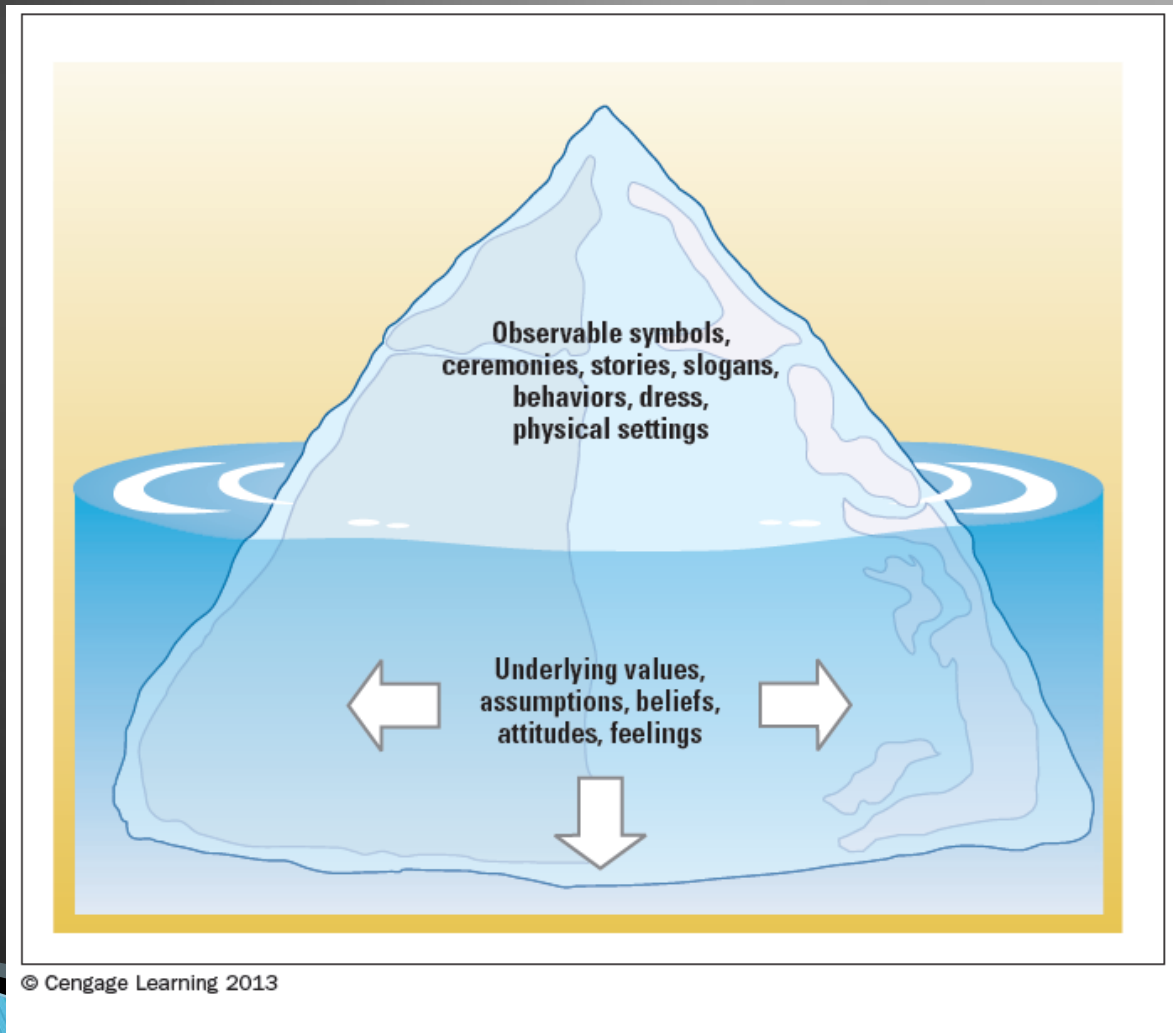# Corporate Culture and Values

What is Culture?

