



Managing Corporate Culture

A Brookside White Paper

INTRODUCTION

To execute a business strategy successfully, executives frequently must change the ways their managers operate: the way they think, the way they feel and the way they behave. For the past 20 years, we have been actively involved in helping our clients come to grips with the problem of managing the “cultural” aspects of their business organizations. This paper summarizes what we have learned about changing corporate cultures and outlines our four-step approach to measuring and managing this elusive concept:

Step 1: Recognize What It Is

Step 3: Understand Determinates of Climate

Step 2: Measure Organizational Climate

Step 4: Focus on Leadership Practices

STEP 1: WHAT IS CORPORATE CULTURE?

The first step in managing corporate culture is to recognize what it is. It is complicated and messy, so people often throw up their hands and say, “I can’t do anything about this thing you call culture.” This is a mistake. We divide corporate culture into five components: values, beliefs, myths, traditions and norms:

Values are the ways in which employees evaluate or assess certain traits, qualities, activities, or behaviors as good or bad, productive or wasteful. A high level of customer service, for example, is a core value of organizations such as Nordstroms or Dell Computer. This value might be reflected in such things as the company motto, measurement systems that focus on response time and reliability, the proportion and seniority of the staff who are available to respond to customer questions and complaints, or the frequency with which senior executives comment on quality service.

Beliefs, though frequently unstated, reflect people’s understanding of the way the organization works and the probable consequences of the actions they take. For example, in some organizations people champion new product ideas in the belief that innovation is the way to get ahead. In other organizations people emphasize quantitative analysis in the belief that controlling risk is the way to get ahead. These generally held beliefs are rarely based on a clear statement of values; more often, they are based on a recognition of patterns in the career paths taken by successful and unsuccessful executives over the years.

Myths are the stories or legends that persist about an organization and its leaders, reinforcing the core values or beliefs. For example, in McKinsey, the international consulting firm, myths surround “close calls” in making travel connections; they symbolize the emphasis on spending the most possible time with clients and minimizing time wasted in transit. Such stories are not pieces of trivial information – they are part of a body of clues or signals that transmit the culture to new members of the organization and reinforce that culture for existing members.

Traditions are repetitive significant events in an organization, including such rituals as welcoming luncheons, promotion celebrations, special awards, retirement parties, and twenty-fifth anniversary dinners. These events inject predictability into the organizational environment and are a basic means of perpetuating cultural values, whether they honor tenure, advancement, or a special accomplishment that is held in high esteem by the organization.

Norms are the informal rules that exist in organizations regarding dress, work habits, work

hours, and implicit codes of interpersonal behavior. For example, at Cisco Systems, the senior executives answer their own telephones; at IBM, secretaries screen all phone calls. Cisco is known for its open-door policy and for the openness of communications among levels of management. At The Brookside Group, it is expected that all business travel be done either before or after business hours; this rule of conduct is not written down in any employee handbook or policy guide, but it is generally accepted as representing “the way things are done around here.”

