



What is Organizational Culture and Why Does it Matter?

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WHAT IS ORGANIZATIONAL CULTURE?

Organizational culture is a set of shared, underlying assumptions about an organization regarding what is valued, how people should behave, and other beliefs about what is “normal” within the organization (Schein, 1999). In simpler terms, culture is the collective set of reasons why employees behave the way they do within an organization—it is the backdrop for everything that happens in an organization.

These shared assumptions come in the form of formal (e.g., written work, such as formal policies, and unwritten, such as standards communicated by a manager) and informal (norms of behavior) rules. These formal and informal rules combine with the important influencers within the organization—primarily senior leaders and founders—to form the organizational culture. Managers, then, have the responsibility of ensuring that these rules (and norms) are embraced. As human behavior would dictate, differences between managers and their interactions with their employees can result in less than systematic application of these rules.

These formal and informal rules become the guideposts for behavior, defining what is accepted and what isn't. These rules become so ingrained and accepted that “even the employees in the organization cannot without help reconstruct the assumptions on which daily behavior rests. They know only that this is the way, and they

count on it. Life becomes predictable and meaningful” (Schein, 1999, p. 24-25). Organizational culture is often very pervasive in an organization—many times it is felt strongly across geographical and functional boundaries, from the top to the bottom of the organization.

The culture that is often described about an organization for purposes of recruiting or marketing (e.g., what you find on company websites and glossy brochures) is



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the “espoused” culture—the culture the organization declares that it has or wants to have or what the market/industry wants it to be or thinks it is. Obviously, the “espoused” culture can be very different from the actual culture of the organization—the culture that the employee-base experiences. The espoused culture is often determined by the leadership within the organization and may well be what he/she believes

to be true. This espoused culture and the leader that declares it can lose credibility with employees when they see a stark difference between the “leader speak” and the reality that they experience on a day-to-day basis; the leader is not “walking the talk.”

Sometimes when leaders declare the espoused culture what they are really describing is the culture they want the organization to have in the future—the future or “aspire-to” culture. This future culture is generally one that is more employee friendly than the current culture, helps to meet a particular business need, or supports a shift in business strategy. Simply declaring the culture, unfortunately, doesn’t make it so. If there is a lack of understanding about what the actual current culture is, the gaps between current and future culture are unknown.

Generally speaking, an organization’s culture is not “good” or “bad”. Rather, there tend to be aspects of the culture that could be deemed more positive or more negative relative to how well the culture is supporting the organization to meet its business goals, with presumably one of those business goals being an engaged, satisfied, and productive workforce.



Source: Schein (2004), *Organizational Culture and Leadership*, p. 26

WHY DOES CULTURE MATTER TO ORGANIZATIONS?

Because culture is the root of all behavior within an organization, it can have an effect on every part of the business from the most obvious (e.g., employee engagement) to the less obvious (e.g., customer satisfaction). Deal and Kennedy (1982) indicate that culture is the single most important factor in organizational success or failure. As Schein puts it, “it matters because decisions made without awareness of the operative cultural forces may have unanticipated and undesirable consequences” (Schein, 1999, p. 3). Or, on the flip side, culture can help create extremely positive climates, satisfied, and productive employees, and outstanding business results.

WHY STUDY ORGANIZATIONAL CULTURE?

Studying an organization’s culture allows:

- Deeper understanding and a language for discussing the culture
- More specificity in articulating which aspects of the culture are helping or hindering the organizations—most organizations can only say we like or don’t like our culture
- A way to determine which of the specific aspects of the culture (i.e., the culture components) are:
 - Current and future: Which components describe the organization currently? Which will be needed for the future?
 - Positive and negative: Which aspects of the culture are helping the organization achieve its business results? Which are holding the organization back?
 - Strongest and weakest: Relatively, which are the most descriptive of the organization in question?
 - Shared and not shared: Which culture components do most employees agree on? Where are there differences by department or geography or other demographic?

