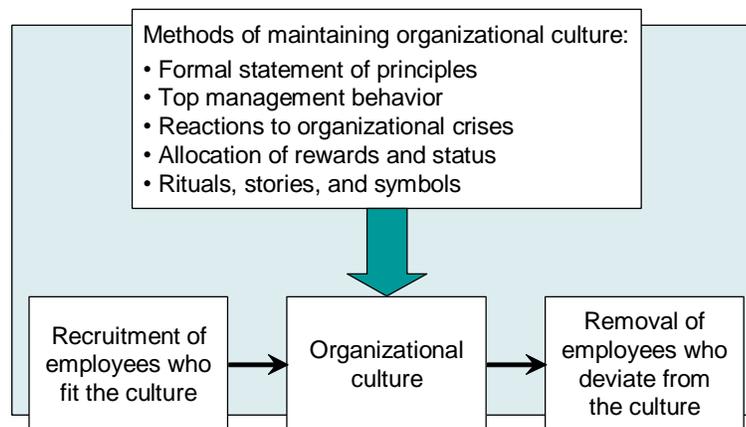## How Culture Is Created and Communicated in Organizations

To understand, interpret, and even change the culture of an organization, it is useful to understand how that culture evolved and how it is communicated to its members. Most experts trace the origins of an organization's culture to the personality, values, and habits of the individual(s) responsible for founding the organization. For example, Bill Gates has been described as personally aggressive, competitive, highly disciplined, and willing to put in long hours on the job. These same characteristics have been used to describe the Microsoft organization, the software giant he founded and currently heads. While the roots of culture may be traced to the personality of the founding members, as organizations grow in size and encounter new challenges, their culture evolves and is

FIGURE A3.1
Mechanisms for Sustaining Organizational Culture

Methods of maintaining organizational culture:
- Formal statement of principles
- Top management behavior
- Reactions to organizational crises
- Allocation of rewards and status
- Rituals, stories, and symbols

Recruitment of employees who fit the culture → Organizational culture → Removal of employees who deviate from the culture

sustained by a complex set of mechanisms summarized in Figure A3.1.

SELECTION OF NEW MEMBERS

The explicit goal of the recruitment process is to identify and hire individuals with the requisite skills, knowledge, and experience to perform jobs within an organization. Part of performing work within an organization is the ability to work with others and fit into the culture of the organization. Companies are paying increased attention to assessing the personal values and habits of applicants to determine whether they are compatible with the culture of the organization. For example, Compaq computers is known to hire candidates who are easy to get along with and who feel comfortable with the consensus decision-making style they use. They actively screen out loners or stellar performers with big egos. Conversely, Microsoft has a reputation for hiring aggressive, competitive employees.

The importance of selection as a means of sustaining or changing the culture of an organization cannot be underestimated. Experience has taught companies that it is much more difficult and costly to get rid of people who do not fit in than to invest extra

time and effort to ensure that new hires are compatible with the culture of the organization. This is why it is not uncommon today for the selection and hiring process to be extended over a battery of interviews in which one of the primary objectives is to determine how well the applicant will "fit in."

METHODS FOR SUSTAINING CULTURE

No matter how careful an organization is in recruiting and hiring personnel, new employees need to be indoctrinated in the culture of the organization. Just like all Marines go through boot camp to prove their worthiness and learn the "Marine Way," new employees experience a less intense socialization process, where they are tested and learn the norms, customs, and ideals of the organization.

Formal Statement of Principles

It has become fashionable for companies to explicitly publish their values and operating principles in company documents. For example, the Kaufman and Broad Home Corporation, located in Los Angeles, states its mission as follows:

> We build homes to meet people's dreams.

Objectives

- We are fiercely determined to continue to succeed. We intend to provide the best quality housing for our customers, a superior return to our shareholders, and a chance for every employee to make a difference and share in our success.

Vision

- We strive to be the leading home builder in each market in which we operate. We intend to lead the way in home building well into the twenty-first century.

Core Values

- It is our intention to deliver a quality product . . . 100 percent of the time.
- We believe that the true test of quality is customer satisfaction.
- There are no good excuses.
- We strive to be on the cutting edge of product development and innovative design.
- We don't just build homes, we build neighborhoods.
- This business is built around people. We want self-directed winners who have high personal integrity.
- All people at Kaufman and Broad have clout. We all work for the same ultimate boss, our customers.
- We respect the dignity of those with whom we deal. We always try to be fair.
- We are committed to steady growth and improved earnings; we will not overemphasize short-term results.

These corporate principles and philosophies are generally reviewed during new employee orientation sessions and are augmented by stories to underscore their

significance. It should be noted that simply stating what the values and principles of a firm are will be meaningless unless they are visibly supported by the other methods.

Top Management Behavior

Just as the founder's personality is critical to the initial formation of a company's culture, many experts argue that top management plays a critical role in sustaining and shaping the culture of a firm. First, they serve as exemplars of the culture of the organization. As such, members look to them as role models to be emulated and to be analyzed to determine those qualities and habits the organization cherishes. Second, members interpret from top managers' actions what is truly important to the firm. For example, imagine the president of a firm announcing that improving customer satisfaction is the firm's number one priority. Now imagine the different impact this statement would have on the organization if, after this declaration, the president disappears behind a wall of business as usual as opposed to personally leading a series of focus groups to determine specific customer needs and complaints.

