to**

1. Describe the elements of organizational culture.
2. Discuss the importance of organizational subcultures.
3. List four categories of artifacts through which corporate culture is deciphered.

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### Elements of Organizational Culture

Exhibit 16.1 illustrates how the shared values and assumptions of an organization’s culture relate to each other and are associated with artifacts, which are discussed later in this chapter. **Values**, which we introduced in Chapter 1, are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations.⁴ They are conscious perceptions about what is good or bad, right or wrong. Values exist as a component of organizational culture in the form of **shared values**. Shared values are values that people within the organization or work unit have in common and place near the top of their hierarchy of values.⁵ At Charles Schwab & Co., employees place a high priority on rapid change, cost-cutting frugality, process efficiency, and egalitarianism.

It has become trendy for leaders to determine and publicly announce their company’s shared values. Yahoo, the online portal company, is no exception. Its Web site proudly says that six values represent “what makes it tick”: excellence, innovation, customer fixation, teamwork, community, and fun. Do these values really represent the content of Yahoo’s culture? Maybe, but what companies say they value—their **espoused values**—isn’t necessarily what they actually value (called **enacted values**). Values are socially desirable, so people create a positive public image by claiming to believe in values that others expect them to embrace (see Chapter 2).

For instance, one large international corporation hung signs around its headquarters proclaiming that its culture embraced “trust”; yet the same company required all employees to be searched whenever they entered or exited the building. Even if an organization’s dozen or so top executives embrace the stated values, they are not necessarily the values held by most people throughout the organization. **Enacted values**, on the other hand, represent the values that people actually rely on to guide their decisions and actions. These values-in-use are apparent by watching people in action. An organization’s culture consists of these enacted values, not espoused values.⁶
Along with shared values, corporate culture consists of a deeper element—some experts believe it is really the essence of culture—called *shared assumptions*. These are unconscious taken-for-granted perceptions or beliefs that have worked so well in the past that they are considered the correct way to think and act toward problems and opportunities. Shared assumptions are so deeply ingrained that you probably wouldn’t discover them by surveying employees. Only by observing employees, analyzing their decisions, and debriefing them about their actions would these assumptions rise to the surface.

### Content of Organizational Culture

Organizations differ in their cultural content—that is, the relative ordering of values and assumptions. The culture of Charles Schwab & Co. values rapid change, cost-cutting frugality, process efficiency, and egalitarianism. At U.S. Trust employees embrace stability, dedicated service, and reputation. Here are a few more companies and their apparent dominant cultures:

- **SAS Institute.** Spend some time at SAS Institute and you will soon discover that the world’s largest privately held software company has one of the most employee-friendly cultures on the planet. Located on a 200-acre campus in Cary, North Carolina, SAS supports employee well-being with free on-site medical care, unlimited sick days, heavily subsidized day care, ski trips,
personal trainers, inexpensive gourmet cafeterias, and tai chi classes. Unlike other software companies, SAS encourages its employees to stick to a 35-hour workweek. 7

- **ICICI Bank.** India’s second largest bank exudes a performance-oriented culture. Its organizational practices place a premium on training, career development, goal setting, and pay for performance, all with the intent of maximizing employee performance and customer service. “We believe in defining clear performance for employees and empowering them to achieve their goals,” says ICICI Bank executive director Kalpana Morparia. “This has helped to create a culture of high performance across the organization.” 8

- **JetBlue.** JetBlue has soared higher and faster than other new airlines because its culture “humanizes” air travel by providing comfort and service at low prices. As JetBlue quickly expands operations, Founder and CEO David Neeleman wants to ensure that the New York–based airline maintains this culture, so all new staff members receive a deep education in JetBlue’s shared values. “The cultural aspects of our training programs are at least as important as the technical aspects,” says Mike Barger, vice president of JetBlue University. “The People Department will find the right people, and we will inculcate the culture into them and nurture that culture until we release them out into the operation.” 9

Employee-friendly. Performance-oriented. Customer-focused. How many corporate cultural values are there? Some writers and consultants have attempted to classify organizational cultures into several categories. One of these models claims that there are seven corporate cultures in the world: attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, stability, and innovation and risk taking. Another organizational culture model identifies eight cultures organized around a circle, indicating that some cultures are opposite to each other. A rules-oriented culture is opposite to an innovation culture; an internally focused culture is opposed to an externally focused culture; a controlling culture is opposite to a flexible culture; and a goal-oriented culture is opposite to a supportive culture. 10

These organizational culture models may help to sort out organizational values to some extent, but unfortunately they also oversimplify the diversity of cultural values in organizations. The fact is, there are dozens of individual values, so there are likely...
as many organizational values. Thus we need to be wary of models that reduce the
variety of organizational cultures into a few simple categories with catchy labels. They
would certainly reflect the values of many organizations, but they may also distort
rather than clarify our attempts to diagnose corporate culture.

Organizational Subcultures
When discussing organizational culture, we are actually referring to the dominant cul-
ture—that is, the themes shared most widely by the organization’s members. However,
organizations are also comprised of subcultures located throughout their various divi-
sions, geographic regions, and occupational groups. Some subcultures enhance the
dominant culture by espousing parallel assumptions, values, and beliefs; others are
called countercultures because they directly oppose the organization’s core values.

Subcultures, particularly countercultures, potentially create conflict and dissension
among employees, but they also serve two important functions. First, they maintain
the organization’s standards of performance and ethical behavior. Employees who
hold countercultural values are an important source of surveillance and critique over
the dominant order. They encourage constructive conflict and more creative thinking
about how the organization should interact with its environment. Subcultures prevent
employees from blindly following one set of values and thereby help the organization
to abide by society’s ethical values.

The second function of subcultures is that they are the spawning grounds for
emerging values that keep the firm aligned with the needs of customers, suppliers,
society, and other stakeholders. Companies eventually need to replace their domi-
nant values with ones that are more appropriate for the changing environment. If
subcultures are suppressed, the organization may take longer to discover and adopt
values aligned with the emerging environment.

Deciphering Organizational Culture through Artifacts
We can’t directly see an organization’s cultural assumptions and values. Instead, as
Exhibit 16.1 illustrated earlier, we decipher organizational culture indirectly through
artifacts. Artifacts are the observable symbols and signs of an organization’s culture,
such as the way visitors are greeted, the organization’s physical layout, and how em-
ployees are rewarded. Some experts suggest that these artifacts are the essence of
organizational culture, whereas others view artifacts as symbols or indicators of cul-
ture. Either way, artifacts are important because, as we will learn later, they reinforce
and potentially support changes to an organization’s culture.

Artifacts are also important because they offer the best evidence about a compa-
ny’s culture. Discovering an organization’s culture isn’t accomplished just by surveying
its executives or employees. Instead, to accurately understand the company’s
dominant values and assumptions, we need to observe workplace behavior, listen to
everyday conversations among staff and with customers, study written documents
and e-mails, and interview staff about corporate stories. In other words, we need to
conduct an anthropological investigation of the company.

