Deep Dive into Culture

Introduction

As we explored previously, organizational culture is a critical component of any company's success. It shapes the behaviors, attitudes, and interactions of employees, and influences the organization's performance and ability to achieve its goals. In this chapter, we will take a deep dive into the concept of organizational culture, examining its various levels, typologies, and how leaders can shape and sustain it. We will also explore case studies of companies that have successfully transformed their cultures, as well as best practices for managing this type of change.

The Levels of Organizational Culture

To fully understand organizational culture, it is important to recognize that it operates at multiple levels. These levels, as identified by Edgar Schein, include:

Visible Artifacts

At the surface level, culture is manifested through visible artifacts, such as symbols, language, and practices. These are the tangible elements that an outsider can observe, such as the company's logo, office layout, dress code, and rituals. For example, a company that values transparency might have an open office plan, while one that emphasizes hierarchy might have separate offices for executives.

Espoused Beliefs and Values

At a deeper level, culture is reflected in the beliefs and values that the organization espouses. These are the stated principles and philosophies that guide decision-making and behavior. Often, organizations communicate them through mission statements, value propositions, and codes of conduct. For instance, a company might state that it values innovation, customer-centricity, or social responsibility.

Underlying Assumptions

At the core of organizational culture are the underlying assumptions that are taken for granted and rarely questioned. These are the unconscious beliefs and perspectives that shape how employees perceive, think, and feel. They are often unspoken and can be difficult to change. For example, an underlying assumption might be that employees are inherently lazy and need to be closely monitored, or conversely, that employees are self-motivated and thrive on autonomy.

Understanding these levels of culture is crucial for leaders who want to create and sustain a strong organizational culture. It is not enough to simply articulate values or display artifacts; leaders must also ensure that the underlying assumptions are in tune with the desired culture.

Typologies of Organizational Culture

Organizational cultures operate at different levels. They can also be categorized into types. Two well-known typologies are Deal and Kennedy's four culture types and Cameron and Quinn's Competing Values Framework.

Deal and Kennedy's Four Culture Types

Terrence Deal and Allan Kennedy identified four types of organizational culture based on the level of risk associated with the company's activities and the speed of feedback employees receive about the success of their decisions and strategies.

- The tough-guy, macho culture: High risk and quick feedback characterizes this culture. It is often found in fast-paced, high-pressure industries such as finance, advertising, and entertainment. Employees in this culture are expected to be bold, decisive, and able to handle pressure.

- The work hard/play hard culture: Low risk and quick feedback characterizes this culture. It is often found in sales-driven organizations such as retail and real estate. Employees in this culture are expected to be energetic, enthusiastic, and focused on delivering results.

- The bet-your-company culture: High risk and slow feedback characterizes this culture. It is often found in industries such as pharmaceutical, aerospace, and oil and gas, where projects are long term and high-stakes. Employees in this culture are expected to be meticulous, disciplined, and able to work well under pressure.

- The process culture: Low risk and slow feedback characterizes this culture. It is often found in heavily regulated industries such as banking, insurance, and government. Employees in this culture are expected to be methodical, detail-oriented, and compliant with rules and procedures.

Understanding which type of culture a company has can help leaders tailor their management style and decision-making processes.

Cameron and Quinn's Competing Values Framework

Kim Cameron and Robert Quinn developed the Competing Values Framework, which identifies four types of organizational culture based on two dimensions: internal focus and integration versus external focus and differentiation, and stability and control versus flexibility and discretion.

- Clan culture: An internal focus and flexibility characterizes this culture. It emphasizes teamwork, employee involvement, and a sense of family. Leaders in this culture tend to be facilitators and mentors.

- Adhocracy culture: An external focus and flexibility characterizes this culture. It emphasizes innovation, creativity, and risk-taking. Leaders in this culture tend to be entrepreneurs and visionaries.

- Market culture: An external focus and stability characterizes this culture. It emphasizes competition, achievement, and results. Leaders in this culture tend to be hard-drivers and competitors.

- Hierarchy culture: An internal focus and stability characterizes this culture. It emphasizes structure, control, and efficiency. Leaders in this culture tend to be coordinators and organizers.

The Competing Values Framework helps leaders understand the trade-offs and tensions that exist within organizational cultures. It also provides a roadmap for culture change, as leaders can identify the current culture and the desired future culture.

