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# Organizational Behavior

10<sup>th</sup>

Edition



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*In any organization,  
there are the ropes to  
skip and the ropes to  
know.*

—R. Ritti  
and  
G. Funkhouser

## PART FOUR

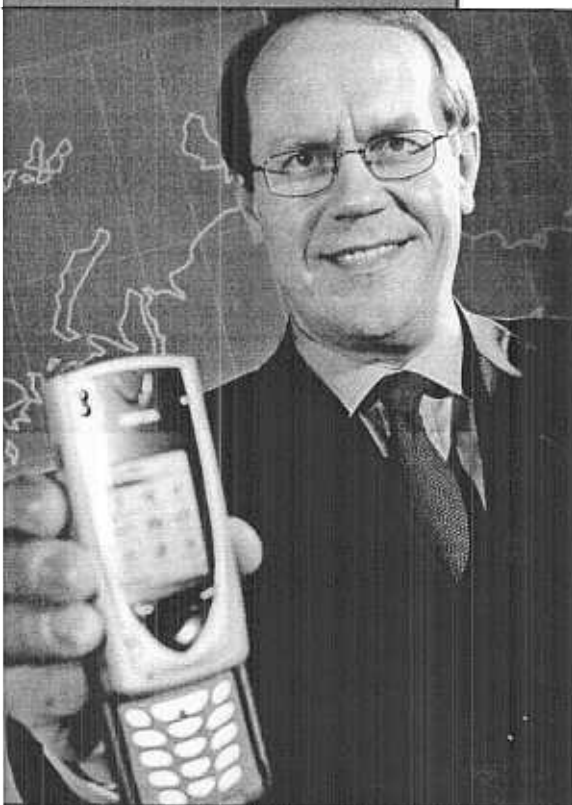
### THE ORGANIZATION SYSTEM

**N**okia is a true global success story.<sup>1</sup> Founded in 1885 in southern Finland, the company began as a paper manufacturer. In the 1920s it added manufacturing of rubber boots, raincoats, and hunting rifles. It went into consumer electronics in the 1950s by making television sets. But it didn't find its current niche until the late 1980s, when management decided to change strategies—to transform Nokia from a traditional industrial company into a high-tech conglomerate. Management refocused Nokia on the emerging market for mobile phones and networks. Jorma Ollila (see photo), who was then the company's chief financial officer, was put in charge of the mobile phone business. He became CEO in 1992 and the rest, as they say, is history.

Management's revised strategy has proven an overwhelming success. Nokia is now the world's leading manufacturer of mobile phones. With 35 percent of the world's mobile phone market, it's annual sales have reached US\$28.1 billion, with pre-tax profits of over US\$3.1 billion.

Part of Nokia's success was undoubtedly due to being in the right place at the right time. But so, too, were Motorola and Ericsson. What, then, explains Nokia's remarkable performance? A major part of the answer is Nokia's strong organizational culture. Ollila has carefully shaped Nokia's culture around four core values: customer satisfaction, achievement, respect for the individual, and continuous learning.

Ollila believes Nokia has outpaced its competitors because the firm is more customer-focused, resulting in more desirable products. The company focuses on making things that are better suited to customer needs and rapidly responding as those needs change. For instance, Nokia was first to market with phones that didn't require two hands to use and with switchable covers and changeable ringing tones.



# Organizational Culture

Talk with Nokia employees and they speak about similar aspects of what they like about working at the company: Respect for individual employees. Opportunities for personal growth and responsibility. Teamwork. A feeling of family. Freedom to be creative. Minimal rules and regulations. Little or no hierarchy. "You join Nokia, and no one will give you a very accurate job description," says a company market relations manager. "You don't know who your boss is. So you live in this state of confusion—it never goes away. You have to adapt to it." Nokia prides itself on attracting employees who can deal with ambiguity; then the company continually emphasizes the importance of flexibility by minimizing formalization.

To facilitate the company's desire to create a family-like environment, Nokia provides a rich array of benefits and services to facilitate work/life balance. There are on-site saunas, 24-hour gyms, cafeterias with company-subsidized meals, and a staff physician in every location. Telecommuting is also widely practiced. For instance, although Nokia's headquarters is in Finland, the company's director of communications lives in Scotland and its design director works out of Los Angeles.

**A** strong organizational culture like Nokia provides employees with an understanding of "the way things are done around here." It provides stability to an organization. But, for some organizations, it can also be a major barrier to change. In this chapter, we show that every organization has a culture and, depending on its strength, it can have a significant influence on the attitudes and behaviors of organization members.

## LEARNING OBJECTIVES

### AFTER STUDYING THIS CHAPTER, YOU SHOULD BE ABLE TO:

1. Describe institutionalization and its relationship to organizational culture.
2. Define the common characteristics making up organizational culture.
3. Contrast strong and weak cultures.
4. Identify the functional and dysfunctional effects of organizational culture on people and the organization.
5. Explain the factors determining an organization's culture.
6. List the factors that maintain an organization's culture.
7. Clarify how culture is transmitted to employees.
8. Outline the various socialization alternatives available to management.
9. Describe a customer-responsive culture.
10. Identify characteristics of a spiritual culture.

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## **INSTITUTIONALIZATION: A FORERUNNER OF CULTURE**

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The idea of viewing organizations as cultures—where there is a system of shared meaning among members—is a relatively recent phenomenon. Until the mid-1980s, organizations were, for the most part, simply thought of as rational means by which to coordinate and control a group of people. They had vertical levels, departments, authority relationships, and so forth. But organizations are more. They have personalities too, just like individuals. They can be rigid or flexible, unfriendly or supportive, innovative or conservative. General Electric offices and people *are* different from the offices and people at General Mills. Harvard and MIT are in the same business—education—and separated only by the width of the Charles River, but each has a unique feeling and character beyond its structural characteristics. Organizational theorists now acknowledge this by recognizing the important role that culture plays in the lives of organization members. Interestingly, though, the origin of culture as an independent variable affecting an employee's attitudes and behavior can be traced back more than 50 years ago to the notion of **institutionalization**.<sup>2</sup>

### **institutionalization**

When an organization takes on a life of its own, apart from any of its members, and acquires immortality.

When an organization becomes institutionalized, it takes on a life of its own, apart from its founders or any of its members. Ross Perot created Electronic Data Systems (EDS) in the early 1960s, but he left in 1987 to found a new company, Perot Systems. EDS has continued to thrive despite the departure of its founder. Sony, Eastman Kodak, Gillette, McDonald's, and Disney are examples of organizations that have existed beyond the life of their founder or any one member.

In addition, when an organization becomes institutionalized, it becomes valued for itself, not merely for the goods or services it produces. It acquires immortality. If its original goals are no longer relevant, it doesn't go out of business. Rather, it redefines itself. A classic example is the March of Dimes. It was originally created to fund the battle against polio. When polio was essentially eradicated in the 1950s, the March of Dimes didn't close down. It merely redefined its objectives as funding research for reducing birth defects and lowering infant mortality.

Institutionalization operates to produce common understandings among members about what is appropriate and, fundamentally, meaningful behavior.<sup>3</sup> So when an organization takes on institutional permanence, acceptable modes of behavior become largely self-evident to its members. As we'll see, this is essentially the same thing that organizational culture does. So an understanding of what makes up an organization's culture, and how it is created, sustained, and learned will enhance our ability to explain and predict the behavior of people at work.

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## **WHAT IS ORGANIZATIONAL CULTURE?**

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A number of years back, I asked an executive to tell me what he thought *organizational culture* meant. He gave me essentially the same answer that a Supreme Court Justice once gave in attempting to define pornography: "I can't define it, but I know it when I see it." This executive's approach to defining organizational culture isn't acceptable for our purposes. We need a basic definition to provide a point of departure for our quest to better understand the phenomenon. In this section, we propose a specific definition and review several peripheral issues that revolve around this definition.

## A Definition

There seems to be wide agreement that **organizational culture** refers to a system of shared meaning held by members that distinguishes the organization from other organizations.<sup>4</sup> This system of shared meaning is, on closer examination, a set of key characteristics that the organization values. The research suggests that there are seven primary characteristics that, in aggregate, capture the essence of an organization's culture.<sup>5</sup>

1. *Innovation and risk taking.* The degree to which employees are encouraged to be innovative and take risks.
2. *Attention to detail.* The degree to which employees are expected to exhibit precision, analysis, and attention to detail.
3. *Outcome orientation.* The degree to which management focuses on results or outcomes rather than on the techniques and processes used to achieve those outcomes.
4. *People orientation.* The degree to which management decisions take into consideration the effect of outcomes on people within the organization.
5. *Team orientation.* The degree to which work activities are organized around teams rather than individuals.
6. *Aggressiveness.* The degree to which people are aggressive and competitive rather than easygoing.
7. *Stability.* The degree to which organizational activities emphasize maintaining the status quo in contrast to growth.

Each of these characteristics exists on a continuum from low to high. Appraising the organization on these seven characteristics, then, gives a composite picture of the organization's culture. This picture becomes the basis for feelings of shared understanding that members have about the organization, how things are done in it, and the way members are supposed to behave. Exhibit 18-1 on page 526 demonstrates how these characteristics can be mixed to create highly diverse organizations.

## Culture Is a Descriptive Term

Organizational culture is concerned with how employees perceive the characteristics of an organization's culture, not with whether or not they like them. That is, it's a descriptive term. This is important because it differentiates this concept from that of job satisfaction.