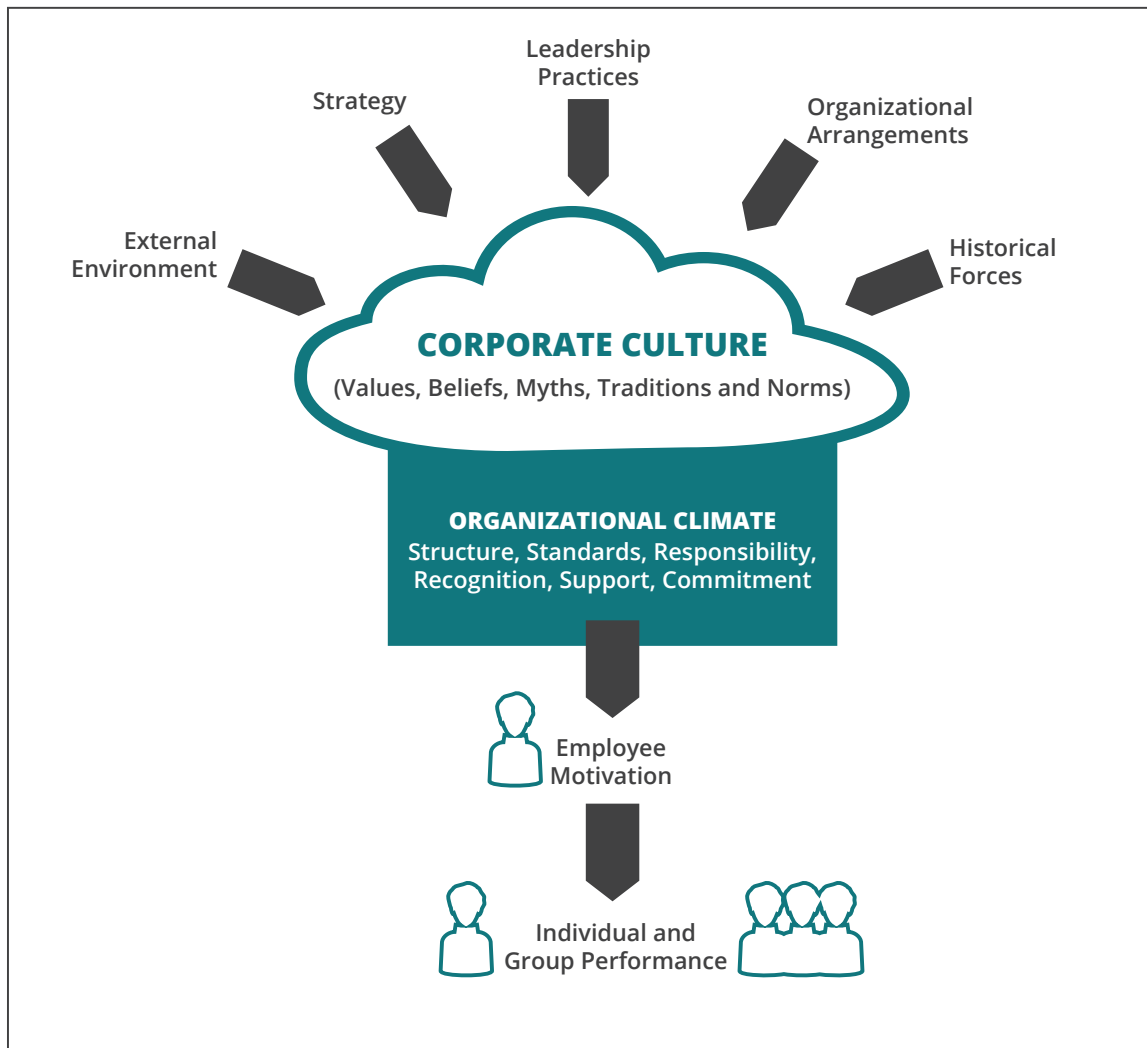
The problem is that corporate culture is too big to be managed in the normal sense. There are too many variables, too many things to pay attention to. As one manager at the Colgate- Palmolive Company expressed it: “It’s like punching a pillow... You exert a lot of energy, but the results are so transitory. Nothing seems to really change, and you never know what to do next.” The behavioral consequences of corporate culture are more tangible and observable than the culture itself. As a result, executives who are trying to change the direction of an organization – and know that they need to change the behavior of managers – will be frustrated and discouraged if they focus too much attention on modifying or creating new values, beliefs, norms, and so on. What is required is a more manageable task, but one that still affects all of the important cultural variables.

THE CONCEPT OF ORGANIZATIONAL CLIMATE

In contrast to culture, which is the broadest and least tangible organizational influence on managerial behavior, the concept of Organizational Climate offers a more clearly definable and measurable vehicle for assessing and changing behavior in the workplace. *Climate is more manageable than culture.* Therefore, one way to change corporate culture is to focus on changing Organizational Climate.

Organizational Climate is the term we use to describe six dimensions of the work environment that can be measured with relative precision. Extensive research based on the work of George H. Litwin and Robert A. Stringer at the Harvard Business School has shown the six dimensions that comprise Organizational Climate have a direct and measurable impact on the motivation, behavior and performance of the employees of an organization.¹ While it is difficult to directly change motivation or even to measure it, it is possible to measure and manage climate. Figure 1 shows how Organizational Climate relates to the broader concept of corporate culture. We have learned how to measure and manipulate it, making climate an ideal starting point for managing corporate culture.

Figure 1: An Organizational Performance Model



Research has identified the following dimensions of Organizational Climate as important determinants of motivation, behavior and performance:

Structure reflects employees' sense of being well organized and of having a clear definition of their roles and responsibilities. Structure is high when people feel that everyone's job is well defined. It is low when they are confused about who does what tasks and who has decision- making authority.

Standards measure the feeling of pressure to improve performance and the degree of pride employees have in doing a good job. High standards mean that people are always looking for ways to improve performance. Low standards reflect lower expectations for performance.

