

Can you really manage corporate culture?

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Nowadays, why do so many managers talk about corporate culture when they want or need to change something?

When I took my car to the train station for piggyback transport, a lady next to me said to a young employee of the Austrian Federal Railways that the railway company had become much more friendly recently. The young man answered: "Yeah, now that we've sent the dinosaurs into retirement, things are really changing here!" You can hear similar stories in almost every enterprise. On the management level, people would not talk about dinosaurs but about a change in the corporate culture. Why is it possible to openly grumble about "the old geezers" today? It's because "old" employees or managers stand for many things which are not fashionable today: abiding by rules instead of responding to new developments in a flexible and expedient way, for politeness vis-à-vis superiors instead of really open and critical feedback vis-à-vis "team members". Cultural change often has to do with the devaluation of existing culture. For this reason, it is definitely a delicate matter.

Why is culture becoming a crucial issue?

From my point of view there are at least three reasons why culture – as in corporate culture, management culture, communication culture etc. – is a crucial issue in enterprises today:

1. There is a radical change on the management level, with new generations taking over. The values of those who are fifty years old today are not the same as the values of people in their thirties. To older people, Generation X, the thirty-somethings or even younger, seems selfish, unwilling to subordinate and to commit themselves. By contrast, the young ones say about the "old ones": "They don't say what they really think, they just insist on what has long been agreed and don't want to waive their rights."

2. "Hard" restructuring measures often do not touch the employee's day-to-day ways of thinking and behaving. "We've always done it this way," "who do these new managers think they are?", "they haven't got the slightest idea of what our business is about." The last sentence is frequently truer than true. You could well replace the word "business" by culture. After all, many restructuring measures, mergers, process-optimizing interventions do not touch the business core of an enterprise or division: the way "things really work" is a miraculously stable even though everybody speaks a "new language". For example, you find the mission statement "We work as a team" posted everywhere. However, when you take a closer look, you will find that the most important decisions are taken by individuals, not in a team. Why is that so? Look at the incentive system of the company, and you will find individual bonuses. When a bonus is granted, you simply need to know who was responsible for the achievement.
3. The idea of corporate culture being amenable to change is also fueled by consultants; they promise to be able to cause changes in corporate culture by seminars, workshops, training courses. In many cases, the notion you get is that it is possible to change behaviour with the help of external trainers and consultants without, however, touching the structures, strategies and fundamental ideas about "the business" which developed over many years. Everything should stay the way it is, we just want to change the culture!

An unknown/well-known story: How the new boss changed corporate culture

When we talk about corporate culture or management culture in every-day life, we often mean the way people deal with one another. Are we allowed to say what we really think? Is there open feedback? Are conflicts resolved openly or do we get second-hand information about the arguments of the other party to the conflict in the shape of accusations? Projects of change in corporate culture are often initiated by persons who want more open communication, who feel that they cannot get the relevant information, or who want to influence others and somehow don't succeed. Frequently, they are new executives or successors to the old management in (family) businesses who somehow cannot "access" the system, cannot find a way into the

established culture. They have a hard time finding their bearings and hence fail to take optimal decisions.

A development that is experienced in many companies and an often told story runs as follows: A new managing director is appointed in a medium-sized enterprise manufacturing components for cranes. He meets the members of the middle management, some of whom have built up the company over twenty years. He is in his late thirties, the others are on average around fifty years old. When analyzing data about product returns and delays in delivery, he finds some potential for improvement. He convenes a meeting, presents the data and invites people to discuss possible root causes and proposals to solve the problem. There are few requests for the floor, and after two hours the new managing director still has no clear view of what is happening.

What is actually happening? He is faced with an "unwritten law": you don't criticize others in public, i.e. in a meeting, and even less in the presence of a "stranger and newcomer" (the managing director). To talk about defects in production and delayed deliveries, you would have to talk about "mistakes" in the synchronization between development, production and sales, or even about "mistakes" made by people. Why did the company develop that "law"? It was founded and built up in the post-war years by three friends who, with a lot of commitment, managed to form a successful export company in a region otherwise unattractive for business. Problems and difficulties were always discussed in an amicable way and "behind closed doors", never in front of employees or strangers. The basic principle is: we stick together and make up for the other person's mistake by support. This principle made the company so successful in the early stages. No other supplier was able to tailor components to customers' needs more flexibly and quickly, and to correct erroneous measurements provided by customers more unbureaucratically. That is and was the fundamental strategy of the company, its unspoken competitive edge. As the company grew and two of the founders retired, the fundamental contract had not ceased to exist but it no longer applied to all those involved. So, what have we got? A cultural conflict between the cultures of the "founding fathers" and a new

management generation which is actually a natural consequence of younger people coming in.

