



Developing corporate culture as a competitive advantage

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corporate culture

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Abstract *Defines the concept of corporate culture and shows how it affects organizations (both positively and negatively). Corporations that have been successful in establishing and fostering positive cultures are profiled. The authors find that an effective culture must be aligned with employee values and be consistent with the environment in which the organization operates. While it is best to establish a positive culture with which employees can identify during an organization's infancy, it is possible to change an existing culture. Such change is best accomplished by modeling desired behavior at all levels of management and by planning events that foster frequent interaction among cross-functional employees. Concludes that a positive culture can provide a significant competitive advantage.*

Introduction

Corporate culture has become an important topic in business primarily during the last two decades. While corporate culture is an intangible concept, it clearly plays a meaningful role in corporations, affecting employees and organizational operations throughout a firm. While culture is not the only determinant of business success or failure, a positive culture can be a significant competitive advantage over organizations with which a firm competes. This paper will review how the concept of corporate culture became popular, define corporate culture, show how it affects real-world organizations (both positively and negatively), and consider ways in which cultural change may be brought about.

The rise of corporate culture

People come from a variety of ethnic backgrounds and cultural heritages, have a variety of personalities, and have been shaped by a diverse range of experiences. When people from diverse backgrounds are brought together in a work environment, these factors will manifest themselves in an infinite variety of ways. Over time a dominant set of norms will emerge, guiding the way in which work is accomplished within the organization. This phenomenon gives rise to the concept of corporate (or organizational) culture. Corporate culture only began to be studied and appreciated in the USA during the last two decades. An influential book entitled *Corporate Cultures: The Rites and Rituals of Corporate Life* (Deal and Kennedy, 1982) popularized the notion of understanding, establishing, and fostering a positive corporate culture. In less than two decades since the time that this book was published, culture has gone from a relatively unknown concept to being widely recognized as playing a central role in corporate strategy. Literally hundreds of books and thousands of

articles have been devoted to the subject (a recent search for books on corporate culture through a large Internet book retailer turned up 803 matches). It is clear that corporate culture has become an important consideration for top management, and therefore it is worthwhile to consider the definition of corporate culture in more detail.

Corporate culture defined

There are many ways to define corporate culture because it is influenced heavily by factors such as the industry in which the company operates, its geographic location, events that have occurred during its history, the personalities of its employees, and their patterns of interaction. Some of the formal definitions offered include “a cognitive framework consisting of attitudes, values, behavioral norms, and expectations” (Greenberg and Baron, 1997), “the collective thoughts, habits, attitudes, feelings, and patterns of behavior” (Clemente and Greenspan, 1999), and “the pattern of arrangement, material or behavior which has been adopted by a society (corporation, group, or team) as the accepted way of solving problems” (Ahmed *et al.*, 1999). In more useful terms, a positive corporate culture typically encompasses several key elements. First, it is fostered not merely by a mission statement, but by a clear corporate vision, which is a mental picture of the company’s desired future (Qubein, 1999). Corporate visions are most effective when clearly communicated by top organizational leaders who exhibit strong values and have dynamic, charismatic personalities (Greenberg and Baron, 1997). Second, corporate culture is supported by corporate values that are consistent with the purpose of the company and aligned with the personal values of organizational members (Qubein, 1999). Corporate vision and values permeate all levels of the organization and are consistently modeled by top management. Third, employees are highly valued at all levels of the organization (they are often referred to as “associates” or “team members”), and there is extensive employee interaction both within and across functional departments (Clemente and Greenspan, 1999). Fourth, the culture is adaptable, adjusting quickly in response to external conditions and is consistent, treating all employees equally and fairly (Ahmed *et al.*, 1999). Finally, corporate culture is perpetuated in some way, perhaps through tangible symbols, slogans, stories, or ceremonies that highlight corporate values (Greenberg and Baron, 1997).

The aforementioned characteristics of a positive culture cannot exist without widespread employee support. Even within an organization that has a strong overall culture (the “dominant culture”), there will also be many subcultures (Greenberg and Baron, 1997). These could form for many reasons, perhaps due to functional differences in the organization (finance, sales, marketing), or to ethnic or geographic differences among employees. The dominant culture in the organization must be strong enough for members of various subcultures within the organization to identify with, accept and embrace it. This necessarily requires that the values of the dominant culture be aligned with the

values of each of the subcultures as well as the personal values of each individual.