The Mayo Clinic recently took this approach to learning about its corporate culture.
The Rochester, Minnesota, clinic brought in an anthropologist, who interviewed man-
gers, shadowed employees on duty, joined physicians on patient visits, and posed as a
patient to observe what happens in waiting rooms. So, understanding a company’s
culture involves sampling information from the broad range of organizational artifacts.
In this section, we review the four broad categories of artifacts: organizational stories
and legends, rituals and ceremonies, language, and physical structures and symbols.
Mayo Clinic’s Cultural Expedition  The Mayo Clinic has a well-established culture at its original clinic in Rochester, Minnesota; but maintaining that culture in its expanding operations in Florida and Arizona has been challenging. “We were struggling with growing pains; we didn’t want to lose the culture, and we were looking at how to keep the heritage alive,” explains Matt McElrath, Mayo Clinic human resources director in Arizona. The Mayo Clinic retained anthropologist Linda Catlin to decipher Mayo’s culture and identify ways to reinforce it at the two newer sites. Catlin shadowed employees and posed as a patient to observe what happens in waiting rooms. “She did countless interviews, joined physicians on patient visits, and even spent time in the operating room,” says McElrath. At the end of her six-week cultural expedition, Catlin submitted a report outlining Mayo’s culture and how its satellite operations varied from that culture. The Mayo Clinic adopted all of Catlin’s 11 recommendations, such as requiring all new physicians at the three sites to attend an orientation in Rochester where they learn about Mayo’s history and values.  

Organizational Stories and Legends  
Stories permeate strong organizational cultures. Some tales recount heroic deeds by employees; others ridicule past events that deviated from the firm’s core values. These stories and legends serve as powerful social prescriptions of the way things should (or should not) be done. They provide human realism to corporate expectations, individual performance standards, and the criteria for getting fired. These stories also create emotions in listeners, which tends to improve their memory of the lessons within the stories. Stories have the greatest effect at communicating corporate culture when they describe real people, are assumed to be true, and are known by employees throughout the organization.  

Rituals and Ceremonies  
Rituals  are the programmed routines of daily organizational life that dramatize an organization’s culture. They include how visitors are greeted, how often senior executives visit subordinates, how people communicate with each other, how much time employees take for lunch, and so on. For instance, BMW’s fast-paced culture is quite literally apparent in the way employees walk around the German carmaker’s...
offices. “When you move through the corridors and hallways of other companies’ buildings, people kind of crawl; they walk slowly,” says BMW board of management chairman Helmut Panke. “But BMW people tend to move faster.” Ceremonies are more formal artifacts than rituals. Ceremonies are planned activities conducted specifically for the benefit of an audience. This would include publicly rewarding (or punishing) employees or celebrating the launch of a new product or newly won contract.

Organizational Language

The language of the workplace speaks volumes about the company’s culture. How employees address co-workers, describe customers, express anger, and greet stakeholders are all verbal symbols of cultural values. Employees at The Container Store compliment each other about “being Gumby,” meaning that they are being as flexible as the once-popular green toy—going outside their regular jobs to help a customer or another employee. (A human-sized Gumby is displayed at the retailer’s headquarters.) Language as a cultural artifact is also apparent in the opening story to this chapter. U.S. Trust executives insisted on using the term clients rather than customers, the term Schwab executives used freely. This language reflects the long-term, deep relationships that U.S. Trust staff members have with their clients, compared with the more impersonal connections between Schwab’s staff members and their customers.

Language also highlights values held by organizational subcultures. For instance, consultants working at Whirlpool kept hearing employees talk about the appliance company’s “PowerPoint culture.” This phrase, which names Microsoft’s presentation software, is a critique of Whirlpool’s hierarchical culture in which communication is one-way (from executives to employees). Physical Structures and Symbols

Winston Churchill once said, “We shape our buildings; thereafter, they shape us.” The former British prime minister was reminding us that buildings both reflect and influence an organization’s culture. The size, shape, location, and age of buildings might suggest a company’s emphasis on teamwork, environmental friendliness, flexibility, or any other set of values. An extreme example is the “interplanetary headquarters” of Oakley, Inc. The ultra hip eyewear and clothing company built a vaultlike structure in Foothills Ranch, California, complete with towering metallic walls studded with oversize bolts, to represent its secretive and protective culture. “We’ve always had a fortress mentality,” says an Oakley executive. “What we make is gold, and people will do anything to get it, so we protect it.”

Even if the building doesn’t make much of a statement, there is a treasure trove of physical artifacts inside. Desks, chairs, office space, and wall hangings (or lack of them) are just a few of the items that might convey cultural meaning. Stroll through Wal-Mart’s headquarters in Bentonville, Arkansas, and you will find a workplace that almost screams frugality and efficiency. The world’s largest retailer has a spartan waiting room for suppliers, rather like government office waiting areas. Visitors pay for their own soft drinks and coffee. In each of the building’s inexpensive cubicles, employees sit at inexpensive desks finding ways to squeeze more efficiencies and lower costs out of suppliers as well as their own work processes. Each of these artifacts alone might not say much, but put enough of them together and the company’s cultural values become easier to decipher.
Learning Objectives

After reading the next two sections you should be able to

4. Identify three functions of organizational culture.
5. Discuss the conditions under which cultural strength improves corporate performance.
6. Compare and contrast four strategies for merging organizational cultures.

Is Organizational Culture Important?

Why do executives at the Mayo Clinic, the Container Store, Oakley, BMW, and other companies pay so much attention to organizational culture? The answer is that they believe a strong culture is a competitive advantage. “Culture is one of the most precious things a company has, so you must work harder on it than anything else,” says Herb Kelleher, founder of Southwest Airlines. Does corporate culture really make a difference? The answer is yes … potentially. Various studies indicate that companies with strong cultures are more likely to be successful, but only under a particular set of conditions.  

The explanation of how organizational culture influences corporate prosperity and employee well-being has a few twists and turns, which we walk through in this section.

To begin, the effect of organizational culture depends partly on its strength. Corporate culture strength refers to how widely and deeply employees hold the company’s dominant values and assumptions. In a strong organizational culture, most employees across all subunits hold the dominant values. These values are also institutionalized through well-established artifacts, thereby making it difficult for those values to change. Furthermore, strong cultures tend to be long-lasting; some can be traced back to the company founder’s values and assumptions. In contrast, companies have weak cultures when the dominant values are short-lived and held mainly by a few people at the top of the organization. A strong corporate culture potentially increases a company’s success by serving three important functions:

1. Control system. Organizational culture is a deeply embedded form of social control that influences employee decisions and behavior. Culture is pervasive and operates unconsciously. You might think of it as an automatic pilot, directing employees in ways that are consistent with organizational expectations.

2. Social glue. Organizational culture is the “social glue” that bonds people together and makes them feel part of the organizational experience. Employees are motivated to internalize the organization’s dominant culture because this helps fulfill their need for social identity. This social glue is increasingly important as a way to attract new staff and retain top performers.

3. Sense-making. Organizational culture assists the sense-making process. It helps employees understand what goes on and why things happen in the company. Corporate culture also makes it easier for them to understand what is expected of them and to interact with other employees who know the culture and believe in it.

Contingencies of Organizational Culture and Performance

Strong cultures are potentially good for business, as we just explained, but studies have found only a modestly positive relationship between culture strength and success. Why the weak relationship? One reason is that a strong culture increases organizational performance only when the cultural content is appropriate for the organization’s environment (see Exhibit 16.2). Recall from a few pages back that culture content
Culture content fits environment

Moderately strong culture

• Corporate performance
• Ethical conduct

Adaptive culture

refers to the relative ordering of values and assumptions. Trouble occurs when the relative ordering of cultural values is misaligned with its environment. This lack of fit causes employees to make decisions and engage in behaviors that are inconsistent with the company’s best interests. Strong cultures create a greater risk than weak cultures when values are misaligned because culture strength indicates that a greater number of employees will be guided by those values and assumptions.