▸ Values, norms, guiding beliefs, and understandings that are shared by members of an organization
  ◦ Taught to new members as the correct way to think, feel, and behave

▸ Organizational culture exists at two levels
  ◦ Observable symbols
  ◦ Underlying values

Levels of Corporate Culture

Observable symbols, ceremonies, stories, slogans, behaviors, dress, physical settings

Underlying values, assumptions, beliefs, attitudes, feelings

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Emergence and Purpose of Culture

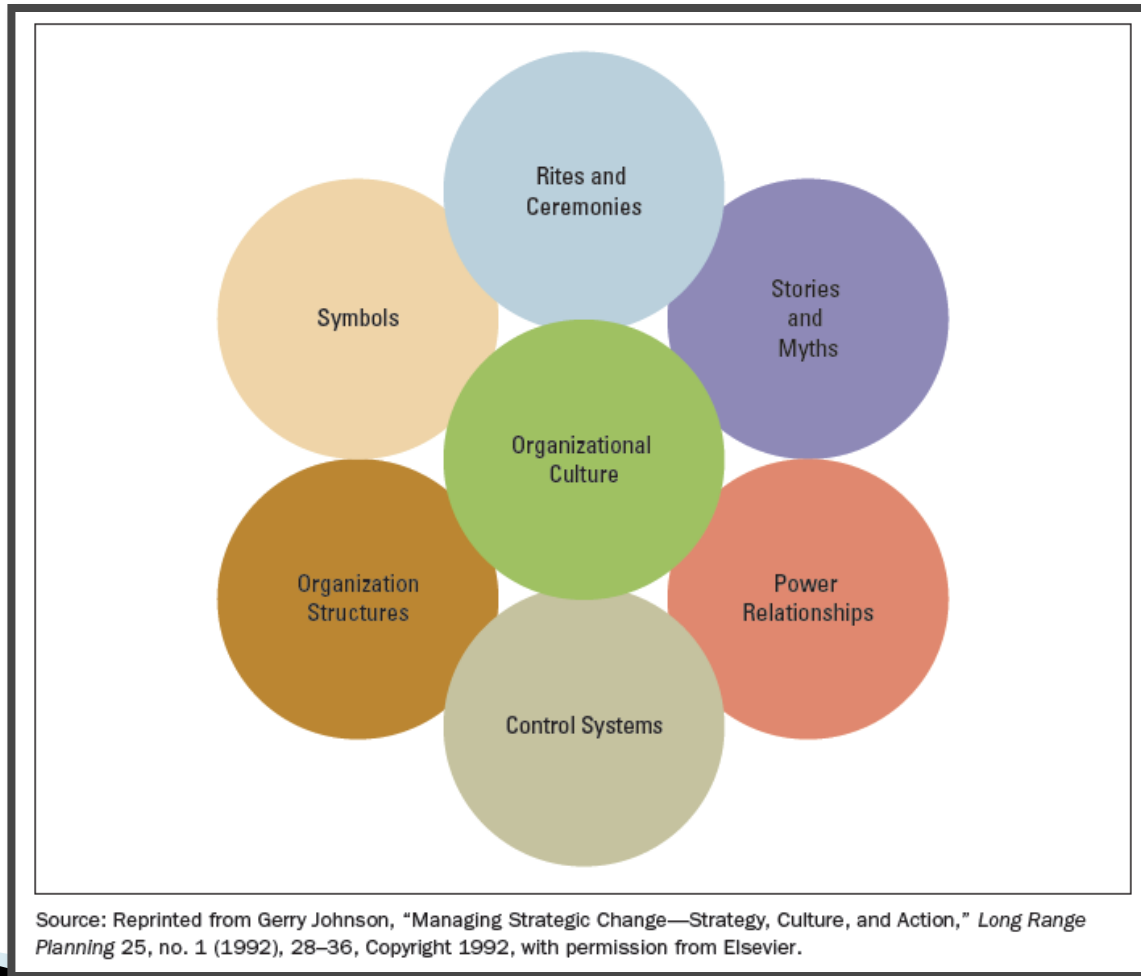**Provides sense of organizational identity**

Two critical functions in organizations:

