

# ORGANIZATIONAL CULTURE

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## RESOURCES

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# EDUCATIONAL GOALS

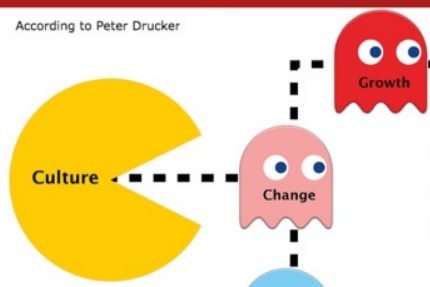
- What do we mean by the term organizational culture?
- Culture typologies.
- Importance of culture in the modern changing business environment.



*«Culture eats strategy for breakfast ... »,  
Peter Drucker*

**Organizational culture eats strategy  
breakfast, lunch and dinner**

According to Peter Drucker





**ORGANIZATIONAL CULTURE**

How do we define it and how important is it?

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## Organizational Culture (1/2)

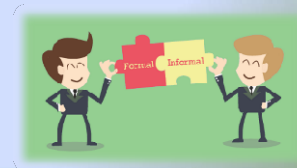
... common **values, beliefs, assumptions** that are considered the appropriate way of thinking and acting within an organization

- Culture is common among the members of an organization and helps members of the organization **understand and resolve** the situations the organization is confronted with.
- It strongly affects how people **perceive, think, feel and behave** within the organization.

## Organizational Culture (2/2)

... defines how organizations work and how individuals interact with each other within the organization.

- Think of the different impression created to you when a secretary answers "Mr Katsaros" will be available in a minute, while in another organization he/she replies that "Kleanthis" will be with you as soon as he hangs up.
- It is clear that in one organization there are more formal rules than in the other...



## Culture vs Structure

... Culture is the soul of the organization – the perceptions and values and the way these are expressed. The structure of the organism is the skeleton and the culture is the soul that holds the organization together and gives it vital strength.

*Henry Mintzberg*

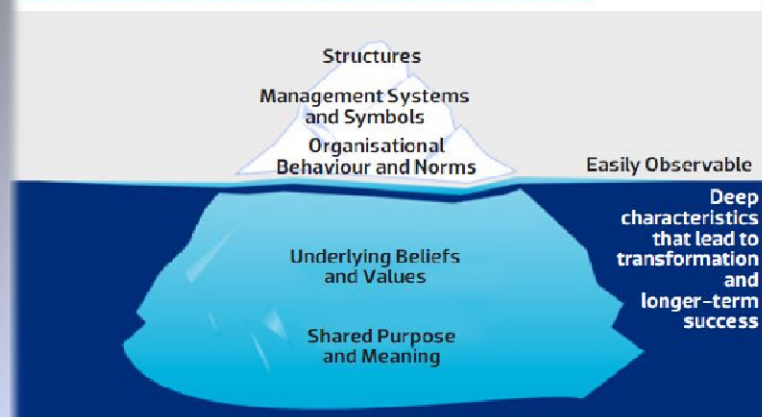
## Example Cisco Systems

Management philosophy links strategic goals with visible aspects of culture ... growth and profitability are linked:

- 1) **Empowering** employees to produce ideas quickly and implement them effectively
- 2) **Recruiting suitable people** because their ideas and cognitive/emotional skills will bring success
- 3) Development and **dissemination of information** to compete in the world of ideas and change.



### THE CHALLENGE OF CULTURE CHANGE



Source: *Culture Transformation Report: Sustaining Culture Change*. Hay Group 2012

Why should executives be interested in culture?

## Research (1/2)

- Ban's (1995) survey on the performance of the U.S. Environmental Protection Agency compared to other federal agencies **shows how culture affects performance**.
- Canadian public services **needed a culture change due to a number of corruption scandals** that have shaken people's trust in public services.
- In the Department of Arts, Sport and Tourism (Ireland), the integration of new functions to the existing ones, which were the result of the reorganisation of the department, **created the need to develop a new, unified culture for the department**.