Consider the problems described at the beginning of this chapter regarding Charles Schwab & Co.’s acquisition of U.S. Trust. Schwab’s frugal and egalitarian culture helped it to succeed as a discount broker. But when this culture was imposed on U.S. Trust, top-performing brokers defected with their clients. U.S. Trust’s existing culture was not perfectly adapted to the times (it lagged competitors with new financial products and was fined for poor record keeping), but Schwab’s culture would have been an even worse fit for U.S. Trust’s competitive space.

A second reason why companies with strong cultures aren’t necessarily more effective is that strong cultures lock decision makers into mental models that blind them to new opportunities and unique problems. Thus strong cultures might cause decision makers to overlook or incorrectly define subtle misalignments between the organization’s activities and the changing environment. Several bankrupt steel manufacturers apparently suffered from this problem. “It was 100 years of integrated culture,” recalls Mittal Steel vice president John Mang III, who worked at one of the now-bankrupt firms for three decades. “People in the organization are inbreds, including myself. You grew up in the culture; you didn’t see anything else. You didn’t typically see people even at very high levels in the steel organization coming in from the outside—even financial, executive, or management. It is a culture from within, so you have these rose-colored glasses that everything’s fine.”

A third consideration is that very strong cultures tend to suppress dissenting subcultural values. As we noted earlier, subcultures encourage constructive conflict, which improves creative thinking and offers some level of ethical vigilance over the dominant culture. In the long run the subculture’s nascent values could become important dominant values as the environment changes. Strong cultures suppress subcultures, thereby undermining these benefits.

Adaptive Cultures

So far we have learned that strong cultures are more effective when the cultural values are aligned with the organization’s environment. Also, no corporate culture should be so strong that it blinds employees to alternative viewpoints or completely suppresses dissenting subcultures. One last point to add to this discussion is that organizations are more likely to succeed when they have an adaptive culture. An adaptive culture exists when employees focus on the changing needs of customers
and other stakeholders, supporting initiatives to keep pace with these changes. Adaptive cultures have an external focus, and employees assume responsibility for the organization’s performance. As a result, they are proactive and quick. Employees seek opportunities rather than waiting for them to arrive. They act quickly to learn through discovery rather than engaging in “paralysis by analysis.”

Organizational culture experts are starting to piece together the elements of adaptive cultures. First and foremost, adaptive cultures have an external focus. Employees hold a common mental model that the organization’s success depends on continuous change to support stakeholders. Nortel Networks has shifted from telephones to Internet gear. Nokia has moved from toilet paper and rubber boots to cellular telephones. Both of these firms have maintained an adaptive culture because employees believe that change is both necessary and inevitable to keep pace with a changing external environment.

Second, employees in adaptive cultures pay as much attention to organizational processes as they do to organizational goals. They engage in continuous improvement of internal processes (production, customer service, and the like) to serve external stakeholders. Third, employees in adaptive cultures have a strong sense of ownership. They assume responsibility for the organization’s performance. In other words, they believe “it’s our job” rather than “it’s not my job.”

Organizational Culture and Business Ethics

Along with other forms of performance, an organization’s culture can potentially influence ethical conduct. In fact, in one recent survey executives identified organizational culture as one of the three main influences on ethical conduct at work. (The other two were executive leadership and personal commitment to ethical principles.) This makes sense because, as we learned in Chapter 2, good behavior is driven by ethical values. An organization can guide the conduct of its employees by embedding ethical values in its dominant culture.

Citibank’s Culture Pushes Ethical Boundaries

Citibank Japan director Koichiro Kitade thrived in Citigroup’s intensely bottom-line corporate culture. Each year his group handily exceeded the ever-increasing targets set by Citigroup’s top executives in New York. Over six years Citibank Japan increased its clientele tenfold and delivered profits that outscored all other private banks in the company’s huge network. Unfortunately the Japanese government’s financial watchdog recently concluded that Citibank’s culture also encouraged Kitade to push aside ethical and financial compliance rules. Japan’s regulator accused Citibank of constructing “a law-evading sales system,” citing infractions ranging from grossly overcharging clients to helping them to falsify profit and manipulate stock. With 83 infractions, Citigroup was told to close some of its Japanese operations. “It’s our fault, because all we talk about is delivering the numbers. We’ve done this forever,” admits Citigroup chief executive Charles Prince. This photo shows Prince (right) with a colleague bowing at a Tokyo news conference in apology for the violations. Prince fired several top executives in Tokyo and New York and is now on a mission to change Citibank’s culture. He has a major challenge ahead of him. Dow Jones news service reports that Citigroup has an “established reputation for pushing the limits of acceptable banking behavior.”
Organizational culture is also potentially a source of ethical problems when it applies excessive control over employees. All organizations require some values congruence. As explained in Chapter 2, this congruence ensures that employees make decisions that are compatible with organizational objectives. Congruence also improves employee satisfaction, loyalty, and longevity (that is, it helps create low turnover). But a few organizations imprint their cultural values so strongly on employees that they risk becoming corporate cults. They take over employees’ lives and rob people’s individualism.

This cultlike phenomenon was apparently one of the factors that led to the downfall of Arthur Andersen. The accounting firm’s unifying principle, called “One Firm,” emphasized consistent service throughout the world by developing Andersen employees the same way. Andersen carefully selected university graduates with compatible values, then subjected these “green beans” to a powerful indoctrination process to further imprint Andersen’s culture. This production of Andersen think-alikes, called “Androids,” improved service consistency, but it also undermined the ethics of individualism. Thus an organization’s culture should be consistent with society’s ethical values, and the culture should not be so strong that it undermines individual freedom.

Merging Organizational Cultures

4C Corporate Culture Clash and Chemistry is a company with an unusual name and mandate. The Dutch consulting firm helps clients determine whether their culture is aligned (“chemistry”) or incompatible with (“clash”) a potential acquisition or merger partner. The firm also analyzes the company’s culture with its strategy. There should be plenty of demand for 4C’s expertise. According to various studies, the majority of corporate mergers and acquisitions fail, mostly because corporate leaders are so focused on the financial or marketing logistics of a merger that they fail to conduct due diligence audits on their respective corporate cultures.

Schwab’s acquisition of U.S. Trust, described at the beginning of this chapter, is one example. The marriage of AOL Time Warner is another. AOL’s culture valued youthful, high-flying, quick deal making, whereas Time Warner had a buttoned-down, hierarchical, and systematic culture. For both Schwab and AOL, the culture clash undermined job performance, increased dysfunctional conflict, and resulted in lost talent.

IBM’s acquisition of PricewaterhouseCooper’s (PwC) consulting business has recently turned into yet another well-publicized culture clash. IBM employees tend to be cost conscious and flexible, whereas PwC staff are accustomed to flying business class and having large personal offices (IBM workers tend to share office space, called “hot desking”). PwC staff are also much more conservative than their IBM counterparts. At one event in Australia, a senior IBM executive was dressed as American tennis star Andre Agassi. “The IBMers went mad that time—nuts, standing and cheering. They loved it,” recalls one onlooker. “The PwC folk were stunned. Silent.” Less than two years after IBM had acquired PwC’s consulting business, up to a quarter of PwC’s partners had apparently quit.