1. To integrate members so they know how to relate to one another
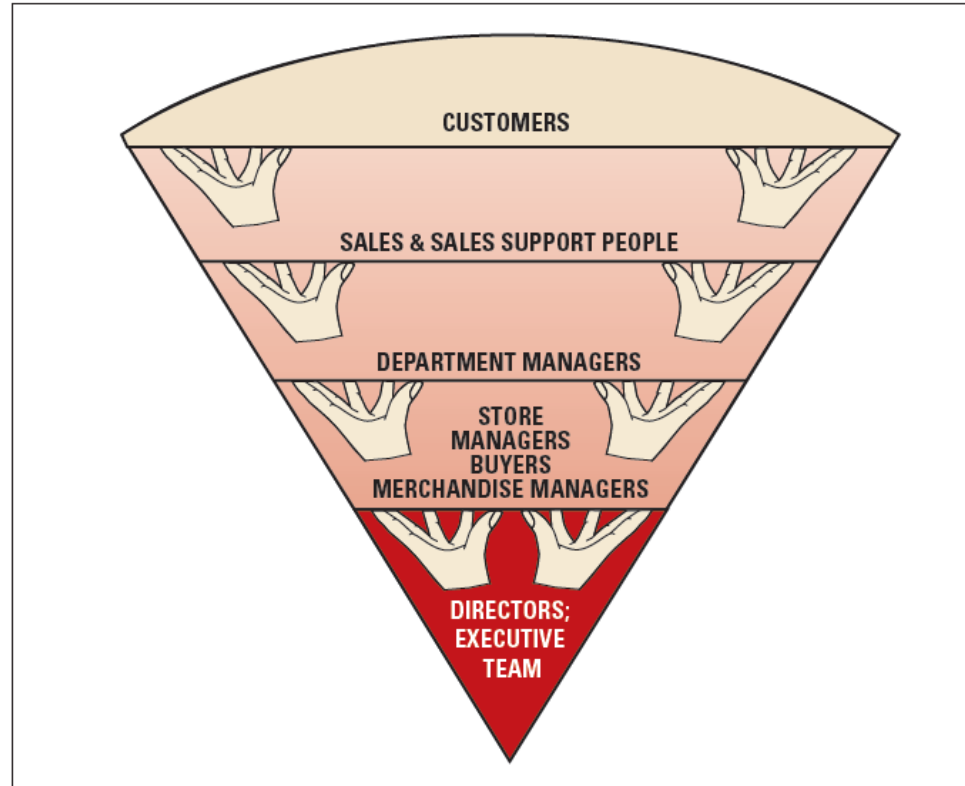
2. To help organization adapt to external environment

Internal Integration – collective identity and know how to work together

External Adaption – how the organization meets goals and deals with outsiders

