



KEY FINDINGS

Defining Corporate Culture

Corporate Culture Defined^{4,5}

Literature defines corporate culture in a variety of ways, including the following:

- “The sum total of values, virtues, accepted behaviors (both good and not so good), ‘the way we do things around here,’ and the political environment of a company.”
- “Corporate culture [is] the set of beliefs, values, and behavior patterns that characterize an organization.”
- “[Culture] is most commonly seen as the expression of the organization’s values, manifested by how people relate to one another, how information is disseminated, how people are led to feel about their work, how it values them, and how the organization relates to the world.”
- “One key characteristic of culture is its sharedness; that is, a belief or value has to be widely shared across individual members of a given social unit to qualify as culture.”
- “...Organizational culture depends upon several parameters which are not necessarily constant all of the time. Organizational culture is something which can be perceived but not felt, sensed but not seen.”

Within a competitive business environment, companies increasingly recognize the need to establish cultures that fully leverage the skills of their employee populations. By creating cultures in which employees feel valued, companies can better drive business results through their human capital.¹

CORPORATE CULTURE: CHARACTERISTICS, PURPOSE, AND IMPACT

Definition

- A company’s corporate culture is composed of the following elements:^{2,3}
 - Employee motivation and loyalty
 - Internal communication patterns
 - Methods of decision-making
 - Operating styles
 - Organizational philosophy
 - Organizational structure

Components

- Healthy organizational cultures often include the following characteristics:⁶
 - Acceptance and appreciation for diversity
 - Concern for each employee and fair treatment in managing organizational change
 - Employee pride and enthusiasm for the company
 - Equal opportunity for each employee to achieve their full potential
 - Open communication with employees regarding policies and corporate issues
 - Respect for employees and their contributions to the company
- At Nokia, the spirit of participation and innovation is considered a crucial element of the company’s culture and a driving factor behind the company’s success in global markets. To ensure that the company retains this entrepreneurial spirit as it grows, the Nokia’s leaders mandated that the company codify and clarify the entrepreneurial behaviors across all of its business units. As a result, the company translated its core values into a set of entrepreneurial behaviors, both of which are partially listed below:⁷

Values

- *Customer satisfaction*—seeing the customer as the basis of all of Nokia’s operations
- *Respect for the Individual*—treating employees, business partners and customers with respect
- *Achievement*—working toward a well-defined common goal and strategy
- *Continuous learning*—constantly looking for methods to improve performance; possessing the courage to pursue new ideas

Entrepreneurial Behaviors

- Analytical behavior
- Application of knowledge
- Creativity
- Customer orientation
- Initiative
- Managing risks
- Openness to new ideas

Influencing Factors

- Organizational culture is shaped by multiple factors, including the following:^{8,9}
 - External environment
 - Industry
 - Size and nature of the organization’s workforce
 - Technologies the organization uses
 - The organization’s history and ownership

Benefits of a Healthy and Strong Corporate Culture

Research indicates that a healthy and robust organizational culture may provide various benefits, including the following:

- Competitive edge derived from innovation and customer service
- Consistent, efficient employee performance
- Great team cohesiveness
- High employee morale
- Strong company alignment towards goal achievement

CORPORATE CULTURE: CHARACTERISTICS, PURPOSE, AND IMPACT (CONTINUED)

Purpose

- Experts agree that the purpose of corporate culture is to develop an internal environment that is conducive for individuals to perform effectively. However, a corporate culture will only be relevant and useful if it is aligned with the organization's vision, mission, strategies, goals, and the external environment.¹⁰
- At Jaguar Cars, the culture change focused on aligning the new culture towards the new mission "becoming the finest car company in the world." As a result, a new set of beliefs and core values on growth, quality, market sensitivity, human development, and professionalism was developed, encouraged, and practiced in the workplace.¹¹