Bicultural Audit

Organizational leaders can minimize these cultural collisions and fulfill their duty of due diligence by conducting a bicultural audit. A bicultural audit diagnoses cultural relations between companies and determines the extent to which cultural clashes will likely occur. The bicultural audit process begins by identifying cultural differences between the merging companies. Next the bicultural audit data are analyzed to
determine which differences between the two firms will result in conflict and which cultural values provide common ground on which to build a cultural foundation in the merged organization. The final stage involves identifying strategies and preparing action plans to bridge the two organizations’ cultures.

A few years ago pulp and paper conglomerate Abitibi-Price applied a bicultural audit before it agreed to merge with rival Stone Consolidated. Specifically, Abitibi developed the Merging Cultures Evaluation Index (MCEI), an evaluation system that helped Abitibi executives compare its culture with other companies in the industry. The MCEI analyzed several dimensions of corporate culture, such as concentration of power versus diffusion of power, innovation versus tradition, wide versus narrow flow of information, and consensus versus authoritative decision making. Abitibi and Stone executives completed the questionnaire to assess their own culture, then compared the results. The MCEI results, along with financial and infrastructural information, served as the basis for Abitibi-Price to merge with Stone Consolidated to become Abitibi-Consolidated, the world’s largest pulp and paper firm.39

Strategies to Merge Different Organizational Cultures

In some cases a bicultural audit results in a decision to end merger talks because the two cultures are too different to merge effectively. However, even with substantially different cultures, two companies may form a workable union if they apply the appropriate merger strategy. The four main strategies for merging different corporate cultures are assimilation, deculturation, integration, and separation (see Exhibit 16.3).40

Assimilation Assimilation occurs when employees at the acquired company willingly embrace the cultural values of the acquiring organization. Typically this strategy works best when the acquired company has a weak, dysfunctional culture, whereas the acquiring company’s culture is strong and aligned with the external environment. Cultural clashes are less common with assimilation because the acquired firm’s culture is weak and employees are looking for better cultural alternatives. Research in Motion (RIM), the Canadian company that makes Blackberry wireless devices, applies the assimilation strategy by
deliberately acquiring only small start-up firms. “Small companies...don’t have cultural issues,” says RIM co-CEO Jim Balsillie, adding that they are typically absorbed into RIM’s culture with little fuss or attention.  

**Deculturation** Assimilation is rare. Employees usually resist organizational change, particularly when they are asked to throw away personal and cultural values. Under these conditions some acquiring companies apply a *deculturation* strategy by imposing their culture and business practices on the acquired organization. The acquiring firm strips away artifacts and reward systems that support the old culture. People who cannot adopt the acquiring company’s culture are often terminated.

Deculturation may be necessary when the acquired firm’s culture doesn’t work but employees aren’t convinced of this. However, this strategy is difficult to apply effectively because the acquired firm’s employees resist the cultural intrusions from the buying firm, thereby delaying or undermining the merger process. These problems were apparent at U.S. Trust after it was acquired by Charles Schwab & Co.

**Integration** A third strategy is to combine the cultures into a new composite culture that preserves the best features of the previous ones. Integration is slow and potentially risky because many forces preserve the existing cultures. Still, this strategy should be considered when the companies have relatively weak cultures or when their cultures include several overlapping values. Integration also works best when people realize that their existing cultures are ineffective and are therefore motivated to adopt a new set of dominant values.

**Separation** A separation strategy occurs if the merging companies agree to remain distinct entities with minimal exchange of culture or organizational practices. This strategy is most appropriate when the two merging companies are in unrelated industries or operate in different countries: The most appropriate cultural values tend to differ by industry and national culture. Charles Schwab & Co. tried to apply a separation strategy with U.S. Trust. However, in many companies that attempt this approach, executives in the acquiring firm have difficulty keeping their hands off the acquired firm. It’s not surprising, therefore, that only 15 percent of acquisitions leave the purchased organization as a stand-alone unit.  

*Cisco Systems, the California-based Internet equipment maker, has acquired approximately 90 companies over the past two decades, most of them small, privately held start-up firms with technical expertise in high-growth niches compatible with Cisco’s own products. Cisco typically assimilates the smaller firm into its own culture. Linksys, the home wireless network company was an exception. Linksys employs 400 people and was just a few years younger than Cisco. Furthermore, unlike Cisco, Linksys had developed a low-cost business with mass-market retail channels. To avoid disrupting its success, Cisco made sure that Linksys kept its own culture. Cisco executives were so concerned about this that a “filtering team” was formed to prevent Cisco’s culture or its leaders from taking over the smaller enterprise. So far the strategy has worked. Linksys continues to thrive in a competitive low-cost market even though it is wholly owned by Cisco, which focuses on high-end networks.*
Changing and Strengthening Organizational Culture

Is it possible to change an organization’s culture? Yes, but it isn’t easy, it rarely occurs quickly, and often the culture ends up changing (or replacing) corporate leaders. Consider the plight of Hewlett-Packard. As Connections 16.1 describes, board members hired outsider Carly Fiorina with specific instructions to change the high-technology firm’s famous “HP way” culture. The strategy backfired according to several observers. Why? Because corporate culture is deeply embedded in the collective mindset. Employees don’t even question why they believe certain values are appropriate and corresponding behaviors are the right thing to do. Indeed, when outsiders critique those culturally congruent decisions and actions, employees often respond with disbelief that anyone would doubt such logical courses of action. Artifacts further reinforce this cultural mindset.

The lesson here is that changing an organization’s culture can be a leader’s greatest challenge. At the same time, as we noted earlier, organizational culture can be a powerful influence on a company’s success. So how do some people successfully change and strengthen organizational culture? Over the next few pages we highlight four strategies that have had some success. This list, outlined in Exhibit 16.4, is not exhaustive; but each activity seems to work well under the right circumstances.

Exhibit 16.4 Strategies to Change and Strengthen Organizational Culture

<table>
<thead>
<tr>
<th>Actions of founders and leaders</th>
<th>Culturally consistent rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Symbolize the new culture (or need for one) through memorable events.</td>
<td>• Reward employees for culturally consistent behaviors.</td>
</tr>
<tr>
<td>• Model the new culture through subtle decisions and actions.</td>
<td>• Reward managers who help employees understand the culture.</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Selecting and socializing employees</th>
<th>Aligning artifacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Hire people whose values are consistent with the culture.</td>
<td>• Share stories supporting the culture.</td>
</tr>
<tr>
<td>• Inform and indoctrinate new staff about what the culture means.</td>
<td>• Celebrate goals/milestones to support the culture.</td>
</tr>
<tr>
<td></td>
<td>• Inhabit buildings that reflect the culture.</td>
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Defeated by the HP Way

Many executives have been driven out of organizations because they tried to change the organization’s culture. Carly Fiorina, the former CEO of Hewlett-Packard (HP), was one such casualty. The California-based technology company's legendary culture, known as the “HP Way,” revered innovation, employee well-being, and collegial teamwork. It was a role model for cultures in other Silicon Valley companies. But Hewlett-Packard started to lose ground to Dell, Compaq, and other competitors who were responding with more agility and efficiency to customer demands. Furthermore, an internal assessment revealed that Hewlett-Packard’s culture had shifted. “The HP Way has been misinterpreted and twisted as a gentle bureaucracy of entitlement instead of a performance-based meritocracy,” said Fiorina soon after becoming Hewlett-Packard’s CEO.