Observable Aspects of Organizational Culture

Source: Reprinted from Gerry Johnson, "Managing Strategic Change—Strategy, Culture, and Action," *Long Range Planning* 25, no. 1 (1992), 28–36, Copyright 1992, with permission from Elsevier.
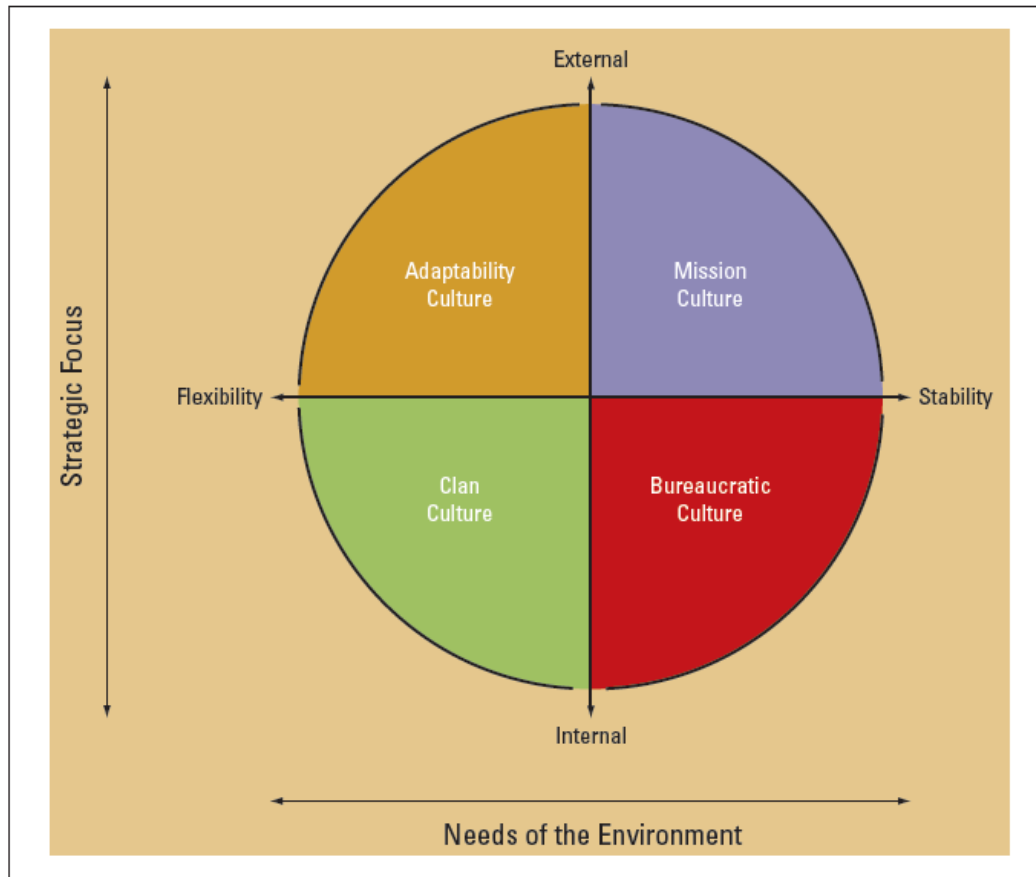
Organizational Chart for Nordstrom