Research on organizational culture has sought to measure how employees see their organization: Does it encourage teamwork? Does it reward innovation? Does it stifle initiative?

In contrast, job satisfaction seeks to measure affective responses to the work environment. It's concerned with how employees feel about the organization's expectations, reward practices, and the like. Although the two terms undoubtedly have overlapping characteristics, keep in mind that the term *organizational culture* is descriptive, while *job satisfaction* is evaluative.

## Do Organizations Have Uniform Cultures?

Organizational culture represents a common perception held by the organization's members. This was made explicit when we defined culture as a system of *shared* meaning. We should expect, therefore, that individuals with different backgrounds or at different levels in the organization will tend to describe the organization's culture in similar terms.<sup>6</sup>

## organizational culture

A system of shared meaning ... held by members that distinguishes the organization from other organizations.

**Organization A**

This organization is a manufacturing firm. Managers are expected to fully document all decisions; and “good managers” are those who can provide detailed data to support their recommendations. Creative decisions that incur significant change or risk are not encouraged. Because managers of failed projects are openly criticized and penalized, managers try not to implement ideas that deviate much from the status quo. One lower-level manager quoted an often used phrase in the company: “If it ain’t broke, don’t fix it.”

There are extensive rules and regulations in this firm that employees are required to follow. Managers supervise employees closely to ensure there are no deviations. Management is concerned with high productivity, regardless of the impact on employee morale or turnover.

Work activities are designed around individuals. There are distinct departments and lines of authority, and employees are expected to minimize formal contact with other employees outside their functional area or line of command. Performance evaluations and rewards emphasize individual effort, although seniority tends to be the primary factor in the determination of pay raises and promotions.

**Organization B**

This organization is also a manufacturing firm. Here, however, management encourages and rewards risk taking and change. Decisions based on intuition are valued as much as those that are well rationalized. Management prides itself on its history of experimenting with new technologies and its success in regularly introducing innovative products. Managers or employees who have a good idea are encouraged to “run with it.” And failures are treated as “learning experiences.” The company prides itself on being market-driven and rapidly responsive to the changing needs of its customers.

There are few rules and regulations for employees to follow, and supervision is loose because management believes that its employees are hardworking and trustworthy. Management is concerned with high productivity, but believes that this comes through treating its people right. The company is proud of its reputation as being a good place to work.

Job activities are designed around work teams and team members are encouraged to interact with people across functions and authority levels. Employees talk positively about the competition between teams. Individuals and teams have goals, and bonuses are based on achievement of these outcomes. Employees are given considerable autonomy in choosing the means by which the goals are attained.

**dominant culture**

Expresses the core values that are shared by a majority of the organization’s members.

**subcultures**

Minicultures within an organization, typically defined by department designations and geographical separation.

**core values**

The primary or dominant values that are accepted throughout the organization.

Acknowledgment that organizational culture has common properties does not mean, however, that there cannot be subcultures within any given culture. Most large organizations have a dominant culture and numerous sets of subcultures.<sup>7</sup>

A **dominant culture** expresses the core values that are shared by a majority of the organization’s members. When we talk about an organization’s culture, we are referring to its dominant culture. It is this macro view of culture that gives an organization its distinct personality.<sup>8</sup> **Subcultures** tend to develop in large organizations to reflect common problems, situations, or experiences that members face. These subcultures are likely to be defined by department designations and geographical separation. The purchasing department, for example, can have a subculture that is uniquely shared by members of that department. It will include the **core values** of the dominant culture plus additional values unique to members of the purchasing department. Similarly, an office or unit of the organization that is physically separated from the organization’s main operations may take on a different personality. Again, the core values are essentially retained, but they are modified to reflect the separated unit’s distinct situation.

If organizations had no dominant culture and were composed only of numerous subcultures, the value of organizational culture as an independent variable would be significantly lessened because there would be no uniform interpretation



of what represented appropriate and inappropriate behavior. It is the “shared meaning” aspect of culture that makes it such a potent device for guiding and shaping behavior. That’s what allows us to say that Microsoft’s culture values aggressiveness and risk taking<sup>9</sup> and then to use that information to better understand the behavior of Microsoft executives and employees. But we cannot ignore the reality that many organizations also have subcultures that can influence the behavior of members.

### Strong Versus Weak Cultures

It has become increasingly popular to differentiate between strong and weak cultures.<sup>10</sup> The argument here is that strong cultures have a greater impact on employee behavior and are more directly related to reduced turnover.

In a **strong culture**, the organization’s core values are both intensely held and widely shared.<sup>11</sup> The more members who accept the core values and the greater their commitment to those values is, the stronger the culture is. Consistent with this definition, a strong culture

will have a great influence on the behavior of its members because the high degree of sharedness and intensity creates an internal climate of high behavioral control. For example, Seattle-based Nordstrom has developed one of the strongest service cultures in the retailing industry. Nordstrom employees know in no uncertain terms what is expected of them and these expectations go a long way in shaping their behavior.

One specific result of a strong culture should be lower employee turnover. A strong culture demonstrates high agreement among members about what the organization stands for. Such unanimity of purpose builds cohesiveness, loyalty, and organizational commitment. These qualities, in turn, lessen employees’ propensity to leave the organization.<sup>12</sup>

### Culture Versus Formalization

A strong organizational culture increases behavioral consistency. In this sense, we should recognize that a strong culture can act as a substitute for formalization.

In Chapter 15, we discussed how formalization’s rules and regulations act to regulate employee behavior. High formalization in an organization creates predictability, orderliness, and consistency. Our point here is that a strong culture achieves the same end without the need for written documentation. Therefore, we should view formalization and culture as two different roads to a common destination. The stronger an organization’s culture, the less management need be concerned with developing formal rules and regulations to guide employee behavior. Those guides will be internalized in employees when they accept the organization’s culture.

### Organizational Culture Versus National Culture

Throughout this book we’ve argued that national differences—that is, national cultures—must be taken into account if accurate predictions are to be made about organizational behavior in different countries. But does national culture override an organization’s culture? Is an IBM facility in Germany, for example, more likely to reflect German ethnic culture or IBM’s corporate culture?



Nordstrom has one of the strongest service cultures in the retailing industry. Employees know in no uncertain terms what is expected of them, and these expectations go a long way toward shaping their behavior.

#### **strong culture**

Culture in which the core values are intensely held and widely shared.

The research indicates that national culture has a greater impact on employees than does their organization's culture.<sup>13</sup> German employees at an IBM facility in Munich, therefore, will be influenced more by German culture than by IBM's culture. This means that as influential as organizational culture is in shaping employee behavior, national culture is even more influential.

The preceding conclusion has to be qualified to reflect the self-selection that goes on at the hiring stage.<sup>14</sup> A British multinational corporation, for example, is likely to be less concerned with hiring the "typical Italian" for its Italian operations than in hiring an Italian who fits with the corporation's way of doing things. We should expect, therefore, that the employee selection process will be used by multinationals to find and hire job applicants who are a good fit with their organization's dominant culture, even if such applicants are somewhat atypical for members of their country.

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## WHAT DO CULTURES DO?

We've alluded to organizational culture's impact on behavior. We've also explicitly argued that a strong culture should be associated with reduced turnover. In this section, we will more carefully review the functions that culture performs and assess whether culture can be a liability for an organization.

### Culture's Functions

Culture performs a number of functions within an organization. First, it has a boundary-defining role; that is, it creates distinctions between one organization and others. Second, it conveys a sense of identity for organization members. Third, culture facilitates the generation of commitment to something larger than one's individual self-interest. Fourth, it enhances the stability of the social system. Culture is the social glue that helps hold the organization together by providing appropriate standards for what employees should say and do. Finally, culture serves as a sense-making and control mechanism that guides and shapes the attitudes and behavior of employees. It is this last function that is of particular interest to us.<sup>15</sup> As the following quote makes clear, culture defines the rules of the game:

Culture by definition is elusive, intangible, implicit, and taken for granted. But every organization develops a core set of assumptions, understandings, and implicit rules that govern day-to-day behavior in the workplace. . . . Until newcomers learn the rules, they are not accepted as full-fledged members of the organization. Transgressions of the rules on the part of high-level executives or front-line employees result in universal disapproval and powerful penalties. Conformity to the rules becomes the primary basis for reward and upward mobility.<sup>16</sup>

The role of culture in influencing employee behavior appears to be increasingly important in today's workplace.<sup>17</sup> As organizations have widened spans of control, flattened structures, introduced teams, reduced formalization, and empowered employees, the *shared meaning* provided by a strong culture ensures that everyone is pointed in the same direction.

As we show later in this chapter, who receives a job offer to join the organization, who is appraised as a high performer, and who gets the promotion are strongly influenced by the individual-organization "fit"—that is, whether the applicant or employee's attitudes and behavior are compatible with the culture. It's not a coincidence that employees at Disney theme parks appear to be almost uni-



versally attractive, clean, and wholesome looking, with bright smiles. That's the image Disney seeks. The company selects employees who will maintain that image. And once on the job, a strong culture, supported by formal rules and regulations, ensures that Disney theme-park employees will act in a relatively uniform and predictable way.

### **Culture as a Liability**

We are treating culture in a nonjudgmental manner. We haven't said that it's good or bad, only that it exists. Many of its functions, as outlined, are valuable for both the organization and the employee. Culture enhances organizational commitment and increases the consistency of employee behavior. These are clearly benefits to an organization. From an employee's standpoint, culture is valuable because it reduces ambiguity. It tells employees how things are done and what's important. But we shouldn't ignore the potentially dysfunctional aspects of culture, especially a strong one, on an organization's effectiveness.