How could the story continue?

There are at least two possibilities:

Variant 1: The new managing director thinks that the old management crew is working according to obsolete communication methods. He calls in trainers for an executive program to support open, interdivisional communication. How could the managers respond? We often observe that the "force-trained" people feel such a program to be unjust criticism: "What do you mean, we don't communicate properly...?"

In this context, try a little exercise: Read this story to a colleague and discuss his/her view and your view of the long-term effect of this process!

Variant 2: The new managing director thinks that the company's mission statement has to be revised and calls in consultants to prepare a new one. A project group is established, and he, the newcomer, is a member. The statements formulated include: "We encourage open communication! If mistakes are made, we talk about the underlying causes and look for good solutions! etc." Everybody is familiar with these and similar statements. The draft mission statement is then discussed in various staff workshops and amended. The "criticism" leveled at the behaviour of management that is hidden in it does not need to be spoken about. After all, the newcomer has learnt one thing fast: open criticism causes others to lose face, and he does not want to go through that, either. So he simply goes ahead with the process. Six months later, the mission statement is hung in the lobby of the company building.

What can we learn from this?

Culture is obviously more than the observable way in which people deal with one another or the written mission statement. Many people who want to change culture experience this phenomenon, and behind the scenes, the first opponents of "all this hot air about changing the culture" will appear.

Why is it so difficult to change corporate culture?

Culture is invisible.

Corporate culture is like the culture of a country. It is composed of things that go without saying when people deal with one another, the way cities are planned, the way traffic routes, festivities, public buildings, table manners look. We know the phenomenon: we travel to a foreign country, we read guidebooks, we talk to widely travelled people, we are optimally prepared. But then we continuously feel that we're doing something wrong. We ask a native if we overlooked something but he just says: "No, everything is okay!" We only find out why we continue to get this strange feeling time and again when we meet somebody who lives between cultures, who knows several cultures, such as an immigrant or expatriate. He/ She can explain these things that go without saying.

Culture will only become visible when two cultures clash. In a business enterprise this will be the case when

- new staff members join and bring in different experiences in business and corporate culture
- outsiders are appointed to executive positions
- a new generation of staff members exceeds a critical mass, e.g. after a series of retirements
- there is a merger
- departments are combined
- inter-divisional projects are carried out
- decision-making bodies are internationalized.

Culture usually becomes visible when tensions can be felt.

You will certainly be able to tell numerous stories about how different people with backgrounds in different cultures met. Usually, a common feature of these encounters is that the atmosphere is electric, and this is not meant in a positive sense. Conflicts arise, people are openly or clandestinely abused, there are attempts of one side to dominate or subjugate the other side. The interesting thing is: the

organizational unit that had the weaker position in the merger is mostly considered to be “more stupid”, “slower”, or “inflexible”.

Often, mention is made of developing a new culture together, but honestly, if I am stronger – because of better results, bigger projects, higher staffing levels, and because the new management is provided by my side – why should I give up my time-proven methods? One department will then feel inferior, intimidated, and annoyed, and it will activate defense mechanisms. The powerful with their basic assumptions about business and “efficient” processes often prevail when processes, working procedures and rules are integrated.

When two “foreign” cultures in the shape of two departments or organizations clash, the following process usually sets in: When encountering the other, I assure myself why I am what I am and why it is good to be what I am. This process of assuring oneself leads to a “repulsion reaction”, which in principle makes sense because it supports the maintenance of boundaries.

In practice, the problem is that we only start considering corporate culture when tensions can be felt or when “the house is on fire”. As a rule, “injuries” and “offenses” have already occurred and need to be worked through. In informal talks, we will hear “Who do they think they are?”. With the best of intentions, the management will frequently seek to create “new culture” as a matter of urgency but the urgent efforts will fail to produce the desired result. The strategy of acting fast in this context comes with the unintended side effect that one of the “partners” will have to give up its culture, and who would do that voluntarily and quickly? This is how the well-known processes of delaying matters start.

Culture is the extract of successful history

Culture is the sum total of all shared and self-evident assumptions a group or organization has learnt in mastering its tasks up to that point. Culture is the property of a group. Whenever a group has made a sufficient amount of joint (working) experience, culture starts to emerge. You will find culture in small teams, families, departments, professional communities (such as “the engineers”, “the marketing

people" etc.). Corporate culture exists when the people in a company share corporate history: they built the company together, they got it out of a crisis together. Culture is stable because it is the accumulation of learning experience in a team or an organization. Culture is the way in which the team, the department, the organization became successful, it represents the fundamental values leading to success.