Categorizing corporate culture

In order to provide a basis for further analysis, researchers have sought to place corporate cultures into general categories. One such categorization by Sonnenfeld (1988) defines four types of cultures: the academy, the club, the baseball team, and the fortress. The academy exposes employees to many different jobs so that they can move around within the organization. The club is very concerned with how people will fit in to the organization. The baseball team consists of talented people or “stars” that are rewarded heavily for their accomplishments but who will readily leave the organization when a better opportunity comes along. The fortress is an organization that is concerned mainly with survival.

Goffee and Jones (1996) offer another categorization, postulating that corporate culture is determined by levels of sociability (a measure of sincere friendliness among members of a community) and solidarity (a community’s ability to pursue shared objectives quickly and effectively) and they have developed a survey that can aid in understanding where an organization fits on this scale. The combination of these dimensions gives rise to categories that they have labeled as networked, mercenary, fragmented, and communal (see Figure 1). None of these categories is considered to be better than the others. Instead, they serve as a way for management to determine where their culture fits relative to other types of cultures. A networked culture is distinguished by high sociability and low solidarity. Individuals in this type of culture feel like family and socialize often. Promotions are achieved and work is accomplished via informal networks or subcultures within the organization. This corresponds loosely with Sonnenfeld’s club category. A mercenary culture has low sociability and high solidarity. Individuals do not interact socially but are united in supporting strategic business objectives. They do not tend to exhibit a strong degree of loyalty, staying only as long as their personal needs continue to be met. This category is similar to Sonnenfeld’s baseball team. A fragmented

| | | Sociability | |
|------------|------|-------------|------------|
| | | High | Low |
| Solidarity | High | Communal | Mercenary |
| | Low | Networked | Fragmented |

Figure 1.
Dimensions of organization culture

Source: Goffee and Jones (1996)

culture has low sociability and low solidarity. People in this type of organization rarely interact. They may work with their office doors shut or from home. This type of culture might be found in a law office or in a company that is downsizing. This category would be similar to Sonnenfeld's fortress. Finally, a communal organization has high sociability and high solidarity. This type of culture is often found in small start-up companies. Members of such an organization work very closely together for long hours and will likely socialize together. They strongly identify with the corporate culture and have a high sense of fairness so that rewards are shared equally. This category is most similar to Sonnenfeld's academy.

Categorizing an organization's culture can help managers in several ways. First, categorizing the culture is a precursor to better understanding the pros and cons of that particular type of culture. Second, a clear understanding of their corporate culture can assist managers in getting the correct person-organization match when recruiting for new employees. Third, knowing where a company is right now can assist managers in making decisions about and progress toward cultural change.

Benefits of a positive culture

An organization that is able to maintain a positive culture is likely to enjoy many benefits. When organization members identify with the culture, the work environment tends to be more enjoyable, which boosts morale. This leads to increased levels of teamwork, sharing of information, and openness to new ideas (Goffee and Jones, 1996). The resulting increased interaction among employees activates learning and continuous improvement because information flows more freely throughout the organization. Additionally, such a culture helps to attract and retain top employees (Greger, 1999), evidenced by books such as *The 100 Best Companies to Work for in America* (Levering, 1993) in which culture is emphasized as a primary determinant of the attractiveness of an employer. When considering corporate culture, it is helpful to consider actual companies that have demonstrated the positive effects that a corporate culture can have.

Wal-Mart

Wal-Mart's founder, Sam Walton, showed concern and respect for his employees from the company's inception (*Discount Store News*, 1999). This created an environment of trust that persists to this day. Walton also modeled the behavior that he desired from his employees, especially customer service (both to internal and external customers), by visiting his stores, meeting customers, and greeting employees by their first names. Walton also embraced and encouraged change in order to remain competitive, and developed employees by having them work in a variety of positions (*Discount Store News*, 1999). Wal-Mart considers its culture the key to its success, and to this day employees continue to think about "how Sam would have done it" when making decisions.