**Barrier to Change** Culture is a liability when the shared values are not in agreement with those that will further the organization's effectiveness. This is most likely to occur when an organization's environment is dynamic. When an environment is undergoing rapid change, an organization's entrenched culture may no longer be appropriate. So consistency of behavior is an asset to an organization when it faces a stable environment. It may, however, burden the organization and make it difficult to respond to changes in the environment. This helps to explain the challenges that executives at organizations like Mitsubishi, Eastman Kodak, Xerox, Boeing, and the U.S. Federal Bureau of Investigation have had in recent years in adapting to upheavals in their environment.<sup>18</sup> These organizations have strong cultures that worked well for them in the past. But these strong cultures become barriers to change when "business as usual" is no longer effective.

**Barrier to Diversity** Hiring new employees who, because of race, gender, disability, or other differences, are not like the majority of the organization's members creates a paradox.<sup>19</sup> Management wants new employees to accept the organization's core cultural values. Otherwise, these employees are unlikely to fit in or be accepted. But at the same time, management wants to openly acknowledge and demonstrate support for the differences that these employees bring to the workplace.

Strong cultures put considerable pressure on employees to conform. They limit the range of values and styles that are acceptable. In some instances, such as the widely publicized Texaco case (which was settled on behalf of 1,400 employees for \$176 million) in which senior managers made disparaging remarks about minorities, a strong culture that condones prejudice can even undermine formal corporate diversity policies.<sup>20</sup>

Organizations seek out and hire diverse individuals because of the alternative strengths these people bring to the workplace. Yet these diverse behaviors and strengths are likely to diminish in strong cultures as people attempt to fit in. Strong cultures, therefore, can be liabilities when they effectively eliminate the unique strengths that people of different backgrounds bring to the organization. Moreover, strong cultures can also be liabilities when they support institutional bias or become insensitive to people who are different.

**Barrier to Acquisitions and Mergers** Historically, the key factors that management looked at in making acquisition or merger decisions were related to financial

### “Success Breeds Success”

This statement is not always true. Generally speaking, success creates positive momentum. People like being associated with a successful team or organization, which allows winning teams and organizations to get the best new recruits. Microsoft's incredible success in the 1990s made it a highly desirable place to work. They had their pick among the “best and the brightest” job applicants when filling job slots. Success led to further successes. Microsoft's experience is generalizable across decades to other companies. In the 1960s, when General Motors controlled nearly 50 percent of the U.S. automobile market, GM was the most sought-after employer by newly minted MBAs. In the early 1990s, Motorola was routinely described as one of the best-managed and successful companies in America, and it was able to attract the best and the brightest engineers and professionals.

But success often breeds failure, especially in organizations with strong cultures.<sup>21</sup> Organizations that have tremendous successes begin to believe in their own invulnerability. They often become arrogant. They lose their competitive edge. Their strong cul-

tures reinforce past practices and make change difficult. “Why change? It worked in the past. If it ain't broke, don't fix it.”

The corporate highway is littered with companies that let arrogance undermine previous successes. JC Penney and Sears once ruled the retail-department-store market. Their executives considered their markets immune to competition. Beginning in the mid-1970s, Wal-Mart did a pretty effective job of humbling Penney and Sears' management. General Motors executives, safe and cloistered in their Detroit headquarters, ignored the aggressive efforts by Japanese auto firms to penetrate its markets. The result? GM's market share has been in a free fall for three decades. Motorola may have been the high-tech darling of the early 1990s, when it dominated world markets for semiconductors and analog cellular phones, but the company became arrogant. It stumbled badly in the digital market, failed to listen to the needs of its customers, and overextended itself in Asia. In the first quarter of 2001 the company lost \$206 million and was in the process of cutting 22,000 jobs worldwide.<sup>22</sup>

advantages or product synergy. In recent years, cultural compatibility has become the primary concern.<sup>23</sup> While a favorable financial statement or product line may be the initial attraction of an acquisition candidate, whether the acquisition actually works seems to have more to do with how well the two organizations' cultures match up.

A number of acquisitions consummated in the 1990s have already failed. And the primary cause is conflicting organizational cultures.<sup>24</sup> For instance, AT&T's 1991 acquisition of NCR was a disaster. AT&T's unionized employees objected to working in the same building as NCR's nonunion staff. Meanwhile, NCR's conservative, centralized culture didn't take kindly to AT&T's insistence on calling supervisors “coaches” and removing executives' office doors. By the time AT&T finally sold NCR, the failure of the deal had cost AT&T more than \$3 billion. In 1998, Daimler-Benz paid \$36 billion for Chrysler Corp. But Daimler's culture was driven by precision engineering whereas Chrysler's strength was salesmanship. Instead of the hoped-for synergies and cost savings, the merger didn't work. It wiped out \$60 billion in market value as Chrysler went from being the most-profitable car maker in the United States to its biggest money loser. Prognosticators are already forecasting hard times for the Hewlett-Packard and Compaq merger. Critics question whether Compaq's confrontational culture will clash with HP's congenial, egalitarian one.<sup>25</sup>

## CREATING AND SUSTAINING CULTURE

An organization's culture doesn't pop out of thin air. Once established, it rarely fades away. What forces influence the creation of a culture? What reinforces and sustains these forces once they're in place? We answer both of these questions in this section.

### How a Culture Begins

An organization's current customs, traditions, and general way of doing things are largely due to what it has done before and the degree of success it has had with those endeavors. This leads us to the ultimate source of an organization's culture: its founders.<sup>26</sup>

The founders of an organization traditionally have a major impact on that organization's early culture. They have a vision of what the organization should be. They are unconstrained by previous customs or ideologies. The small size that typically characterizes new organizations further facilitates the founders' imposition of their vision on all organizational members.

Culture creation occurs in three ways.<sup>27</sup> First, founders hire and keep only employees who think and feel the same way they do. Second, they indoctrinate and socialize these employees to their way of thinking and feeling. And finally, the founders' own behavior acts as a role model that encourages employees to identify with them and thereby internalize their beliefs, values, and assumptions. When the organization succeeds, the founders' vision becomes seen as a primary determinant of that success. At this point, the founders' entire personality becomes embedded in the culture of the organization.

The culture at Hyundai, the giant Korean conglomerate, is largely a reflection of its founder Chung Ju Yung. Hyundai's fierce, competitive style, and its disciplined, authoritarian nature are the same characteristics often used to describe Chung. Other contemporary examples of founders who have had an immeasurable impact on their organization's culture would include Bill Gates at Microsoft, Ingvar Kamprad at IKEA, Herb Kelleher at Southwest Airlines, Fred Smith at Federal Express, Mary Kay at Mary Kay Cosmetics, and Richard Branson at the Virgin Group.

### Keeping a Culture Alive

Once a culture is in place, there are practices within the organization that act to maintain it by giving employees a set of similar experiences.<sup>28</sup> For example, many of the human resource practices discussed in the previous chapter reinforce the organization's culture. The selection process, performance evaluation criteria, training and career development activities, and promotion procedures ensure that those hired fit in with the culture, reward those who support it, and penalize (and even expel) those who challenge it. Three forces play a particularly important part in sustaining a culture: selection practices, the actions of top management, and socialization methods. Let's take a closer look at each.

**Selection** The explicit goal of the selection process is to identify and hire individuals who have the knowledge, skills, and abilities to perform the jobs within the organization successfully. Typically, more than one candidate will be identified who meets any given job's requirements. When that point is reached, it would be naive to ignore that the final decision as to who is hired will be significantly influenced by the decision maker's judgment of how well the candidates will fit into the organization. This attempt to ensure a proper match, whether purposely or

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inadvertently, results in the hiring of people who have values essentially consistent with those of the organization, or at least a good portion of those values.<sup>29</sup> In addition, the selection process provides information to applicants about the organization. Candidates learn about the organization and, if they perceive a conflict between their values and those of the organization, they can self-select themselves out of the applicant pool. Selection, therefore, becomes a two-way street, allowing employer or applicant to abrogate a marriage if there appears to be a mismatch. In this way, the selection process sustains an organization's culture by selecting out those individuals who might attack or undermine its core values.

For instance, applicants for entry-level positions in brand management at Procter & Gamble (P&G) experience an exhaustive application and screening process. Their interviewers are part of an elite cadre who have been selected and trained extensively via lectures, videotapes, practice interviews, and role plays to identify applicants who will successfully fit in at P&G. Applicants are interviewed in depth for qualities such as their ability to "turn out high volumes of excellent work," "identify and understand problems," and "reach thoroughly substantiated and well-reasoned conclusions that lead to action." P&G values rationality and seeks applicants who think that way. College applicants receive two interviews and a general knowledge test on campus before being flown to Cincinnati for three more one-on-one interviews and a group interview at lunch. Each encounter seeks corroborating evidence of the traits that the firm believes correlate highly with "what counts" for success at P&G.<sup>30</sup>

**Top Management** The actions of top management also have a major impact on the organization's culture.<sup>31</sup> Through what they say and how they behave, senior executives establish norms that filter down through the organization as to whether risk taking is desirable; how much freedom managers should give their employees; what is appropriate dress; what actions will pay off in terms of pay raises, promotions, and other rewards; and the like.