How Leaders Shape and Sustain Culture

Leaders play a crucial role in shaping and sustaining organizational culture. They do this through a variety of mechanisms, including:

The Role of Founders

Founders have a significant impact on organizational culture, as they are the ones who initially define the company's mission, values, and ways of working. Their personalities, beliefs, and behaviors set the tone for the rest of the organization. For example, Steve Jobs' perfectionism and attention to detail became deeply ingrained in Apple's culture, while Mark Zuckerberg's "move fast and break things" mantra shaped Facebook's early culture of experimentation and risk-taking.

Leader Behaviors and Communication

Leaders' day-to-day behaviors and communication also shape organizational culture. What leaders pay attention to, measure, and control sends a powerful signal about what is valued in the organization. For instance, if leaders always pick short-term financial results over long-term sustainability. Then, employees will learn that the bottom line matters most. Similarly, if leaders communicate openly and transparently, employees will experience a sense of safety. They will be more comfortable sharing information and ideas.

Aligning Systems and Processes with Desired Culture

To sustain a desired culture, leaders must ensure that the organization's systems and processes are aligned with its values and beliefs. This includes things like performance management, rewards and recognition, and training and development. For example, if a company claims to value innovation but its performance metrics are solely based on efficiency and cost-cutting, employees will quickly learn that innovation is not truly valued.

Reinforcing Culture through Rites and Rituals

Finally, leaders can reinforce culture through rites and rituals. These are symbolic activities that celebrate important achievements, milestones, and transitions. They help to

create a sense of belonging and shared identity among employees. For example, this could include annual awards ceremonies. It could also include company picnics and celebrations for major projects.

By leveraging these mechanisms, leaders can intentionally shape and sustain a strong organizational culture that aligns with the company's mission and values.

Case Study 1: Microsoft's Cultural Transformation

Company Background

Microsoft is a multinational technology company that develops, licenses, and supports software, consumer electronics, personal computers, and related services. Founded in 1975 by Bill Gates and Paul Allen, Microsoft has grown to become one of the most valuable companies in the world, with a market capitalization of over $1 trillion.

The Impetus for Cultural Change

Despite its success, Microsoft's culture had become increasingly stagnant and bureaucratic by the early 2010s. The company was losing ground to competitors like Apple and Google, and employees were becoming disengaged and siloed. In 2014, when Satya Nadella took over as CEO, he recognized the need for a major cultural transformation.

Important Initiatives and Interventions

Nadella launched a series of initiatives to transform Microsoft's culture. These included:

- Articulating a new mission and values: Nadella redefined Microsoft's mission as "to empower every person and every organization on the planet to achieve more." He also established a new set of values, including diversity and inclusion, customer obsession, and growth mindset.

- Changing the performance review system: Nadella revamped Microsoft's review system. The old system used forced rankings and intense competition. The new one focuses on continuous feedback, collaboration, and growth.

- Encouraging experimentation and risk-taking: Nadella encouraged employees to take risks and learn from failures. He launched the "Garage" program, which gave employees time and resources to work on innovative side projects.

- Modeling culture: Nadella role-modeled the behaviors and attitudes he wanted to see in the organization. He was known for his humility, willingness to learn, and focus on customer empathy.

Results and Lessons Learned

Microsoft's cultural transformation has been largely successful. The company has regained its competitive edge, with a resurgence in innovation and growth. Employee engagement and satisfaction have also increased significantly. Key lessons from

Microsoft's experience include the importance of leadership buy-in, the need to align systems and processes with the desired culture, and the power of storytelling and symbolism in shaping culture.

Subcultures and Countercultures

While organizational culture is often thought of as a singular entity, in reality, most organizations have multiple subcultures and sometimes countercultures operating within them.

Understanding Subcultures Within Organizations

Subcultures are groups within an organization that have their own distinct set of values, norms, and practices. They often form around functional areas, geographic locations, or demographic groups. For example, the sales department may have a different subculture than the engineering department, or the New York office may have a different subculture than the London office.

Subcultures can be beneficial to organizations, as they allow for diversity of thought and localized adaptation. However, they can also be a source of conflict if they are not aligned with the overall organizational culture.