Source: Used with permission of Nordstrom, Inc.

Nordstrom's structure reflects the emphasis the department store chain puts on empowering and supporting lower-level employees.

Organizational Design and Culture

Managers want a corporate culture that reinforces the strategy and structural design the organization needs to be effective within environment.

Source: Based on Daniel R. Denison and Aneil K. Mishra, "Toward a Theory of Organizational Culture and Effectiveness," *Organization Science* 6, no. 2 (March–April 1995), 204–223; R. Hooijberg and F. Petrock, "On Cultural Change: Using the Competing Values Framework to Help Leaders Execute a Transformational Strategy," *Human Resource Management* 32 (1993), 29–50; and R. E. Quinn, *Beyond Rational Management*: Mastering the Paradoxes and Competing Demands of High Performance (San Francisco: Jossey-Bass, 1988).
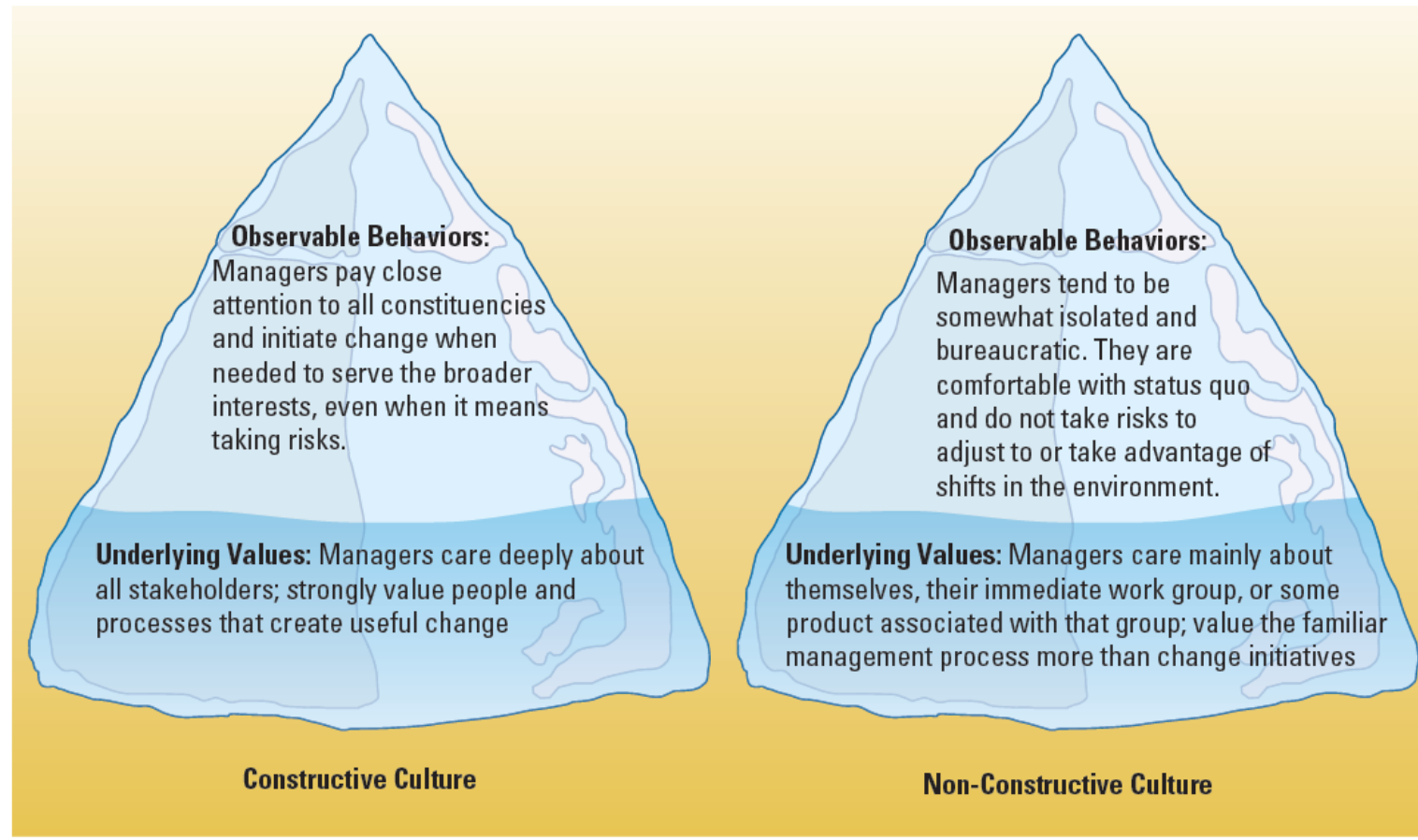
Culture Strength and Organizational Subcultures