As Hewlett-Packard’s first CEO hired from outside the company, Fiorina’s task was to alter the HP Way so the company would become more competitive. She launched “The Rules of the Garage,” a set of cultural values with symbolic reference to the Palo Alto garage where founders William Hewlett and David Packard started the company in 1939. Fiorina reinforced these performance-focused values with a customer-driven bonus system and organizational structure. Her biggest initiative was acquiring Compaq, a fast-paced and aggressive competitor from Texas. The merger was intended to inject “a little of Compaq’s DNA into the HP Way, especially speed and agility,” said a Compaq executive who later took an executive position at Hewlett-Packard.

Hewlett-Packard’s acquisition of Compaq seems to have had some effect on Hewlett-Packard’s culture—but at a cost. Both board members from the founding families (Hewlett and Packard) quit over the changed culture; Hewlett-Packard lost its status as one of the top 10 best places to work in America (it isn’t even on the top 100 today); and Fiorina was ousted as CEO. On the surface, Hewlett-Packard’s board lost confidence in Fiorina because she failed to raise the company’s profitability and achieve related targets. But sources say that Fiorina also tried to change more of the HP Way than was necessary, which battered employee loyalty, productivity, and ultimately profitability. “A little of the HP Way would probably work pretty well right now,” says Quantum CEO and former Hewlett-Packard executive Richard E. Belluzzo soon after Fiorina was fired. “The strength of HP has always been its culture and its people.”

Sources:

Actions of Founders and Leaders

An organization’s culture begins with its founders and leaders. You can see this at Charles Schwab & Co., where founder Charles Schwab has established a culture that is frugal, egalitarian, and fast-paced. Founders set the tone and develop compatible systems and structures, emphasizing what is most important and what should receive a lower priority. They are often visionaries who provide a powerful role model for others to follow. Experts suggest that a company’s culture sometimes reflects the founder’s personality, and that this cultural imprint often remains with the organization for decades.

Founders establish an organization’s culture, but they and subsequent CEOs can sometimes reshape that culture if they apply the transformational leadership concepts that were described in Chapter 14 and organizational change practices described in Chapter 17. Transformational leaders alter and strengthen organizational culture by communicating and enacting their vision of the future.

Introducing Culturally Consistent Rewards

Reward systems strengthen corporate culture when they are consistent with cultural values. If Carly Fiorina had any success at infusing a performance-oriented culture at Hewlett-Packard, it was in large part because she introduced reward systems that reinforced employee performance. John Deere took a similar approach. When the farm implement manufacturer was reorganized into a team-based structure a few years
ago, it replaced its individual-oriented incentive plan with a team-based continuous improvement plan. The team bonus helped to shift John Deere’s cultural values so that employees now think in terms of team dynamics and work flow efficiencies.

Aligning Artifacts

Artifacts represent more than just the visible indicators of a company’s culture. They are also mechanisms that keep the culture in place. Thus by altering artifacts—or creating new ones—leaders can potentially adjust organizational culture. Consider how Louis Gerstner began the long journey of transforming IBM’s culture in the 1990s. Gerstner showed up on the first day wearing a blue shirt. What’s so symbolic about the incoming CEO wearing a blue shirt? Quite a lot at IBM, where every male employee wore a neatly starched white shirt. (Several decades earlier, IBM founder Thomas Watson had disapproved of anyone wearing shirts that weren’t white.) Gerstner’s blue shirt attire wasn’t accidental. It was a deliberate signal that he intended to break the technology firm’s culture of following mindless rules. He also made the point to everyone that IBM employees are not evaluated by the color of their shirts. Instead they should wear attire appropriate for the occasion, and they are rewarded for their performance.

Buildings and décor are artifacts of an organization’s culture, but some leaders are moving into offices that reflect what they want the company’s culture to become. National Australia Bank’s (NAB) National@Docklands, a low-rise campuslike building in Melbourne’s docklands area, is a case in point. The building’s open design and colorful décor symbolize a more open, egalitarian, and creative culture, compared to the closed hierarchical culture that NAB executives are trying to shed. The docklands building project was initiated when executives realized that MLC, a financial services firm that NAB had acquired a few years earlier, was able to change its culture after moving into its funky headquarters in Sydney. “There’s no doubt that MLC has moved its culture over the last few years to a more open and transparent style which is a good example for the rest of the group to follow,” admits a NAB executive.

Corporate cultures are also altered and strengthened through the artifacts of stories and behaviors. According to Max De Pree, former CEO of furniture manufacturer Herman Miller Inc., every organization needs “tribal storytellers” to keep the organization’s history and culture alive. Leaders play a role by creating memorable events that symbolize the cultural values they want to develop or maintain. At Wall Street investment firm Goldman Sachs, this leadership function is so important that such people are called “culture carriers.” Goldman’s senior executives live and breathe the company’s culture so much that they can effectively transmit and reinforce that culture. Companies also strengthen culture in new operations by transferring current employees who abide by the culture.

Selecting and Socializing Employees

People at Bristol-Myers noticed that executives hired from the outside weren’t as successful as those promoted from within. Within a year, many quit or were fired. When managers looked closely at the problem, they arrived at the following conclusion: “What came through was, those who left were uncomfortable in our culture or violated some core area of our value system,” says a Bristol-Myers executive. From this discovery, Bristol-Myers assessed its culture—it’s team-oriented, consistent with the firm’s research and development roots. Now applicants are carefully screened to ensure that they have compatible values.
Chapter 16  Organizational Culture

Bristol-Myers and a flock of other organizations strengthen and sometimes re-shape their corporate cultures by hiring people with beliefs, values, and assumptions similar to those cultures. They realize that a good fit of personal and organizational values makes it easier for employees to adopt the corporate culture. A good person–organization fit also improves job satisfaction and organizational loyalty because new hires with values compatible to the corporate culture adjust more quickly to the organization.52

Job applicants also pay attention to corporate culture during the hiring process. They realize that as employees, they must feel comfortable with the company’s values, not just the job duties and hours of work. Thus job applicants tend to look at corporate culture artifacts when deciding whether to join a particular organization. By diagnosing the company’s dominant culture, they are more likely to determine whether its values are compatible to their own.

Along with selecting people with compatible values, companies maintain strong cultures through the process of organizational socialization. Organizational socialization refers to the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization.53 If a company’s dominant values are clearly communicated, job candidates and new hires are more likely to internalize these values quickly and deeply. Socialization is an important process for absorbing corporate culture as well as helping newcomers to adjust to co-workers, work procedures, and other corporate realities. Thus the final section of this chapter looks more closely at the organizational socialization process.