For example, Robert A. Keirlin has been called "the cheapest CEO in America."<sup>32</sup> Keirlin is chairman and CEO of Fastenal Co., the largest specialty retailer of nuts and bolts in the United States, with 6,500 employees. He takes a salary of only \$60,000 a year. He owns only three suits, each of which he bought used. He clips grocery coupons, drives a Toyota, and stays in low-priced motels when he travels on business. Does Keirlin need to pinch pennies? No. The market value of his stock in Fastenal is worth about \$300 million. But the man prefers a modest personal life style. And he prefers the same for his company. Keirlin argues that his behavior should send a message to all his employees: We don't waste things in this company. Keirlin sees himself as a role model for frugality, and employees at Fastenal have learned to follow his example.

**Socialization** No matter how good a job the organization does in recruiting and selection, new employees are not fully indoctrinated in the organization's culture. Maybe most important, because they are unfamiliar with the organization's culture, new employees are potentially likely to disturb the beliefs and customs that are in place. The organization will, therefore, want to help new employees adapt to its culture. This adaptation process is called **socialization**.<sup>33</sup>

All Marines must go through boot camp, where they "prove" their commitment. Of course, at the same time, the Marine trainers are indoctrinating new recruits in the "Marine way." All new employees at Starbucks, the large coffee chain, go through 24 hours of training.<sup>34</sup> Classes are offered on everything necessary to turn new employees into brewing consultants. They learn the Starbucks philosophy, the com-

### socialization

The process that adapts employees to the organization's culture.

pany jargon (including phrases such as “half-decaf double tall almond skim mocha”), and even how to help customers make decisions about beans, grind, and espresso machines. The result is employees who understand Starbucks’ culture and who project an enthusiastic and knowledgeable interface with customers. For new incoming employees in the upper ranks, companies often put considerably more time and effort into the socialization process. At The Limited, newly hired vice presidents and regional directors go through an intensive one-month program, called “onboarding,” designed to immerse these executives in The Limited’s culture.<sup>35</sup> During this month they have no direct responsibilities for tasks associated with their new positions. Instead, they spend all their work time meeting with other senior leaders and mentors, working the floors of retail stores, evaluating employee and customer habits, investigating the competition, and studying The Limited’s past and current operations.

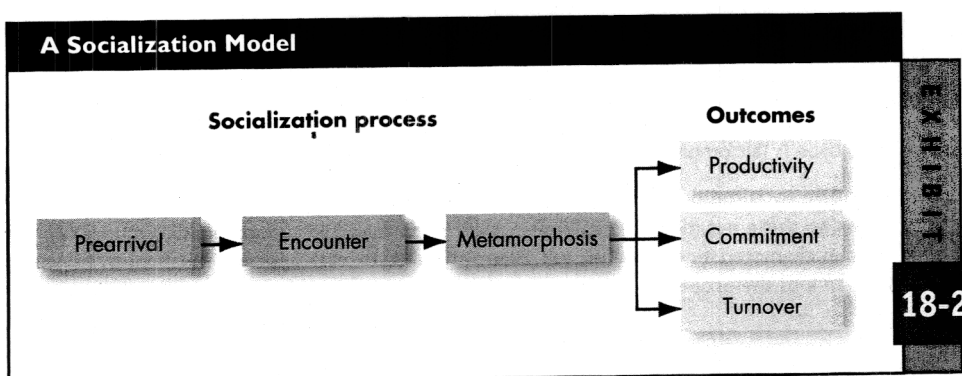
As we discuss socialization, keep in mind that the most critical socialization stage is at the time of entry into the organization. This is when the organization seeks to mold the outsider into an employee “in good standing.” Employees who fail to learn the essential or pivotal role behaviors risk being labeled “nonconformists” or “rebels,” which often leads to expulsion. But the organization will be socializing every employee, though maybe not as explicitly, throughout his or her entire career in the organization. This further contributes to sustaining the culture.

Socialization can be conceptualized as a process made up of three stages: prearrival, encounter, and metamorphosis.<sup>36</sup> The first stage encompasses all the learning that occurs before a new member joins the organization. In the second stage, the new employee sees what the organization is really like and confronts the possibility that expectations and reality may diverge. In the third stage, the relatively long-lasting changes take place. The new employee masters the skills required for his or her job, successfully performs his or her new roles, and makes the adjustments to his or her work group’s values and norms.<sup>37</sup> This three-stage process has an impact on the new employee’s work productivity, commitment to the organization’s objectives, and eventual decision to stay with the organization. Exhibit 18-2 depicts this process.

The **prearrival stage** explicitly recognizes that each individual arrives with a set of values, attitudes, and expectations. These cover both the work to be done and the organization. For instance, in many jobs, particularly professional work, new members will have undergone a considerable degree of prior socialization in training and in school. One major purpose of a business school, for example, is to socialize business students to the attitudes and behaviors that business firms want. If business executives believe that successful employees value the profit ethic, are loyal, will work hard, and desire to achieve, they can hire individuals out of business schools who have been premolded in this pattern. But prearrival socialization

#### prearrival stage

The period of learning in the socialization process that occurs before a new employee joins the organization.





goes beyond the specific job. The selection process is used in most organizations to inform prospective employees about the organization as a whole. In addition, as noted previously, the selection process also acts to ensure the inclusion of the "right type"—those who will fit in. "Indeed, the ability of the individual to present the appropriate face during the selection process determines his ability to move into the organization in the first place. Thus, success depends on the degree to which the aspiring member has correctly anticipated the expectations and desires of those in the organization in charge of selection."<sup>38</sup>

### encounter stage

The stage in the socialization process in which a new employee sees what the organization is really like and confronts the possibility that expectations and reality may diverge.

### metamorphosis stage

The stage in the socialization process in which a new employee changes and adjusts to the job, work group, and organization.

On entry into the organization, the new member enters the **encounter stage**. Here the individual confronts the possible dichotomy between her expectations—about her job, her co-workers, her boss, and the organization in general—and reality. If expectations prove to have been more or less accurate, the encounter stage merely provides a reaffirmation of the perceptions gained earlier. However, this is often not the case. Where expectations and reality differ, the new employee must undergo socialization that will detach her from her previous assumptions and replace them with another set that the organization deems desirable. At the extreme, a new member may become totally disillusioned with the actualities of her job and resign. Proper selection should significantly reduce the probability of the latter occurrence.

Finally, the new member must work out any problems discovered during the encounter stage. This may mean going through changes—hence, we call this the **metamorphosis stage**. The options presented in Exhibit 18-3 are alternatives designed to bring about the desired metamorphosis. Note, for example, that the more management relies on socialization programs that are formal, collective,

## Entry Socialization Options

**Formal vs. Informal** The more a new employee is segregated from the ongoing work setting and differentiated in some way to make explicit his or her newcomer's role, the more formal socialization is. Specific orientation and training programs are examples. Informal socialization puts the new employee directly into his or her job, with little or no special attention.

**Individual vs. Collective** New members can be socialized individually. This describes how it's done in many professional offices. They can also be grouped together and processed through an identical set of experiences, as in military boot camp.

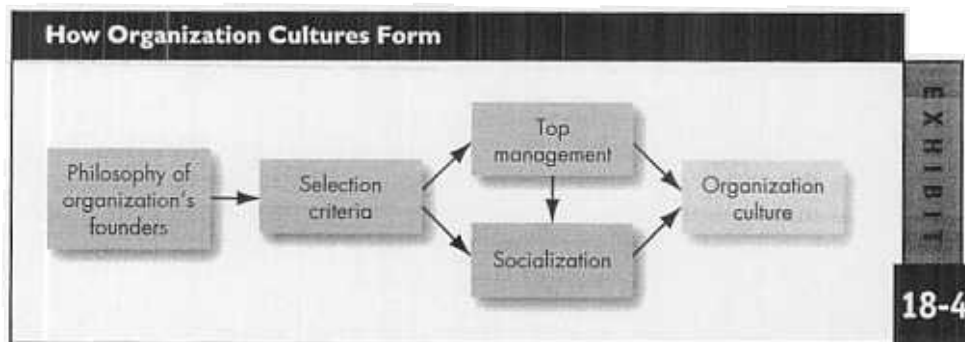
**Fixed vs. Variable** This refers to the time schedule in which newcomers make the transition from outsider to insider. A fixed schedule establishes standardized stages of transition. This characterizes rotational training programs. It also includes probationary periods, such as the 8- to 10-year "associate" status used by accounting and law firms before deciding on whether or not a candidate is made a partner. Variable schedules give no advanced notice of their transition timetable. Variable schedules describe the typical promotion system, in which one is not advanced to the next stage until he or she is "ready."

**Serial vs. Random** Serial socialization is characterized by the use of role models who train and encourage the newcomer. Apprenticeship and mentoring programs are examples. In random socialization, role models are deliberately withheld. The new employee is left on his or her own to figure things out.

**Investiture vs. Divestiture** Investiture socialization assumes that the newcomer's qualities and qualifications are the necessary ingredients for job success, so these qualities and qualifications are confirmed and supported. Divestiture socialization tries to strip away certain characteristics of the recruit. Fraternity and sorority "pledges" go through divestiture socialization to shape them into the proper role.

Source: Based on J. Van Maanen, "People Processing: Strategies of Organizational Socialization," *Organizational Dynamics*, Summer 1978, pp. 19–36; and E. H. Schein, "Organizational Culture," *American Psychologist*, February 1990, p. 116.





fixed, serial, and emphasize divestiture, the greater the likelihood that newcomers' differences and perspectives will be stripped away and replaced by standardized and predictable behaviors. Careful selection by management of newcomers' socialization experiences can—at the extreme—create conformists who maintain traditions and customs, or inventive and creative individualists who consider no organizational practice sacred.