Responsibility reflects employees' feelings of "being their own boss" and not having to double-check decisions with others. A sense of high responsibility signifies that employees

feel encouraged to solve problems on their own. Low responsibility indicates that risk taking and testing of new approaches tend to be discouraged.

Recognition indicates employees' feelings of being rewarded for a job well done. This is a measure of the emphasis placed on reward versus criticism and punishment. An appropriate balance of reward and criticism characterizes high recognition climates. Low recognition means that good work is inconsistently rewarded.

Support reflects the feeling of trust and mutual support that prevails within a work group. Support is high when employees feel that they are part of a well-functioning team and when they sense that they can get help (especially from the boss) if they need it. Support is low when employees feel isolated and alone.

Commitment reflects employees' sense of pride in belonging to the organization and their degree of commitment to the organization's goals. Strong feelings of commitment are associated with high levels of personal loyalty. Lower levels of commitment mean that employees feel apathetic toward the organization and its goals.

STEP 2: MEASURE ORGANIZATIONAL CLIMATE

The second step in managing corporate culture, after recognizing what it is, is to measure the current state of the organization's climate. The act of measuring it makes it more "real," more tangible and, therefore, more manageable. We have developed an easy to complete questionnaire that measures the relative strength of each of the six climate dimensions. A climate survey allows a company to size up the current state of its overall climate as well as the climates of various departments or divisions. The survey also gives the company a language for managing the corporate culture.

The climate survey is designed to collect data about how people feel about their jobs, how they are managed, and how things work in the organization. The survey is conducted in two parts. In part one participants are asked to describe the climate of their organization (by "organization" we mean the smallest work unit that is meaningful to the participant, generally their group/ department). The statements for part one, which have been derived from years of research to identify the best predictors of climate, are listed below. For each, the participants are asked to indicate how strongly they agree/disagree with each.

Figure 2: Organizational Climate Survey Statements

CLIMATE DIMENSION	CLIMATE STATEMENTS
Structure	<ul style="list-style-type: none"> • The jobs in this organization are clearly defined and logically structured • In some of the projects I've had, I haven't been sure exactly who my boss was • Our productivity sometimes suffers from lack of organization and planning
Standards	<ul style="list-style-type: none"> • In this organization, we set very high standards for performance • In this organization, people don't seem to take much pride in their performance • Around here, there is a feeling of pressure to continually improve our personal and group performance • Management believes that no job is so well done that it couldn't be done better
Responsibility	<ul style="list-style-type: none"> • We don't rely too heavily on individual judgment in this organization; almost everything is double-checked • Around here, management resents your checking everything with them; if you think you have the right approach, you just go ahead • You won't get ahead in this organization unless you stick your neck out and try things on your own • Our philosophy emphasizes that people should solve their problems on their own
Recognition	<ul style="list-style-type: none"> • In this organization, the rewards and encouragement you get usually outweigh the threats and criticism • There is not enough reward and recognition given for doing good work • We have a promotion system here that helps the best person rise to the top • In this organization, people are rewarded in proportion to the excellence of their job performance
Support	<ul style="list-style-type: none"> • You don't get much sympathy from higher-ups if you make a mistake • When I'm on a difficult client assignment, I can usually count on assistance from my boss and co-workers • People in this organization don't really trust one another • I feel that I am a member of a well-functioning team
Commitment	<ul style="list-style-type: none"> • Generally, I am highly committed to the goals of this organization • Around here we take pride in belonging to this organization • I don't really care what happens to this organization • As far as I can see, there isn't much personal loyalty to the organization

STEP 3: WHAT DETERMINES ORGANIZATIONAL CULTURE AND CLIMATE?

Once it is measured and a benchmark is established, the next question to be addressed is

how to change the climate and change the culture. To answer this question, you need to know what causes climate. Research into the determinants of climate is continuing, but the primary factors that drive culture and climate are those shown in Figure 1.

Leadership Practices: Most studies have shown that the single most important determinant of an organization's climate is the day-to-day behavior of the leaders of the organization. The manager of a work group has a powerful influence on the expectations of its members. Often, the quickest way to change the culture and climate of the organization is to change the way the managers are managing. To the extent that a hierarchical chain of managers can synchronize their practices, climate change can be accelerated because the climate of every work group is somewhat influenced by the leadership practices of the boss's boss, and so on. However, it is possible for an individual manager to modify his or her own work unit's Organizational Climate even if that manager's boss makes no changes.