Whole Foods Spreads Its Culture like Yogurt

How do companies maintain their corporate culture when expanding operations? At Whole Foods Market the solution is yogurt. “One of our secrets is what I refer to as our ‘yogurt culture,’” explains Whole Foods cofounder John McKey. This strategy involves transferring employees who carry Whole Foods’ unique culture to new stores so recently hired employees learn and embrace that cultural milieu quickly. “For example, in our Columbus Circle store in New York, about 25 percent of the team members transferred from existing stores,” McKey recalls. “They were the starting culture for the fermentation that turned Columbus Circle into a true Whole Foods store.” Some employees even took lesser titles just to help Columbus Circle adopt Whole Foods’ cultural values. For example, the store’s two associate store team leaders previously operated their own stores in Georgetown, Maryland, and Albuquerque, New Mexico, before coming to New York.54
Organizational Socialization

Nadia Ramos had plenty of job opportunities after she graduated from business school, but Bank of Nova Scotia won the contest hands down. Ramos was impressed by the panel interview with senior commercial banking managers and by the many opportunities to work overseas. But it was the little things that really won Ramos over to the Canadian financial institution. Rather than seeing only the company boardroom and company recruiters, Ramos toured the offices where she would actually work and met with fellow international banking associates, who immediately welcomed her to the team and offered advice for apartment hunting in Toronto. ScotiaBank also assigned a buddy to help Ramos adjust to the workplace over the first two years. “We have to make sure, once they are in the door, that they start having a great experience as an employee—and that we haven’t overpromised,” says Sylvia Chrominska, ScotiaBank’s executive vice president of human resources.

ScotiaBank successfully brings employees into the organization by going beyond selecting applicants with the right competencies. It relies on several organizational socialization practices to help newcomers learn about and adjust to the company’s culture, physical layout, procedures, and so on. Research indicates that when employees are effectively socialized into an organization, they tend to perform better and have higher job satisfaction.

Organizational socialization is a process of both learning and adjustment. It is a learning process because newcomers try to make sense of the company’s physical workplace, social dynamics, and strategic and cultural environment. They learn about the organization’s performance expectations, power dynamics, corporate culture, company history, and jargon. Organizational socialization is also a process of adjustment because individuals need to adapt to their new work environment. They develop new work roles that reconfigure their social identity, adopt new team norms, and practice new behaviors. Research reports that the adjustment process is fairly rapid for many people—usually within a few months. However, newcomers with diverse work experience seem to adjust better than those with limited previous experience, possibly because diverse work experience provides a larger toolkit of knowledge and skills to make the adjustment easier.

Newcomers absorb the organization’s dominant culture to varying degrees. Some people deeply internalize the company’s culture; a few others rebel against these attempts to change their mental models and values. Ideally newcomers adopt a level of “creative individualism” in which they accept the essential elements of the organization’s culture and team norms, yet maintain a healthy individualism that challenges the allegedly dysfunctional elements of organizational life.

Stages of Socialization

Socialization is a continuous process, beginning long before the first day of employment and continuing throughout a person’s career within the company. However, it is most intense when people move across organizational boundaries, such as when they first join a company or get transferred to an international assignment. Each of these transitions is a process that can be divided into three stages. Our focus here is on the socialization of new employees, so the three stages are called preemployment socialization, encounter, and role management (see Exhibit 16.5). These stages parallel the individual’s transition from outsider to newcomer and then to insider.
Stage 1: Preemployment Socialization  
Think back to the months and weeks before you began working in a new job (or attending a new school). You actively searched for information about the company, formed expectations about working there, and felt some anticipation about fitting into that environment. The preemployment socialization stage encompasses all of the learning and adjustment that occurs prior to the first day of work in a new position. In fact, a large part of the socialization adjustment process occurs before the first day of work.  

The main problem with preemployment socialization is that individuals are outsiders, so they must rely on friends, employment interviews, recruiting literature, and other indirect information to form expectations about what it is like to work in the organization. Furthermore, the information exchange between applicants and employers is usually less than perfectly honest. Job applicants might distort their résumés, whereas employers hide their blemishes by presenting overly positive images of organizational life. Job applicants avoid asking sensitive questions—such as pay increases and faster promotions—to maintain a good image to recruiters.  

To make matters worse, job applicants tend to engage in postdecisional justification during preemployment socialization. Before the first day of work they tend to increase the importance of favorable elements of the job and justify or completely forget about some negative elements. At the same time they reduce the perceived quality of job offers that they turned down. Employers often distort their expectations of new hires in the same way. The result is that both parties develop higher expectations of each other than they will actually experience during the encounter stage.  

Stage 2: Encounter  
The first day on the job typically marks the beginning of the encounter stage of organizational socialization. This is the stage in which newcomers test their prior expectations with the perceived realities. Many companies fail the test because newcomers often believe that their employers are not delivering the promised employment experience. To varying degrees these people have experienced reality shock—the stress that results when employees perceive discrepancies between their preemployment expectations and on-the-job reality. The larger the gap, the stronger the reality shock. Reality shock doesn’t necessarily occur on the first day; it might develop over several weeks or even months as newcomers form a better understanding of their new work environment. Along with experiencing unmet expectations,
reality shock occurs when newcomers are overwhelmed by the experience of sudden entry into a new work environment. In other words, reality shock also includes the stress of information overload and the challenges of adjusting quickly to new roles.

Stage 3: Role Management During the role management stage in the socialization process, employees settle in as they make the transition from newcomers to insiders. They strengthen relationships with co-workers and supervisors, practice new role behaviors, and adopt attitudes and values consistent with their new positions and organizations. Role management also involves resolving the conflicts between work and nonwork activities. In particular, employees must redistribute their time and energy between work and family, reschedule recreational activities, and deal with changing perceptions and values in the context of other life roles. They must address any discrepancies between their existing values and those emphasized by the organizational culture. New self-identities are formed that are more compatible with the work environment.

Improving the Socialization Process

Before hiring people for its new computer assembly plant in Winston-Salem, North Carolina, Dell Inc. invites applicants to understand the company and the jobs better. “We will discuss the soul of Dell, give them a realistic job preview, and give them the opportunity to complete a job application,” explains Ann Artzer, Dell’s human resource manager for the plant. “It will be a chance to determine the mutual interest between the candidates and Dell.” 62 Dell improves the socialization process by providing a realistic job preview (RJP)—a balance of positive and negative information about the job and work context. 63 As described at the beginning of this section on organizational socialization, the ScotiaBank human resource executive also tries to make sure that the financial institution hasn’t overpromised to job applicants. Unfortunately many companies do overpromise. They often exaggerate positive features of a job and neglect to mention undesirable elements, hoping that the best applicants will get “stuck” on the organization. In contrast, an RJP helps job applicants decide for themselves whether their skills, needs, and values are compatible with a job and organization.

Although RJP’s scare away some applicants, they tend to reduce turnover and increase job performance. 64 This occurs because RJP’s help applicants develop more accurate preemployment expectations, which in turn minimize reality shock. RJP’s represent a type of vaccination by preparing employees for the more challenging and troublesome aspects of work life. There is also some evidence that RJP’s increase organizational loyalty. A possible explanation for this is that companies providing candid information are easier to trust. They also show respect for the psychological contract and concern for employee welfare. 65

Socialization Agents Nadia Ramos received plenty of support to help her adjust to a career at ScotiaBank. As was mentioned at the beginning of this section, Ramos’s future co-workers welcomed her to the team and offered advice on finding an apartment. ScotiaBank also assigned an experienced employee (a buddy) to offer Ramos special assistance and guidance. ScotiaBank leaders seem to be aware that a lot of organizational socialization occurs informally through socialization agents, including co-workers, bosses, and friends who work for the company.

Supervisors tend to provide technical information, performance feedback, and information about job duties. They also improve the socialization process by giving newcomers reasonably challenging first assignments, buffering them from excessive
demands, and helping them to form social ties with co-workers. Co-workers are particularly important socialization agents because they are easily accessible, can answer questions when problems arise, and serve as role models for appropriate behavior. New employees tend to receive this information and support when co-workers integrate them into the work team. Co-workers also aid the socialization process by being flexible and tolerant in their interactions with these new hires. Newcomers who quickly form social relations with co-workers tend to have a less traumatic socialization experience and are less likely to quit their jobs within the first year of employment. However, co-workers sometimes engage in hazing—the practice of fooling or intimidating newcomers as a practical joke or initiation ritual.