Reaction to Crisis

Organizations are sometimes confronted with defining moments in their history in which their values and priorities are tested and most clearly manifested. For example, during the mid-1980s the local Hewlett-Packard (HP) plant was operating at less than 40 percent capacity. Rumors abounded that there would be corresponding layoffs and massive transfers. However, one of the dominating principles of the culture at HP has always been a commitment to human resources. Instead of draconian layoffs, management of the plant responded by scheduling a nine-day work schedule over two weeks, representing a 10 percent cut in salary for everyone. They also encouraged employees to go on sabbaticals and pursue advanced degrees while maintaining benefits and job assurance. In doing so the firm sent a clear message to its employees about the importance of human resources. This response has become deeply ingrained in the corporation's folklore and, in turn, now serves to reinforce this aspect of its culture.

Allocation of Rewards and Status

Employees also learn about their organization's culture through its reward systems. The rewards and punishments attached to various behaviors convey to employees the priorities and values of both the individual manager and the organization. Imagine the different signals that are being sent if a worthy subordinate who was justifiably critical of a top management proposal is promoted versus transferred to a less prestigious area within the firm. Likewise, what values are being communicated when an employee is discovered engaging in unethical behavior and is verbally reprimanded as opposed to being fired?

It is important to note that organizations may be quite ineffective in rewarding behavior consistent with their espoused values and principles. Employees are adroit at

pointing out inconsistencies between what management says and does. These inconsistencies undermine management credibility as well as help create a weak culture that contributes to ineffective organizational performance.

Rituals, Stories, and Symbols

A significant portion of an organization's culture is transmitted and reinforced symbolically. Symbolic communication is a sign or an act that means something more than itself—it is something invested with a particular, subjective meaning. Although symbolic communication is indirect, it can act as an "evocative" mechanism for rousing, channeling, and domesticating powerful emotions. To appreciate how much feeling symbols evoke, consider the response to the raising of a national flag at the Olympics or the meaning of Yassir Arafat standing or not standing when the Israeli national anthem is being played.

Organizational Rituals

Organizational rituals are defined as formal and customarily repeated acts that convey basic norms and values throughout the organization. The function of rituals is to give concrete expression to deeply held cultural values. The variety of ritualistic behaviors includes the annual company picnic and Christmas party, employee morale surveys, TGIF gatherings, weekly staff meetings, and going-away parties. Companies that are committed to building a strong culture that supports their basic values and principles invest considerable attention in organizational rituals. Take, for example, the Sequent Corporation, an information technology firm located in Portland, Oregon. As it turns out, 85 percent of their business is typically shipped out during the last week of the quarter. It has become the custom for everyone at Sequent from the president to the janitor to volunteer to work one shift in the loading area during this time. According to the president, this custom reinforces a variety of important corporate values, including "We're in the business of building products," and "None of us are too big to get our hands dirty."

Stories, Myths, and Legends

Many of the underlying beliefs and values of an organization's culture are expressed as legends and stories that become part of the organization's folklore. These stories and legends are a way of transmitting the existing culture from senior employees to new ones; they serve to emphasize important aspects of that culture. For example, employees at Prince Corp., now a division of Johnson Controls Inc., tell a story of founder Ed Prince, who was helping employees load finished materials onto a railroad car. When they discovered they needed a lubricant to perform the job, he tossed the keys to his new Cadillac to a young employee he had never met, handed him a $100 bill, and told him to go get some WD-40. The story ends with the employee returning with the product, the car, and Prince's change. By repeating this story, employees emphasize the importance of everyone pitching in to help get the job done and the high value placed on trust.

Material Symbols

Nike Corporate Headquarters in Portland, Oregon, doesn't look like normal head office operations. The first thing a visitor sees when driving into the grounds is a professionally groomed soccer field. Within the hall of the main building is a large mural of Michael Jordan. Intermixed within the network of modern offices are state-of-the-art athletic facilities for almost every sport imaginable. The employees are uniformly young and athletic. Fiercely contested basketball games are played during the workday. The entire operation communicates a play hard/work hard, competitive environment.

In sharp contrast to Nike is Amazon.com, where frugality is a key corporate value. Beyond the online bookseller's popular website is a drab 1960s, four-story headquarters in downtown Seattle. All desks are made from doors (total cost: $130). Monitors are propped up on telephone books to avoid the cost of monitor stands. "By watching your overhead you can spend more on business expansion," explains Amazon.com founder and CEO Jeff Bezos.

Size and layout of offices are other material symbols that reflect corporate values. For example, for many companies the size of an office and its floor number reflects how much status and real power the manager has. Conversely, many companies have tried to promote egalitarianism by opting for cubicle arrangements in which all departments are on the same floor and office space is standardized.

REMOVAL OF DEVIANTS

Just as members assess those people who are being rewarded to determine what the organization values, they assess people who are asked to leave to identify what kind of people and behavior management disapproves of. It is perfectly natural for individuals to gossip about reasons a former member left. These explanations help clarify what is acceptable and unacceptable behavior. Whenever possible, management needs to spell out the reasons individuals were discharged or left voluntarily so that the correct causes are understood.

SUMMARY

An organization's culture can have a profound impact on members' attitudes and behavior. Top management is devoting more time and attention to developing a unique culture that will provide them with a competitive advantage in today's business world. See the Snapshot from Practice: Culture Change at Hewlett-Packard for an example of trying to change the culture of an organization.