We can say that metamorphosis and the entry socialization process is complete when the new member has become comfortable with the organization and his job. He has internalized the norms of the organization and his work group, and understands and accepts these norms. The new member feels accepted by his peers as a trusted and valued individual, is confident that he has the competence to complete the job successfully, and understands the system—not only his own tasks, but the rules, procedures, and informally accepted practices as well. Finally, he knows how he will be evaluated; that is, what criteria will be used to measure and appraise his work. He knows what is expected, and what constitutes a job “well done.” As Exhibit 18-2 shows, successful metamorphosis should have a positive impact on the new employee's productivity and his commitment to the organization, and reduce his propensity to leave the organization.

### Summary: How Cultures Form

Exhibit 18-4 summarizes how an organization's culture is established and sustained. The original culture is derived from the founder's philosophy. This, in turn, strongly influences the criteria used in hiring. The actions of the current top management set the general climate of what is acceptable behavior and what is not. How employees are to be socialized will depend both on the degree of success achieved in matching new employees' values to those of the organization's in the selection process and on top management's preference for socialization methods.

## HOW EMPLOYEES LEARN CULTURE

Culture is transmitted to employees in a number of forms, the most potent being stories, rituals, material symbols, and language.

### Stories

During the days when Henry Ford II was chairman of the Ford Motor Co., one would have been hard pressed to find a manager who hadn't heard the story about Mr. Ford reminding his executives, when they got too arrogant, that “it's my name that's on the building.” The message was clear: Henry Ford II ran the company!



Mike Cisco is Krispy Kreme's Minister of Culture. A key part of his job is to chronicle and transmit stories that capture the company's history and practices.

Nike has a number of senior executives who spend much of their time serving as corporate storytellers. And the stories they tell are meant to convey what Nike is about.<sup>39</sup> When they tell the story of how co-founder (and Oregon track coach) Bill Bowerman went to his workshop and poured rubber into his wife's waffle iron to create a better running shoe, they're talking about Nike's spirit of innovation. When new hires hear tales of Oregon running star Steve Prefontaine's battles to make running a professional sport and to attain better-performance equipment, they learn of Nike's commitment to helping athletes.

Nordstrom employees are fond of the following story. It strongly conveys the company's policy toward customer returns: When this specialty retail chain was in its infancy, a customer came in and wanted to return a set of automobile tires. The sales clerk was a bit uncertain how to handle the problem. As the customer and sales clerk spoke, Mr. Nordstrom walked by and overheard the conversation. He immediately interceded, asking the customer how much he had paid for the tires. Mr. Nordstrom then instructed the clerk to take the tires back and provide a full cash refund. After the customer had received his refund and left, the perplexed clerk looked at the boss. "But, Mr. Nordstrom, we don't sell tires!" "I know," replied the boss, "but we do whatever we need to do to make the customer happy. I mean it when I say we have a no-questions-asked return policy." Nordstrom then picked up the telephone and called a friend in the auto parts business to see how much he could get for the tires.

Stories such as these circulate through many organizations. They typically contain a narrative of events about the organization's founders, rule breaking, rags-to-riches successes, reductions in the workforce, relocation of employees, reactions to past mistakes, and organizational coping.<sup>40</sup>

These stories anchor the present in the past and provide explanations and legitimacy for current practices. For the most part, these stories develop spontaneously. But some organizations actually try to manage this element of culture learning. For instance, Krispy Kreme, the large doughnut maker out of North Carolina, has a full time "minister of culture" whose primary responsibility is to tape interviews with customers and employees.<sup>41</sup> The stories these people tell are then put in the company's video magazine that describes Krispy Kreme's history and values.

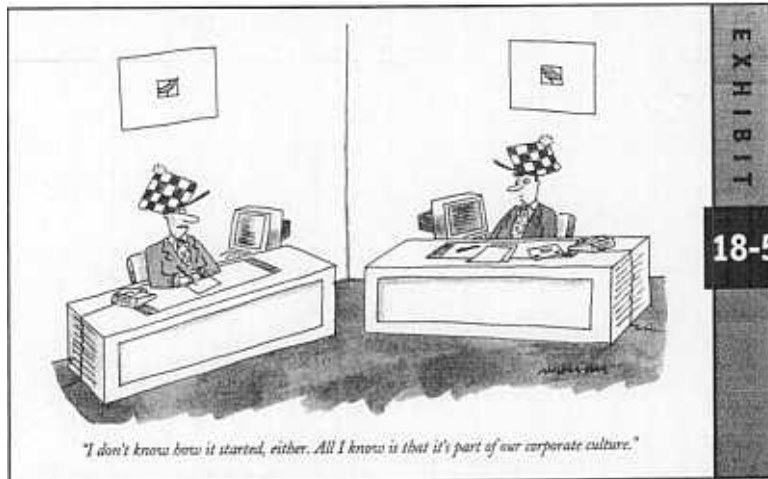
## Rituals

**Rituals** are repetitive sequences of activities that express and reinforce the key values of the organization—what goals are most important, which people are important, and which people are expendable.<sup>42</sup>

College faculty members undergo a lengthy ritual in their quest for permanent employment—tenure. Typically, the faculty member is on probation for six years. At the end of that period, the member's colleagues must make one of two choices: extend a tenured appointment or issue a one-year terminal contract. What does it take to obtain tenure? It usually requires satisfactory teaching performance, service to the department and university, and scholarly activity. But, of course, what satisfies the requirements for tenure in one department at one university may be appraised as inadequate in another. The key is that the tenure decision, in essence, asks those who are tenured to assess whether the candidate has demonstrated, based on six years of performance, whether he or she fits in. Colleagues who have been socialized properly will have proved themselves worthy of being granted tenure. Every year, hundreds of faculty members at colleges and universities are denied tenure. In some cases, this action is a result of poor performance across the board. More often, however, the decision can be traced to the faculty member's not doing well in the areas that the tenured faculty believe are important. The instruc-

## rituals

Repetitive sequences of activities that express and reinforce the key values of the organization, which goals are most important, which people are important, and which are expendable.



Source: Drawing by Mick Stevens in the *New Yorker*, October 3, 1994. Copyright © 1994 by the New Yorker Magazine, Inc. Reprinted by permission.

tor who spends dozens of hours each week preparing for class and achieves outstanding evaluations by students but neglects his or her research and publication activities may be passed over for tenure. What has happened, simply, is that the instructor has failed to adapt to the norms set by the department. The astute faculty member will assess early on in the probationary period what attitudes and behaviors his or her colleagues want and will then proceed to give them what they want. And, of course, by demanding certain attitudes and behaviors, the tenured faculty have made significant strides toward standardizing tenure candidates.

One of the better-known corporate rituals is Wal-Mart's company chant. Begun by the company's founder, Sam Walton, as a way to motivate and unite his work force, "Gimme a W, gimme an A, gimme an L, gimme a squiggle, give me an M, A, R, T!" has become a company ritual that bonds Wal-Mart workers and reinforces Sam Walton's belief in the importance of his employees to the company's success. Similar corporate chants are used by IBM, Ericsson, Novell, Deutsche Bank, and Pricewaterhouse-Coopers.<sup>43</sup>

### Material Symbols

The headquarters of Alcoa doesn't look like your typical head office operation. There are few individual offices, even for senior executives. It is essentially made up of cubicles, common areas, and meeting rooms. This informal corporate headquarters conveys to employees that Alcoa values openness, equality, creativity, and flexibility.

Some corporations provide their top executives with chauffeur-driven limousines and, when they travel by air, unlimited use of the corporate jet. Others may not get to ride in limousines or private jets but they might still get a car and air transportation paid for by the company. Only the car is a Chevrolet (with no driver) and the jet seat is in the economy section of a commercial airliner.

The layout of corporate headquarters, the types of automobiles top executives are given, and the presence or absence of corporate aircraft are a few examples of material symbols. Others include the size of offices, the elegance of furnishings, executive perks, and attire.<sup>44</sup> These material symbols convey to employees who is important, the degree of egalitarianism desired by top management, and the kinds of behavior (for example, risk taking, conservative, authoritarian, participative, individualistic, social) that are appropriate.

## Language

Many organizations and units within organizations use language as a way to identify members of a culture or subculture. By learning this language, members attest to their acceptance of the culture and, in so doing, help to preserve it.

The following are examples of terminology used by employees at Knight-Ridder Information, a California-based data redistributor: *accession number* (a number assigned to each individual record in a database); *KWIC* (a set of key-words-in-context); and *relational operator* (searching a database for names or key terms in some order). Librarians are a rich source of terminology foreign to people outside their profession. They sprinkle their conversations liberally with acronyms like ARL (Association for Research Libraries), OCLC (a center in Ohio that does cooperative cataloging), and OPAC (for on-line patron accessing catalog). If you're a new employee at Boeing, you'll find yourself learning a whole unique vocabulary of acronyms, including: BOLD (Boeing online data); CATIA (computer-graphics-aided three-dimensional interactive application); MAIDS (manufacturing assembly and installation data system); POP (purchased outside production); and SLO (service level objectives).<sup>45</sup>

Organizations, over time, often develop unique terms to describe equipment, offices, key personnel, suppliers, customers, or products that relate to its business. New employees are frequently overwhelmed with acronyms and jargon that, after six months on the job, have become fully part of their language. Once assimilated, this terminology acts as a common denominator that unites members of a given culture or subculture.