## Research (2/2)

- In the UK civil service it was considered necessary to shift towards a more **managerial culture in order to achieve greater efficiency**.
- In Queensland Health (Australia), **features such as patient-centric services, community engagement and decision-making by treating physicians** are practices that the new culture should theoretically support.
- In a survey of accounting firms, new employees whose personalities were aligned with the company **were 30% less likely** to leave their jobs in the first three years than those who did not harmonise...

## Case Study (1/3)



### Uberspace Labs

- Janine is a marketing analyst at Uberspace Labs, an innovative satellite company in a science park near Cambridge. Although she typically works 45 hours per week, **her schedule is extremely flexible and varies depending on her obligations towards her son**.
- What Janine really likes about her work is that **she can come and go according to the needs of the company**. Some days she can come extremely early in the morning, and other days she may come late in the afternoon.
- **Dress Code is relaxed**, as is everything at Uberspace Lab.
- The **lines of communication are informal** but in a strange way everyone seems to know how the company works and is willing to take on their roles.

## Case Study (2/3)

### Omega Holdings

- Sami loosens the knot of his tie behind the closed door of his office, in the hope that no one will knock for a while in order to relax. Omega Holdings implements a **strict dress code** that requires men to wear ties, and for women heels, without any exception.
- **The goals are clear, the rules are respected** and often employees get a low score on their performance because they are late once or twice in a six-month period.
- Two months after his hiring, Sami presented his views on improving sales to the Sales Manager. He was told that his proposals should be made known through his superior. **The lines of communication at Omega Holdings are very formal.**

## Case Study (3/3)

- Omega Holdings and Uberspace Labs are **two very different organizations** with very different cultures – one applies very relaxed rules and the other very strict. One has a very open communication while the other doesn't.
- If you don't like the rules, you **enjoy informality and you can tolerate ambiguity** then Uberspace Labs is the right work environment for you. However, **if you like clear policies and more formal working conditions** you may feel more comfortable at Omega Holdings.





# What Is Corporate Culture?

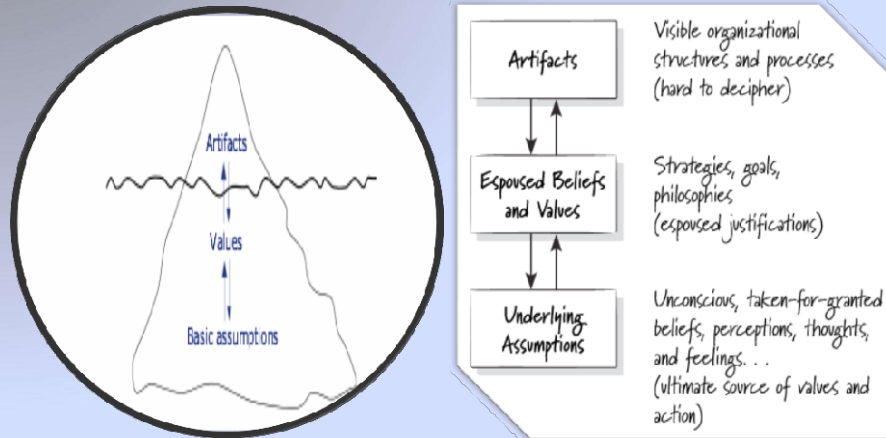
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## Levels of Organizational Culture

- **Artifacts:** the characteristics of an organization's culture that one sees, hears and feels (e.g. Stories, Symbols, Rituals)
- **Beliefs – Values:** how one understands the relationship between objects and ideas.
- **Underlying Assumptions:** it is the beliefs that are taken for granted, perceptions and emotions that we have long developed. These are the roots of culture.