Impact

- A Harvard Business School study of 207 large firms over eleven years revealed that corporate culture has a significant impact on a firm's long-term economic performance.¹²
- Research indicates that organizations may derive the following benefits from developing strong and productive cultures:¹³
 - Better aligning the company towards achieving its vision, mission, and goals
 - High employee motivation and loyalty
 - Increased team cohesiveness among the company's various departments and divisions
 - Promoting consistency and encouraging coordination and control within the company
 - Shaping employee behavior at work, enabling the organization to be more efficient
- Typical attributes of organizations with a strong, unifying culture include the following:¹⁴
 - Ability to compete on innovation and customer service, not price
 - Company leaders have strong sense of self-identity, direction, and purpose
 - Lower-than-industry-average turnover rates
 - Strong investments in learning, knowledge, and people
- Hallmark Cards expresses its corporate culture through its commitment to employees, mission statement, and support of employees' families through family-friendly policies and practices. The company boasts that its culture drives the company's place in the market and that the warm, family-friendly culture attracts and retains top talent around the world.¹⁵

IMPLEMENTING A CULTURAL CHANGE

Identifying Need for Change

- Organizations may implement cultural change to influence employee behavior, improve the company internally, and to achieve desired results.¹⁶
- First USA Bank distributed an employee satisfaction survey to its workers and discovered a high level of job dissatisfaction among its employee base. In order to shift its culture to one of employee ownership and learning, the HR team created a cultural philosophy called "The 5 Ps." The 5 Ps—Person, Perspective, Place, Possibility and Plan—were combined with career resource centers, designed to provide skills workshops and career counseling, to allow all employees to capitalize on potential development opportunities within the firm.¹⁷

Corporate Culture Integration Tactics

The following strategies may be used in order to integrate organizational values into daily work life:

- Distribution of cards stating organizational values
- Executives exhibiting organizational culture in their behavior
- Performance appraisal system and reward structured to encourage values espoused by the organization
- Public communication of organizational culture
- Videos highlighting organizational values

IMPLEMENTING A CULTURAL CHANGE (CONTINUED)

Culture Change Process

- Organizations that have identified a need for cultural change may want to consider the following steps to achieve a desired corporate culture:¹⁸
 - Needs Assessment—The first step involves gathering and analyzing data about the current culture, defining the desired one and identifying the gaps. Data is gathered through observation, reviewing existing documentation, interviews, and employee surveys.
 - Executive Direction—Take management or the leadership team off-site, where they can address the results of the needs assessment. The retreat results in a variety of "products," which may include a philosophy, standards for success, role definitions, and other leadership decisions that will combine to define and develop the new culture.
 - Infrastructure—Identify the systems, procedures and policies that must be either changed or implemented to support the new culture. Among others, the infrastructure addresses role expectations, accountability, rewards and selection systems.
 - Collateral Organization—Define how the new culture will be implemented. Will the organization make use of a steering committee, action teams, groups or a subset of the leadership team to execute the change?
 - Training—Clearly define and implement any training of employees and managers necessary to ensure that role expectations for the new culture can be met.
 - Evaluation—Establish mechanisms to monitor the progress of the culture change. Assess expected results defined by the standards of success developed during the executive direction step.

Corporate Culture Integration

- Companies utilize creative tactics, such as the following, for integrating corporate values into daily organizational life:¹⁹
 - Company distributes wallet-sized cards emblazoned with values statements
 - Employees view professional videos highlighting values and participating in small-group discussion meetings
 - Executives model behaviors aligned with company values
 - Management states values publicly
 - Managers participate in training sessions and then conduct corporate value orientation meetings within their business units
 - Organizational structure, reward systems, training, and performance appraisals all reflect values espoused by the company
 - Top management visits plant sites to communicate values

CASE EXAMPLES OF CULTURE, MISSION AND VALUES

- Ben & Jerry's mission statement is composed of three core components: products, economic and social values. The mission statement concludes by noting, "underlying the mission of Ben & Jerry's is the determination to seek new and creative ways of addressing all three parts, while holding a deep respect for the individuals, inside and outside the company and for the communities of which they are a part."²⁰
- Sears rebuilt its corporate culture in the mid 1990s to establish and develop a stronger customer-oriented focus. An interviewed individual from the company stated, "we could see how employee attitudes drove not just customer service but also employee turnover...We discovered that an employee's ability to see the connection between his or her work and the company's strategic objectives was a driver of positive behavior. We were also able to establish fairly precise statistical relationships...Our model shows that a five point improvement in employee attitudes will drive a 1.3 point improvement in customer satisfaction, which in turn will drive a .5 percent improvement in revenue growth."²¹

CASE EXAMPLES OF CULTURE, MISSION AND VALUES (CONTINUED)