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## CREATING AN ETHICAL ORGANIZATIONAL CULTURE

The content and strength of a culture influences an organization's ethical climate and the ethical behavior of its members.<sup>46</sup>

An organizational culture most likely to shape high ethical standards is one that's high in risk tolerance, low to moderate in aggressiveness, and focuses on means as well as outcomes. Managers in such a culture are supported for taking risks and innovating, are discouraged from engaging in unbridled competition, and will pay attention to *how* goals are achieved as well as to *what* goals are achieved.

A strong organizational culture will exert more influence on employees than a weak one. If the culture is strong and supports high ethical standards, it should have a very powerful and positive influence on employee behavior. Johnson & Johnson, for example, has a strong culture that has long stressed corporate obligations to customers, employees, the community, and shareholders, in that order. When poisoned Tylenol (a Johnson & Johnson product) was found on store shelves, employees at Johnson & Johnson across the United States independently pulled the product from these stores before management had even issued a statement concerning the tamperings. No one had to tell these individuals what was morally right; they knew what Johnson & Johnson would expect them to do.

What can management do to create a more ethical culture? We suggest a combination of the following practices:

*Be a visible role model.* Employees will look to top-management behavior as a benchmark for defining appropriate behavior. When senior management is seen as taking the ethical high-road, it provides a positive message for all employees.

*Communicate ethical expectations.* Ethical ambiguities can be minimized by creating and disseminating an organizational code of ethics. It should state the

## OB in the News

### Enron and the Creation of an Unethical Culture

Enron Corp., which in December 2001 became the largest-ever U.S. bankruptcy, didn't fail solely because of improper accounting practices, although that was certainly a major contributor. It also failed because it had a culture that pushed executives into unethical behavior.

During Enron's heyday in the late 1990s, the press regularly praised the company for its entrepreneurial culture: smart, sassy, creative, and risk-taking. But a post-mortem analysis reveals a different culture—an unrelenting emphasis on earnings growth and individual initiative. Instead of rewarding new ideas, the company encouraged unethical corner-cutting. How? First, it pressured execu-

tives to make their numbers. Second, it instilled lax controls over how those numbers were created. Third, it bred a "yes-man" culture among executives. People were afraid to speak out on questionable practices for fear that it would adversely affect their performance evaluations and the size of their bonuses. Fourth, bonuses and money became the Almighty God. The company sought out and rewarded people who placed a high value on money. Jeff Skilling, the CEO who created Enron's in-your-face culture, is quoted as saying "all that matters is money. You can buy loyalty with money." Fifth, although managers were supposed to be graded on teamwork, the culture was heavily built around star players, with little value attached to team-building. The organization rewarded highly competitive people

who were less likely to share power, authority, or information. Finally, the company continually set itself wildly optimistic expectations for growth and then drove executives to find ways to meet them. "You've got someone at the top saying the stock price is the most important thing, which is driven by earnings," said one insider. "Whoever could provide earnings quickly would be promoted."

One former Enron employee summed up the Enron culture this way: "If your boss was [fudging], and you have never worked anywhere else, you just assume that everybody fudges earnings. Once you get there and you realized how it was, do you stand up and lose your job? It was scary. It was easy to get into 'Well, everybody else is doing it, so maybe it isn't so bad.'"

Sources: Based on W. Zellner, "Jeff Skilling: Enron's Missing Man," *Business Week*, February 11, 2002, pp. 38–40; and J. A. Byrne, "The Environment Was Ripe for Abuse," *Business Week*, February 25, 2002, pp. 118–20.

organization's primary values and the ethical rules that employees are expected to follow.

**Provide ethical training.** Set up seminars, workshops, and similar ethical training programs. Use these training sessions to reinforce the organization's standards of conduct; to clarify what practices are and are not permissible; and to address possible ethical dilemmas.

**Visibly reward ethical acts and punish unethical ones.** Performance appraisals of managers should include a point-by-point evaluation of how his or her decisions measure up against the organization's code of ethics. Appraisals must include the means taken to achieve goals as well as the ends themselves. People who act ethically should be visibly rewarded for their behavior. Just as importantly, unethical acts should be conspicuously punished.

**Provide protective mechanisms.** The organization needs to provide formal mechanisms so that employees can discuss ethical dilemmas and report unethical behavior without fear of reprimand. This might include creation of ethical counselors, ombudsmen, or ethical officers.

## CREATING A CUSTOMER-RESPONSIVE CULTURE

French retailers have a well-established reputation for indifference to customers.<sup>47</sup> Sales people, for instance, routinely make it clear to customers that their phone

conversations should not be interrupted. Just getting any help at all from a sales person can be a challenge. And no one in France finds it particularly surprising that the owner of a Paris store should complain that he was unable to work on his books all morning because he kept being bothered *by customers!*

Most organizations today are trying very hard to be un-French-like. They are attempting to create a customer-responsive culture because they recognize that this is the path to customer loyalty and long-term profitability. Companies that have created such cultures—like Southwest Air, FedEx, Johnson & Johnson, Nordstrom, Olive Garden, Walt Disney theme parks, and L.L. Bean—have built a strong and loyal customer base and have generally outperformed their competitors in revenue growth and financial performance. In this section, we will briefly identify the variables that shape customer-responsive cultures and offer some suggestions that management can follow for creating such cultures.

### Key Variables Shaping Customer-Responsive Cultures

A review of the evidence finds that half-a-dozen variables are routinely evident in customer-responsive cultures.<sup>48</sup>

First is the type of employees themselves. Successful, service-oriented organizations hire employees who are outgoing and friendly. Second is low formalization. Service employees need to have the freedom to meet changing customer-service requirements. Rigid rules, procedures, and regulations make this difficult. Third is an extension of low formalization—it's the widespread use of empowerment. Empowered employees have the decision discretion to do what's necessary to please the customer. Fourth is good listening skills. Employees in customer-responsive cultures have the ability to listen to and understand messages sent by the customer. Fifth is role clarity. Service employees act as "boundary spanners" between the organization and its customers. They have to acquiesce to the demands of both their employer and the customer. This can create considerable role ambiguity and conflict, which reduces employees' job satisfaction and can hinder employee service performance. Successful customer-responsive cultures

reduce employee uncertainty about the best way to perform their jobs and the importance of job activities. Finally, customer-responsive cultures have employees who exhibit organizational citizenship behavior. They are conscientious in their desire to please the customer. And they're willing to take the initiative, even when it's outside their normal job requirements, to satisfy a customer's needs.

In summary, customer-responsive cultures hire service-oriented employees with good listening skills and the willingness to go beyond the constraints of their job description to do what's necessary to please the customer. It then clarifies their roles, frees them up to meet changing customer needs by minimizing rules and regulations, and provides them with a wide range of decision discretion to do their job as they see fit.

### Managerial Action

Based on the previously identified characteristics, we can suggest a number of actions that



The Olive Garden chain of Italian-style restaurants has developed a customer-responsive culture. Its slogan, "When you're here, you're family," is one part of its culture.



management can take if it wants to make its culture more customer-responsive. These actions are designed to create employees with the competence, ability, and willingness to solve customer problems as they arise.

**Selection** The place to start in building a customer-responsive culture is hiring service-contact people with the personality and attitudes consistent with a high service orientation. Southwest Air is a shining example of a company that has focused its hiring process on selecting out job candidates whose personalities aren't people-friendly. Job applicants go through an extensive interview process at Southwest in which company employees and executives carefully assess whether candidates have the outgoing and fun-loving personality that it wants in all its employees.

Studies show that friendliness, enthusiasm, and attentiveness in service employees positively affect customers' perceptions of service quality.<sup>49</sup> So managers should look for these qualities in applicants. In addition, job candidates should be screened so new hires have the patience, concern about others, and listening skills that are associated with customer-oriented employees.

**Training and Socialization** Organizations that are trying to become more customer-responsive don't always have the option of hiring all new employees. More typically, management is faced with the challenge of making its current employees more customer-focused. In such cases, the emphasis will be on training rather than hiring. This describes the dilemma that senior executives at companies such as General Motors, Shell, and J.P. Morgan Chase have faced in the past decade as they have attempted to move away from their product focus. The content of these training programs will vary widely but should focus on improving product knowledge, active listening, showing patience, and displaying emotions.

In addition, even new employees who have a customer-friendly attitude may need to understand management's expectations. So all new service-contact people should be socialized into the organization's goals and values. Lastly, even the most customer-focused employees can lose direction every once in a while. This should be addressed with regular training updates in which the organization's customer-focused values are restated and reinforced.

**Structural Design** Organization structures need to give employees more control. This can be achieved by reducing rules and regulations. Employees are better able to satisfy customers when they have some control over the service encounter. So management needs to allow employees to adjust their behavior to the changing needs and requests of customers. What customers *don't* want to hear are responses such as "I can't handle this. You need to talk to someone else"; or "I'm sorry but that's against our company policy."

**Empowerment** Consistent with low formalization is empowering employees with the discretion to make day-to-day decisions about job-related activities. It's a necessary component of a customer-responsive culture because it allows service employees to make on-the-spot decisions to satisfy customers completely.<sup>50</sup>

**Leadership** Leaders convey the organization's culture through both what they say and what they do. Effective leaders in customer-responsive cultures deliver by conveying a customer-focused vision and demonstrating by their continual behavior that they are committed to customers.

