American Management Association®

MOVING AHEAD
MANAGEMENT INSIGHTS FOR BUSINESS SUCCESS

e-Newsletters > Moving Ahead Newsletter > May 2009 | Volume 4 | No. 5

Expert Opinion

Exploding Common Myths About Corporate Culture

By Nat Stoddard and Claire Wyckoff

Although books and articles championing the vital role culture plays in business first appeared over 30 years ago, their impact on organizational behavior has not been as great as might have been expected. To some executives, the concept of culture may seem fuzzy or lacking in practical application. These impressions have been fueled by a number of myths that have grown up around the notion of corporate culture.

One thing we've learned over the years is that many of these myths are false. By addressing some of them here, we will show how culture affects the leadership of every organization and how leaders can benefit by learning and understanding more about the cultures of their companies.

Myth #1: Culture is only about "soft stuff" and is therefore not actionable.
Reality: Numerous studies have documented the fact that culture has a direct impact on company performance.

Myth #2: Corporate cultures are what they are; they can't be appreciably shaped or changed.
Reality: Cultural changes require patience and consistency of direction. Nevertheless, culture does respond to the influence of its leaders, as evidenced by organizations that include GE, Toyota, and others.

Myth #3: Cultural changes require a strong-willed leader who is willing to "shake things up."
Reality: Experience shows that it is the champions, the leaders whom the existing culture is willing to follow, who can bring about cultural change—not the tyrants and bullies.

Myth #4: Culture must be experienced to be understood—it can't be easily described, measured, or taught.
Reality: More precise ways of measuring and describing corporate culture do exist.

Myth #5: Organizations only have one dominant culture—it's pretty much the same throughout the company.

Reality: One of the first studies to discredit this myth compared various military units during World War II, concluding, “Subcultures within organizations can be widely diverse and even give rise to countercultures.”

Myth #6: When selecting a new leader, cultural considerations need not be central to the process and aren’t all that essential for success.
Reality: Cultures have a very powerful impact on the effectiveness of leaders.

Why Executives Fail
Most leaders fail not because of lack of ability, but because they don’t fit in well with one or more cultures within their organization. We cannot count the number of times we have seen newly selected executives, who were otherwise very competent, fail to understand the values and beliefs of the team they inherited. Committed to bringing about change, they failed to understand and respect historical conventions, and so alienated themselves from the trust of the people they were expected to lead. Effective leaders grasp the significance and power of these unwritten and often irrational and implicit guides to behavior. Without the close alignment of a leader’s values and those of the culture, there cannot be trust, and without trust, there is no followership and, hence, no leadership.

In an aptly titled classic on the subject *Organizational Culture and Leadership,* Dr. Edgar Schein, the former chairman of the organizational studies group at MIT’s Sloan School of Business notes: “When a company is just starting up, the values and beliefs of its founder are reflected in the values and beliefs of the rest of the organization: The founder hires people whose attitudes and values reflect his or her own and weeds out those whose don’t.”

As time passes, some founders pay little attention to developing their company’s culture and it just evolves, while others purposefully and diligently build the kind of company they want it to be.

As companies continue in their evolution, new leaders come to power and become responsible for shaping the culture. Those organizations with the strongest cultures are those whose leaders have worked diligently at shaping their cultures. They are then ones—large and small—that have been, and will continue to be, a sustaining force in America’s economic heritage.

Although many organizations have a formal, written value statements, the ones that matter the most are those that are strongly felt and widely held by the organization, regardless of whether they are written or are unwritten. They are the norms that have developed over time and that require a high degree of emotional intelligence to identify.

Embracing the Tiers of Culture
To be successful, new leaders must understand and embrace a minimum of three separate cultural units in which they must operate and through which they must bring about change:

1. The organization at large
2. The leader’s team of direct reports
3. The “boss’s team” (Although in the case of the CEO, it may be the subculture of the board at large that constitutes the “boss’s team.”)

In addition, in our global economy, leaders are increasingly called on to adapt to the values of a country other than their own. Regardless of the makeup of these cultural units, each has a very powerful effect on the acceptance and success of the new leader.