- Southwest Airlines is well known for its unique corporate culture. Its mission statement reads, “we are committed to provide our employees with a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines. Above all, employees will be provided the same concern, respect and caring attitude within the organization that they are expected to share externally with every Southwest customer.”²²
- Starbucks Coffee’s mission statement is the objective to “provide a great work environment and treat each other with respect and dignity.” The company combines unique employee benefits and an innovative work/life program that emphasizes the importance of communication and the development of each employee’s personal, mental, emotional and creative aspects.²³
- W.L. Gore’s corporate culture encourages hands-on innovation and discourages bureaucracy, instead involving those closest to a project in the decision-making process. Teams organize around opportunities. Rather than a pyramid of various managers, the company maintains a flat lattice organization, with no chains of command and no pre-determined channels of communication. In addition, the company maintains the following values:²⁴
 - Fairness to each other and all those individuals with whom an employee comes into contact
 - Freedom to encourage and help others so as to allow associates to grow in knowledge, skill, and scope of responsibility.

¹ Corporate Leadership Council, *Establishing the Company as a “Great Place to Work,”* Washington: Corporate Executive Board (April 2000).

² William G. Bliss, “Why is Corporate Culture Important?” *Workforce* (February 1999). (Obtained through Factiva).

³ Corporate Leadership Council, *Defining and Developing An Organizational Culture*, Washington: Corporate Executive Board (February 1998).

⁴ William G. Bliss, “Why is Corporate Culture Important?”

⁵ Corporate Leadership Council, *Defining and Developing An Organizational Culture*.

⁶ Corporate Leadership Council, *The Cultural Change Process*, Washington: Corporate Executive Board (March 1998).

⁷ Corporate Leadership Council, *Innovation & Agility*, Washington: Corporate Executive Board (2001).

⁸ William G. Bliss, “Why is Corporate Culture Important?”

⁹ Corporate Leadership Council, *Defining and Developing An Organizational Culture*.

¹⁰ Victor Tan, “Lessons From Culture Change,” *The New Straits Times* (26 August 2000). (Obtained through Factiva).

¹¹ Victor Tan, “Lessons From Culture Change.”

¹² Gabrielle O’Donovan, “Change Management – Is Corporate Culture Important?,” *Mondaq Business Briefing* (21 May 2003). (Obtained from Factiva).

¹³ Victor Tan, “Benefits of Corporate Culture,” *New Straits Times* (20 July 2002). (Obtained from Factiva).

¹⁴ Tim Garmager and Lynn Shemmer, “Rich In Culture, Rich In Profits,” *HR Focus* (October 1998). (Obtained through Factiva).

¹⁵ Gillian Flynn, “Hallmark Cares,” *Personnel Journal* (March 1996). (Obtained through Lexis-Nexis, a division of Reed Elsevier, Inc.).

¹⁶ Victor Tan, “Transforming Your Organisation,” *Malaysian Business* (16 November 2002). (Obtained from Factiva).

¹⁷ Patrick J. Kiger, “At First USA Bank, Promotions and Job Satisfaction Are Up,” *Workforce* (March 2001). (Obtained through www.workforce.com). [Accessed 28 March 2001].

¹⁸ Jacalyn Sherriton and James Stern, “HR’s Role in Culture Change,” *HR Focus* (April 1997). (Obtained through Factiva).

¹⁹ Gerald Ledford, Jon Wendenhof and James Strahley, “Realizing a Corporate Philosophy,” *Organizational Dynamics* (Winter 1995). (Obtained through Lexis-Nexis, a division of Reed Elsevier, Incorporated).

²⁰ Corporate Leadership Council, *Defining and Developing an Organizational Culture*.

²¹ Richard T. Quinn, “The Employee-Customer-Profit Chain At Sears,” *Harvard Business Review* (January 1998). (Obtained through Lexis-Nexis, a division of Reed Elsevier, Inc.).

²² Corporate Leadership Council, *Innovation & Agility*.

²³ Naomi Weiss, “How Starbucks Impassions Workers to Drive Growth,” *Workforce* (August 1998). (Obtained through Factiva).

²⁴ Author Unknown, “Corporate Culture,” *W.L. Gore & Associates* (Date unknown). (Obtained through www.gore.com) [Accessed 20 June 2003].