In almost every organization that has successfully created and maintained a strong customer-responsive culture, its chief executive officer has played a major role in championing the message. For instance, DuPont's CEO Richard Heckert led

the charge to change the mentality of his company's employees from emphasizing research and product development to focusing on marketing and customer needs.<sup>51</sup>

**Performance Evaluation** There is an impressive amount of evidence demonstrating that behavior-based performance evaluations are consistent with improved customer service.<sup>52</sup> Behavior-based evaluations appraise employees on the basis of how they behave or act—on criteria such as effort, commitment, teamwork, friendliness, and the ability to solve customer problems—rather than on the measurable outcomes they achieve. Why are behaviors superior to outcomes for improving service? Because it gives employees the incentive to engage in behaviors that are conducive to improved service quality and it gives employees more control over the conditions that affect their performance evaluations.<sup>53</sup>

In addition, a customer-responsive culture will be fostered by using 360-degree evaluations that include input from customers. Just the fact that employees know that part of their performance appraisal will include evaluations from customers is likely to make those employees more concerned with satisfying customer needs. Of course, this should only be used with employees who have direct contact with customers.

**Reward Systems** Finally, if management wants employees to give good service, it has to reward good service. It needs to provide ongoing recognition to employees who have demonstrated extraordinary effort to please customers and who have been singled out by customers for “going the extra mile.” And it needs to make pay and promotions contingent on outstanding customer service.

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## SPIRITUALITY AND ORGANIZATIONAL CULTURE

What do Southwest Airlines, Ben & Jerry's Homemade, Hewlett-Packard, Wetherill Associates, and Tom's of Maine have in common? They're among a growing number of organizations that have embraced workplace spirituality.

### What Is Spirituality?

Workplace spirituality is *not* about organized religious practices. It's not about God or theology. **Workplace spirituality** recognizes that people have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community.<sup>54</sup> Organizations that promote a spiritual culture recognize that people have both a mind and a spirit, seek to find meaning and purpose in their work, and desire to connect with other human beings and be part of a community.

### Why Spirituality Now?

Historical models of management and organizational behavior had no room for spirituality. As we noted in our discussion of emotions in Chapter 4, the myth of rationality assumed that the well-run organization eliminated feelings. Similarly, concern about an employee's inner life had no role in the perfectly rational model. But just as we've now come to realize that the study of emotions improves our understanding of organizational behavior, an awareness of spirituality can help you to better understand employee behavior in the twenty-first century.

Of course, employees have always had an inner life. So why has the search for meaning and purposefulness in work surfaced now? There are a number of reasons. We summarize them in Exhibit 18-6.

### workplace spirituality

The recognition that people have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community.

## Reasons for the Growing Interest in Spirituality

- As a counterbalance to the pressures and stress of a turbulent pace of life. Contemporary lifestyles—single-parent families, geographic mobility, the temporary nature of jobs, new technologies that create distance between people—underscore the lack of community many people feel and increases the need for involvement and connection.
- Aging baby-boomers, reaching mid-life, are looking for something in their life.
- Formalized religion hasn't worked for many people and they continue to look for anchors to replace lack of faith and to fill a growing feeling of emptiness.
- Job demands have made the workplace dominant in many people's lives yet they continue to question the meaning of work.
- The desire to integrate personal life values with one's professional life.
- In times of economic plenty, more people have the luxury to engage in a search to reach their full potential.

EXHIBIT

18-6

## Characteristics of a Spiritual Organization

The concept of workplace spirituality draws on our previous discussions of topics such as values, ethics, motivation, leadership, and work/life balance. As you'll see, for instance, spiritual organizations are concerned with helping people develop and reach their full potential. This is analogous to Maslow's description of self-actualization that we discussed in relation to motivation. Similarly, organizations that are concerned with spirituality are more likely to directly address problems created by work/life conflicts.

What differentiates spiritual organizations from their nonspiritual counterparts? Although research on this question is only preliminary, our review identified five cultural characteristics that tend to be evident in spiritual organizations.<sup>55</sup>

**Strong Sense of Purpose** Spiritual organizations build their cultures around a meaningful purpose. While profits may be important, they're not the primary values of the organization. Southwest Airlines, for instance, is strongly committed to providing the lowest fares, on-time service, and a pleasant experience for customers. Ben & Jerry's Homemade has closely intermeshed socially responsible behavior into its producing and selling of ice cream. Tom's of Maine strives to sell personal care household products that are made from natural ingredients and are environmentally friendly.

**Focus on Individual Development** Spiritual organizations recognize the worth and value of people. They aren't just providing jobs. They seek to create cultures in which employees can continually learn and grow. Recognizing the importance of people, they also try to provide employment security. Hewlett-Packard, for instance, has gone to extremes to try to minimize the effect



Tom Chappell, of Tom's of Maine, has created a spiritual culture with a strong sense of purpose.

of economic downturns on its staff. The company has handled temporary downturns through voluntary attrition and shortened work weeks (shared by all); and longer-term declines through early retirements and buyouts.

**Trust and Openness** Spiritual organizations are characterized by mutual trust, honesty, and openness. Managers aren't afraid to admit mistakes. And they tend to be extremely up front with their employees, customers, and suppliers. The president of Wetherill Associates, a highly successful auto parts distribution firm, says: "We don't tell lies here, and everyone knows it. We are specific and honest about quality and suitability of the product for our customers' needs, even if we know they might not be able to detect any problem."<sup>56</sup>

**Employee Empowerment** The high-trust climate in spiritual organizations, when combined with the desire to promote employee learning and growth, leads to management empowering employees to make most work-related decisions. Managers in spiritually based organizations are comfortable delegating authority to individual employees and teams. They trust their employees to make thoughtful and conscientious decisions. As a case in point, Southwest Airline employees—including flight attendants, customer service representatives, and baggage handlers—are encouraged to take whatever action they deem necessary to meet customer needs or help fellow workers, even if it means breaking company policies.

**Toleration of Employee Expression** The final characteristic that differentiates spiritually based organizations is that they don't stifle employee emotions. They allow people to be themselves—to express their moods and feelings without guilt or fear of reprimand. Employees at Southwest Air, for instance, are encouraged to express their sense of humor on the job, to act spontaneously, and to make their work fun.

### **Criticisms of Spirituality**

Critics of the spirituality movement in organizations have focused on two issues. First is the question of legitimacy. Specifically, do organizations have the right to impose spiritual values on their employees? Second is the question of economics. Are spirituality and profits compatible?

On the first question, there is clearly the potential for an emphasis on spirituality to make some employees uneasy. Critics might argue that secular institutions, especially business firms, have no business imposing spiritual values on employees. This criticism is undoubtedly valid when spirituality is defined as bringing religion and God into the workplace.<sup>57</sup> However, the criticism seems less stinging when the goal is limited to helping employees find meaning in their work lives. If the concerns listed in Exhibit 18-6 truly characterize a growing segment of the workforce, then maybe the time is right for organizations to help employees find meaning and purpose in their work and to use the workplace as a source of community.

The issue of whether spirituality and profits are compatible objectives is certainly relevant for managers and investors in business. The evidence, although limited, indicates that the two objectives may be very compatible. A recent research study by a major consulting firm found that companies that introduced spiritually based techniques improved productivity and significantly reduced turnover.<sup>58</sup> Another study found that organizations that provide their employees with opportunities for spiritual development outperformed those that didn't.<sup>59</sup> Other studies also report that spirituality in organizations was positively related to creativity, employee satisfaction, team performance, and organizational commitment.<sup>60</sup> And if you're looking for a single case to make the argument for spirituality, it's hard to beat Southwest Air. Southwest has one of the lowest employee

turnover rates in the airline industry; it consistently has the lowest labor costs per miles flown of any major airline; it regularly outpaces its competitors for achieving on-time arrivals and fewest customer complaints; and it has proven itself to be the most consistently profitable airline in the United States.<sup>61</sup>

## SUMMARY AND IMPLICATIONS FOR MANAGERS

Exhibit 18-7 depicts organizational culture as an intervening variable. Employees form an overall subjective perception of the organization based on factors such as degree of risk tolerance, team emphasis, and support of people. This overall perception becomes, in effect, the organization's culture or personality. These favorable or unfavorable perceptions then affect employee performance and satisfaction, with the impact being greater for stronger cultures.

Just as people's personalities tend to be stable over time, so too do strong cultures. This makes strong cultures difficult for managers to change. When a culture becomes mismatched to its environment, management will want to change it. But as the Point-Counterpoint debate on page 546 demonstrates, changing an organization's culture is a long and difficult process. The result, at least in the short term, is that managers should treat their organization's culture as relatively fixed.

One of the more important managerial implications of organizational culture relates to selection decisions. Hiring individuals whose values don't align with those of the organization is likely to lead to employees who lack motivation and commitment and who are dissatisfied with their jobs and the organization.<sup>62</sup> Not surprisingly, employee "misfits" have considerably higher turnover rates than individuals who perceive a good fit.<sup>63</sup>

We should also not overlook the influence socialization has on employee performance. An employee's performance depends to a considerable degree on knowing what he should or should not do. Understanding the right way to do a job indicates proper socialization. Furthermore, the appraisal of an individual's performance includes how well the person fits into the organization. Can he or she get along with co-workers? Does he or she have acceptable work habits and demonstrate the right attitude? These qualities differ between jobs and organizations. For instance, on some jobs, employees will be evaluated more favorably if they are aggressive and outwardly indicate that they are ambitious. On another job, or on the same job in another organization, such an approach may be evaluated negatively. As a result, proper socialization becomes a significant factor in influencing both actual job performance and how it's perceived by others.