At first blush the importance of understanding these subcultures may lead to the erroneous conclusion that inside candidates are automatically better suited than those from outside the organization for any senior position because they know the culture. Indeed, in a 2007 *Harvard Business Review* article, Joseph Bower reported that "company performance was significantly better when insiders succeeded to the job of CEO," and "other researchers, including Jim Collins in *Good to Great* have come to similar conclusions working from different sets of data."

However, there is also ample research indicating that outsiders do better in certain situations and over certain

timeframes than insiders. In one study, for instance, Booz Allen Hamilton found that outsiders outperform insiders during the first five years; after that, insiders do better.

What Is Culture?

While there are many definitions of "culture," they all agree that cultures provide normative guidelines for the behavior of those who are a part of the group. Also, most agree that the shared sense of belonging that comes from adhering to those norms provides the group with stability.

Culture goes even deeper than this, however. Schein identifies three fundamental characteristics of culture. They are:

• Artifacts (everything that can be seen, touched or heard about a culture)
• The espoused beliefs, values, rules, and behavioral norms held by the group
• The "tacit, taken-for-granted, basic underlying assumptions" of the organization

In *Corporate Culture*, Terrance Deal and Allan Kennedy observe that, in addition to values and beliefs, heroes, rites, and rituals contribute to the creation of cultures. And in order to survive, cultures develop informal, but powerful, communications networks. Knowing what is being said is as important as knowing what to say. And knowing how to say it, to whom, and when is every bit as important.

Besides these key elements, another dimension to consider is how they are described and compared. As Deal and Kennedy point out, "A strong culture is a powerful lever for guiding behavior; it helps employees do their jobs a little better." Note that this quote talks about how *strong* cultures help employees. It does not refer to cultures as being good or bad but to their relative intensity—strong vs. weak. The implication is that cultures should not be judged but measured.

Cultural Assessment Tools

Several tools are available for measuring culture. Booz Allen Hamilton has come up with a three-step approach that they assert will not only assess current corporate values but help the company design a change program designed to "align a company's values and business goals." Richard Barrett has also designed an assessment tool for measuring a corporation's culture in terms of its degree of evolution.

At Crenshaw Associates we have pioneered a process, based on our experience with outplacement clients, which we use to help organizations select leaders who fit the cultures they are expected to lead or, in instances where the leader is already in place, help him or her adapt to the organization. This approach provides several new tools for comparing the individual's values with those of the cultures he or she is expected to lead. In our book *The Right Leader* we describe how to use a technique called "mapping the corporate lay of the land," (or "mapping" for short). It allows leaders to identify both executional and directional needs and measure the key attributes of the cultures at play—artifacts, values, and beliefs.

Concluding Thoughts

Regardless of how you go about gaining insight into your organization's cultures, the critical point is to do it. John Rogers, a member of Goldman Sachs's Management Committee, described the importance of identifying and understanding culture for all successful executives when he said: "Our bankers travel on the same planes as our competitors. We stay in the same hotels. In a lot of cases, we have the same clients as our competition. So, when it comes down to it, it is a combination of execution and culture that makes the difference between us and other firms . . . That's why our culture is necessary—it's the glue that binds us together. We hold onto the values, symbols, and rituals that have guided us for years, and anything new that we add to the culture always supports what already exists."

The myths that culture cannot be measured or managed are just that—myths. As we have attempted to illustrate, the tools are there for leaders to learn about the cultures of their companies and to benefit from that knowledge. You just have to take advantage of them.

ABOUT THE AUTHORS:

Nat Stoddard is chairman of Crenshaw Associates, a New York-based consulting firm specializing in career and transition management for senior executives. He is co-author, with Claire Wyckoff, of *Right Leader: Selecting Executives Who Fit* (Wiley, 2009).

Claire Wyckoff has held executive positions in both the corporate and nonprofit sectors. She is currently affiliated with the Publishing Center of NYU's School of Continuing Education and Professional Studies. She is coauthor, with Nat Stoddard, of *Right Leader: Selecting Executives Who Fit* (Wiley, 2009).