## Organizational Culture (Iceberg Schein)



## Example A (Amazon)

- CEO Jeff Bezos repeatedly reminded employees that **customers are not interested in what their offices and furniture are like**. He made his office from an outside door. All other furniture was purchased from garage sales or auctions.
- 'Our goal is to spend our money on things that are of value to our customers and not to us', says Bezos.



## Example BV (Semco)

- It considers that its values (employee participation, open information, profit sharing, etc.) **are a source of competitive advantage**.
- But in order for values to exert such influence, **they must form the foundation of organisational culture**.



## Example UA (Southwest airlines)

- CEO Kelleher believes that **culture is the source of competitive advantage**.
- Southwest airlines **implements several good policies**: specific routes, new planes, use only one type of plane, offer nothing unnecessary, offer no meals and seats are not numbered.
- When asked why he did not consider these factors to be a competitive advantage, Kelleher replied "all of this could be copied by a competitor tomorrow. **The only thing they can't copy is our culture**".



## Organizational Culture Features (1/2)

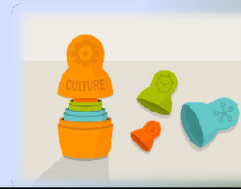
- **Innovation and risk-taking.** The extent to which employees are encouraged to be innovative and take risks.
- **Emphasis on detail.** The extent to which one expects employees to work accurately, analytically and attention to detail. Εμφαση στη λεπτομέρεια.
- **Orientation to the result.** The extent to which management focuses its attention on results, rather than on the techniques and procedures used to achieve these results.

## Organizational Culture Features (2/2)

- **Orientation to the individual.** The extent to which management decisions take into account the effect that the results will have on officials within the agency.
- **Orientation to the group.** The extent to which activities are organised between groups rather than individuals.
- **Aggression.** The degree to which individuals are more aggressive and competitive, rather than loose and supportive of each other.
- **Stability.** The extent to which the agency's activities emphasize on maintaining the status quo rather than the development.

Most Large Organizations have a dominant culture and a remarkable number of subcultures...

- **Dominant Culture:** A common system that expresses the dominant values shared by the majority of members of an organization.
- **Subcultures:** Microcultures within an organization, typically defined by the boundaries of a department and the geographical separation between offices.
- **Core values:** The primary or dominant values that are accepted within the organization.



## Managing the Subcultures

- It would be unrealistic and perhaps it would be **undesirable to attempt to completely homogenise subculture**.
- **It's healthy to have a variety of opinions.** But one should be able to recognize and manage situations where individual interest within a subculture, particularly within the space one manages, effectively undermines the organization's mission as a whole.

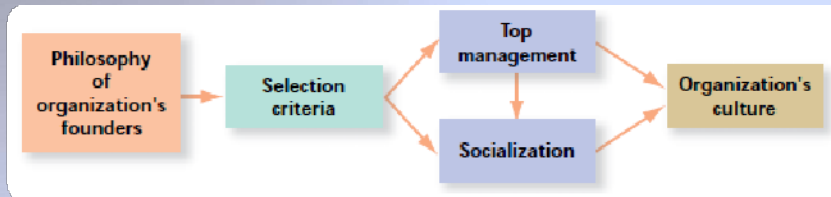
## Research

Senn Delaney (2000) stressed that while all organizations develop their own unique culture, there are four core values that support all high-performing cultures:

1. Ethics and integrity
2. Directness and confidence, acceptance of change
3. Responsibility and strength, achievement of goals
4. Teamwork

But how do you create and  
maintain the Organizational  
Culture?

## Creation of An Organizational Culture



## The O.C. can be created in 3 ways ...

### Founders / Management:

1. **Recruitment and retention** of staff who have the same way of thinking and perception as themselves.
2. "**Brainwashing**" and socializing these employees in their own way of thinking and perception.
3. Their behavior acts as a **role model**, encouraging employees to identify with the founders and to take ownership of their beliefs, values and beliefs.