Southwest Airlines

Another good example of a positive corporate culture is Southwest Airlines. The company's relaxed culture can be traced directly to its CEO and co-founder Herb Kelleher. Kelleher encourages employees to be very informal and have fun at their jobs. This is evident to anyone who has flown on Southwest and heard the jokes that the stewardesses tell. Kelleher fosters this type of culture by engaging in unusual acts, such as arriving at shareholder meetings on a motorcycle wearing jeans and a t-shirt, or holding a 2 a.m. barbeque for the company's mechanics who work the night shift (Donlon, 1999). He even challenged another company's CEO to an arm-wrestle to settle a dispute over the use of a slogan. Kelleher also strives to value Southwest's employees, acknowledging births, deaths, marriages, and other events in their lives by sending a note or card. Employees are encouraged to pitch in where needed, a fact that is evident in airports where pilots are often seen checking passengers, for example. This has allowed Southwest to have a turnaround time at airport terminals that is less than half the industry average. In order to maintain the culture, prospective employees are carefully screened to make certain that they will fit in.

Hewlett Packard

Hewlett Packard is an example of a company that has been successful in improving its culture. A few years ago, employees at the company's Great Lakes division had begun to feel the stress and pressure of their jobs. Attrition rose to 20 per cent and over 50 per cent of employees surveyed reported feeling "excessive pressure" on the job. This led the company to make some unusual changes in order to improve the culture. Employees are now required to formulate three business and three personal goals each year. Employees are encouraged to cheer on fellow employees who achieve personal goals, such as spending time with their children or getting away for a round of golf. Only two years into the program, the company reports no loss in productivity despite the reduced hours employees now work and has seen an increase in its retention rate. This success is attributed to the fact that managers strongly supported the program and modeled it in their own personal lives (Cole, 1999).

Changing corporate culture

The preceding examples show that a positive culture can make a significant contribution to organizational success while a negative one can lead to failure. While it is easiest to establish a desirable corporate culture during a company's infancy, it has been shown in practice that culture can be changed for the better. In order to go about changing corporate culture, top management must first understand the culture, as it exists today. This can be accomplished by surveying employees on important topics such as their perceptions of and identification with the corporate values and mission, interactions with other employees both inside and outside of their departments, beliefs about whether

they are treated fairly, and so on. This will help management to determine the type of culture that exists and to identify areas for change.

Once the current culture is understood, management must decide how the culture should be changed in order to improve results. For a culture to be effective, it should be consistent with the business environment in which the organization operates (Goffee and Jones, 1996). For example, high technology firms tend to operate better using a culture that encourages sharing of information (to support research and development) and that responds quickly to external events. As discussed previously, sharing of information and quick response to external events are fostered by frequent interaction among employees across organizational functions. If management wishes to encourage this type of behavior, they should plan events that foster more interaction among employees such as social events and ceremonies.

Management should seek cultural change by modeling the behavior that they wish to encourage, and then reinforce the desired culture by taking steps such as developing visionary statements and/or slogans, celebrating employees' successes or promotions, distributing newsletters and videos that reinforce the culture, recruiting new people into the organization that are compatible with the desired culture, changing dress codes, and so on.

Conclusion

This paper defined the term corporate culture and considered the rise in popularity of corporate culture in recent decades. We also looked at two different ways in which corporations can categorize their culture, and considered the benefits of a positive culture to organizations such as Wal-Mart, Southwest Airlines and Hewlett Packard. Finally, we suggested that while a positive culture should be established during a company's infancy, it is possible to change a corporation's culture should it be necessary to do so. Today's globally-competitive business environment has made a positive corporate culture a critical aspect of success for firms. No longer just a competitive advantage, it has become a prerequisite for success, allowing companies to attract and retain top employees. We strongly recommend that organizations of all sizes assess and categorize their corporate cultures, looking in particular at the impact of that culture on employee productivity and morale. Where the culture is serving to lower morale, we recommend that management take proactive steps to change the corporate culture using a top-down approach, establishing a new vision and demonstrating new behavior consistent with the revised vision. Much like national culture, our understanding of corporate culture and its impact on employee behavior is still in its infancy but one thing is for sure, culture can have a tremendous positive impact on employees. In conclusion, we urge companies to shape their corporate culture to their advantage in improving both their employees' experience of the workplace and, in turn, improving their own profitability.

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