Culture provides orientation, and people don't like being disoriented...

Culture provides orientation, we have a "good feeling" about what is important, how we should behave vis-à-vis the boss, what can be said and what will not be appreciated. The funny thing is that members of a group know precisely what they are and are not allowed to do. Who among us would not know a company with a mission statement that goes like this: "We want team work, we want open communication, we want independent staff members, we like learning from our mistakes, etc." Then you attend a meeting in the same company and see an employee who openly says what he thinks about a project. He is labeled as a person who creates obstacles, and after the meeting his boss will talk to him in private and say: "Look, Mr. Miller, you have to work on your performance as a team player. Your objections irritate your colleagues!" At that point Mr. Miller will definitely have learnt what to do next time if he wants to pursue a career in the company.

It's not managers that manage culture, it's culture that manages managers

Culture is not only "a way of dealing with one another", it is also part of strategies, business processes, products, services. All those who have tried to change the strategy of a division will know how difficult it is. A fast change in culture will only succeed if the players involved are exchanged. This is a method successfully applied in restructuring processes.

Culture is not an organ that you can exchange or repair...

Many executives, consultants and change managers have experienced the following: they develop a new mission statement for executives, they declare interdivisional team work to be a desired value, they repeatedly emphasize how important open communication is. In-house team and communication workshops are held. Working

groups are set up to prepare new guidelines. Consultants are retained as workshop moderators. Brochures are printed. A lot of effort – usually with little outcome. Who is to blame? It's either the employees – the long-serving employees don't want to make changes, they are just waiting for their retirement – or executives – team leaders are not strong enough, they are unable to gain acceptance for their project – or consultants – they don't know anything about our real business, anyway. Fact is that management and communication culture cannot be changed by themselves because, as has already been said, culture is hidden in strategies, business processes and organizational structures.

There is no such thing as good or bad culture

Culture is always nothing but good or bad from the perspective of someone who wants to achieve something within its boundaries. If a type of culture is conducive to my goals, I will call it good, if it is an obstacle, I will call it bad. Culture can only be rated as good or bad in relation to day-to-day business. We can only appraise if cultural elements further or hamper the corporate goals. The idea that team work is better than individual decision-making has caused many companies to make useless efforts. It all depends...

Which cultural "elements" are easier/harder to change?

Ed Schein, the American expert for corporate culture, described three levels of corporate culture which also provide significant hints as to where I can intervene more or less easily. These levels of culture relate to their degree of visibility, the factor of "what can I observe in reality?" What can be observed can also be changed more easily. It is easy to change artifacts and declared values in organizations. Fundamental values will be more difficult to handle.

What are artifacts?

Artifacts in a company are defined as everything you can observe, hear and feel when you enter the company premises. What size are the offices? Which ones are larger/brighter/more beautiful, and which ones are smaller/darker? Are there inviting conference rooms? Who is dressed in what style? How does the doorman treat you – like a visitor or like a suspect? How do they handle your call? Etc., etc. All these

observations hardly ever allow for conclusions to be drawn about the fundamental values underlying the company, they are always quasi ambivalent.

What are declared values?

Declared values are defined as values, principles and guidelines governing the way in which other staff members, customers or partners are dealt with; these are laid down in writing or officially declared by all those involved. This includes working papers on customer strategies, executive mission statements, corporate principles, quality management manuals, documents reflecting outlooks for the future etc. These values say more about the culture of a company. Typical quotes from texts: "Our employees are our most important resource." – "We respect our clients' needs." – "We practice and encourage open community."

An exercise:

1. Grab related documentation available in your company (mission statement, outlook for the future, corporate profile).
2. Leaf through the paper/s for a few minutes, read the texts carefully.
3. Jot down on a piece of paper the keywords you spontaneously think of in the context of what you read.
4. Read what you wrote and stow it away carefully!

The keywords you wrote down contain valuable hints about unspoken but effective rules in your company. This is the third level that has the most sustainable impact.

What are fundamental values?

Fundamental values are defined as the shared basic assumptions about how one should act in a company; usually, these are not voiced in public. Fundamental values are self-evident, the unwritten laws of a group, a department, an enterprise. These basic assumptions are either characterized by the actual *raison d'être* of the department or the ideas of the founder(s).