## Culture and Change

- Leadership can consolidate a culture in which innovation and change are considered normal...
- For this reason several researchers see leadership as the main link between individual creativity and knowledge and organisational innovation (Gor, & 2001).
- Leaders should come from the highest levels, but middle-tier executives are considered very important.

## Example IKEA

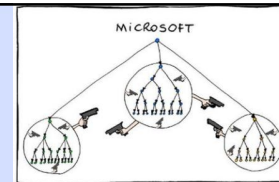
- IKEA founder Ingvar Kamprad grew up in a poor rural area of Sweden, where people worked hard and lived a modest life.
- He combined the lessons he learned growing up with his vision to help people live a better life in their home, offering them affordable, functional and nicely designed furniture.
- He named the company IKEA after his initials and the initial letters of Elmtaryd and Agunnaryd, the farm and the village in which he grew up.





## Example Microsoft

- For example, Microsoft's culture was largely a reflection of its co-founder, Bill Gates, head of software development (and former CEO).
  - Gates was personally **aggressive, competitive and had strong discipline**.
- These features were used to describe the software giant he founded.



"Daunted by the pace of change, they are trying to become **more adaptive**: less obsessed with planning, more concerned with **flexibility**. At Microsoft, this is framed as a shift from a fixed mindset — one that depends on a few superstars — **to a growth mindset**, in which everyone must be open to learning from everything and from each other."



## Keeping a Culture Alive

- **Selection:** The final decision as to who is hired is significantly influenced by the decision maker's judgment of how well each candidate will fit into the organization.
- **Top Management:** The actions of top management also have a major impact on the organization's culture.
- **Socialization:** The process that adapts new employees to an organization's culture.

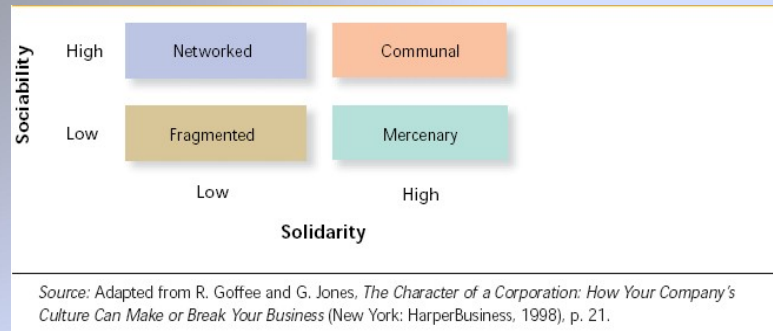
## Culture Typology

Goffee and Jones argue that two dimensions underlie organizational culture.

1. **Sociability:** This is a measure of friendliness.
2. **Solidarity:** The strength of the group's task orientation.

They create four distinct cultural types:

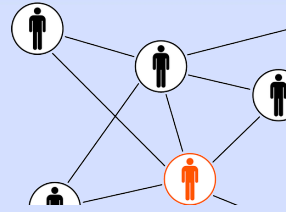
## Goffee and Jones Model



## Networked culture

- (high on sociability, low on solidarity).
- Organizations with this type of culture view members as family and friends. People know and like each other. People willingly give assistance to others and openly share information.
- **The major downside to this culture** is that the focus on friendships can lead to a tolerance for poor performance and creation of political cliques.
- E.g. Unilever, Heineken, Family businesses

## Examples



- ION, Unilever and Heineken are examples of companies with networked cultures.
- **Heineken** has more than 60,000 employees but retains a sense of friendship and family, which is usually found in smaller companies. The company's high social culture creates a strong sense that one belongs somewhere and often a passionate identification with the product.
- **Family businesses** often have this kind of culture.