## Organizational Cultures Can't Be Changed

**A**n organization's culture is made up of relatively stable characteristics. It develops over many years and is rooted in deeply held values to which employees are strongly committed. In addition, there are a number of forces continually operating to maintain a given culture. These include written statements about the organization's mission and philosophy, the design of physical spaces and buildings, the dominant leadership style, hiring criteria, past promotion practices, entrenched rituals, popular stories about key people and events, the organization's historic performance evaluation criteria, and the organization's formal structure.

Selection and promotion policies are particularly important devices that work against cultural change. Employees chose the organization because they perceived their values to be a "good fit" with the organization. They become comfortable with that fit and will strongly resist efforts to disturb the equilibrium. The terrific difficulties that organizations like General Motors, AT&T, and the U.S. Postal Service have had in trying to reshape their cultures attest to this dilemma. These organizations historically tended to attract individuals who desired situations that were stable and highly structured. Those in control in organizations will also select senior managers who will continue the current culture. Even attempts to change a culture by going outside the organization to hire a new chief executive are unlikely to be effective. The evidence indicates that the culture is more likely to change the executive than the other way around.

Our argument should not be viewed as saying that culture can *never* be changed. In the unusual case in which an organization confronts a survival-threatening crisis—a crisis that is universally acknowledged as a true life-or-death situation—members of the organization will be responsive to efforts at cultural change. However, anything less than a crisis is unlikely to be effective in bringing about cultural change.

**C**hanging an organization's culture is extremely difficult, but cultures *can* be changed. The evidence suggests that cultural change is most likely to take place when most or all of the following conditions exist:

*A dramatic crisis.* This is the shock that undermines the status quo and calls into question the relevance of the current culture. Examples of these crises might be a surprising financial setback, the loss of a major customer, or a dramatic technological breakthrough by a competitor.

*Turnover in leadership.* New top leadership, which can provide an alternative set of key values, may be perceived as more capable of responding to the crisis.

*Young and small organizations.* The younger the organization is, the less entrenched its culture will be. Similarly, it's easier for management to communicate its new values when the organization is small.

*Weak culture.* The more widely held a culture is and the higher the agreement among members on its values, the more difficult it will be to change. Conversely, weak cultures are more amenable to change than strong ones.

If the above conditions exist, the following actions may lead to change: New stories and rituals need to be set in place by top management; employees should be selected and promoted who espouse the new values; the reward system needs to be changed to support the new values; and current subcultures need to be undermined through transfers, job rotation, and terminations.

Under the best of conditions, these actions won't result in an immediate or dramatic shift in the culture. This is because, in the final analysis, cultural change is a lengthy process—measured in years rather than in months. But cultures can be changed. The success that new leadership had in turning around the cultures at companies like Harley-Davidson, IBM, Texaco, and Electronic Data Systems attests to this claim.



### Questions for Review

1. What's the difference between job satisfaction and organizational culture?
2. Can an employee survive in an organization if he or she rejects its core values? Explain.
3. What defines an organization's subcultures?
4. Contrast organizational culture with national culture.
5. How can culture be a liability to an organization?
6. How does a strong culture affect an organization's efforts to improve diversity?
7. What benefits can socialization provide for the organization? For the new employee?
8. How is language related to organizational culture?
9. How can management create an ethical culture?
10. What criticisms have been targeted against bringing spirituality to the workplace?

### Questions for Critical Thinking

1. Is socialization brainwashing? Explain.
2. If management sought a culture characterized as innovative and autonomous, what might its socialization program look like?
3. Can you identify a set of characteristics that describes your college's culture? Compare them with several of your peers. How closely do they agree?
4. Today's workforce is increasingly made up of part-time or contingent employees. Is organizational culture really important if the workforce is mostly temporaries?
5. "We should be opposed to the manipulation of individuals for organizational purposes, but a degree of social uniformity enables organizations to work better." Do you agree or disagree with this statement? What are its implications for organizational culture? Discuss.

### Team Exercise

#### Rate Your Classroom Culture

Listed here are 14 statements. Using the five-item scale (from Strongly Agree to Strongly Disagree), respond to each statement by circling the number that best represents your opinion.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. I feel comfortable challenging statements made by my instructor.	5	4	3	2	
2. My instructor heavily penalizes assignments that are not turned in on time.	1	2	3	4	5
3. My instructor believes that "it's final results that counts."	1	2	3	4	5

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
4. My instructor is sensitive to my personal needs and problems.	5	4	3	2	
5. A large portion of my grade depends on how well I work with others in the class.	5	4	3	2	1
6. I often feel nervous and tense when I come to class.	1	2	3	4	
7. My instructor seems to prefer stability over change.	1	2	3	4	5
8. My instructor encourages me to develop new and different ideas.	5	4	3	2	
9. My instructor has little tolerance for sloppy thinking.	1	2	3	4	5
10. My instructor is more concerned with how I came to a conclusion than the conclusion itself.	5	4	3		1
11. My instructor treats all students alike.	1	2	3	4	5
12. My instructor frowns on class members helping each other with assignments.	1	2	3	4	5
13. Aggressive and competitive people have a distinct advantage in this class.	1	2	3	4	5
14. My instructor encourages me to see the world differently.	5	4	3	2	1

Calculate your total score by adding up the numbers you circled. Your score will fall between 14 and 70.

A high score (49 or above) describes an open, risk-taking, supportive, humanistic, team-oriented, easy-going, growth-oriented culture. A low score (35 or below) describes a closed, structured, task-oriented, individualistic, tense, and stability-oriented culture. Note that differences count. So a score of 60 is a more open culture than one that scores 50. Also, realize that one culture isn't preferable over the other. The "right" culture depends on you and your preferences for a learning environment.

Form teams of five to seven members each. Compare your scores. How closely do they align? Discuss and resolve discrepancies. Based on your team's analysis, what type of student do you think would perform best in this class?

Few companies have had a rougher time adapting to a changing environment than General Motors. The company is truly a textbook example of corporate entrenchment. As far back as the 1960s, the writing was on the wall that GM's way of operating—slow, deliberate decision making; layer-upon-layer of hierarchy; focus on cost-cutting rather than on new product design; and management-by-committee—was failing. From a U.S. automobile market share of nearly 50 percent in the late 1950s, the company was down to under 30 percent by the year 2000. GM's rigid and insular culture, driven by financial considerations, allowed both foreign and domestic competitors to steal away customers with new products—like fuel-efficient compacts, minivans, SUVs, and eye-catching roadsters.

A good part of GM's culture can be explained by the company's historic selection and promotion policies. It hired its future executives fresh out of school. They then shaped these recruits into the GM mentality. The company resisted ideas and innovations that were "not developed here." Executives firmly believed, to the point of arrogance, that the GM system was superior to all others. Promotions favored financial and engineering types, and individuals with these backgrounds rose to fill the company's top spots. GM rarely hired senior executives from outside the company ranks. In addition, GM encouraged its executives to socialize off the job with other GM people. This further insulated top executives and resulted in a senior management team that saw the world through similar lenses.

In the fall of 2001, GM Chief Executive Richard Wagoner hired former Chrysler executive Robert Lutz as vice chairman. His primary task? To change GM's organizational culture. Wagoner acknowledged that GM's culture—dominated by finance-types, engineers, and manufacturing personnel—was content to turn out unimaginative cars. The committee system (stacked to favor the company's accounting mentality) further hindered creative endeavors. For instance, whenever de-

signers and engineers would disagree about a design, the engineers (and their obsession with cost minimization) would always win. This largely explained why the company's cars looked boxy and so similar. Wagoner has essentially given Lutz a free hand to do whatever he needs to change tradition-bound GM.

Lutz faces a formidable task. This is a huge company. Sales are \$180 billion a year. It employs 363,000 people. This is also the place where the "GM nod" is endemic: GM lifers usually just nod at the new guy and go on doing things as they were. But Lutz has the advantage of coming to GM with a sterling reputation. He is a true "car guy," who single-handedly pushed through exciting new products at Chrysler like the Viper, the Prowler, and the PT Cruiser.

Lutz has chosen an incremental strategy for implementing change. He isn't chopping heads and bringing in loyalists. Rather, he is relying on the same designers and engineers who have been turning out duds for years. But he's giving more clout to the designers and marketing people. He's overseen a reorganization that has engineering and design divisions now reporting to just one person. He's encouraging people to question past practices, to speak out on issues, and challenge company doctrine. And GM brass is now spending more time driving competitors' cars than their own—while Lutz points out how most of them best GM.

### Questions

1. Describe the "old" GM culture.
2. What specific forces created this culture?
3. Describe the new culture that Lutz is trying to create.
4. Do you think Lutz will succeed or fail in his effort to change GM's culture? Why?

Source: Parts of this case are based on R. Meredith, "Car Guy," *Forbes*, January 21, 2002, pp. 50–51.

### KSS PROGRAM:

KNOW THE CONCEPTS  
SELF-AWARENESS  
SKILLS APPLICATIONS



### Reading an Organization's Culture

After you've read this chapter, take Self-Assessment #42 (What's the Right Organizational Culture For Me?) on your enclosed CD-ROM, and complete the skill-building module entitled Reading an Organization's Culture on page 631.

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