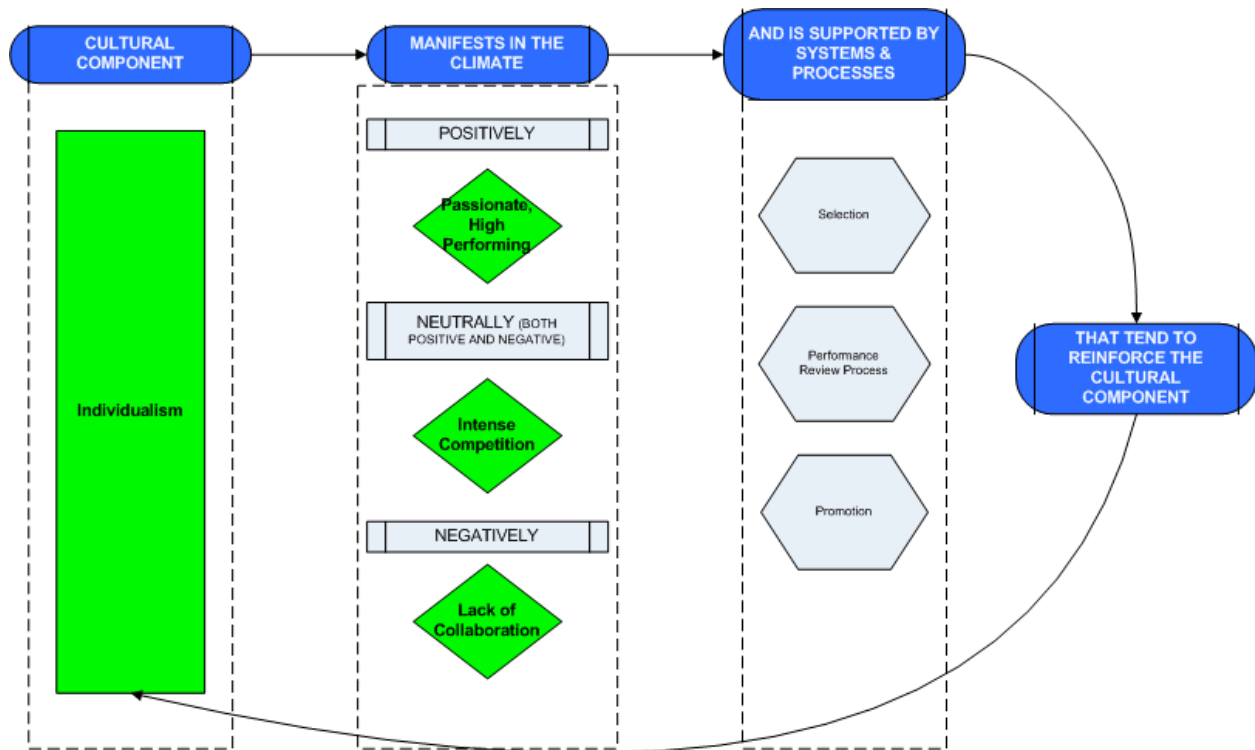
WHAT IS CLIMATE? HOW DOES ORGANIZATIONAL CULTURE DIFFER FROM CLIMATE?

Climate is how an organization “feels” when you walk in the door. In some ways, climate can be thought of as the “what,” while culture is the “why.” When employees use phrases like “fun,” “busy,” or “friendly,” they are describing the climate—what it feels like to work in the organization. When you dig deeper into finding out why the organization is “fun,” “busy,” or “friendly” you uncover the organizational culture. Climate is the set of more observable aspects of working in the organization and can generally be felt right away. Culture is the set of rules that an employee comes to learn over time, often learning by trial and error what the norms of the organization are, and seeing which behaviors are rewarded and expected.

Climate and culture are inextricably connected—culture drives climate and climate impacts culture. “Climate can be changed only to the degree that the desired climate is congruent with the underlying assumptions” (Schein, 2000, p. xxix). For example, it is near impossible to create a requirement that employees collaborate more if the culture is clearly individualistic. On the other hand, if a new performance review system is put into place that rewards collaboration, this aspect of the climate will, over time, help to shift the culture.

EXAMPLE OF CLIMATE AND CULTURE

The following is an example of how one cultural component (individualism) can show up in different ways in the climate and how it is being supported by various systems and processes. The systems and processes reinforce the cultural component by who is selected into the organization, who receives the most rewards and recognition, and who is promoted. New systems and processes that are not in line with the cultural component will likely be rejected. For real change to occur, it must be confronted on multiple fronts—with the organization’s systems and processes, climate, and culture.