## Mercenary culture

- *(low on sociability, high on solidarity).*
- Organizations with this type of culture are fiercely goal-focused. People are intense and determined to meet goals. A mercenary culture is not just about winning; it is about destroying the enemy. **The major downside to this culture** is that it can lead to an almost inhumane treatment of people who are perceived as low performers.
- E.g. Enron, Mars, Campbell Company of Canada



## Examples

- Enron, Mars, Campbell Company of Canada and Komatsu Canada (Japanese heavy equipment companies) have classic mercenary cultures.
- For example, in the Virginia-based company Mars meetings are about work exclusively. There is little tolerance for social issues and small talk.

## Fragmented culture

- *(low on sociability, low on solidarity).*
- Organizations with this type of culture are made up of individualists. There is little or no identification with the organization, employees are judged solely on their productivity and the quality of their work. **The major downside to this culture** is that it can lead to excessive critiquing of others and an absence of collegiality and cooperation.
- E.g. Top universities and some large accounting and law firms

## Examples



- Most universities and some large accounting and law firms have fragmented cultures.
- Professors at major universities, for example, are judged for their research and teaching. Well-known professors do not need to be friendly with their colleagues or go to social events in order to maintain their status.
- Partner lawyers at law firms that bring in new clients and win cases waste a little of their energy getting to know their colleagues or making their presence felt in the office.

## Communal culture

- *(high on sociability, high on solidarity).*
- Organizations with this type of culture value both friendship and performance. People have a feeling of belonging, but there is still a ruthless focus on goal achievement. Leaders of these cultures tend to be inspirational and charismatic. The major downside to this culture is that it often consumes employees' lives.
- E.g. Apple under Steve Jobs, Hewlett-Packard, Johnson & Johnson

## Examples

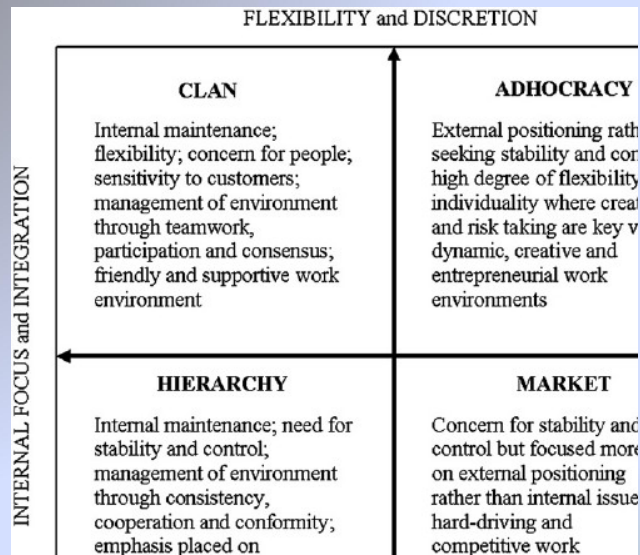


- **Apple** is one example as well as Johnson & Johnson and Bain & Company.
- **Hewlett-Packard** has historically been very focused on its goal. However, it is a company known for the strong sense of family it creates. The "HP way" is a set of values that the company has developed and determines how people should behave in their relationships. The "HP way" gives value to trust and the community encourages trust in the company. The company reciprocates the commitment to employees, as long as they are efficient...
- The culture of many **start-ups** companies is communal culture. In the age of the internet and digital transformation, young employees do not have to worry about working 24 hours a day, even sleeping and eating in their workplaces.

## Exercise

- Please try to describe the culture of your team or work environment using the previous model.

## Cameron and Quinn, 1999



## Feedback

- Take advantage of opportunities through feedback to emphasize **how** someone has demonstrated a core value or **how** their performance could be improved.
- **Use stories** and examples to help illustrate what value means in your work environment and why they are important to your company.



## Concern...

- Culture strengthens organizational commitment and increases the consistency of employee behavior.
- From employee's point of view, culture is important because it reduces uncertainty and ambiguity. It tells employees how things are done and what is important.
- Can organizational culture have disadvantages?



## Ethics

- The study of moral values or principles that guide our behaviour and inform us whether actions are right or wrong.
- In recent years, there has been concern that individuals are not grounded in moral values (i.e. WorldCom, Enron, Hollinger International scandals).