Organizational Arrangements: The second most powerful determinant of climate is what we call organizational arrangements: the formal organizational structure (including the design of tasks and jobs), the reward systems, the policies and procedures, the physical location of the people in the organization, and the selection and staffing process. All of these factors influence the tone of the workplace and create strong barriers or incentives to employee behavior.

For example, organizational arrangements usually determine the flow of information and perceptions of opportunities for advancement, two factors that affect climate and, ultimately, corporate culture.

External Environment: The external environment in which an organization competes often plays an important role in determining the organization's climate. Factors such as government regulation, economic conditions, competitive industry forces, and technology create pressure on organizations and their managers. All of these external forces have profound effects on the values and beliefs that develop within an organization. These forces manifest themselves in measurably different climate profiles. For example, the culture and climate that characterizes a team of engineers working in a fiercely competitive high-technology industry will be markedly different from the culture and climate of a similar team of engineers working in a conservative, semi-monopolistic public utility where technology is not changing.

Strategy: When it is properly communicated, an organization's overall strategy can have a profound impact on its culture and climate and, over time, can influence the development of values and beliefs in the organization. If a corporation has chosen an aggressive, growth-oriented strategy, for example, and has successfully aligned its goals, priorities, and

resource allocations with this strategy, the organizational climate will, over time, begin to reflect the strategic priorities (in this case, the climate dimensions of Standards and Responsibility would rise). Unfortunately, there is no guarantee that this will take place, which is why we recommend that explicit attention be paid to matching strategy and culture. The absence of a clearly articulated strategy also has implications for the organization's climate. Often, low levels of Structure and Commitment are the measurable indicators of unclear strategic guidance from management.

Historical Forces: An organization's history has a strong impact on the culture that develops over time and on the organization's climate profile. The circumstances surrounding the founding of the organization, the manner in which crises have been faced and resolved, and the organization's role models all can affect its values and norms – and its climate profile. For example, if an organization were founded by highly innovative engineers to provide leading- edge technology to the marketplace, these circumstances of the organization's birth may continue to influence the cultural values of the organization, probably resulting in a climate characterized by a high level of Responsibility.

STEP 4: FOCUS ON LEADERSHIP PRACTICES

Once you have conducted a climate survey, our research and experience tell us the next step in managing the corporate culture is to focus on leadership practices. The determinants of Organizational Climate provide executives with points of leverage in managing corporate culture. It is the most important determinant, meaning the most important lever is the personal leadership demonstrated by senior managers.

The best way to get managers to modify their leadership practices is to follow a five-step leadership development process:

- 1) Identify the specific leadership practices that support the climate and culture you want to create.** Our research points to a number of practices that have a positive impact on each of the six dimensions of climate. These are shown in Figure 3. Many of our clients modify this list and develop their own “model” of effective leadership.
- 2) Give managers feedback on how they are currently practicing the targeted leadership practices.** If possible, make this part of the climate survey-feedback process. If not, conduct additional leadership practices surveys and insist that all managers participate.
- 3) Provide managers with opportunities to learn new skills and try out the desired practices. Train and retrain.** Aggressively coach people who are trying to change their

leadership practices.

4) Constantly reinforce the desired leadership behavior. Make changes to the reward systems, the career management and promotion policies, and the performance appraisal processes. Reward people who lead the way you want and punish those who don't!

5) Model those practices at the top. Walk the talk. Everyone watches the most senior levels of management, so culture change always starts at the top.

Figure 3: Leadership Practices that Impact Organizational Climate

CLIMATE DIMENSION	LEADERSHIP PRACTICES
Structure	<ul style="list-style-type: none">• Establishing clear, specific performance goals• Clarifying who is responsible for what within the group• Making sure tasks and projects are clearly and thoroughly explained and understood when they are assigned
Standards	<ul style="list-style-type: none">• Setting challenging performance goals and standards• Demonstrating personal commitment to achieving goals• Giving your subordinates feedback on how they are doing on their jobs
Responsibility	<ul style="list-style-type: none">• Encouraging people to initiate tasks or projects they think are important• Expecting your subordinates to find and correct their own errors rather than doing this for them• Encouraging innovation and calculated risk taking in others
Recognition	<ul style="list-style-type: none">• Recognizing subordinates for good performance more often than criticizing them for poor performance• Using recognition, praise and other similar methods to reward people for excellent performance• Relating the total reward system (compensation, recognition, promotion) to the excellence of job performance rather than to other factors such as seniority, personal relationships, etc.
Support	<ul style="list-style-type: none">• Being supportive and helpful to subordinates in their day-to-day activities• Going to bat for subordinates with your supervisors when you feel they are right• Conducting monthly team meetings in a way that builds trust and mutual respect
Commitment	<ul style="list-style-type: none">• Communicating excitement and enthusiasm about the work• Involving people in setting goals• Encouraging subordinates to participate in making important decisions

FIVE LESSONS WE'VE LEARNED

We have learned five lessons about how to manage corporate culture. Clients who have ignored any of these have been less successful than clients who pay attention to all five.