- **Culture strength** is the degree of agreement among members of an organization about specific values

- **Subcultures** reflect the common problems, goals, and experiences of a team or department

- Different departments may have their own norms

Organizational Culture, Learning, and Performance

- Culture is important to learning and innovation during challenging times

- Strong adaptive cultures often incorporate the following values:
    1. The whole is more important than the parts
    2. Equality and trust are primary values
    3. The culture encourages risk taking, change, and improvement

Constructive Versus Non-Constructive Cultures

Observable Behaviors: Managers pay close attention to all constituencies and initiate change when needed to serve the broader interests, even when it means taking risks.

Underlying Values: Managers care deeply about all stakeholders; strongly value people and processes that create useful change

Constructive Culture

Observable Behaviors: Managers tend to be somewhat isolated and bureaucratic. They are comfortable with status quo and do not take risks to adjust to or take advantage of shifts in the environment.

Underlying Values: Managers care mainly about themselves, their immediate work group, or some product associated with that group; value the familiar management process more than change initiatives

Non-Constructive Culture

Source: Based on John P. Kotter and James L. Heskett, *Corporate Culture and Performance* (New York: The Free Press, 1992), 51.
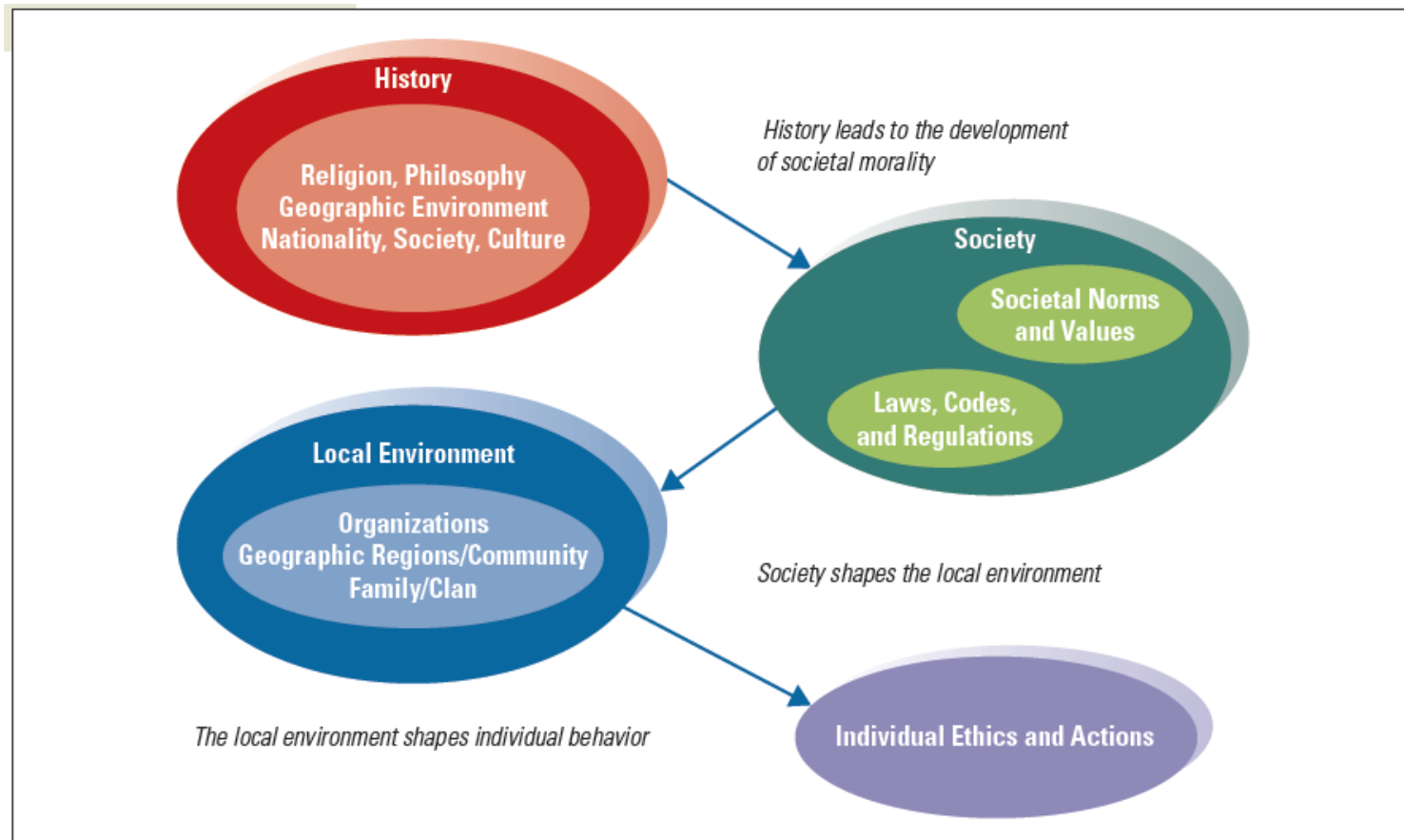
Ethical Values and Social Responsibility