## The case of Enron (1/3)

- The "winner takes everything" culture required employees to do everything possible to ensure that the price of Enron's stock would be steadily rising.
- That's why executives took risks in investing and accounting. Those who could not play this game were expelled.
- The company's annual announcement said "we insist on the results".



## The case of Enron (2/3)

- Enron's culture had established the concepts of in-crowd and out-crowd, and employees knew if they belonged to the "inside" or "outside" category.
- Everyone wanted to be liked by the organization, according to Sally Ison, one of the employees. "You're doing the best you can to maintain that."
- Officials were even willing to openly admit that they had wronged, according to Margaret Ceconi, a former CEO of Enron Energy Services (EES), who worked for Enron for a short time.

## The case of Enron

- After his dismissal, he wrote a memo to Kenneth Lay, a former Enron president, and summoned the federal judge twice.
- In her memo to Lay, she noted that "EES deliberately presented falsified profits", adding, "This was widely known among all EES employees, and in fact it became relatively a funny joke."



## How can an Organizational Culture change?

- It is **very difficult** to change an organizational culture, but cultures **can change**.
- Research suggests that a change in culture is more likely to occur when most or all of the following conditions apply:

## A dramatic crisis

- This is a shock that undermines the status quo and calls into question the relevance of the current culture.
- The Columbia space shuttle crash was a dramatic crisis for NASA.



## Leadership change

- New senior management, which may introduce a different set of values and may be considered more capable of responding to a crisis.
- In NASA, most senior administration officials have moved to other posts following the Columbia disaster.



## Young and small organisation

- The smaller an organization is, the less established its culture is.
- Likewise, it is easier for management to communicate its new values when the organization is small.

## Weak culture

- The more widespread a culture is and the greater the agreement between members on its values, the more difficult it will be to change.
- Strong culture was one of the problems NASA faced.



## Conclusion

- Efforts to change organizational culture usually do not bring immediate or dramatic results.
- Changing culture is a long process - it takes months, if not years.
- But to the question "Can culture change?" the answer is yes.

## Cultural change

Leadership  
Communication  
Selection  
Performance appraisal  
Education & development

## Critical thinking & discussion...

1. Does socialization cause "brainwashing"? Please explain...
2. Identify a set of characteristics that describe the culture of the organization you work for. Compare them with some of the features of your fellow students. How much do they have in common?

**Thank you for your attendance**

## Appendix

### LEARNING ABOUT YOURSELF EXERCISE



## What Kind of Organizational Culture Fits You Best?

- For each of the following statements, circle the level of agreement or disagreement that you personally feel: **SA = Strongly agree, A = Agree, U = Uncertain, D = Disagree, SD = Strongly disagree.**

1. I like being part of a team and having my performance assessed in terms of my contribution to the team.
2. No person's needs should be compromised in order for a department to achieve its goals.
3. I like the thrill and excitement of taking risks.
4. If a person's job performance is inadequate, it's irrelevant how much effort he or she made.
5. I like things to be stable and predictable.
6. I prefer managers who provide detailed and rational explanations for their decisions.
7. I like to work where there isn't a great deal of pressure and where people are essentially easygoing.

## Scoring Key:

- For items 1, 2, 3, 4, and 7, score as follows: Strongly Agree = +2, Agree = +1, Uncertain = 0, Disagree -1, Strongly Disagree -2.
- For items 5 and 6, reverse the score (Strongly Agree -2, and so on).
- Add up your total. Your score will fall somewhere between +14 and -14.

## What does your score mean?

- **The lower your score**, the more comfortable you will be in a formal, mechanistic, rule-oriented, and structured culture. This is often associated with large corporations and government agencies.
- **Positive scores** indicate a preference for informal, humanistic, flexible, and innovative cultures, which are more likely to be found in research units, advertising firms, high-tech companies, and small businesses.