1) Tie culture change tightly to improving business performance. Growth and profitability motivate change in business organizations more than the desire to improve the organization or improve the climate or the culture. People won't see the need or feel the urgency to change the culture unless such change is explained in terms of winning in the marketplace.

Managing corporate culture should be part of formulating and implementing the business strategy. The most effective way to tie culture change to business imperatives is through the strategic plan. The best plan is one that spells out not only what must be accomplished, but how. The how should include directives about the kind of internal work environment that must be created if the organization is to compete successfully.

2) Use a climate survey feedback process. Brookese's climate survey is a proven instrument for managing corporate culture because it gives you actionable information. The survey-feedback process should start at the top. It should include plenty of diagnosis and analysis, but it should concentrate most on action planning. The planning will be most actionable if executives receive feedback on the leadership practices as well as their climates.

The power of the climate survey is that it gives people a common language and a concrete benchmark against which to measure progress. Executives respond to numbers, graphs, and charts. These make the things that are being measured (in this case, the dimensions of Organizational Climate and key leadership behavior) more real. Many Brookese clients do a climate survey every 12 or 18 months as part of their culture management initiative.

3) Use leadership training. The use of customized leadership training programs is a powerful way to manage corporate culture. Not only does such training focus directly on the most important determinant of climate and culture, but if done right, it can accomplish multiple objectives:

- It allows the top management team to send a clear, unambiguous cultural and leadership message.
- If the training includes leadership practices feedback, it gives managers personal insights into how they are behaving vs. how they are expected to behave.
- Training programs are effective forums for people to vent their feelings and ideas about the cultural change, helping them to let go of the old and embrace the new.

- Leadership training can build leadership skills, especially those skills that will be critical in the new culture. Training programs are a relatively safe place to try on new leadership behaviors.
- Finally, if done right, a corporate-wide leadership training initiative should build commitment to the overall company, exposing people to a cross-section of other managers, giving them a chance to think as one company, and hopefully, to develop a more unified sense of corporate culture.

4) Fit the organizational arrangements to the new culture. Another important lesson we've learned is to move quickly to make the formal and informal organizational arrangements consistent with the culture being created. The performance management systems should be updated first. The way goals are set, performance is appraised, results are measured, incentives are paid and employees are coached – these are part of performance management, and they must be changed quickly to reinforce the desired corporate culture.

5) Make the tough people calls. The final lesson is often the hardest for leaders to implement. It can mean firing your friends. An essential way to have an impact on corporate culture is by weeding out those members of the organization who don't fit, and promoting or rewarding those that do. Both are tough calls to make, but both are necessary. We have yet to see a cultural change initiative succeed without blood being spilled. It is unrealistic to expect every single member of the management team to embrace the new cultural norms and imperatives. The leader must lead by making all of the most visible managers pass a "cultural values test." Unfortunately, this test is a very public display of the new leadership practices. If managers fail to behave in accordance with the desired cultural standards, they need to be identified as failures.

CONCLUSION

Corporate cultures are very hard to change. A culture forms because it works; it fits the company's strategy, it fits with the external environment, and it suits the needs of employees. Over time, it becomes self-perpetuating. An organization's culture attracts certain kinds of people. Those who don't like the culture end up leaving the organization, and those who like it stay. Soon most companies get the kind of managers and employees they deserve, those who have been attracted by the culture, promoted by it, and who know how to survive and succeed in it. It is not at all surprising that these people will strongly resist making any significant changes to their culture, but cultures can be managed.

Transforming a corporate culture requires a multi-faceted effort that will likely take not months, but years, and the concept of climate is the place to start. Climate and culture are largely a function of the day-to-day leadership that is practiced throughout the organization. The measurement of both climate and leadership practices will stimulate change, and the use of survey feedback-based leadership training will motivate managers to consistently apply the desired practices until the corporate culture needs to change again.

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