Organizational Culture

What is Organizational Culture?

Organizational culture is a set of shared values, the unwritten rules which are often taken for granted, that guide the employees towards acceptable and rewarding behavior.

The organizational culture exists at two distinct levels, visible and hidden. The visible aspect of the organization is reflected in artifacts, symbols and visible behavior of employees. The hidden aspect is related to underlying values and assumptions that employees make regarding the acceptable and unacceptable behaviors.

1. **Artifacts**: These are visible components of culture, they are easy to formulate, have some physical shape, yet its perception varies from one individual to another.
   - **Rituals and ceremonies**: New hire trainings, new hire welcome lunches, annual corporate conferences, awards, offsite meetings and trainings are few examples of most common rituals and ceremonies.
   - **Symbols & Slogans**: These are high level abstraction of the culture; they effectively summarize organization’s intrinsic behavior. Symbols are rituals, awards or incentives that symbolize preferred behavior; “employee of the month” is one such example of a symbol. Slogans are linguistic phrases that are intended for the same reason, “customer first” is an example of corporate slogan.
   - **Stories**: These are narratives based on true events, but often exaggerated as it told from old to new employees. The stories of the organization’s founders or other dominant leaders are the most common ones, the challenges they had faced and how they dealt with those hurdles etc. In some form, these are stories of the organization’s heroes, employees relate the current system due to events that had happened in the past and stories are the medium that carries the legacies.

2. **Values**: These are conscious and affective desires of the organization, the kind of behavior it wants to promote and reward. Usually every organization sells its cultural values through some artifacts like written symbols or slogans and publishes them in various mediums. However, the true values can only be tested within the organization, through the employees, based on their collective opinion about the experience of the values.
   - **Ethics**: It is the code of moral principals and values that distinguishes the right behavior from wrong. Ethical values are different from rule of law which is dictated by the legal system of the country and have to be followed anyway. However, the laws themselves are based on some moral principles and thus there is some natural overlap between ethics and the laws. The geographic location of the organization and the culture of the place also influence the ethics, this is particularly important for multi-national organization. Irrespective how an organization depicts its ethical values, they can be tested by the two criteria.
   - **Commitment**: Whether the organization views its employees as resources required for business activities or it intends to invest in long term relationship with its employees; reflects the organization’s commitment to its employees. Commitment can be in various forms, maternity leave, life-work balance, unpaid leaves, it’s strategies for downsizing or
globalization; are some examples.

Career: The ethical values are also echoed in organization’s interest and investment in the career development of its employees. Whether it values specialization and narrow career paths that runs the risk of being outdated along with technology or it values broad skill development and offers training in new technologies at its own cost.

Empowerment: The social culture and the structure of the organization influences the underlying values related to the amount of employee empowerment.

- Control/Decision: Management by nature is about control, the difference is how it enforces it. Well defined guidance, job description and authority of taking decisions are formal methods of control, while team or collective decision making is a social or cultural method of control. The functional or divisional structure encourages formal control while process or network structures promote a culture of employee empowerment.

- Responsibility: The authority of decision making is closely related to issue of responsibilities. The culture of responsibility is measured by observing whether the individuals are expected to take responsibility of their decisions or there is a collective responsibility in case of team decisions.

Assumptions: Both the artifacts and the values give rise to assumptions the employees make about the organization's culture. Finally, it's the assumptions that govern how an employee determines the right behavior and feels about his job and career, how the culture actually operates within the organizational system.

- Failures: The implication of failure is the most influential assumption that every employee derives from all the artifacts, stories, myths and values. The fear of failure and how it would be perceived determines the actual empowerment felt by the employee; the stated values vs. practiced factuality.

Foundation of the Organizational Culture

Organizations are mini social systems that are less complex than their counterparts at city or national level. The foundation of the organizational culture is also rooted in three distinct social entities, anthropology, sociology and psychology.

1. Anthropological: It uses the physical artifacts like symbols, stories and values to study the cultural viewpoint of the employees who practice it, and how it adds meaning to their jobs.

2. Sociological: It is a study of the different group behaviors in the organization, their causes and their consequences on its culture. The method of the study comprises of identifying certain key attributes and then quantifying them using questionnaires, surveys and interviews.

3. Psychological: It is study of factors that influence the individual’s behavior. The key difference from sociology is that it is behavioral analysis at individual level rather than application of psychology on a social system. How a person behaves individually can be quite different from how he behaves in a group. As an example, humans by nature use statistical knowledge in making decisions, however they apply it rather poorly. The last positive or negative outcome influences our decision more than statistical average; such observations can be used effectively in growing a desired culture.

What Influences Organizational Culture?

The culture is influenced by the other entire contextual dimensions: purpose, environment, technology & size. Thus it is futile to expect or create a culture that is not aligned to these factors. A lot of studies on organizational culture have been wrongly focused only on
analyzing the organization behavior and its contributions to organization’s effectiveness. However, the culture is not a separate, self sufficient entity in itself, but rather one part of a whole.

**Types of Organizational Cultures**

In case of organizational design, while the contextual dimensions define the structure; the culture should aim at providing adequate reinforcement to the structure. The organizational culture can be accessed by evaluating the contextual factors and the structural dimensions. In some way, one can argue that the study of organization’s structural design itself is indicative of type of culture it has, after all the culture is a consequence of how the organization is controlled and what influences its operations. It should also be noted that in large organizations, different functional units might have or require different type of cultures.

There are four most common and identifiable types of organizational cultures:

- **Entrepreneurial**: The organization has purpose of differentiation, it strives for innovation and competition, it requires research & development and its size is rather small, its control structure is horizontal. The culture encourages risk taking, values new ideas, is quick to detect and react to external changes and rewards ingenuity.

- **Market**: The organization has clear financial & sales goals and is focused on customer satisfaction. The external environment is not rapidly changing, is stable but demands efficiency, the control structural can be either horizontal & hierarchical. The organizational culture is competitive and demanding, success is measured by market share and penetration.

- **Clan**: It is aimed at efficiency and has internal focus, it encourages employee participation, and it values and often prides itself by taking exceptional care of its employees, just like a clan. It values employee empowerment by having a horizontal structure and creates a strong sense of identity in its employees. The clan leadership has strong concern for people, they value loyalty and traditions.

- **Bureaucratic**: It operates in a stable environment and has a hierarchal control structure; the organization has a lot of processes, rules and policies that guide the day to day operations. The leadership is focused on efficiency, predictability and low cost.

**Why we need Organizational Culture?**

1. **Common Identity**: The culture gives a sense of collective identity to all the employees in the organization, it creates values and beliefs that go beyond the personal aspirations of the employees.
2. **Guidance**: The culture creates good working relationships and promotes ethical
communication between employees. It also helps employees in making decisions in the situations where there are no formal rules or policies, situations that haven’t been experienced yet.

**Justification of actions:** The culture evolves from prior precedences, when employee behavior and decisions are guided by the culture, their actions are better understood by the management.