Ethics
- ◦ Ethics refer to the code of moral principles and values that govern the behaviors of a person or group with respect to what is right or wrong
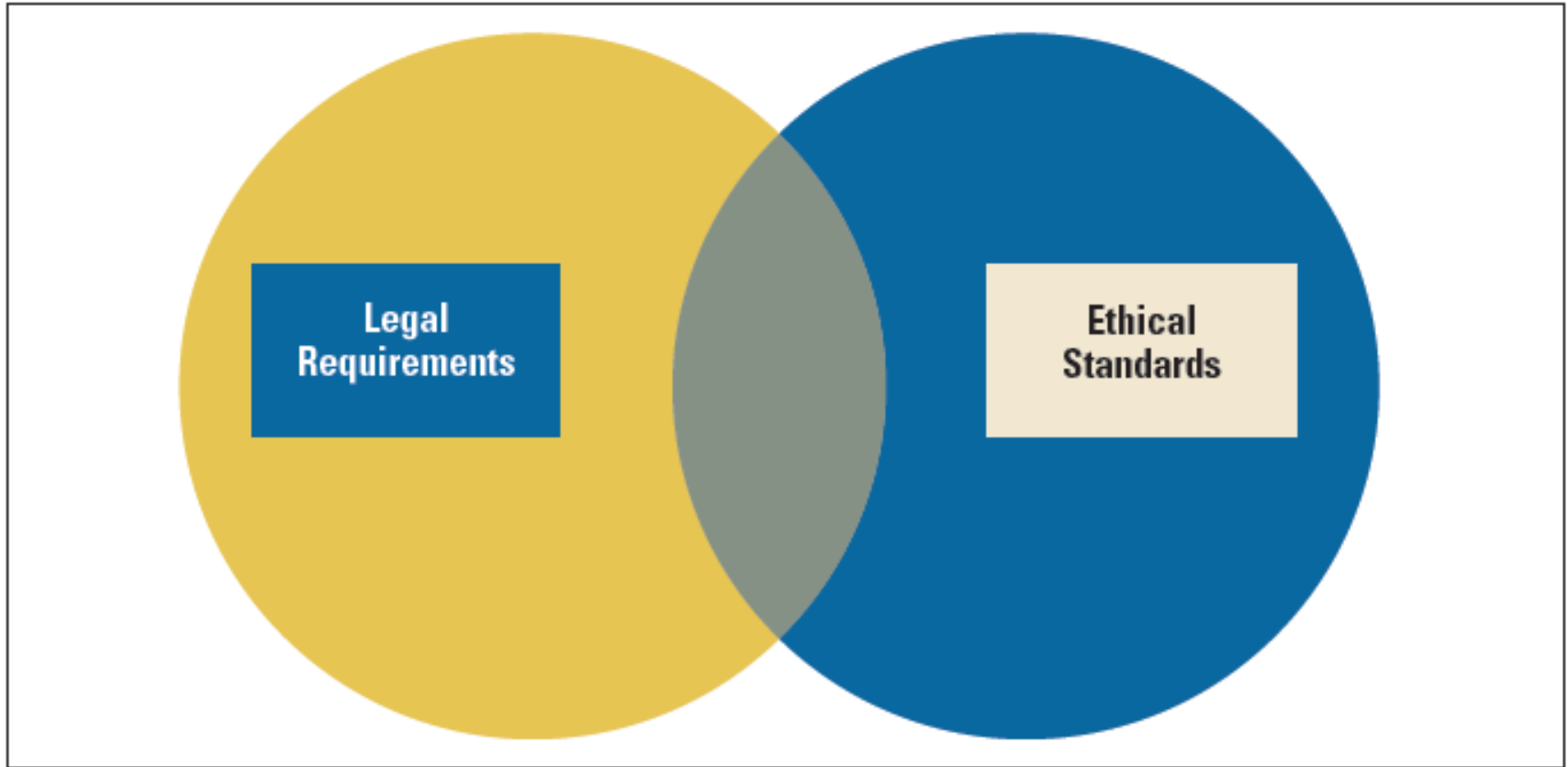
Managerial Ethics
- ◦ Ethical decisions go far beyond behaviors governed by law
- ◦ Managerial ethics guide the decisions and behaviors of managers

Sources of Individual Ethical Principles and Actions

History

Religion, Philosophy
Geographic Environment
Nationality, Society, Culture

History leads to the development of societal morality

Society

Societal Norms and Values

Laws, Codes, and Regulations

Local Environment

Organizations
Geographic Regions/Community
Family/Clan

Society shapes the local environment

The local environment shapes individual behavior

Individual Ethics and Actions

Source: Thanks to Susan H. Taft and Judith White for providing this exhibit, based on their article, "Ethics Education: Using Inductive Reasoning to Develop Individual, Group, Organizational, and Global Perspectives," *Journal of Management Education* 31, no. 5 (October 2007), 614–646.