Managing the Dynamics Between Dominant and Sub/Countercultures

Countercultures are subcultures that actively reject the dominant culture of the organization. They may form in response to perceived injustices or dissatisfaction with the status quo. For example, a group of employees believe the company doesn't care enough about sustainability. They form a counterculture that pushes for more aggressive environmental policies.

Managing the dynamics between dominant and sub/countercultures is a significant challenge for leaders. On one hand, they must ensure that subcultures are aligned with the overall mission and values of the organization. On the other hand, they must also create space for diverse perspectives and localized adaptation.

Leveraging Subcultures for Innovation and Change

Subcultures can also be a source of innovation and change within organizations. Because they are often less constrained by the dominant culture, they may be more willing to experiment with new ideas and approaches. Leaders can leverage this by creating "skunk works" teams or innovation labs that are intentionally separate from the primary organization.

By understanding and managing the dynamics of subcultures and countercultures, leaders can create a more agile and adaptive organization that is better able to respond to changing market conditions.

Assessing and Measuring Organizational Culture

To effectively manage and change organizational culture, leaders must first be able to assess and measure it. There are a variety of methods for doing this, both qualitative and quantitative.

Qualitative Methods

Qualitative methods for assessing culture include techniques such as ethnography, interviews, and focus groups. These methods allow for deep exploration of employees' beliefs, values, and experiences. They can provide rich, nuanced data that quantitative methods may miss.

For example, an ethnographer might spend time observing and interacting with employees in their natural work environment. They might attend meetings, shadow employees, and take part in company events to get a sense of the culture in action. Interviews and focus groups can also provide valuable insights into employees' perceptions and experiences of the culture.

Quantitative Methods

Quantitative methods for assessing culture include surveys and cultural audits. These methods allow for more standardized and scalable measurement of cultural attributes.

Surveys typically ask employees to rate their agreement with statements about the company's values, norms, and practices. They can be administered to large numbers of employees and analyzed statistically to identify patterns and trends. Cultural audits involve a systematic review of the company's policies, procedures, and systems to assess their alignment with the desired culture.

Using Cultural Assessments to Drive Change

The results of cultural assessments can identify areas for improvement and drive change initiatives. For example, if a survey reveals employees do not feel that innovation is valued, leaders might launch a campaign to celebrate and reward innovative ideas. If an audit reveals that the performance management system is misaligned with the company's values, leaders might redesign the system to better support the desired culture.

Cultural assessments should be conducted regularly to track progress and ensure that change initiatives are having the desired impact. They can also be used to benchmark against other organizations and identify best practices.

Case Study 2: Measuring and Changing Culture at Netflix

Company Background

Netflix is a streaming entertainment service that offers a wide variety of TV shows, movies, anime, documentaries, and more. Founded in 1997 as a DVD-by-mail service, Netflix has grown to become one of the most successful entertainment companies in the world, with over 200 million subscribers globally.

The Cultural Assessment Process

Netflix is known for its strong and distinctive culture, which emphasizes freedom and responsibility, high performance, and continuous feedback. To ensure that this culture remains strong as the company grows, Netflix regularly conducts cultural assessments.

One of the important tools Netflix uses is the "Culture Map." This is a visual representation of the company's values and behaviors, created through a collaborative process involving employees at all levels. The Culture Map serves as a touchstone for employees and a guide for decision-making.

Netflix also conducts regular employee surveys to assess perceptions of the culture. These surveys ask employees to rate their agreement with statements about the company's values, such as "I feel free to make decisions within my scope of responsibility" and "I receive candid and constructive feedback on my performance."

Findings and Recommendations

Through its cultural assessments, Netflix has identified areas for improvement and launched targeted initiatives to address them. For example, a few years ago, the company realized that its culture of "brilliant jerks" - high performers who were difficult to work with - was creating a toxic environment. In response, Netflix clarified its values to emphasize collaboration and teamwork, and began coaching and exiting employees who did not align with these values.

Netflix has also used its cultural assessments to identify opportunities for innovation. For example, when surveys revealed employees wanted more opportunities for learning and development, the company launched the "Netflix University" program, which offers a wide range of courses and resources for employees to build their skills.