The challenge is for organizations to ensure that co-workers offer the necessary support. ScotiaBank and many other organizations rely on a “buddy system” whereby newcomers are assigned to co-workers as sources of information and social support. Progressive Inc., the Mayfield, Ohio–based insurance firm, relies on current employees to recruit and socialize job applicants. “I think candidates can trust and respect people who already work here,” says Jennifer Cohen, Progressive’s national employment director. “They get a lot of honest information about the company.” ExtendMedia also has a formal buddy system, but equally valuable is the box of doughnuts put on every newcomer’s desk on the first day of work. “The [doughnuts] are there to break the ice so that other people come and talk to them. We are introducing people through their stomachs,” explains an executive at the interactive media company.

Chapter Summary

Organizational culture is the basic pattern of shared assumptions and values that governs behavior within a particular organization. Assumptions are the shared mental models or theories-in-use on which people rely to guide their perceptions and behaviors. Values are more stable, long-lasting beliefs about what is important. They help us define what is right or wrong, or good or bad, in the world. Culture content refers to the relative ordering of shared values and assumptions.

Organizations have subcultures as well as dominant cultures. Subcultures maintain the organization’s standards of performance and ethical behavior. They are also the source of emerging values that replace aging core values.

Artifacts are the observable symbols and signs of an organization’s culture. Four broad categories of artifacts include organizational stories and legends, rituals and ceremonies, language, and physical structures and symbols. Understanding an organization’s culture requires assessment of many artifacts because they are subtle and often ambiguous.

Organizational culture has three main functions. It is a deeply embedded form of social control. It is also the “social glue” that bonds people together and makes them feel part of the organizational experience. Third, corporate culture helps employees make sense of the workplace.

Companies with strong cultures generally perform better than those with weak cultures, but only when the cultural content is appropriate for the organization’s environment. Also, the culture should not be so strong that it drives out dissenting values, which may form emerging values for the future. Organizations should have adaptive cultures so that employees focus on the need for change and support initiatives and leadership that keep pace with these changes.

Mergers should include a bicultural audit to diagnose the compatibility of the organizational cultures. The four main strategies for merging different corporate cultures are integration, deculturation, assimilation, and separation.

Organizational culture may be altered and strengthened through the actions of founders and leaders, the introduction of culturally-consistent rewards, the alignment of artifacts, and the selection and socialization of employees.

Organizational socialization is the process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization. It is a process of both learning about the work context and adjusting to new work roles, team norms, and behaviors. Employees typically pass through three socialization stages: preemployment, encounter, and role management. To improve the socialization process, organizations should introduce realistic job previews (RJPs) and recognize the value of socialization agents in the process.
Key Terms

- adaptive culture, p. 467
- artifacts, p. 463
- bicultural audit, p. 469
- ceremonies, p. 465
- organizational culture, p. 460
- organizational socialization, p. 475
- realistic job preview (RJP), p. 478
- reality shock, p. 477
- rituals, p. 464

Critical Thinking Questions

1. The Superb Consultants company has submitted a proposal to analyze the cultural values of your organization. The proposal states that Superb has developed a revolutionary new survey to tap a company’s true culture. The survey takes just 10 minutes to complete, and the consultants say results can be based on a small sample of employees. Discuss the merits and limitations of this proposal.

2. Some people suggest that the most effective organizations have the strongest cultures. What do we mean by the “strength” of organizational culture, and what possible problems are there with a strong organizational culture?

3. The CEO of a manufacturing firm wants everyone to support the organization’s dominant culture of lean efficiency and hard work. The CEO has introduced a new reward system to reinforce this culture and personally interviews all professional and managerial applicants to ensure that they bring similar values to the organization. Some employees who criticized these values had their careers sidelined until they left. Two midlevel managers were fired for supporting contrary values, such as work–life balance. Based on your knowledge of organizational subcultures, what potential problems is the CEO creating?

4. Identify at least two artifacts you have observed in your department or school from each of the four broad categories: (a) organizational stories and legends; (b) rituals and ceremonies; (c) language; and (d) physical structures and symbols.

5. “Organizations are more likely to succeed when they have an adaptive culture.” What can an organization do to foster an adaptive culture?

6. Acme Corp. is planning to acquire Beta Corp., which operates in a different industry. Acme’s culture is entrepreneurial and fast-paced, whereas Beta employees value slow, deliberate decision making by consensus. Which merger strategy would you recommend to minimize culture shock when Acme acquires Beta? Explain your answer.

7. Suppose you are asked by senior officers of a city government to identify ways to reinforce a new culture of teamwork and collaboration. The senior executive group clearly supports these values, but it wants everyone in the organization to embrace them. Identify four types of activities that would strengthen these cultural values.

8. Progressive, Inc., ExtendMedia, and other organizations rely on current employees to socialize new recruits. What are the advantages of relying on this type of socialization agent? What problems can you foresee (or you have personally experienced) with co-worker socialization practices?

Case Study 16.1 HILTON’S TRANSFORMATION

Twenty years ago Hillton was a small city (about 70,000 residents) that served as an outer suburb to a large Midwest metropolitan area. The city treated employees like family and gave them a great deal of autonomy in their work. Everyone in the organization (including the two labor unions representing employees) implicitly agreed that the leaders and supervisors of the organization should rise through the ranks based on their experience. Few people were ever hired from the outside into middle or senior positions. The rule of employment at Hillton was to learn the job skills, maintain a reasonably good work record, and wait your turn for promotion.

Hillton has grown rapidly since the mid-1970s. As the population grew, so did the municipality’s workforce to keep pace with the increasing demand.
for municipal services. This meant that employees were promoted fairly quickly and were almost guaranteed employment. In fact, until recently Hillton had never laid off any employee. The organization's culture could be described as one of entitlement and comfort. Neither the elected city council members nor the city manager bothered the department managers about their work. There were few cost controls because rapid growth forced emphasis on keeping up with the population expansion. The public became somewhat more critical of the city's poor service, including road construction at inconvenient times and the apparent lack of respect some employees showed toward taxpayers.

During these expansion years Hillton put most of its money into “outside” (also called “hard”) municipal services such as road building, utility construction and maintenance, fire and police protection, recreational facilities, and land use control. This emphasis occurred because an expanding population demanded more of these services, and most of Hillton’s senior people came from the outside services group. For example, Hillton’s city manager for many years was a road development engineer. The “inside” workers (taxation, community services, and the like) tended to have less seniority, and their departments were given less priority.

As commuter and road systems developed, Hillton attracted more upwardly mobile professionals to the community. Some infrastructure demands continued, but now these suburban dwellers wanted more “soft” services, such as libraries, social activities, and community services. They also began complaining about how the municipality was being run. The population had more than doubled between the 1970s and 1990s, and it was increasingly apparent that the city organization needed more corporate planning, information systems, organization development, and cost control systems. Residents voiced their concerns in various ways that the municipality was not providing the quality of management that they would expect from a city of its size.