Because of the deep connection between culture and climate, any proposed change to the system (e.g., the implementation of a new work/life policy), especially if it is radical or far from the norm, should involve careful consideration of the organizational culture. For example, which aspects of the culture will support this innovation? Which will hinder it or even block it from being adopted? “Articulating new visions and new values is a waste of time if these are not calibrated against existing assumptions and values” (Schein, 2000, p. xxix).

HOW DOES CULTURE RELATE TO COMPANY VALUES?

Company values are closely related to culture and are typically an articulation of what is important to the organization. Many organizations articulate a set of values based on those they would like to have, not necessarily those that are real to the organization.

Hence, company values often end up being more similar to the “aspire-to” cultural components of the organization, without allowing for an understanding of what the actual current components are.

Another confusion point is that company values can also be thought of as the organizations’ strategies, philosophies, mission, or vision and, as such, not the true source of why employees within the organization behave the way that they do. In addition, for many organizations, there is emotional and/or historical baggage associated with the word “values” and confusion regarding where company values end and personal values begin. For these reasons, it is more appropriate to understand the organization at a deeper level, getting to the root cause of action—the basic underlying assumptions that define the organization’s culture.

CULTURE ASSESSMENT

A culture assessment is one way to gain a deeper understanding of the above issues. A culture assessment is an audit or measurement of the specific components of the organization's culture. An analysis of the culture that exists now, and the culture that the organization needs/wants for the future, allows for the ability to plan and create awareness for the culture that is needed to achieve future business results. When organizations seek to intentionally understand and manage their culture, the successful achievement of future business results is more likely to occur.

Our culture assessment approach is a highly participative one—employees are the source of the culture components and pre-defined attributes are not used. The first step is to understand current culture. If possible, information about the company's history and key events should be reviewed; optimally, the company museum or archives should be visited as well. Then, culture workshops (i.e., focus groups) are conducted with representation from employees at different levels, markets, and tenures. These workshops involve a structured brainstorming about the different aspects of the organization's current culture. The results are analyzed for common themes, which are developed into survey "items."

Second, employees are asked to take a survey that involves reviewing the survey items and indicating the extent to which each is indicative of the organization's current culture. Demographics are also gathered in the survey. Results are analyzed and a culture "profile" is developed for the organization, including any demographic differences. This step also offers an indication of the strength of each current culture component.

The next phase of this rigorous approach is to understand the aspire-to or future culture. A very important frame for the future culture is the organization's future business goals (typically 3-5 years out). The participants for this phase are employees who understand the context for

these business goals. They may be leaders, managers, or high potential employees. Each participant reviews the future business goals. Using the same survey "items" from the current culture study, participants complete a survey focused on the future culture that would be required to meet the future business goals. It is important to make sure that these participants did not participate in the first phase of the research or that they have seen the results from the first phase (which could influence how they respond to questions about the future culture).

Finally, the current and future culture results are compared to understand the culture strengths and gaps, resulting in a list of culture "components" for the organization; this would include an indication of what should be carried forward and what should be left behind:

- Culture strengths—those components that are going to push the organization forward to help achieve future business results
- Culture weaknesses (i.e., the biggest gaps between current and future)—those components that might hold the organization back

The process and the data that are obtained in a rigorous culture assessment are the foundation for true culture change. Because of the comprehensive and quantitative nature of this approach, the results can be used to measure change over time and for the implementation of many other change efforts as well. The information attained will create an increased awareness of organizational culture (current and future) by all employees and a means for the organization to now be intentional about culture.



Consultant's Corner

Organizational culture is a hot topic right now. The CEO of Zappos has written a book about the importance of culture, and there's a compelling Netflix slide deck that has been widely distributed about that company's culture. Intuitively, people understand that culture matters, but so few companies have really spent the time to be intentional about culture. Mergers and acquisitions continue to fail, often because of culture.

The companies that spend the time to truly understand and optimize their culture will be those that are differentiated in the marketplace. Underlying the approach described in this paper is the belief that organizational culture should be architected—that a proactive, interventionist strategy should be created by leaders and managers (Conner, 1993). The key is to be intentional.

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