A story

An example from the banking community: As a safeguard against risks in the retail loan business, many banks have introduced so-called counseling and service

departments for clerks servicing private customers. The clerks were “invited” to contact the “loan counselors” when a loan exceeding a certain limit was applied for and to get advice from them. The “counselors” were very committed and well-meaning people who really wanted to cater to the needs of their “in-house clients”. When I talked to the “counselors” they complained that the clerks did not want get any counseling. The forms they sent out were returned with such long delays that they were no longer able to provide counseling on time, and in many cases, the loans had already been granted. For an outsider, it will not be difficult to identify the linguistic confusion: Camouflaged “counselors” are “experienced” as “supervisors”. The actual *raison d'être* of the loan counseling department is to safeguard the bank against risks and to supervise lending decisions. The “in-house clients” respond to the actual premise – “clerks servicing private customers need supervision because they are unable to assess risks on their own” – by putting up intelligent resistance. They ask for flexible and fast counseling, i.e. they require counseling with such delays that it can no longer be provided. Thus, they work in keeping with the declared value of branch operations: they handle customers’ requests within the shortest possible time.

Six steps toward changes in culture

To bring about changes in culture, you have to take six steps. You will need time and resources to do that.

1. You must make it clear to all people concerned and all decision-makers why a change in culture is needed! Which part of our business is endangered if we carry on as we used to?
2. You must find out which elements in the culture of your organizational unit are obstacles and which ones are supportive. To do this, you cannot use questionnaires, you must get groups to talk to each other!
3. You must find out which structures, strategic orientation and business processes the hampering elements of culture are located in!
4. You must plan and budget the process of change.
5. You must change yourself, i.e. reconsider your personal culture.
6. You must support those concerned in their new behavior!

Provide training, learning partnerships, and coaching groups! Build communities of new practice!

Checklists for Managers of Cultural Change

1. A checklist for those who have time to implement a cultural change program

This is the case if you are basically economically successful and your products or services are sought after and future-oriented. You have time to optimize things.

- Avoid culture workshops in which your day-to-day business is not discussed, events in which the motto is “How are we getting along with each other?” or “How openly do we talk to each other?”
- Always work on the business problem first and turn to culture later on! Never start out on the idea of changing culture. Always start by dealing with the most significant business problems of the organization. Find out which central issues your department has to engage with. Once this is clear, ask yourself and others if the existing corporate culture is conducive to these business issues or hampers them.
- Culture is always an outcome of past success. Usually, the number of elements in corporate culture which are an obstacle for future developments is small. Don't change everything!
- Appoint people sharing your views to key positions (leaders, project managers, heads of working groups)!
- Recognize people's behavior as being basically correct – in most cases they only abide by hidden cultural rules which you do not understand yet!
- Whenever you start rating other people's behavior (e.g. as “millstones around the neck”) formulate a question to ask the person concerned! Try to find out why he/she acts the way he/she does.

- Employ a separate management system for cultural development in parallel to the existing management system (i.e. working groups of executives and staff) and develop a change program in cooperation with the groups.
- If you want to bring two cultures together, initiate a dialogue at the boundary: form working groups which mutually visit and explore each other. Maintain differences before happily merging until you have understood the meaning of different procedures.

2. A checklist for those who do not have the time to implement a cultural change program

This is the case when your enterprise/unit is clearly and presently endangered and you do not have one or two years for a development process!

- Identify the cultural rules of your organization!
- Localize the dysfunctional elements of culture!
- Identify those who are responsible!
- Replace them!

3. Questions for the identification of culture (for personal use only)

- What is the *raison d'être* of your enterprise? Do the declared corporate strategies and goals match it?
- How are mistakes detected in your company? How can you find out that you do not reach the goals?
- And the decisive question: what do you do when you discover that goals have not been reached? Do you say it out loud in public? Who do you tell first? What would happen if you said who you believe to be responsible?
- What are the actual messages underlying the bonus system in your company? Do they reflect trust or mistrust?
- What happens if you interrupt your boss when he/she talks for such long time that you are no longer able to follow?

- If you do not agree with a highly esteemed colleague: do you feel encouraged or rather discouraged to express this face to face?
- Think of your last staff guidance talk: was it easy for you to give feedback to your boss when he/she asked you to do so – or did it take you some seconds to come up with a kind answer?
- What do you look for if you want to find out how your work is really appraised?
- If you arrange a meeting, how much time do you think is appropriate to allocate to it?
- Do you really believe the figures, controlling data, and statistics in your company?