In 1996 a new mayor and council replaced most of the previous incumbents, mainly on the platform of improving the municipality’s management structure. The new council gave the city manager, along with two other senior managers, an early retirement buyout package. Rather than promoting from the lower ranks, council decided to fill all three positions with qualified candidates from large municipal corporations in the region. The following year several long-term managers left Hillton, and at least half of those positions were filled by people from outside the organization.

In less than two years Hillton had eight senior or departmental managers hired from other municipalities who played a key role in changing the organization’s value system. These eight managers became known (often with negative connotations) as the “professionals.” They worked closely with each other to change the way middle and lower-level managers had operated for many years. They brought in a new computer system and emphasized cost controls where managers previously had complete autonomy. Promotions were increasingly based more on merit than seniority.

These managers frequently announced in meetings and newsletters that municipal employees must provide superlative customer service, and that Hillton would become one of the most customer-friendly places for citizens and those doing business with the municipality. To this end these managers were quick to support the public’s increasing demand for more soft services, including expanded library services and recreational activities. And when population growth flattened for a few years, the city manager and the other professionals gained council support to lay off a few outside workers due to lack of demand for hard services.

One of the most significant changes was that the outside departments no longer held dominant positions in city management. Most of the professional managers had worked exclusively in administrative and related inside jobs. Two had Master of Business Administration degrees. This led to some tension between the professional managers and the older outside managers.

Even before the layoffs, managers of outside departments resisted the changes more than others. These managers complained that their employees with the highest seniority were turned down for promotions. They argued for more budget and warned that infrastructure problems would cause liability problems. Informally these outside managers were supported by the labor union representing outside workers. The union leaders tried to bargain for more job guarantees, whereas the union representing inside workers focused more on improving wages and benefits. Leaders of the outside union made several statements in the local media that the city had “lost its heart” and that the public would suffer from the actions of the new professionals.
DISCUSSION QUESTIONS

1. Contrast Hilton’s earlier corporate culture with the emerging set of cultural values.

2. Considering the difficulty in changing organizational culture, why did Hilton’s management seem to be successful at this transformation?

3. Identify two other strategies that the city might consider to reinforce the new set of corporate values.

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Case Study 16.2 IKEA: SWEDISH FOR CORPORATE CULTURE

IKEA is the quintessential global cult brand. The furniture retailer has more than 200 stores in several countries, but is just beginning to grow in the United States (where it had only one store in 2000, 25 stores by 2005, and an expected 50 stores by 2010). But IKEA is also a role model of how to nurture an effective corporate culture. Its chief cheerleader is founder Ingvar Kamprad. Although officially retired, Kamprad remains a vital link to the company’s culture. For instance, IKEA is still run by managers who were trained and groomed by Kamprad himself.

This BusinessWeek case study describes the success of IKEA and provides some insight into its organizational culture. Read through this BusinessWeek article at www.mhhe.com/mcshane4e and prepare for the discussion questions below.

Discussion Questions

1. What are the values that dominate IKEA’s culture?

2. How does IKEA seem to maintain a strong organizational culture?

3. IKEA is accelerating store rollouts around the world. In this context, how can IKEA maintain its cultural values and ensure that they are embedded in the newly opened stores?


Web Exercise 16.3 DIAGNOSING CORPORATE CULTURE PROCLAMATIONS

PURPOSE To understand the importance and context in which corporate culture is identified and discussed in organizations.

INSTRUCTIONS This exercise is a take-home activity, although it can be completed in classes with computers and Internet connections. The instructor will divide the class into small teams (typically four to five people per team). Each team is assigned a specific industry such as energy, biotechnology, or computer hardware.

The team’s task is to search Web sites of several companies in the selected industry for company statements about corporate culture. Use company
Web site search engines (if they exist) to find documents with key phrases such as “corporate culture” or “company values.”

DISCUSSION QUESTIONS
1. What values seem to dominate the corporate cultures of the companies you searched? Are these values similar or diverse across companies in the industry?
2. What was the broader content of the Web pages where these companies described or mentioned their corporate cultures?
3. Do companies in this industry refer to their corporate cultures on their Web sites more or less than companies in other industries searched by teams in this class?

Team Exercise 16.4  TRUTH IN ADVERTISING

PURPOSE   This team activity is designed to help you diagnose the degree to which recruitment advertisements and brochures provide realistic previews of jobs and organizations.

MATERIALS  The instructor will bring to class either recruiting brochures or newspaper advertisements.

INSTRUCTIONS  The instructor will place students into teams and give them copies of recruiting brochures and/or advertisements. The instructor might assign one lengthy brochure; alternatively several newspaper advertisements may be assigned. All teams should receive the same materials so that everyone is familiar with the items and results can be compared. Teams will evaluate the recruiting material(s) and answer the following questions for each item.

DISCUSSION QUESTIONS
1. What information in the text of this brochure or advertisement identifies conditions or activities in this organization or job that some applicants may not like?
2. If there are photographs or images of people at work, do they show only positive conditions, or do any show conditions or events that some applicants may not like?
3. After reading this item, would you say that it provides a realistic preview of the job and/or organization?

Self-Assessment 16.5  CORPORATE CULTURE PREFERENCE SCALE

PURPOSE   This self-assessment is designed to help you identify a corporate culture that fits most closely with your personal values and assumptions.

INSTRUCTIONS  Read each pair of the statements in the Corporate Culture Preference Scale and circle the statement that describes the organization you would prefer to work in. Then use the scoring key in Appendix B to calculate your results for each subscale. The scale does not attempt to measure your preference for every corporate culture—just a few of the more common varieties. Also keep in mind that none of these corporate cultures is inherently good or bad. The focus here is on how well you fit within each of them. This exercise is completed alone so you can assess yourself honestly without concerns of social comparison. However, class discussion will focus on the importance of matching job applicants to the organization’s dominant values.
### Corporate Culture Preference Scale

I would prefer to work in an organization:

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<tr>
<td>1a.</td>
<td>Where employees work well together in teams.</td>
<td>or</td>
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<tr>
<td>2a.</td>
<td>Where top management maintains a sense of order in the workplace.</td>
<td>or</td>
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<tr>
<td>3a.</td>
<td>Where employees are treated fairly.</td>
<td>or</td>
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<tr>
<td>4a.</td>
<td>Where employees adapt quickly to new work requirements.</td>
<td>or</td>
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<tr>
<td>5a.</td>
<td>Where senior executives receive special benefits not available to other employees.</td>
<td>or</td>
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<tr>
<td>6a.</td>
<td>Where employees who perform the best get paid the most.</td>
<td>or</td>
</tr>
<tr>
<td>7a.</td>
<td>Where everyone gets their jobs done like clockwork.</td>
<td>or</td>
</tr>
<tr>
<td>8a.</td>
<td>Where employees receive assistance to overcome any personal problems.</td>
<td>or</td>
</tr>
<tr>
<td>9a.</td>
<td>That is always experimenting with new ideas in the marketplace.</td>
<td>or</td>
</tr>
<tr>
<td>10a.</td>
<td>That quickly benefits from market opportunities.</td>
<td>or</td>
</tr>
<tr>
<td>11a.</td>
<td>That can quickly respond to competitive threats.</td>
<td>or</td>
</tr>
<tr>
<td>12a.</td>
<td>Where management keeps everything under control.</td>
<td>or</td>
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</table>

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After reading this chapter, if you need additional information, see [www.mhhe.com/mcshane4e](http://www.mhhe.com/mcshane4e) for more in-depth interactivities that correspond with this material.