Implementation and Outcomes

Netflix's approach to measuring and changing culture has been highly successful. The company consistently ranks as one of the best places to work, with high levels of employee engagement and retention. Its culture has also been a key driver of its business success, enabling it to innovate and adapt in a rapidly changing industry.

Key lessons from Netflix's experience include the importance of involving employees in the cultural assessment process, the need for regular measurement and iteration, and the power of targeted initiatives to address specific cultural challenges and opportunities.

Best Practices for Managing Culture Change

Managing culture change is a complex and ongoing process that requires a systematic and sustained effort. Some best practices for managing culture change include:

Securing Leadership Commitment

Culture change must start at the top. Leaders must be committed to the change and be willing to model the desired behaviors and values. They must also allocate the necessary resources and remove barriers to change.

Involving Employees in the Change Process

Employees are the ones who will bring the culture change to life in the end. They must be involved in the process from the beginning, through mechanisms such as surveys, focus groups, and workshops. Their input and buy-in are critical to the success of the change effort.

Communicating the Vision and Case for Change

The vision for the future culture must be clearly articulated and communicated to all employees. Leaders must make a compelling case for why the change is necessary and how it will benefit the organization and its stakeholders. The communication should be frequent, consistent, and tailored to different audiences.

Quick Wins and Long-Term Sustainability

Culture change is a marathon, not a sprint. While it is important to celebrate quick wins and build momentum, leaders must also plan for long-term sustainability. This involves institutionalizing the change through policies, processes, and systems, and continuously reinforcing the desired behaviors and values.

Monitoring Progress and Making Adjustments

Culture change is not a linear process. There will be setbacks and obstacles along the way. Leaders must monitor progress and make adjustments as needed. This involves regularly assessing the culture, identifying areas for improvement, and launching targeted initiatives to address them.

By following these best practices, organizations can increase the likelihood of a successful and sustainable culture change.

The Future of Organizational Culture

Organizations face a complex and dynamic business environment. The importance of organizational culture will only grow. Some emerging trends that are shaping the future of organizational culture include:

Remote Work and Distributed Teams

The COVID-19 pandemic has sped up the trend toward remote work and distributed teams. This has significant implications for organizational culture. It requires new ways of communicating, collaborating, and building trust. Leaders will need to create virtual spaces for connection and community-building. They must also ensure that remote employees feel included and engaged.

Generational Shifts

As younger generations enter the workforce, they bring with them new values and expectations around work and career. Millennials and Gen Z tend to prioritize purpose, flexibility, and diversity in their work environments. Leaders will need to adapt their

cultures to meet these expectations, while also managing the dynamics between different generations.

The Increasing Importance of Agility and Adaptability

In a world of constant change and disruption, organizations need to be agile and adaptable to survive and thrive. This requires a culture that values experimentation, learning, and continuous improvement. Leaders will need to create an environment where employees feel empowered to take risks, fail fast, and iterate quickly.

Fostering Cultures of Inclusion, Equity, and Belonging

As organizations become more diverse, there is a growing recognition of the importance of creating cultures of inclusion, equity, and belonging. This involves not only recruiting and keeping diverse talent but also creating an environment where all employees feel valued, respected, and able to bring their full selves to work. Leaders will need to be proactive in identifying and addressing systemic barriers and biases, and creating a culture of "ally-ship" and advocacy.

By staying attuned to these trends and proactively shaping their cultures, organizations can position themselves for success in the future of work.

Conclusion

Organizational culture is a powerful force that shapes the behavior and performance of companies and their employees. By understanding the levels and types of culture, the role of leadership in shaping and sustaining it, and best practices for managing cultural change, leaders can harness this force for competitive advantage.

As we have seen through the case studies of Microsoft and Netflix, culture transformation is a challenging but achievable undertaking. It requires a clear vision, strong leadership commitment, employee involvement, and ongoing measurement and iteration.

Looking to the future, the importance of organizational culture will only continue to grow. Organizations navigate a complex, changing business environment. Their ability to adapt and innovate is key to their success. By promoting agility, inclusion, and belonging, leaders can create resilient organizations. They will also be more responsive and well-prepared for the future.

Ultimately, the journey of culture change is ongoing. It requires a sustained effort and a willingness to continuously learn and evolve. But for those organizations that get it right, the rewards - in terms of employee engagement, customer loyalty, and business performance - are well worth the investment.