Relationship between the Rule of Law and Ethical Standards

Source: LaRue Tone Hosmer, *The Ethics of Management*, 2nd ed. (Homewood, IL: Irwin, 1991).
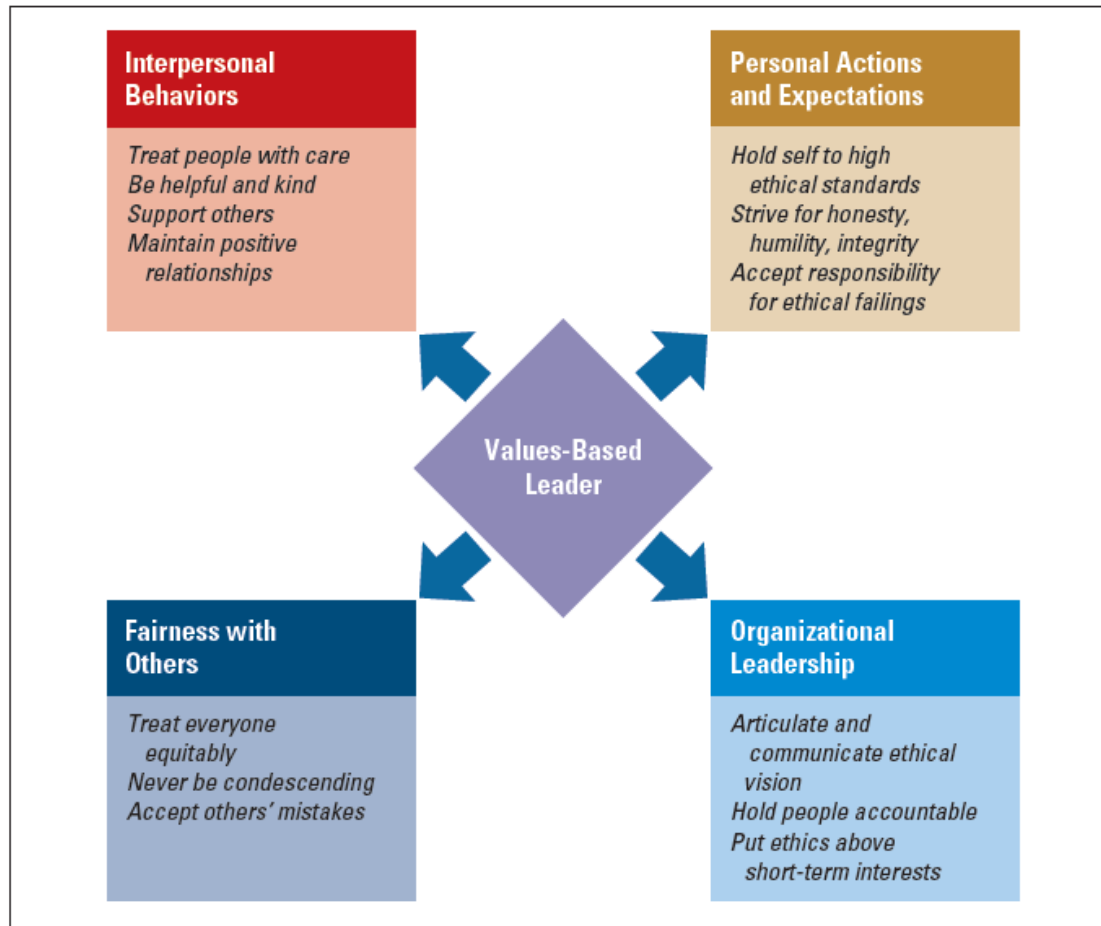
Corporate Social Responsibility (CSR)

- **Does it pay to be good?**
- Extension of the idea of managerial ethics
- Management's obligation to make choices and take action that positively impact stakeholders
- Increase in social responsibility
- Customers and public are paying closer attention to what organizations do
- Social responsibility can enhance a firm's reputation

How Managers Shape Culture and Ethics

- Value-Based Leadership
- Formal Structure and Systems
    - Structure
    - Disclosure Mechanisms
    - Code of Ethics
    - Training Programs
- Managers play key role in providing leadership and examples of ethical behavior

Characteristics of Values-Based Leaders

Interpersonal Behaviors

Treat people with care
Be helpful and kind
Support others
Maintain positive
   relationships

Personal Actions and Expectations

Hold self to high
   ethical standards
Strive for honesty,
   humility, integrity
Accept responsibility
   for ethical failings

Values-Based Leader

Fairness with Others

Treat everyone
   equitably
Never be condescending
Accept others' mistakes

Organizational Leadership

Articulate and
   communicate ethical
   vision
Hold people accountable
Put ethics above
   short-term interests

Source: Based on Gary Weaver, Linda Klebe Treviño, and Bradley Agle, "'Somebody I Look Up To': Ethical Role Models in Organizations," *Organizational Dynamics* 34, no. 4 (2005), 313–330.

Corporate Culture and Ethics in a Global Environment

- The global environment presents tough ethical challenges
- Countries have varied attitudes and beliefs
- Components that characterize a global culture:
  - Multicultural rather than national values
  - Basing status on merit rather than nationality
- Managers must think broadly about ethics
- **Social audits** measure and report ethical, social, and environmental impact of a company's operation

Design Essentials

- ✓ Cultural and ethical values help determine the organization's social capital and can contribute to success

- ✓ Managers can use rites and ceremonies, stories, symbols, structures, control systems, and power relationships to influence culture

- ✓ Subcultures may emerge even in strong cultures

- ✓ Strong cultures can be constructive or non-constructive

- ✓ Managerial ethics and corporate responsibility are important aspects of organizational values

- ✓ Managers can shape culture and ethics through formal systems

- ✓ Social audits are important tools for companies trying to maintain high ethical standards